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SERVICES

Services Liberalisation Talks Among Group of WTO Members to Enter "New Phase"

A group of WTO members involved in talks on a potential services liberalisation agreement have announced that their discussions are ready to enter a "new phase," according to a joint statement released last week, with work set to "intensify" once members return to Geneva following the August recess.

The statement was signed by Australia, Canada, Colombia, Costa Rica, the EU, Hong Kong, China, Israel, Japan, Mexico, New Zealand, Norway, Pakistan, Peru, South Korea, Switzerland, Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu, Turkey, and the US.

Sources note that other members have also been involved in the discussions, and could potentially announce their participation formally at a later date, given that some were dealing with some domestic procedures in terms of timing before signing on to the statement.

The 5 July announcement follows months of exploratory talks among participating members that began early this year. "We believe it is time to bring this progress back to Geneva with the ultimate aim of reinforcing and strengthening the rules-based multilateral trading system," the joint statement read.

Trade officials from participating countries lauded the announcement. "The services discussion is one of the most constructive and productive activities happening in Geneva right now – a hopeful counterpoint to recent years of impasse in the Doha talks – and it is good news that they are moving forward," US Trade Representative Ron Kirk [said](#) upon the release of the statement.

"This reflects the EU's goal to re-energise services trade liberalisation in a manner that is both consistent with and complementary to the WTO," EU Ambassador to the WTO Angelos Pangratis [said](#).

Aiming for an "ambitious" agreement

The group noted that any such services agreement should be comprehensive in its scope, adding that the deal would need to include substantial sectoral coverage "with no *a priori* exclusion of any sector or mode of supply." There are "no red lines at this



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point," one developed country source familiar with the talks told Bridges.

In addition, the group said, participating members should negotiate market access commitments that "correspond as closely as possible to actual practice and provide opportunities for improved market access; and contain new and enhanced rules developed through negotiations."

A potential deal should build upon the existing WTO General Agreement on Trade in Services (GATS), the statement read, as well as the subsequent services provisions in preferential trade agreements since established among members.

"Any such agreement would aim to capture a substantial part of the liberalisation achieved in other negotiations on trade in services," the statement said. "The outcomes of the agreement could then be brought into the multilateral system."

"I think it's important to clarify that this is an exploratory exercise for the moment," one developing country official involved in the talks said. "What unites us is a search for a greater liberalisation in services trade and the goal of not doing any damage to the multilateral process. With these two objectives in mind, we are exploring different ways to potentially achieve this objective."

Spectre of Doha services impasse in the background

Part of what spurred members to begin these discussions is that services have been "a little bit of an afterthought in the market access trinity," one developed country official noted, with services taking a backseat to agriculture and industrial market access talks in the Doha Round.

During the July 2008 "signalling conference," a 30-odd group of countries had made ambitious conditional offers in the area of services market access. Various WTO members had repeatedly complained that most offers tabled previously did not go far enough. However, emerging economies stressed that they would only be able to confirm the improved offers if an acceptable deal was reached in agriculture and non-agricultural market access.

Ultimately, no compromise was possible in this area, nor in the disagreements between developed and developing countries on mode 4 – where services are provided by foreign nationals abroad – effectively bringing the Doha services talks to a halt.

Technical discussions so far

Recent technical discussions among this WTO member subset have addressed issues such as how to possibly multilateralise whatever result comes from this initiative. Whether or not to establish a positive or negative list has also come up, sources told Bridges. Under a negative list, all areas except those specifically excluded are liberalised; under a positive list, members only liberalise those areas that they sign up for.

In addition, the possibility of a "ratchet-in clause" has been raised by some members, one official familiar with the talks told Bridges; under such a clause, in cases where one participating member improves services market access on its own, that newly liberalised access would then be accorded to other parties to the deal, and become permanent.

Other proposals under discussion include a potential standstill commitment among participating members to not create new obstacles to services trade, and suggestions on how to set the level of market access commitments, such as by a "best FTA/best applied level of services liberalisation" approach, or if instead these levels should go beyond what has already been agreed in these contexts.

"There are a lot of open minds," one developing country delegate commented. Another official noted that the discussions so far have been quite "frank," adding that, "from now on, we can expect an intensification of work, with the goal of eventually reaching some conclusions – however, what these conclusions might be is too early to tell."

"Generally speaking, though we haven't committed to a roadmap of any sort, we will see by the end of year if there is any consensus on specific parameters before beginning negotiations," a developed country source explained.

It is also too early to say whether and how exactly such a deal might be incorporated into the WTO framework, multiple sources have told Bridges. "You can't put the cart before the horse," one developing country official said.

Participation

The statement stressed that the group encourages other WTO members "who share a high level of ambition for the liberalisation of trade in services, including these objectives, to take part in this effort."

"This is a process open to any member," one developing country official commented to Bridges. "Whoever would like to join and shares our objectives can do so."

Costa Rica, Israel, Peru, and Turkey are the four latest WTO members to join the discussions, sources noted. "You would expect that other countries with an interest in trade in services will soon follow," one official said.

"This is like going on a dance floor – you need someone to get the party started, and people are always looking to see who's there, and given that, they might get involved, or they might keep looking," another noted.

Questions from emerging economies

When the talks began earlier this year, they received a "not very warm" reception among some WTO members, sources said. Emerging economies, such as Brazil, India, China, and South Africa, have repeatedly been among those to raise concerns over the systemic implications of adopting a plurilateral approach to negotiations.

At the March meeting of the GATS Council – the WTO body responsible for overseeing the functioning of the organisation's existing services agreement – China and India both raised questions over whether this initiative could potentially undermine the multilateral trading system. South Africa, for its part, stressed the importance of the linkage between industrial market access, agriculture, and services.

Later that month, BRICS leaders at their annual summit in New Delhi reiterated their stance that WTO members should be wary of pursuing plurilateral initiatives during the Doha impasse. (See Bridges Weekly, [4 April 2012](#))

"We do not support plurilateral initiatives that go against the fundamental principles of transparency, inclusiveness, and multilateralism," they said at the time. "We believe that such initiatives not only distract members from striving for a collective outcome but also fail to address the development deficit inherited from previous negotiating rounds."

Current members involved in the services discussions, however, have said that it would be ideal if emerging economies joined the talks. "There is no question that I think everyone's preference is for the emerging economies to be part of all the discussions we have in Geneva because those are the markets that everybody is most interested in," US Ambassador to the WTO Michael Punke told reporters back in March.

If the proposed agreement does materialise, the emerging economies could very well choose to take part, Sherry Stephenson, Senior Advisor for Services Trade at the Organization of American States, commented to Bridges. *[Editor's note: Stephenson is also an ICTSD Senior Fellow; ICTSD is the publisher of Bridges.]*

"China tends to be very pragmatic in its economic policies," Stephenson said. "If the services agreement goes forward, then given its large and growing services exports, China will likely decide that it would be preferable to be on the inside rather than the outside, and then India would likely follow suit." Stephenson is the co-author of a Peterson Institute for International Economics [policy brief](#) on a potential framework for an international services agreement.

ICTSD reporting.

RUSSIA

Russian Duma Ratifies WTO Accession Accord

Russian lawmakers in the lower house of Parliament ratified Moscow's WTO accession protocol on Tuesday, bringing the world's largest economy outside the WTO one step closer toward becoming the global trade body's 156th member.

The accord passed in the lower chamber, known as the State Duma, by a vote of 238-208, with one abstention and three not present. The accord next goes to the upper chamber of parliament for adoption, after which it will be sent to President Vladimir Putin for signature, both of which are largely seen by trade observers as formalities.

Moscow has a 23 July deadline to notify the global trade body that it has passed the deal. Thirty days after this notification, Russia's WTO membership will be final.

Tuesday's vote came on the heels on a Monday ruling by Russia's Constitutional Court upholding the accession package's consistency with Russian law. Opposition lawmakers from Communist and Just Russia parties had challenged the constitutionality of the accession protocol, claiming a breach in procedural issues surrounding the bill. (See Bridges Weekly, [27 June 2012](#)) Despite the protests, the court's ruling was unanimous.

With the country expected to become a full WTO member by summer's end, Russian officials have said that they will push strongly for their country's interests once Moscow becomes part of the Geneva-based trade body.

"Membership creates the possibility to pursue our interests inside the WTO and that of course requires a certain aggression," Economy Minister Andrei Belousov said following the Duma's vote, leaving trade observers to speculate as to what this might mean for the country's integration into the 155-member group.

Russia's impending summer accession to the WTO follows a process that began in 1993. After completing the long series of negotiations with current members, Russia received its invitation to join the WTO at the trade body's ministerial conference last December. (See Bridges Daily Update #3, [17 December 2011](#))

The nearly 700-page accord detailing the agreement between Russia and current WTO members reflected the difficulty of the accession process, the global trade body's most complex to date.

The World Bank estimates that WTO membership will boost Russian economic growth by 3.3 percent in the medium term and as much as 11 percent in the long run.

Domestic divisions persist over accession benefits

Meanwhile, public opinion within Russia continues to appear divided over the benefits of WTO membership. Proponents of the accession cite stability and clarity in foreign trade regulation and improved quality of consumer goods and services due to increased competition as among the benefits of the move. Those in favour also contend that membership will improve Russia's business climate and lead to greater foreign investment in domestic industry.

With the ratification deadline fast approaching, however, domestic dissent – both popular and political – has grown in recent months. Protesters gathered Tuesday outside the State Duma to lobby against the accord, which has also drawn criticism from Russia's opposition parties, on the grounds that WTO accession could lead to a weakening of national sovereignty and harm to domestic industry.

"We receive assurances that Russian goods and services are ready to penetrate onto world markets, but nobody tells us which ones," wrote Communist Party leader Gennady Zyuganov in a letter last month urging rejection of the accession protocol. "The main sectors of the economy are in no shape to compete on foreign markets and other industries do not make products that are in demand."

US trade, human rights debate continues

With Russia's WTO accession on the immediate horizon, US lawmakers have spent the last few months engaged in intense debate over whether to repeal the Jackson-Vanik amendment, a Cold War-era law denying most-favoured nation (MFN) status to countries with limited freedom of emigration. Though Washington has granted Moscow waivers from the amendment since the early 1990s, leaving the original legislation in place could put US exporters at a serious disadvantage to their foreign competitors, who unlike the US would immediately enjoy the benefits of Russia's membership in the global trade body. (See Bridges Weekly, [27 June 2012](#))

"We are pleased to hear that Russia has completed this critical first step in its domestic process for approving the terms for becoming a member of the World Trade Organization," US Trade Representative Ron Kirk said on Tuesday upon news of the Duma's vote, underscoring that Moscow's WTO membership could provide benefits to both Russia and the US. "We reiterate our call on Congress to act now on Jackson-Vanik and Permanent Normal Trade Relations legislation," he said.

Debate in Washington surrounding the Jackson-Vanik repeal has centred around whether permanent normal trade relations (PNTR) should be established with Moscow at all – given that some lawmakers fear that the US could lose leverage with Russia in other policy areas – and, if so, should the removal of these trade restrictions be linked to a proposed bill that would sanction Russian officials for alleged human rights violations.

US lawmakers are currently divided on whether the trade and human rights bills should be linked, with Obama administration officials arguing against tying the two bills together.

The Senate Finance Committee, which is the committee that deals with trade matters in that chamber of Congress, is expected to mark up its draft version of the PNTR legislation

next week. The committee chairman, Senator Max Baucus, has promised to include the language of the proposed human rights bill – known as the Sergei Magnitsky Rule of Law Accountability Act after the anti-corruption lawyer that died in a Moscow jail in 2009 – in the marked up version of the trade legislation.

Meanwhile, the Russian Foreign Ministry has warned of retaliatory measures should the Magnitsky bill become law.

ICSTD reporting; "Russian Lawmakers Back Accession to World Trade Organization," BLOOMBERG, 10 July 2012; "Constitutional Court backs Russia's WTO entry," DEUTSCHE WELLE, 9 July 2012; "Senate Finance plans Russia trade markup," THE HILL, 9 July 2012; "Russian lawmakers ratify WTO entry," REUTERS, 10 July 2012; "Russia talks tough as it clears final hurdle to WTO," REUTERS, 11 July 2012; "Russia's Highest Court Clears WTO Accession," RIA NOVOSTI, 9 July 2012; "Russian WTO Accession Losses to Reach \$13.5 Bln in 2013-2014 – Minister," RIA NOVOSTI, 10 July 2012.

PREFERENTIAL AGREEMENTS

Trans-Pacific Talks Push Forward in San Diego

The thirteenth round of negotiations for the proposed Trans-Pacific Partnership (TPP) Agreement came to a close yesterday, with reports of "progress" in various negotiating areas; however, trade observers note that time is running short for members to meet their current year-end goal for concluding the talks. Meanwhile, Canada and Mexico continue to await their formal entry into the discussions, as the current nine members undertake the required domestic legal steps for bringing in new parties.

The 2-10 July talks, held in the US state of California, saw "substantial progress across the chapters," [according](#) to the Office of the US Trade Representative (USTR). Specifically, negotiators were able to advance significantly in areas such as customs, cross-border services, telecommunications, government procurement, competition policy, and co-operation and capacity-building.

Other areas that reportedly saw movement during the San Diego gathering included discussions on rules of origin, investment, financial services, and temporary entry. Market liberalisation in the area of services, as well as for industrial goods, agriculture, and textiles, were also under discussion during the nine-day meeting.

However, unlike the previous round of negotiations – held in the US state of Texas in May – no negotiating areas were formally announced as complete. During the Dallas talks, the negotiating group for small and medium-sized enterprises finished its discussions, leaving what officials called "the really tough issues." (See Bridges Weekly, [16 May 2012](#))

TPP members have said that they hope to have a deal ready by the end of 2012, though analysts have noted that this goal might be hard to achieve given the range of difficult issues involved in the talks, such as intellectual property rights and state-owned enterprises.

However, recent comments from US government officials have indicated that the goal still stands, with US Secretary of State Hillary Clinton [telling](#) reporters in Hanoi, Vietnam on Tuesday that TPP members “hope to finalise this agreement by the end of this year.”

The proposed trade pact – billed as a “21st century deal” by its proponents – aims to slash tariffs and other barriers to goods and services trade and investment; the goods covered will represent some 11,000 tariff lines. Negotiators also plan to incorporate into the pact issues involving regulatory coherence; competitiveness and business facilitation; small- and medium-sized enterprises; and economic development and governance, according to an outline released last November.

Formal entry of invitees Mexico, Canada imminent

Ottawa and Mexico City were invited to join the talks during last month's G-20 Leaders' Summit in Los Cabos, Mexico; however, before they can formally enter the negotiations, current members must complete their domestic legal procedures, where applicable. (See Bridges Weekly, [20 June 2012](#))

For Washington, this involves notifying Congress of new entrants into trade negotiations; this then launches a 90-day consultation period with US lawmakers to debate the impact of the expanded membership. On Monday and Tuesday of this week, respectively, US Trade Representative Ron Kirk submitted letters to Congress notifying Mexico's and Canada's planned entry into the TPP talks.

Meanwhile, whether or not Japan – which, like Canada and Mexico, expressed an interest in joining the Asia-Pacific trade talks last November – will indeed decide to pursue entry into the negotiations remains uncertain.

“We are all awaiting information from Japan as to whether it has made a decision,” Barbara Weisel, chief US negotiator, said on Tuesday. Along with Tokyo having to request entry, all current TPP members must agree on whether to bring in a new member – a process that took seven months for Mexico City and Ottawa.

The prospect of joining the TPP negotiations has been controversial with the Japanese public, given concerns over the potential adverse impact the deal could have on some sectors of the Japanese economy. For instance, critics in Japan fear that farmers may struggle against losing the protection of high agricultural import tariffs, should Tokyo enter the talks.

Some TPP negotiators, however, have said that it would be ideal to know sooner rather than later if Japan wishes to enter the discussions, given that the entry of new members could potentially slow down the talks. “I think, logically, we would like Japan to be together with Canada and Mexico so there will not be another delay in the negotiations,” Vietnamese negotiator Tran Quoc Khanh told reporters yesterday.

The nine current members of the TPP talks include Australia, Brunei, Chile, Singapore, New Zealand, Malaysia, Peru, the US, and Vietnam.

Next steps

The next round of TPP talks is scheduled for 6-15 September, and will be held in the US state of Virginia.

Trade ministers from TPP countries might also meet on the sidelines of the 2012 Asia-Pacific Economic Cooperation (APEC) summit, which will be held from 2-9 September in Vladivostok, Russia. Carol Guthrie, spokeswoman for the Office of the USTR, told reporters on Tuesday that negotiators are currently reviewing “what sort of engagement” at the APEC gathering might best serve the TPP negotiations.

ICTSD reporting; "US hails 'progress' at Pacific trade talks," AFP, 10 July 2012; "Pacific Rim nations end round of trade talks," ASSOCIATED PRESS, 10 July 2012; "Pork producers grumble over Canada in Asia-Pacific talks," REUTERS, 10 July 2012; "Asia-Pacific Trade Talks Proceed; But Canada, Mexico Must Wait a Few Months," WALL STREET JOURNAL, 10 July 2012.

TRADE TENSIONS

Disputes Roundup: US, China Spar on Automobile Duties; Mexico-Argentina Car Deal Suspended

Automobile trade rows took centre stage last week, with Washington filing a WTO challenge regarding Chinese trade remedies on US car imports; meanwhile, tensions between Argentina and Mexico continue to escalate in the wake of Buenos Aires' suspension of an auto pact between the two sides.

US lodges WTO challenge on China automobile duties

The US and China are set to face off at the WTO once again over the use of trade remedy investigations, after Washington lodged a formal complaint last Thursday regarding Beijing's imposition of anti-dumping and countervailing – or anti-subsidy – duties on certain US automobiles ([DS440](#)).

In December 2011, Beijing imposed anti-dumping and countervailing duties on US-produced automobiles, specifically on American-made cars and sport utility vehicles (SUVs) with an engine capacity of 2.5 litres or bigger. Anti-dumping duties ranged from 2 to 21.5 percent, while countervailing duties ranged from 6.2 to 30 percent.

In 2011, the US exported US\$3 billion of these types of automobiles to China, according to the Office of the US Trade Representative (USTR).

In its [request](#) for consultations – the first stage in the dispute settlement process – Washington argues that Beijing had not followed the appropriate procedures when examining potential subsidies and dumping. According to the US' complaint, China's investigations were founded on insufficient evidence; withheld relevant data and calculations; failed to objectively examine the evidence; and made unsupported findings of injury to the Chinese domestic industry.

The use of trade remedies has been a recurring source of disagreement between the two trading partners. Last month, the Appellate Body ruled in Washington's favour in a dispute regarding China's alleged lack of compliance with procedural rules governing the application of anti-dumping and countervailing duties, in this case regarding imports of US steel. (See Bridges Weekly, [20 June 2012](#))

"As we have made clear, the Obama Administration will continue to fight to ensure that China does not misuse its trade laws and violate its international trade commitments to block exports of American-made products," USTR Ron Kirk [said](#). "American auto workers

and manufacturers deserve a level playing field and we are taking every step necessary to stand up for them."

For its part, China has said that it will respond to the consultations request "in line with the procedural rules of WTO dispute settlement," according to a [statement](#) issued by the Head of the Ministry of Commerce's (MOFCOM) Department of Treaty and Law.

"Sino-US trade cooperation is beneficial to both countries, and as the two countries trade, it would be hard to avoid some friction and differences – the important thing is that both sides act in ways that mutually benefit, show mutual understanding, and allow mutual coordination," China's Foreign Ministry spokesman Liu Weimin said.

The two countries have sparred repeatedly over the past year on a wide range of commercial issues, ranging from their respective renewable energy support policies to currency valuation. With the US presidential election fast approaching, US candidates from both parties have promised to take a tough stance on what they deem to be unfair trade practices by Beijing.

At a campaign event last Thursday in Ohio – a state known for automobile production – US President Barack Obama [pledged](#) to "hold China accountable for unfair trade practices that harm American automakers."

"Americans and American workers build better products than anybody else, so as long as we're competing on a fair playing field instead of an unfair playing field, we'll do just fine," Obama said. "But we're going to make sure that competition is fair."

Should the parties be unable to reach a resolution after 60 days of talks, the US will have the right to ask that a WTO panel be established to hear the complaint.

Brazil-Mexico auto deal renegotiation sparks tensions with Argentina

Trade tensions over automobiles are also brewing in Latin America, following the announcement last week that Mexico would be increasing tariffs on imports of Argentine cars and car parts. The move comes in response to Buenos Aires' controversial decision to suspend an auto trade deal between the two sides.

Late last month, Argentina announced that it was withdrawing from the Economic Complementation Agreement, also known as ACE-55 – a 2002 automotive trade pact that was established between Mexico and the four full members of Mercosur – for a period of three years. As a result of Buenos Aires' withdrawal, Mexican automobiles entering the Argentine market are now facing tariffs of 35 percent, and automobile machinery and parts are being subjected to a range of tariffs.

Buenos Aires has said that it suspended the auto pact after Mexico City renegotiated its version of the ACE-55 with Brazil, a process that Argentina claims was in violation of prescribed procedures in the Mexico-Mercosur pact. Automobile trade has long been a thorny topic between the two Mercosur heavyweights, with cars often piling up on both sides of the Brazil-Argentina border due to import procedures currently in place.

Argentina argues that, under the ACE-55, any modification to the existing terms between Mexico and a specific Mercosur member must be notified to the other signatories of the agreement. Buenos Aires claims that these processes were not followed during the Brazil-Mexico renegotiation, preventing Argentina from raising any objections to the move.

This, Argentine officials say, resulted in "a threat of serious, imminent, and irreparable harm to Argentine automotive manufacturers, affecting the development of present and future investments in that sector for our country."

Buenos Aires' decision to withdraw from the accord was quickly lambasted by Mexican government officials. "There is no reason to suspend the agreement," Mexico's Minister of Economy Bruno Ferrari recently told Argentine newspaper Clarín. "Mexico is not to blame for the lack of competitiveness of the Argentine economy, which has resulted in [Argentina's] lack of dedication to fulfil its trade commitments."

In response to the move, "Mexico is taking a reciprocal action" and removing its preferential treatment for Argentine cars and car parts, Mexico's undersecretary for trade, Francisco de Rosenzweig, explained last Thursday. Light vehicles from Argentina will now face tariffs of twenty percent, while auto parts and machinery will be subject to tariffs between zero and twenty percent.

Current full members of the Mercosur trading bloc include Argentina, Brazil, Paraguay, and Uruguay. Venezuela is set to have its membership in the South American customs group formalised later this month, while Paraguay's membership has temporarily been suspended.

ICTSD reporting; "Suspenden por tres años el acuerdo automotriz con México," CLARÍN, 26 June 2012; "México no es culpable de la falta de competitividad de la economía argentina," CLARÍN, 29 June 2012; "Obama knocks China trade policy, Romney on campaign tour," REUTERS, 7 July 2012.

RARE EARTHS

China Blocks EU, US, Japan Request for WTO Dispute Panel on Rare Earths

The EU, US, and Japan have taken the next step in their dispute with China over the latter's export restrictions on rare earths, formally requesting the establishment of a dispute panel at Tuesday's WTO Dispute Settlement Body (DSB) meeting. While the request was rejected by Beijing, trade experts expect a second panel request to be made later this month.

The request is the latest effort by Brussels, Washington, and Tokyo to prompt Beijing to lift its export restrictions on rare earths, as well as tungsten and molybdenum. (See Bridges Weekly, [14 March 2012](#)) The 17 rare earth elements have unique magnetic, heat resistant, and phosphorescent properties, and are essential for the production of high-tech and green energy products, including wind turbines, engines for electric and hybrid vehicles, and medical equipment.

Beijing, which produces over 90 percent of the global supply of rare earths, maintains that these measures are intended to limit environmental damage and conserve natural resources, with officials recently defending the restrictions in a white paper issued on 20 June. (See Bridges Weekly, [27 June 2012](#))

"The government is strengthening the management of the industry to protect the environment and resources, which is beneficial for the sustainable development of the industry and totally conforms to WTO regulations," Su Bo, China's vice minister of

industry and information technology, said last month. "The protection of the environment is never a pretext for gaining advantage or increasing economic returns."

The complaining parties, for their part, argue that the export restrictions are disruptive to domestic industries and result in increased production costs, while also providing Chinese competitors with cheaper and easier access to the elements compared to foreign manufacturers.

"China's restrictions on rare earths and other products are a violation of China's WTO commitments and continue to significantly distort global markets, creating a disadvantage for our companies," EU Trade Commissioner Karel De Gucht said in a [statement](#) on 27 June.

The panel request comes after formal consultations between the parties – the first step in the WTO dispute settlement process – failed to reach a resolution. A second panel request from the complainants is widely expected at the upcoming DSB meeting on 23 July; should the second request be made, a panel will automatically be established, as required by WTO rules. Experts anticipate a panel ruling in late summer 2013, at the earliest.

Export restrictions draw attention in Indonesia

The outcome of this case is being highly watched by trade observers, given its potential ramifications for the use of export restrictions in other countries. Just last week, Indonesia announced it would be moving forward with its plan to tax unprocessed mineral exports, despite protests from both the foreign and domestic business communities.

The new tax is designed to prevent overexploitation of Indonesian mines before Jakarta's 2014 ban on the export of unprocessed metals goes into effect, government officials have said.

Under the impending 2014 ban, miners will be expected to either establish smelters or cooperate with other companies to process minerals ahead of exporting; if they wish to continue exporting unprocessed ores once the ban is in place, miners will need to demonstrate concrete plans for eventually implementing one or both of these requirements.

ICTSD reporting; "U.S., Europe and Japan Escalate Rare-Earth Dispute With China," THE NEW YORK TIMES, 27 June 2012; "Govt to go ahead with export restriction despite protests," THE JAKARTA POST, 6 July 2012.

AGRICULTURE

Farm Bill Discussions Kick Off in US House of Representatives

A draft version of the legislation that will drive US farm spending over the next five years is slated for debate in the House Agriculture Committee today, just weeks after the Senate – Congress' other chamber – passed its own version of the bill.

The preliminary bill will need to gain approval from the committee before moving on to the full House of Representatives. A vote on the omnibus legislation, known as the Farm Bill, has not yet been scheduled in that chamber.

Differences between House and Senate proposals

The House and Senate bills, though similar, are distinct pieces of legislation that must be reconciled before becoming law. The Senate has approved a bill that cuts direct payments to farmers, proposes a new "shallow-loss" crop insurance scheme, and makes minimal cuts to food stamps and conservation programmes.

The Senate legislation also includes a supplemental insurance programme for cotton farmers called the Stacked Income Protection Plan (STAX) that is designed to address the *US-Upland Cotton* dispute with Brazil at the WTO; however, Brazilian officials have privately questioned whether the measure will be sufficient to resolve outstanding differences between Washington and Brasilia.

The draft House bill, or Federal Agriculture Reform and Risk Management Act (FARRM), differs from the Senate's legislation in outlining specific minimum prices for key commodities. It also mandates counter-cyclical payments, which are triggered when market prices fall below a target level, rather than a revenue guarantee to support farmers.

The Senate bill included a US\$4 billion cut in spending on nutrition, while the House has proposed a US\$16 billion cut, in line with an earlier proposal circulated by the chamber's Budget Committee.

"Food stamps are fast becoming a flash point for the House farm bill this week," according to Politico.com, a site popular among Washington political pundits. Historically, Democrats, and those with urban voting interests, have compromised with Republicans and rural interests to determine how to divide federal funds among their constituencies.

As a whole, FARRM is expected to cost US\$900 billion over ten years, while the Senate version is expected to top out at US\$947 billion over the same period.

Future prospects

The upcoming presidential elections and criticism from conservative groups, such as the Tea Party movement and the Heritage Foundation, may yet slow or stall the bill. Fiscal constraints are driving much of the political debate in Washington, with a particular focus on spending measures given the ongoing economic crisis and tenuous recovery process.

The current farm bill is set to expire on 30 September. Given the limited amount of time before the legislature takes a late summer recess, leaders may try to bridge differences between a Senate and House version before the bill goes to vote on the latter chamber's floor. Alternatives may include extensions to current spending levels, analysts say.

The discussions are being watched closely by trade observers to see what changes will be made to the existing system of support for US agricultural production. The US is one of the world's largest producers and traders of agricultural goods, and its policies often have consequences in other corners on food security, livelihoods, and the environment.

While the WTO's Doha Round of trade talks in Geneva remain at an impasse, processes such as the US Farm Bill may help set the tone of discussions should these resume.

ICTSD reporting; "Speaker Boehner might block farm bill," THE HILL, 11 July 2012; "First Draft of New House Farm Bill," FARMDOC DAILY, 10 July 2012; "Farm Bill; Biofuels; CFTC Issues; and, Food Security," FARMPOLICY.COM, 11 July 2012.

INVESTMENT

Slower Foreign Investment Growth Expected in 2012: UNCTAD

Global flows of foreign direct investment (FDI) have surpassed their average 2005-2007 pre-crisis levels, according to a new report released last week by the UN Conference on Trade and Development (UNCTAD). While global FDI growth is expected to slow this year, the agency said, projected flows for 2013 and 2014 are set to increase at a "moderate but steady pace."

The 5 July report found that global FDI flows reached US\$1.5 trillion in 2011; despite surpassing their three-year pre-crisis average, however, this number remains about 20 percent below the 2007 peak. Flows this year are expected to level off at US\$1.6 trillion, the UN agency found

Foreign investment inflows increased across all major economic regions, with developed countries reaching US\$748 billion in inflows in 2011 – a notable turnaround after these numbers took a nose dive in 2009 (See Bridges Weekly, [23 September 2009](#)). Developed country numbers, however, still remain below the pre-crisis average, with growth expected to slow in light of the ongoing eurozone crisis and tenuous nature of the economic recovery in some major economies.

Developing economies, for their part, continue to account for nearly half of global foreign direct investment.

Meanwhile, the world's poorest countries are continuing to face an FDI recession, according to the UN trade agency. Total group inflows into least developed countries hit their lowest levels in five years, at US\$15 billion.

Notably, FDI prospects for transition economies were helped by Russia's impending WTO accession, which is expected to be finalised by the end of this summer after its country's State Duma – the lower chamber of the Russian Parliament – voted in favour of the

negotiated accession protocol yesterday. (For more on Russian accession, see related story, this issue.)

The agreed terms upon which Moscow is joining the global trade body include commitments to reduce restrictions on services industries in various services industries. The UNCTAD report notes that Russia's accession could also increase foreign investors' confidence and improve the country's business climate, arguments that were made in favour of Moscow joining the WTO during the negotiation process.

Sustainable development, regionalism

The report also highlights the rise of a "new generation" of international investment agreements that include the advancement of sustainable development as an objective, while acknowledging the difficulties of implementing sustainable development provisions in international investment agreements, and of managing the "systemic complexity" of the global investment regime.

The report calls on countries to design policies aimed at enhancing the impact of foreign investment on sustainable development and inclusive growth.

Regionalism also appears to be a growing trend in international investment agreements, which the UN trade agency notes could be the result of a gradual shift toward making policy at the regional level, as well as the controversial nature of such arrangements. High-profile examples include the ongoing talks for the proposed Trans-Pacific Partnership (TPP) Agreement – for more on the TPP, see related story, this issue – and the recent trilateral investment agreement between China, Japan, and South Korea.

Most regional treaties are free trade agreements, UNCTAD noted. "By addressing comprehensively the trade and investment elements of international economic activities, such broader agreements often respond better to today's economic realities, in which international trade and investment are increasingly connected," the report said.

ICTSD reporting.

EVENTS & RESOURCES

Events

Coming soon

13 July, London, UK. RIO+20: GREEN GROWTH OR GREENWASH? This Chatham House event will debate, in light of the recent Rio+20 Conference, whether a top-down approach to tackling global environmental challenges is realistic in today's world. The panel will debate the future of global summitry, the prospects for collective environmental goal-setting, the role of business, and the alternative visions for driving global change. More information is available at the event [website](#).

16-18 July, Khabarovsk, Russia. ASIA-PACIFIC ECONOMIC COOPERATION (APEC) MEETING OF MINISTERS RESPONSIBLE FOR ENVIRONMENT. Ministers of natural resources and heads of subordinate agencies and services on environmental protection from the APEC economies will meet to discuss the following issues, among others:

promoting green growth, in particular through using environmental goods and services, advanced conservancy methods, and clean manufacturing; rational use of natural resources; trans-border streams and the sustainable use of natural resources; combating trans-border pollution; climate change mitigation and adaptation; and preserving biodiversity and environmental heritage. For more information, please click [here](#).

16-20 July, Turin, Italy. GREEN JOBS: LINKING THE ENVIRONMENT, CLIMATE CHANGE AND THE WORLD OF WORK. Organised by the International Training Centre of the International Labour Organisation (ILO) in Turin, Italy, this training course aims to provide a conceptual and strategic framework for the promotion of green jobs at the national level by focusing on the social and employment dimensions of the green economy. The course is designed for a mixed audience of professionals interested in these issues, including representatives from ministries of labour/employment, environment, planning, and finance, among others; social partners from developing and emerging economies; national and international development agencies; civil society organisations; academia; and more. To learn more, please click [here](#).

17-27 July, Trento, Italy. INTERNATIONAL SUMMER SCHOOL FOR COOPERATION AND LOCAL DEVELOPMENT. Hosted by the Organisation for Economic Co-operation and Development's LEED Trento Centre for local development, the Training Centre for International Cooperation (TCIC), and EAFIT University of Medellín, in co-operation with the Trentino Federation of Cooperatives, this summer school aims to foster participants' capacities to implement effective local development strategies and community-based development projects. The course will draw on local experiences from Trentino and Latin America, and aims to use these experiences as a basis for developing a concept of sustainable local development, among other objectives. For more information, please click [here](#).

WTO Events

An updated list of forthcoming WTO meetings is posted [here](#). Please bear in mind that dates and times of WTO meetings are often changed, and that the WTO does not always announce the important informal meetings of the different bodies. Unless otherwise indicated, all WTO meetings are held at the WTO, Centre William Rappard, rue de Lausanne 154, 1211 Geneva, Switzerland, and are open to WTO Members and accredited observers only.

12 July: Working Party on the Accession of the Lao People's Democratic Republic

13 July: Committee on Trade and Development – Special Session (followed by Inf.)

16 July: Committee on Trade and Development

17 July: Working Party on the Accession of Tajikistan

18 July: Trade Policy Review Body

18 July: Committee on Government Procurement

23 July: Dispute Settlement Body

24 +26 July: Trade Policy Review Body – Singapore

Other Upcoming Events

24-26 July, Shanghai, China. MANAGING THE WTO ACCESSION PROCESS: STRATEGIES, CHALLENGES AND PRACTICES. This Asian Development Bank (ADB) event will facilitate experience sharing among members of the Central Asian Regional Economic Cooperation

(CAREC) Programme on issues relating to WTO accession. The event will provide trade officials in non-WTO Central Asia Regional Economic Cooperation (CAREC) countries with insights on options for managing the accession process in the following areas: identification of goals; assessment of options; formulation of negotiating strategies; and management of the negotiating team and national committee. For more information, click [here](#).

10 September - 30 November, online. UNCTAD VIRTUAL INSTITUTE ONLINE COURSE ON TRADE AND POVERTY. The online course, organised by the UNCTAD Virtual Institute (Vi), is aimed at researchers and university lecturers from developing and transition countries. The objective is to provide participants with the empirical tools needed to assess the impact of trade and trade-related policies on poverty and income distribution. This is a hands-on technical course with an emphasis on the manipulation of data and the use of econometric tools. Applicants are required to have knowledge of STATA and trade theory and policy, in addition to a Master's degree in Economics. The deadline for application is 13 July 2012. For more information, please click [here](#).

24-26 September, Geneva, Switzerland. WTO PUBLIC FORUM 2012. Convening under the theme "is multilateralism in crisis?", the Public Forum is the WTO's largest annual outreach event. It aims to provide a platform for participants to discuss the latest developments in world trade and to propose ways of enhancing the multilateral trading system. The event regularly attracts over 1,500 representatives from civil society, academia, business, the media, governments, parliamentarians, and intergovernmental organisations. Event organisers are currently inviting submissions of short articles of no more than 1,000 words on the themes of the Forum, along with views on the articles submitted by others. Articles should be sent to publicforum2012@wto.org, indicating discussion forum on the subject line. For more details about this event, visit the WTO's [website](#).

Resources

MARITIME TRANSPORT AND THE CLIMATE CHANGE CHALLENGE. Edited by Regina Asariotis and Hassiba Benamara (May 2012). This book aims to address climate change challenges from the perspective of maritime transport and trade. It brings together contributions from 25 experts from academia; international organisations such as the International Maritime Organisation (IMO), UN Framework Convention on Climate Change (UNFCCC), the Organisation for Economic Co-operation and Development (OECD), the International Energy Agency (IEA); the World Bank; and shipping and port industries. Topics discussed include: greenhouse gas emissions from international shipping; potential approaches to mitigation in maritime transport; existing regulatory and institutional frameworks; potential climate change impacts and approaches to adaptation in maritime transport; and relevant cross-cutting issues such as financing and investment, technology, and energy. For more information, please click [here](#).

THE DOHA ROUND AND FOOD SECURITY IN THE DAIRY SECTOR IN CAMEROON: A GLOBAL SIMULATION MODEL (GSIM) APPROACH. By Roland R. Leudjou for The Estey Centre Journal of International Law and Trade Policy (Winter 2012). This article simulates scenarios of multilateral tariff reduction from the WTO December 2008 draft modalities on agriculture for the Cameroon dairy sector. Using the Global Simulation Model, the author finds a substantial increase in world and domestic consumer prices, as the reduction of bound tariffs does not affect the applied tariffs given the high "binding

overhang." As a consequence, consumer welfare decreases, the author finds. To access the article, please click [here](#).

ECONOMICS, SUSTAINABILITY, AND DEMOCRACY: ECONOMICS IN THE ERA OF CLIMATE CHANGE. By Christopher Nobbs (July 2012). This book aims to address the question of how to conduct economics in an era of climate change, natural resource depletion, and population increase. The author argues that both free market economics and welfarist economics are inadequate for policymaking, given the above-mentioned context. It argues for an economics founded on ecological principles, greater respect for the laws of natural science, and a moral commitment to a sustainable future. For more information, or to purchase a copy, click [here](#).

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