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LEAD STORIES

Tensions over EU Emissions Levy Reach New Heights as China Tells Airlines Not to Comply.. 1

OTHER NEWS

US Agrees to Quit Zeroing, Avoiding EU and Japan Sanctions 3

China to Boost Farm Subsidies for Science and Technology 4

Goods Council Approves EU Trade Concessions for Pakistan..... 7

IN BRIEF

Retroactive Duties Could be Imposed on Chinese Imports, US Solar Manufacturer Says 9

Mercosur Members Wary of New Argentina Import Controls..... 10

WTO IN BRIEF

Dominican Republic Loses on Plastic Bag Safeguards 11

EVENTS & RESOURCES

Vacancy 12

Events..... 12

Resources 15

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LEAD STORIES

Tensions over EU Emissions Levy Reach New Heights as China Tells Airlines Not to Comply

The Chinese government has barred the country's airlines from participating in Brussels' controversial plan to place a levy on foreign airlines for the emissions they use on incoming and outgoing flights. With China also set to meet with other opponents of the aviation emissions levy – including India, Russia, and the US – later this month to discuss a plan of action, tensions over the EU scheme are expected to escalate much further.

In banning its airlines from complying with the EU's Emissions Trading System (EU ETS), the Civil Aviation Administration of China underscored that “China objects to the EU's decision to impose the scheme on non-EU airlines, and has expressed its concerns over the scheme through various channels.”

According to Xinhua, the country's official news agency, airlines cannot join the ETS or use it as a justification for raising ticket prices without government approval.

The 6 February announcement also argues that the inclusion of aviation under the bloc's Emissions Trading System is in breach of UN Framework Convention on Climate Change (UNFCCC) and International Civil Aviation Organization (ICAO) principles.

The European Court of Justice, Europe's top court, ruled in December that the inclusion of aviation under the ETS is fully compatible with international law. Shortly thereafter, China's four biggest airlines said they would not comply (see Bridges Weekly, [11 January 2012](#)). This latest

move by Beijing, however, raises the level of discourse to the capitals.

China has the world's fastest growing aviation industry, with many direct connections with European cities.

Trade war could be on the horizon, some fear

Some officials have suggested that the aviation policy could result in a "trade war," with Chinese state media calling it a "trade barrier in the name of environmental protection." The day after announcing the ban, China also indicated that it would consider taking additional steps to defend itself from the scheme.

"China will consider taking necessary steps in accordance with the way things develop to protect the rights of our nationals and our companies," Foreign Ministry spokesman Liu Weimin told reporters on Tuesday 6 February.

The European Commission has said that airlines that do not comply with the ETS will be fined and could be banned from EU airports. However, a spokesman for Connie Hedegaard, the EU climate commissioner, told the Financial Times that the bloc was "confident that the Chinese airlines will comply with our legislation."

Still, the spokesman stressed, the EU would not be "backing down."

The China Air Transport Association – which includes the country's biggest state-owned airlines Air China Ltd, China Southern Airlines, China Eastern Airlines, and Hainan Airlines – has long been pressuring Beijing to oppose the levy. The association – which had already threatened in January not to pay ETS-related charges – says the scheme could cost Chinese airlines as much as US\$127 million in 2012.

Other sources, however, place the cost as far lower, making the actual impact of the scheme on these airlines unclear.

"I believe all sides will negotiate again and find a solution," said Chai Haibo, the group's vice president. "I can't imagine that the worst case, such as the EU grounding Chinese flights, could happen."

The group has also been working on a legal challenge in Germany, according to Bloomberg. However, their pursuit of the case will depend on Brussels' reaction to the China ban, the news wire reports.

Beijing's announcement comes just days before Chinese and European leaders are scheduled to meet for a summit in Beijing. The Chinese Foreign Ministry said yesterday that it hopes these discussions could help resolve the emissions row.

Aviation levy opponents want "global" solution

China – along with Russia India, the US, and others – say Europe's unilateral approach will be less effective than a global solution. The Montreal-based ICAO, the UN body responsible for civil aviation, has said that it plans to form a global emissions system.

China, India, Russia, and the US, along with various other countries that oppose including aviation in the scheme, are set to meet in Moscow on 21 February to discuss a plan of action in response to the EU scheme, Reuters confirmed on Monday, citing unnamed EU and Indian sources. Nearly 30 countries are expected to attend, according to the news wire.

The US House of Representatives in October 2011 passed a similar bill that would make it illegal for US airlines to comply with the scheme (see Bridges Weekly, [2 November 2011](#)). However, the bill still requires Senate and presidential approval before it can become law.

ICTSD reporting; "World powers 'plan anti-carbon tax talks'," AGENCE FRANCE PRESSE, 5 February 2012; "China Bans Airlines From Joining EU Carbon Levies System," BLOOMBERG, 6 February 2012; "China bars airlines from EU tax plan," FINANCIAL TIMES, 6 February 2012; "Europe holds China to carbon tax payments," FINANCIAL TIMES, 6 February 2012; "China Bans Airlines From Joining EU Emissions Scheme," REUTERS, 6 February 2012; "China says hopes EU talks can solve airline fee dispute," 7 February 2012; "Opponents of EU airline CO2 scheme to meet in Moscow," REUTERS, 6 February 2012; "UPDATE 2- China

says to defend against EU emissions plan,” REUTERS, 7 February 2012.

OTHER NEWS

US Agrees to Quit Zeroing, Avoids EU and Japan Retaliation

The United States, on 6 February, signed roadmap agreements with the European Union and Japan on ending its controversial “zeroing” method to calculate anti-dumping duties. The deal was announced only days before WTO arbitrators were scheduled to examine the EU’s and Japan’s request on retaliating against Washington for its failure to comply with WTO rulings that had deemed the use of zeroing illegal (DS294, DS322). Though the US’ agreements are formally limited to the two trading giants, the changes are also set to affect other countries.

With the bilateral understandings, the US commits itself to forego the use of zeroing in future administrative reviews of anti-dumping investigations. The US Department of Commerce will begin applying the new methodology later this month.

In addition, the agreements foresee a recalculation of certain anti-dumping duties currently being applied against European and Japanese producers. “In certain individual anti-dumping cases involving the EU and Japan, the United States will be conducting proceedings to recalculate anti-dumping duty cash deposits without zeroing,” a United States Trade Representative (USTR) official explained to Bridges. “These case-specific proceedings will be completed in four months.”

WTO rules allow governments to levy extra duties against countries that export a product at a price lower than that charged in its home market – a practice known as ‘dumping’ – if the ‘dumped’ product is found to be causing, or threatening to cause, material injury to the competing domestic industry.

Under the practice of zeroing, the US ignores certain data when calculating anti-dumping duties.

Specifically, it ‘zeroes out’, or ignores, instances where the good in question is actually being sold at a higher price in the US than in its home market.

Zeroing has been subject to a large number of WTO disputes, which temporarily culminated with the WTO Appellate Body rejecting the use of zeroing in administrative reviews in early 2010. Following the ruling, the EU and Japan requested authorisation to retaliate hundreds of millions of dollars in trade against the US to induce compliance with the rulings.

However, these separate arbitration requests were put on hold after Washington signalled interest in negotiating a non-adjudicative solution. Arbitration was scheduled to resume on 6 January and 1 February 2012.

With this week’s agreement, Brussels and Tokyo forego this right to seek retaliation, thereby putting a definite end to the dispute.

“I welcome that the United States took an important step,” Japan’s Minister of Economy, Trade, and Industry Yukio Edano said in response to the move. “I will continue to pay close attention to the implementation of the US’ new regulation so as to ensure the abolishment of zeroing and the compliance with the WTO recommendations and rulings.”

“This understanding solves this longstanding dispute,” EU Trade Commissioner Karel De Gucht said in a statement. “It will bring immediate relief to EU exporters who will no longer have to pay excessive anti-dumping duties; some of them will not pay any anti-dumping duties at all.”

New methodology to affect all countries

Other countries affected by Washington’s new policy were not prepared to voice their reaction to the changes in US zeroing policy.

Importantly, the new methodology announced on Monday will impact goods from all countries, not only those of Japan and the EU. Brazil, Mexico, and Vietnam – who have all also won cases over the use of zeroing in administrative reviews but who had not yet reached the retaliation stage – are

thus to benefit from the tri-lateral mutually agreed solution.

However, Washington's offer to recalculate existing anti-dumping duty cash deposits have not been extended to Brasilia, Mexico City, and Hanoi – this privilege is only due to Brussels and Tokyo. This is not the first time that the US Commerce Department has moved to limit the use of zeroing. In 2007, the department forbade the use of zeroing in original investigations of dumping margins (investigations to determine if dumping is occurring).

However, it continued to allow the practice under administrative reviews of anti-dumping duties already in place. This effectively enabled the US to increase anti-dumping duties by returning to cases where dumping had been established and use zeroing to evaluate dumping that had taken place since the first investigations, potentially increasing anti-dumping duties.

Although the agreements may end a number of disputes, this might not be the last chapter in the fight over zeroing. According to the USTR, “the United States will continue to press in ongoing WTO negotiations for affirmation that zeroing is consistent with WTO rules.”

ICTSD reporting.

China to Boost Farm Subsidies for Science and Technology

In its first major policy announcement of the new year, China has revealed plans to boost spending on agricultural science and technology – continuing a trend towards rapidly-growing farm support in recent years.

The document, which was released last week by China's State Council, says that subsidies will be redirected towards the most productive areas, with grain farmers in particular receiving more direct payments.

It also outlines plans for increased spending on genetically-modified crops, in a move which

government officials privately acknowledged could be controversial.

However, despite the overall policy focus on science and technology, the broad focus of farm support will continue to reflect trends in recent years, sources said – with farmers receiving improved seeds, breeding stock, and farm machinery at lower prices.

Three ‘nongs’

In a sign of the political importance attached to agriculture in China, this is the ninth year running in which the first policy communication unveiled by the government has been devoted to the ‘three *nongs*’, or three rural issues – agriculture, farmers, and the countryside.

While the announcement – known simply as ‘Policy Document no. 1’ – spells out the broad policy orientation for agriculture in the year ahead, it does not include detailed figures on topics such as spending levels for particular types of support.

The document reflects a wider concern with the problem of improving productivity in developing country agriculture, noted Andrzej Kwiecinski, senior agriculture policy analyst at the Organisation for Economic Co-operation and Development (OECD).

“That’s the reason why it’s attracting more attention than in the past,” he said.

Subsidy shift

The government will “increase the intensity” of farm subsidies, the document says, and redirect them towards the more productive regions, large-scale farmers, and co-operatives.

Government sources told Bridges that this would mean rice-producing areas in the south of the country could receive increased support, such as Hunan, Hubei, Guangdong, and Guangxi. Wheat-producing regions in the north and north-east of the country could also benefit.

All of China's farm subsidies are notified as ‘green box’ support at the WTO – meaning they ostensibly cause not more than minimal trade

distortion (see Bridges Weekly, [19 October 2011](#)). A small amount of trade-distorting payments are also permitted, on the condition that they represent less than 8.5 percent of the value of production – known as ‘*de minimis*’ support at the WTO.

Chinese policy-makers have emphasised that new programmes need to remain within this limit. “The space for WTO *de minimis* subsidies should be a ceiling” for any new price support programmes, argues Dr. Cheng Guoqiang of the State Council Development Research Centre in a recent [article](#).

Trade distortions?

Currently, China’s reported *de minimis* spending is well below this ceiling. But experts indicated that some other subsidies, such as indirect support to inputs such as fertilisers, might still have trade-distorting effects.

For these payments, “the major beneficiaries are not the farmers but the input suppliers,” observed Kwiecinski.

Other analysts noted a correlation between growing green box support and cereal output trends, even though no trade-distorting ‘amber box’ support has been notified.

“Given the apparent low levels of subsidies, it would be interesting to find out what factors have contributed to the impressive production increase for cereals” said Josef Schmidhuber, Principal Officer with the UN Food and Agriculture Organisation.

“Lots of people have asked ‘are the payments strictly within the definitions?’” said one Geneva-based trade negotiator. “There’s increasing interest in what China’s doing in this area.”

Environmental protection

According to the No. 1 Document, subsidies will continue to be targeted at environmental goals – such as protecting forests, grasslands, and wetlands, and conserving soil and water resources.

However, Schmidhuber suggested that farm subsidies for fertilisers and energy may also have contributed to environmental problems in China – along with indiscriminate use of inputs by farmers.

“There’s too little potassium and phosphate, and too much nitrogen,” Schmidhuber observed, noting that efforts to manage water resources and manage greenhouse gas emissions were suffering as a result.

While this year’s policy document focuses on agricultural science and technology, last year’s one underscored the importance of water conservation and irrigation for farming and rural areas.

A recent [article](#) by Shenggen Fan, Director-General of the International Food Policy Research Institute, nonetheless argues that China does not face “a choice between water conservancy and technology.” Instead, Fan said, the country “needs both.”

Rural - urban divide

Coming at a time when the gap between rural and urban incomes continues to widen, the policy release is being seen as a sign that the government intends to tackle social inequalities – a potential cause of unrest in a country where around half of the population of 1.3 billion still lives in rural areas, and over one-third works in farming.

Yue Liang, a representative of the nation-wide China Farmers’ Association, told Bridges that the government needs to focus investment on education and training in rural areas.

“Schools in rural areas should teach students how to farm during the compulsory education stage,” said Yue, who is based in the province of Hebei. “Without these skills, the younger generation who were born in the 1990s will be lost, as they will be unable to farm, and unwilling to become industrial workers in cities.”

The government is “fully aware” of the problems caused by large numbers of labourers leaving rural areas, one official said, who told Bridges that increased spending on extension and advisory services was part of the solution.

Echoing the same sentiment, the OECD's Kwiecinski underscored the importance of investing in knowledge. "Advisory and extension services would be useful in helping farmers to achieve higher yields and lower costs."

GMOs: China 'should not be left behind'

The government will continue to expand support for genetically-modified organisms, the new policy says, in a move which government sources recognised could be controversial among some.

"So far we only have had GM plants for cotton and horticulture, not for food," one official told Bridges.

However, although the country does not grow genetically-modified soybeans, it does import them in significant amounts. In addition, a new policy introduced last year now allows Chinese farmers to grow genetically modified rice.

"That's also controversial in China," the official said.

However, he added that the country "shouldn't be left behind in technological development."

"Feeding the people"

One government official argued that the government needed to attach importance to domestic agriculture in order to be able to "feed our people."

He noted that the country is "able to keep self-sufficiency in grains at around 95 percent. The rest will be provided by trade."

"China has made huge progress in reducing hunger," acknowledged Schmidhuber.

However, the basket of grains that China sees as critical for self-sufficiency is nonetheless evolving, noted Kwiecinski. Soybeans, which the country now imports in vast quantities, previously appeared on the list – and the same could happen to maize.

What role for trade?

Trade is still important for China, not just in satisfying the demand for grain and other products that the country cannot meet alone, but also in allowing the country to export labour-intensive farm products to the rest of the world.

"That means jobs for Chinese farmers," one government official said.

China's US\$34 billion trade deficit for agricultural goods expanded by 47 percent in 2011, according to recently-released figures from the ministry of agriculture. While farm exports increased by US\$61 billion, or 23 percent, imports grew by US\$95 billion, or 31 percent.

Despite the growth in trade, the government nonetheless continues to see the production of 'strategic products' - wheat, corn, rice, cotton – as an area where it needs to remain self-sufficient.

"No one else can produce enough to sell to China: that's impossible," the official solemnly observed.

ICTSD reporting; "CPC Central Committee and State Council issue text on accelerating agricultural scientific and technological innovation, continue to enhance supply of agricultural support (中共中央、国务院印发《关于加快推进农业科技创新持续增强农产品供给保障能力的若干意见》(全文))," XINHUA, 1 February 2012; "How to Boost Agro-Technology," CHINA DAILY, 3 February 2012.

Goods Council Approves EU Trade Concessions for Pakistan

Pakistan is set to receive a package of trade concessions from the EU, over a year after Brussels initially tabled its request for a WTO waiver. The flood-battered Asian country will receive preferential treatment for 75 tariff lines, though not all of those will receive full liberalisation. The granting of the WTO waiver follows a politically fraught process that saw the original trade package altered in response to concerns from some members.

The WTO Council for Trade in Goods, meeting on 1 February, approved Brussels' request to temporarily waive tariffs on imports from Pakistan. The agreed waiver will allow Brussels to temporarily discriminate in favour of Islamabad, in an effort to help Pakistan's economy to recover from the devastating floods of July 2010.

Under WTO rules, members are required to secure a waiver from all other WTO members if they wish to deviate from the 'most favoured nation' obligation.

The package of trade concessions has been forwarded to the WTO General Council for adoption at their meeting on 14 and 15 February. The measures, if adopted, would be in effect from 1 January 2012 to 31 December 2013.

The approval comes over a year after the EU initially tabled a request to grant Pakistan tariff preferences for textiles, ethanol, and other goods.

Pakistan currently benefits from the EU's Generalised System of Preferences (GSP), which provides Pakistan with preferential access to the EU market. The GSP allows Pakistan to export to the EU more than 3,000 tariff lines duty free; Islamabad is also granted reduced duties on another 3000 tariff lines under the scheme.

The two trading partners also have a Cooperation Agreement that entered into force in September 2004, with the objective to promote the increase and development of two-way trade between them.

"Under normal circumstances, the combined effects of the Cooperation Agreement and the GSP preferences would allow to generate trade and to support the objective of a harmonious economic growth in Pakistan in respect of the WTO obligations," the final waiver request reads.

"However, the EU considers that, as a consequence of the [2010 floods], an emergency response is required."

The waiver's approval was lauded by Pakistani government officials, with Foreign Office Spokesperson Abdul Basit telling *The Dawn* – a leading Pakistani newspaper – that the government "particularly appreciates the European Union and its member states for their commitment to help Pakistan revive and stabilise its economy through trade."

"I'm very happy. It was a long drawn out exercise, and something of a success for diplomacy," Pakistan's ambassador to the WTO, Shahid Bashir, told Reuters.

The EU is Pakistan's largest trading partner, receiving nearly 30 percent of Pakistan's exports – worth nearly €3 billion. Pakistan's trade with EU is primarily composed of textiles – 70 percent of exports to EU - followed by leather products, which make up 13 percent of exports.

Terms of final package

The revised EU request (G/C/W/640/Rev.2) includes a series of changes from previous versions, reflecting discussions Brussels held with various members. Members that had previously had concerns regarding the waiver said they could now agree to it after having consulted with both the EU and Pakistan.

The revised waiver includes a list of 75 products from Pakistan, including 20 on which tariff rate quotas would be applied instead of full liberalisation; the waiver applies primarily to textiles, leather, and ethanol.

In addition, the EU reserves the right to request an extension by another year "if it considers that this is necessary for the economic recovery of Pakistan."

The selected product lines amount to nearly €900 million in import value, or 27 percent of the €3.3 billion in EU imports from Pakistan.

Former Pakistan Ambassador to the WTO Manzoor Ahmad said that the package “has some economic value, but not really something very significant,” particularly since the list covers just over a quarter of Pakistan’s exports to the EU.

The heavy focus on raw materials will also make it more attractive for Pakistani producers to sell yarn and other raw material to the EU, rather than to local industry – potentially posing a competitiveness problem, he said.

The EU could also have avoided the difficulties of the waiver process by adjusting the criteria for its GSP-plus preference scheme, Ahmad noted, so that Pakistan could be eligible for improved market access that goes beyond the standard Generalised System of Preferences.

“When the floods took place in 2010, it would have been much easier for the EU to make a bit of an adjustment to the [GSP-plus] criteria and include it,” he said, noting that such a change could be in the works for 2014.

Another option to help the flood-stricken country could be for the EU to negotiate a free trade pact with Pakistan, the way it is currently doing with India and might soon do with Vietnam, he said.

On the other hand, the “positive side is that maybe it increases benefits by 100 million or so euros. It’s not much, but it’s psychologically good,” the former senior trade official told Bridges.

The process also helped bring India and Pakistan a bit closer, he added, noting that Islamabad and New Delhi had to consult with each other so that India would agree to lifting its objections to the waiver. “They’re trying to normalise trade, and this step could help in this.”

Over a year in the making

The initiative has been in the works since September 2010, following the floods in July of that year. The World Bank and Asian

Development Bank have put the total losses associated with the disaster at US\$9.7 billion.

The original waiver request was dated November 2010, after the European Council agreed on 16 September to “grant exclusively to Pakistan increased market access to the EU through the immediate and time-limited reduction of duties on key imports from Pakistan.” (See Bridges Weekly, 22 September 2010)

The European Commission had come up with a list of 75 tariff lines – primarily textiles – to receive preferential access. The concessions package was cut down, both in terms of the scope and duration of the tariff cuts, due to opposition from import-sensitive EU member states.

The process hit further roadblocks once it reached the WTO, with concerns being raised by India, Bangladesh, Peru, Vietnam, and others over the possible systemic implications of such a waiver for the multilateral trading system and the effects on exports from other developing countries with interests in the same tariff lines (see Bridges Weekly, 9 December 2010 and 6 April 2011).

The terms of the revised waiver request make clear that this situation “will not constitute a precedent for similar measures to be considered as a systemically appropriate means to address humanitarian crisis situations by WTO members.”

Following the General Council approval, the concessions package will next need to go to EU Council of Ministers to be approved into law, after which it will be implemented.

ICTSD reporting; “WTO approves EU package for Pakistan,” THE DAWN, 2 February 2012; “UPDATE 1-WTO okays EU trade help for Pakistan,” REUTERS, 1 February 2012.

IN BRIEF

Retroactive Duties Could be Imposed on Chinese Imports, US Solar Manufacturer Says

The US division of German photovoltaic manufacturer SolarWorld has announced that Washington will indeed impose retroactive duties on Chinese-made solar panels, should the US Commerce Department ultimately decide that such fees are warranted. The company had strongly argued in favour of retroactive duties, claiming that the announced expiration of a US subsidy programme triggered a surge in solar panel imports from China before access to the programme was cut off on 31 December.

SolarWorld's 30 January [announcement](#), made jointly with the six other companies in the Coalition for American Solar Manufacturing (CASM) explained that, should the US agency decide to impose preliminary countervailing duties next month, these duties would apply retroactively on panels imported into the US from 3 December 2011 onwards.

The company said that the Commerce Department had found evidence of "massive imports" of Chinese solar panels in late 2011, and that "critical circumstances" might exist that would impact the agency's upcoming decision.

"We value Commerce's decision, and we hope that it will send a clear message to the marketplace about Commerce's commitment to using all of its tools to combat unfair trade," said Gordon Brinser, president of SolarWorld Industries America.

Import surge

"The bottom line is there has been a huge surge at the end of the year, way out of proportion to demand, in an effort to beat the imposition of duties," said Timothy Brightbill, one of the attorneys representing SolarWorld.

The import surge is why the solar manufacturer had sought the "critical circumstances" finding,

which would allow for the duties to be imposed 90 days retroactively, Brightbill told Bloomberg.

The Treasury Department's now-expired 1603 programme offered cash subsidies of up to thirty percent for renewable energy projects if they commenced construction on projects by 31 December 2011, and could complete construction by 31 December 2016.

SolarWorld has been a vocal critic of China's solar industry, arguing that Beijing's subsidies and preferential policies unfairly benefit Chinese manufacturers. These concerns led to a complaint being filed by SolarWorld at the US International Trade Commission in 2011. This complaint was upheld on 2 December 2011, resulting in continuing further investigation (see Bridges Weekly, [7 December 2011](#)).

SolarWorld had originally asked that duties be imposed on any solar import from a Chinese company received after 15 November 2011. The complaint cites a remarkable 76 percent spike in imports from Chinese solar giant Suntech Power – the world's largest photovoltaic panel manufacturer – between October 2011 and November 2011. Similarly, major Chinese manufacturer Trina Solar reportedly saw exports to the US triple in the first half of December 2011, when compared with the first half of November.

The US Commerce Department is expected to make a preliminary decision on 2 March on whether to impose countervailing duties, postponing a decision that had originally been expected in mid-February. A preliminary decision on the dumping part of the complaint is expected in late March.

ICTSD reporting; "How tariffs on Chinese solar could backfire and destroy 60,000 US jobs," BUSINESS INSIDER, 30 January 2012; "Before SolarWorld went to war with Chinese solar, it had a lucrative partnership in China," BUSINESS INSIDER, 31 January 2012; "SolarWorld seeking retroactive duties after China imports surge," BLOOMBERG BUSINESSWEEK, 25 January 2012; "Report escalates rift within solar industry over China," THE HILL, 30 January 2012; "US Sees Possible 'Critical Circumstances' In Chinese

Solar Imports – SolarWorld,” WALL STREET JOURNAL, 30 January 2012.

Mercosur Members Wary of New Argentina Import Controls

Argentina’s new import controls entered into effect last week, sparking questions from its regional trading partners – particularly fellow Mercosur members Brazil, Uruguay, and Paraguay – and from business and industry groups.

Buenos Aires’ new trade measures, which were launched on 1 February, require Argentine companies to file online affidavits – known as the Advanced Sworn Statement on Imports (DJAI, by its acronym in Spanish) – and wait for government approval before they can import (see Bridges Weekly, [18 January 2012](#)).

The new legislation was announced by AFIP, the Argentine tax agency, which is assessing the import requests together with the Argentine Ministry of Commerce.

A week into the new policy, Argentine newspaper Clarín reported today, only one out of every three affidavits submitted had been approved – or 4700 out of 16,500. Of the remaining affidavits, 9200 are still being process, while 2600 have been placed under observation.

Those companies who have had permits placed under observation must either go to the tax agency or to the Commerce ministry to learn why the permits did not go through, and what can be done to obtain permission.

The new policy is Buenos Aires’ latest attempt to combat a falling trade surplus and protect its stock of international reserves. The country’s overall trade balance dropped by 13 percent to US\$10 billion during the first 11 months of 2011.

However, some Argentine business and industry leaders, along with other regional trading partners, appear unconvinced of the measure’s merits and wary of the possible effects on trade with the South American country.

“It is very clear to us that the government is applying a policy of administering foreign trade to seek to maintain a trade surplus and to stimulate substitution of imports with domestic production,” said Diego Pérez Santisteban, head of the Argentine Chamber of Importers.

Brazil: Let’s ‘wait and see’

Friction between Argentina and Brazil, the largest members of the four-nation Mercosur trade bloc, has risen in response to the new policy.

Brazil’s Industry Minister Fernando Pimentel has already voiced his discontent over the new legislation. In a statement to the press, he remarked that Argentina’s trading policies have been “a permanent problem” for Argentina’s northern neighbour.

“Politically, we’re in good terms, but when it comes to the economy, it’s hard to deal with them,” he said in the same statement.

Argentine officials, meanwhile, have stressed that “Argentina is not a problem for Brazil, but is instead part of the solution.”

Argentine Foreign Trade Secretary Beatriz Paglieri met with her Brazilian counterpart Tatiana Prazeres earlier this week to discuss the new measures. According to Argentine newspaper La Nación, Prazeres’ visit had one specific goal: to identify the impact the new DJAI system will have on Brazilian goods. Afterward, Prazeres said that the meeting yielded a “good understanding” of the trade restrictions.

“We will wait to see how things go,” she said.

Other Mercosur members respond

Industry groups from the neighbouring Uruguay also raised concerns about Buenos Aires’ new trade measures. Uruguayan Chamber of Industry chairman Washington Burghi warned that the decision could have serious consequences for the Mercosur customs union.

“I understand that every country has the right to defend the work of their people. But,

governments also have the obligation to respect the Mercosur agreements,” he said.

However, Uruguayan president José Mujica appeared less concerned about the import barriers. In a statement to a Montevideo newspaper earlier this week, he claimed that the new Argentine import controls are “normal, because we are dealing with such difficulties all the time.”

Mujica indicated that ongoing negotiations were occurring on several fronts, including automobile parts, cars, and clothing – areas where problems have already appeared – and that the Uruguayan government is working “objectively” with the new trade measures.

Meanwhile, Paraguay, the final full member of the Mercosur bloc, told officials that a mechanism had been agreed to with Argentina that will avoid delays and other import measures by Kirchner’s government.

However, Paraguayan industry leaders, following the pattern of others, still see the new Argentine trade regulations as a “real trade barrier.”

ICTSD reporting: “Control a importaciones: Brasil escuchó y se fue en silencio,” CLARÍN, 7 February 2012; “El Gobierno rechazó uno de cada tres pedidos de importación,” CLARÍN, 8 February 2012; “Pide Brasil que no se afecten sus productos,” LA NACIÓN, 7 February 2012; “Brazil will evaluate the impact and legality of Argentina’s latest trade barriers,” MERCOPRESS, 2 February 2012; “Uruguayan president downplays the impact of Argentine imports’ restrictions,” MERCOPRESS, 6 February 2012; “Argentina new imports’ restrictions come into effect; claims from Mercosur,” MERCOPRESS, 1 February 2012; “Argentina/Brazil admit ‘good understanding’ in round of trade talks to lift restrictions,” MERCOPRESS, 7 February 2012.

WTO IN BRIEF

Dominican Republic Loses on Plastic Bag Safeguards

In a dispute that pitted the Dominican Republic against four of its developing country trading partners, a WTO panel last week ruled that Santo Domingo’s safeguard duties on plastic bags and tubular fabric imported from Central America do indeed violate WTO rules ([DS415,416,417,418](#)).

Costa Rica, El Salvador, Guatemala, and Honduras had challenged the value-added tax at the global trade body, arguing that it violated the WTO’s rules on safeguards contained in the General Agreement on Tariffs and Trade (GATT) and the specialised Safeguards Agreement.

These rules permit the imposition of defensive safeguard measures, such as additional duties, when an increase in imports threatens to cause serious injury to domestic producers due to unforeseen events. The complainants had consistently argued that Santo Domingo was unjustifiably seeking shelter under this “emergency agreement” in an attempt to “cover protectionist duties.”

The four Central American countries further complained that the measures were applied in a discriminatory manner, given that the Dominican Republic’s safeguard tariffs had not been applied to relevant imports coming from Colombia, Indonesia, Mexico, and Panama. The Safeguards Agreement requires most-favoured nation (MFN) treatment among WTO members (see Bridges Weekly [26 January 2011](#)).

Pointing to a vast increase of relevant imports from China and other countries – resulting from lower tariffs following China’s WTO accession and the completion of regional free trade agreements – the Dominican Republic had argued that the safeguards were indeed necessary to “respond to these unforeseen events.”

While the panel acknowledged that there had been an increase in imports, it rejected Santo Domingo’s arguments and confirmed that the

tariffs were inconsistent with WTO rules. The global trade arbiter further asked the Dominican Republic to bring its measures into compliance.

While a reasonable period of time for implementation has not been agreed to, the Dominican Republic's Department of Foreign Trade (DICOEX), Ministry of Industry and Commerce (MIC) and the Committee on Trade Remedies (CDC) underscored in a joint statement that the safeguards are already set to expire in April 2012.

Notably, the 38 percent tax was within the Dominican Republic's WTO tariff ceiling of 40 percent on propylene bags and tubular fabric. However, the Caribbean island state had committed itself to duty free access as part of its free trade pacts with the Dominican Republic-Central America Free Trade Agreement (DR-CAFTA) countries.

Given that this duty free access had been granted as part of a regional trade pact, and not within the WTO context, Santo Domingo had insisted that the WTO panel decline jurisdiction over the case.

"The panel is not competent to analyse the infringement of a concession granted outside the scope of the WTO. The complainants are trying to make abusive and improper use of rights provided by the Dispute Settlement Understanding (DSU)," the country said during the proceedings.

The panel rejected this claim, however. Keeping in line with previous WTO decisions, the panel found that free trade agreements and WTO commitments could apply in parallel, stressing that the sole fact that the safeguard tariffs were also higher than the bound tariffs agreed to in the preferential trade agreement was not sufficient to deny jurisdiction.

ICTSD reporting.

EVENTS & RESOURCES

Vacancy

The Association for Plant Breeding for the Benefit of Society (APBREBES) is seeking candidates to fill a part-time position of Executive Officer. The position will work on issues relating to plant variety protection. Interested candidates must have experience in the area of intellectual property, biodiversity law, farmers' rights, or other related areas. The position requires travel and location flexibility. Interested candidates should contact François Meienberg, Berne Declaration at food@evb.ch by 1 March 2012 for more information.

Events

Coming soon

23 January-17 February, online. SUSTAINABILITY ASSESSMENT OF FOOD AND AGRICULTURAL SYSTEMS (SAFA) E-FORUM. As part of its preparations for the UN Conference on Sustainable Development in June (also known as UNCSD, or Rio+20), the UN Food and Agricultural Organization (FAO) is hosting this e-forum on the sustainability assessment of food and agricultural systems (SAFA). The e-forum is a continuation of the FAO's efforts toward developing a Sustainability Framework. The purpose of this e-forum is to develop guidelines for food value chain analysis to serve as a template for food chain ability assessment, primarily for the use of food manufacturers and retailers. The most challenging task in developing the SAFA guidelines for food chain analysis is the establishment of international benchmarks for defining "sustainable production." The e-forum provides a space for consumers and producers to exchange views so that research can continue towards a collectively agreed and owned sustainability assessment tool. To participate in this event, please visit its [website](#).

9 February, Washington, US. **AGRICULTURAL AND FOOD POLICIES IN SUB-SAHARAN AFRICA: THE POLITICAL ECONOMY OF REFORM.** This World Bank event will feature the presentation of two papers that address the political economy of agricultural reform in sub-Saharan Africa from different perspectives. The first paper, by Ataman Aksoy and Anil Onal, provides a framework to interpret the reform outcomes in this region, using cash crops as examples. It attributes the success of agricultural policy reforms to the degree of consensus around the reform programmes, which in turn, creates the institutions that can accommodate unexpected shocks. It also analyses the impact of international prices, which increased during the early 1990s and collapsed around 2000, among other related issues. The second paper, by Paul Brenton, argues that there is enormous potential for reform in food staples at the regional level to contribute to food security and growth in sub-Saharan Africa, but that this potential is not being exploited. For more information, please visit the event's [website](#).

9-10 February, London, UK. **ILLEGAL LOGGING UPDATE AND STAKEHOLDER CONSULTATION NUMBER 19.** Held at the Chatham House in London, this event will provide an update on the efforts from around the world to improve forest governance and reduce illegal logging. Topics to be considered at the meeting will include EU timber regulation, use of technology to enable traceability, management of deforestation drivers, forest finance and REDD+, as well as updates on the situation in India and Asia more generally. Sponsored by Chatham House and funded by the UK Department for International Development (DFID), this event is set to include seven informative and discussion-based sessions and an array of presenters that include government representatives, the private sector, academia, and civil society. For more information about this event or about illegal logging updates, please click [here](#).

14-16 February, New York, US. **BUSINESS PERSPECTIVE ON SUSTAINABLE GROWTH: PREPARING FOR RIO+20.** Organised by KPMG International, in co-operation with the UN Global Compact, the World Business Council on Sustainable Development (WBCSD), and the UN

Environment Programme (UNEP), this summit aims at facilitating business solutions to sustainability challenges. It also seeks to craft a forward-looking agenda to focus on global sustainable growth in a resource-constrained world. Key sustainability issues that will be discussed at the forum will include food and energy insecurity; complex and evolving regulatory frameworks and policies; tax regimes; critical non-financial information streams such as carbon emissions, corporate social responsibility, and the commercial supply; and more. The outcomes of this event will be shared at the United Nations Conference on Sustainable Development (UNCSD, or Rio +20). Please note that this event requires an invitation. For more details, please see KPMG's [website](#).

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.

10 February: Committee on Trade and Environment – Special Session (followed by Inf.)

14-15 February: General Council

21-23 February: Trade Policy Review Body – Turkey

22 February: Dispute Settlement Body

Other Upcoming Events

16-17 February, Paris, France. **ELEVENTH GLOBAL FORUM ON COMPETITION.** Sponsored by the Organisation for Economic Co-operation and Development (OECD), this event will focus on commodities and price volatility, improving international co-operation in cartel investigations, and state-owned enterprises and competitive neutrality. Speakers at the forum will include WTO Director-General Pascal Lamy and

OECD Secretary-General Angel Gurría, among others. The forum will consist of four topic-specific sessions, focusing on subjects such as price volatility, how to improve existing frameworks for international co-operation in cartel investigations, and more. Please note that forum participation is by invitation only and restricted to government representative or selected invitees. For more information about this event, please click [here](#).

22-24 February, Gold Coast, Australia. 2012 EWG/EXPERT GROUP ON CLEAN FOSSIL FUEL ENERGY (EGCFC) SEMINAR. Hosted by Asia-Pacific Economic Cooperation (APEC), this seminar seeks to provide information on clean fossil fuel energy and its estimated production and output in 2012. The event is managed by the Energy Working Group (EWG), which aims at maximising the energy sector's contribution to the region's economic and social well-being, while mitigating the environment effects of energy supply and use. With the assistance of its Clean Fossil Fuel Energy Expert Group, the EWG hopes to predict a positive and accurate outlook for this sector in 2012. For more information on this event, please visit APEC's [website](#).

28-29 February, Paris, France. 2012 OECD GLOBAL FORUM ON DEVELOPMENT. Organised within the framework of the 50th anniversary of the Organisation for Economic Co-operation and Development (OECD) Development Centre, the 2012 OECD Global Forum on Development will gather high-level experts from a range of stakeholder groups, including OECD and non-member governments, think tanks, and civil society organisations. Discussions will contribute to the new OECD Strategy on Development. Under the broader theme of building effective government institutions, the Forum will specifically address the issues of mobilising domestic resources and improving public governance, notably in relation to effective public expenditures. More information is available [here](#).

5-6 March, London, UK. INNOVATION 2012: SCIENCE, TECHNOLOGY AND COMPETITIVENESS. Held at the Chatham House in London, the Innovation 2012 conference will discuss the expectations and

political constraints placed upon science and technology's contribution to global prosperity. It will examine the circumstances under which curiosity-driven innovation flourishes and assess what systems and networks need to be in place to optimise its opportunities. Some of the topics that will be discussed at the conference include: using scientific innovation to address global challenges and generate prosperity; how technological advances may disrupt current economic and social models; public or private access to scientific data; and much more. The conference will include five informative and discussion-based sessions and feature a range of speakers to provide various perspectives on scientific and technological innovation. For more information on this conference, please visit the event's [website](#).

16-18 April, Puerto Vallarta, Mexico. WORLD ECONOMIC FORUM ON LATIN AMERICA 2012. Latin America is notable for its stability and innovative social, agriculture, and renewable energy achievements. As such, the region is providing new models to address the future course of world affairs. This event will focus on the region's role and contribution to the governance of the global economy, the creation of innovative models for a sustainable future, and the improvement of capabilities for a regional transformation. A meeting of the Latin American Ministers of Economy and anti-corruption officials from the G-20 group of major economies will take place immediately following this meeting. Sponsored by the Government of Mexico and the Forum's key Strategic Partners, the meeting will convene key decision-makers from government, industry, civil society, and academia. Under the theme "Regional Transformation in a New Global Context," leaders will shape a strategic vision for the region's growth, gain understanding of its global potential, and align stakeholders around that vision to inspire its realisation. For more information, please visit the event's website [here](#).

21-26 April, Doha, Qatar. THIRTEENTH SESSION OF THE UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT (UNCTAD XIII) AND CIVIL SOCIETY FORUM. This Conference will convene under the theme "Development-centred globalization: Towards inclusive and sustainable growth and development." The Conference's aim

is to enhance the understanding of specific trade and development issues, especially after the fallout of the economic crisis. In parallel with the Conference, UNCTAD has also partnered with the United Nations Non-Government Liaison Service and the Qatari National Human Rights Committee to organise a Civil Society Forum, where representatives from the private sector and civil society will explore different ways to strengthen partnerships with UNCTAD to boost the effectiveness of trade and development efforts. The Civil Society Forum will begin its work on 17 April. For more information on the UNCTAD XIII Conference and the Civil Society Forum, please visit the UNCTAD XIII [website](#).

29-31 May, Tucson, US. ADAPTATION FUTURES: THE 2012 INTERNATIONAL CONFERENCE ON CLIMATE ADAPTATION. This conference, the second in a planned bi-annual series, is co-hosted by the UN Environment Programme's (UNEP) Programme of Research on Climate Change Vulnerability, Impacts and Adaptation (PROVIA) and the University of Arizona. It will focus on adaptation to climate variability and change and will bring together researchers, policymakers, and practitioners from developed and developing countries to share insights into the challenges and opportunities that adaptation presents. It will showcase cutting-edge research from around the world, focusing on themes of equity and risk, learning, capacity building, methodology, adaptation finance and investment, and ecosystem-based adaptation approaches. It will also explore practical adaptation policies and approaches, and share strategies for decision-making from the international to the local scale. As a special reminder, the deadline to submit abstracts of related papers to the conference has been extended until 15 February. For more details, please visit the event's [website](#).

Resources

BRIDGING THE GAP ON INTELLECTUAL PROPERTY AND GENETIC RESOURCES IN WIPO'S INTERGOVERNMENTAL COMMITTEE (IGC). By David Vivas-Eugui for ICTSD. Discussions on how to address concerns about the misappropriation of genetic resources and traditional knowledge have been high on the agenda of various multilateral forums, such as the Convention on Biological Diversity (CBD) the World Trade Organization (WTO), and the World Intellectual Property Organization (WIPO). In the past two years, WIPO's Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore (IGC) has witnessed an acceleration of its work, in particular on traditional knowledge and traditional cultural expressions. However, the gap in positions on genetic resources remains significant. Against this background, this issue paper examines at length the range of measures and options discussed in the IGC, especially biodiversity disclosure requirements and databases. It also considers the binding or non-binding nature of the instrument(s) that might emerge from the IGC and their different implications. The paper makes recommendations regarding processes, substance, and existing research gaps that could contribute towards advancing the IGC's deliberations. The paper is available [here](#).

THE MYTH OF FINANCIAL PROTECTIONISM: THE NEW (AND OLD) ECONOMICS OF CAPITAL CONTROLS. By Kevin P. Gallagher for the Political Economy Research Institute at the University of Massachusetts Amherst (January 2012). This working paper details issues of asset bubbles and exchange rate appreciation in a number of emerging or developing country markets caused by unstable global capital flows to developing countries. In response, various leading politicians and distinguished economists have argued that the use of capital controls amounts to financial protectionism. This paper argues that such claims are unfounded and shows that there is a longstanding strand of modern economic theory that sees the use of capital controls as essential to

financial stability. It also indicates that the empirical record has shown that capital market liberalisation was not associated with growth in developing countries. The author claims that capital controls should be seen as the “new correctionism” that re-justifies a tool that has long been recognised to promote stability and growth in developing countries. To access this resource, please click [here](#).

2012 RARE EARTH MARKET OUTLOOK. By Robert Sullivan for Rare Earth Investing News (January 2012). This resource describes the outlook for rare earth markets, along with trends and news developments in 2012. Prices for most rare earth elements exploded over the first half of 2011, but abruptly slid backwards in the second half of the year after international consumers lost interest in the pricey metals. The author uses his knowledge of rare earth elements and markets to predict an outlook for investors in 2012. His article includes information on China’s rare earth export quotas and a distinction between light rare earth elements (LREE) and heavy rare earth elements (HREE). For access to this resource, please click [here](#).

FAIR FINANCE: ENSURING DEVELOPING COUNTRIES BENEFIT FROM CARBON PRICING OF INTERNATIONAL TRANSPORT. By Dr. Andre Stochniol and the Catholic Agency for Overseas Development (November 2011). This paper analyses the impact of carbon pricing of international transport for nearly 200 countries based on their imports by sea and air. This analysis shows that, without any compensation for its impacts, carbon pricing of international shipping would be regressive, as it would impose a larger cost burden relative to GDP on many poorer countries that rely heavily on imports. The paper argues strongly for compensating certain developing countries for the potential adverse impacts of carbon pricing on international transport. The authors argue that if this compensation is provided and the most vulnerable countries also receive finance from the revenue raised from climate change action, they would be net beneficiaries of carbon pricing on international transport. The paper was prepared for COP 17 at Durban, and may contribute to progress on innovative financing and reducing emissions from international transport. For more

information or access to this resource, please click [here](#).

SCALING UP CARBON MARKETS IN DEVELOPING COUNTRIES POST-2012: ARE NAMAS THE WAY FORWARD? By Prabhat Upadhyaya for the Ecologic Institute (January 2012). Supported by the Alexander Von Humboldt Foundation through the International Climate Protection Fellowship, this report discusses the outcome of the author’s research over the past year at the Ecologic Institute in Berlin, Germany. The report investigates the interaction between carbon markets and Nationally Appropriate Mitigation Actions (NAMAs) in developing countries. The author explores NAMAs as ways to enhance mitigation efforts in developing countries while taking into account their national circumstances and development priorities. Based on interviews, the author concludes that credited NAMAs (C-NAMAs) can serve as a basis to introduce and scale up carbon markets in developing countries, but that their future implementation depends on several conditions, which include ambitious targets in Annex I countries, clarity on the role of the private sector in supporting NAMAs, and others. This report is available for download at this [website](#).

GROWTH IN TRANSITION. Edited by Friedrich Hinterberger, Elke Pirgmaier, Elisabeth Freytag, and Martina Schuster (December 2011). Stimulating growth through adjusting macroeconomic conditions remains the principal policy response to pressing world problems like unemployment, poverty, and environmental degradation. The current growth trajectory has neither lead to a reduction of overall resources use, nor to a creation of the conditions for employment and well-being, the book argues. The authors explore new possible options for making substantial interventions into national economies to create better framework conditions and incentive systems to develop workable innovative solutions for realising sustainable development more rapidly. The authors seek to trigger a dialogue among stakeholders about how to shape this transformation process towards sustainability. They provide a detailed presentation of key arguments for reconsidering conditions for sustainable economies and ultimately engage in

one central question: is there an alternative trajectory for Western economies that sustains well-being whilst confronting ecological and social breakdown? For more information about this book, please visit its publication [website](#).

INTELLECTUAL PROPERTY TOOLS FOR PRODUCTS BASED ON BIOCULTURAL HERITAGE: A LEGAL REVIEW OF GEOGRAPHICAL INDICATIONS, TRADEMARKS, AND PROTECTION FROM UNFAIR COMPETITION. By Graham Dutfield for the International Institute for Environment and Development (November 2011). This publication aims to provide information about intellectual property tools, such as trademarks and geographical indications (GIs), and how they can help protect the biocultural heritage of small producers and indigenous communities. The author argues that the protection and promotion of products based on biocultural heritage could result in increased income for communities selling these products, conservation of biodiversity, and contribution to sustainable development. This legal review examines relevant international legal frameworks and legislation, and cases from Europe, where GIs and trademarks have been most widely used. For more details or access to this report, please click [here](#).