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PREFERENTIAL AGREEMENTS

Japan Announces Goal of
Joining Trans-Pacific Trade
Talks 1

WILDLIFE TRADE

CITES Meeting Agrees on
"Historic" Trade Protections for
Threatened Species 4

WORLD TRADE ORGANIZATION

WTO Members Push On With
Bali Preparations, Ahead of
April Stocktaking 7

BILATERAL TRADE TIES

Trade and Currency in the
Spotlight as Chinese President,
US Treasury Secretary Meet 10

DISPUTES

WTO Appeal Hearings in
Canada Renewable Energy Row
Kick Off 12

CLIMATE CHANGE

Suspension of EU Aviation
Emissions Rule Planned for
April, Officials Say 14

EVENTS & RESOURCES

Events 16
Resources 18

PREFERENTIAL AGREEMENTS

Japan Announces Goal of Joining Trans-Pacific Trade Talks

In a highly-anticipated announcement made last Friday, Japanese Prime Minister Shinzo Abe confirmed that his country will seek to join the eleven others that are negotiating the so-called Trans-Pacific Partnership (TPP) Agreement. If successful, Japan would be one of the largest economies involved in the talks, second only to the US.

Abe: TPP is Japan's "last chance" to keep up with Asian economies

"Japan must remain at the centre of the Asian-Pacific century," Abe said in announcing the move, in a speech that was broadcast on Japanese television on Friday.

Noting that other Asian economies are also opening up, he warned against the dangers of maintaining an inward approach. "This is our last chance," he continued. "If we don't seize it, Japan will be left out."

Aiming to join the TPP is one of several trade-related initiatives that Japan has announced in the past year, including planned negotiations for a deal with the EU, a possible trilateral pact with South Korea and China, and talks for a 16-country deal with the ten ASEAN countries and five others. (See Bridges Weekly, [21 November 2012](#))

Participation in the TPP, if Japan is accepted by other members, would mark the third "arrow" in Abe's plan to revitalise his country's economy.

The other two arrows have involved monetary easing by the Bank of Japan in order to resolve over a decade of deflation – a move that has evoked fears of a currency war by some of Tokyo's trading partners – and aggressive fiscal stimulus.

Japan has spent the last couple of years reeling from the after-effects of a 2011 earthquake and related tsunami that devastated the country's economy and cost thousands of lives. While a WTO review of the Asian country's trading policies found that it is on the rebound, the global trade body also recommended a series of structural reforms to ensure that Japan continues on a long-term growth track. (See Bridges Weekly, [20 February 2013](#))



International Centre for Trade
and Sustainable Development

Long build-up

The possibility that Japan could seek entry into the trade talks had been raised on previous occasions by both of Abe's predecessors, who were from the now-opposition party. However, they were each ultimately unable to receive the necessary political backing to move forward, and many had wondered whether Abe would also decide to make a similar effort, given the potential political hurdles. (See Bridges Weekly, [16 November 2011](#))

Japan's farmers have long been wary of the proposed trade deal, out of concern that the country's famously high agricultural import tariffs – particularly for rice – will be the casualties of joining the negotiations. The Asian economy's manufacturing sector – particularly its automobile industry – has, however, largely backed the idea of joining the talks, given its potential to benefit from the pact.

Within months of winning office, Abe made clear that he too would be interested in joining the talks, meeting with US President Barack Obama in Washington last month to discuss the subject. Following their discussions, the two leaders said that Tokyo would not be required to unilaterally eliminate tariffs as a condition to entry, and that both sides could potentially give ground in "sensitive" areas, such as agriculture for Japan or automobiles for the US – a move that was seen as paving the way for an affirmative TPP announcement from Tokyo. (See Bridges Weekly, [27 February 2013](#))

Since the Obama meeting, Abe has been working to build up political momentum in Tokyo with both his party and its coalition partner, stressing that Japan must move quickly if it still wants to have a say in the final TPP outcome.

"Since we will lose the right to discuss at the negotiation table if we miss this occasion, we must make the decision at this time," he said on Thursday, just a day before announcing his move.

TPP members give cautious welcome

Abe's announcement garnered a warm reception from many TPP members, some of whom also cautioned that Tokyo will still need to prove its readiness to meet the pact's ambition and standards before being allowed to sign on.

"The United States welcomes Prime Minister Abe's important announcement formally expressing Japan's interest in joining the Trans-Pacific Partnership negotiations," said Acting US Trade Representative Demetrios Marantis, who is temporarily heading the US agency after Ron Kirk's departure last week.

Tokyo and Washington have already been holding consultations on areas such as automotive and insurance sectors, along with other areas where non-tariff measures are a source of concern; however, Marantis noted, "important work remains to be done."

Acting New Zealand Minister of Trade Steven Joyce similarly [said](#) that his country will need "assurances" of Tokyo's commitment to working toward the ambition levels that TPP members have set, and can "contribute positively" to the negotiating momentum.

However, he also highlighted the importance of Japan – one of the world's largest traders – becoming a member of the group. "This expression of interest by one of the region's largest economic players is consistent with the vision of TPP serving as a platform for broader regional economic integration in the Asia-Pacific," Joyce said.

Next steps

Abe's move comes within days after current TPP members – an 11-country group that includes Australia, Brunei, Canada, Chile, Malaysia, Mexico, New Zealand, Peru, the US,

and Singapore – concluded their 16th round of negotiations. (See Bridges Weekly, [13 March 2013](#))

The talks are said to have “intensified” in advance of the end-2013 deadline that has been set for clinching a pact. However, negotiators have also acknowledged that many challenging topics remain unresolved, which some fear could lead to the deadline being postponed.

Some analysts have also expressed scepticism over whether this date can be met if Japan is invited into the talks, given that Tokyo will come with its own set of negotiating priorities that will have to be balanced with those of current members.

The process to bring Japan into the negotiations will itself take some time, as all eleven current TPP members must agree to allow Tokyo into the talks. Those eleven will then have to complete their necessary domestic procedures – such as a 90-day consultation period with Congress in the US – before the Asian economic powerhouse can formally come on board.

Given these processes, current TPP negotiators have said that it is unlikely Japan will be a member in time for the next round of talks, which will be held in Lima, Peru in May.

ICTSD reporting; “Japan’s farmers dig in against trade deal,” FINANCIAL TIMES, 18 March 2013; “Japan seeks to join U.S.-led Pacific trade talks, reform hopes rise,” REUTERS, 15 March 2013.

WILDLIFE TRADE

CITES Meeting Agrees on “Historic” Trade Protections for Threatened Species

Countries meeting in Bangkok, Thailand earlier this month have voted to implement trade measures aimed at protecting 55 threatened species. The sixteenth meeting of the Conference of the Parties (COP16) to the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) drew more than 2,000 participants from 170 countries and saw notable listings for certain species of shark, turtle, manta ray, and timber.

This year's conference featured an array of hotly contested species that received much media attention, including polar bears. Negotiations took place from 3-14 March, culminating in plenary voting on new listing proposals. According to Earth Negotiations Bulletin, delegates were overall “very happy” with the outcomes of COP16, with some calling it the most successful in 40 years.

In force since 1975, the Convention restricts and regulates trade in certain species to help minimise threats to their survival among its current 177 members. CITES operates through controls and regulations on species listed in three appendices, the major point of discussion at COPs.

Appendix I includes species threatened with extinction, and are therefore only allowed to be traded in exceptional circumstances. Appendix II species are not necessarily threatened with extinction, but may become so if trade is unregulated. The lightest listings are on Appendix III, which includes species that a party would like to see controlled through international trade, in addition to its own domestic trade restrictions.

Protection for marine species

In a development that has attracted much media attention, member states have agreed to add five shark species—the oceanic whitetip, the porbeagle, and three types of hammerhead shark – to Appendix II of CITES. These additions passed despite opposition from several Asian nations, led by Japan and China, which are major consumers of shark products.

The shark proposals did face some pushback, however, with Japan and Grenada attempting to reopen debate on the oceanic whitetip and hammerhead shark proposals, respectively. In the end, these countries narrowly failed to gain the needed one-third majority for such an action, and both proposals were subsequently adopted onto Appendix II.

An additional proposal for adding the manta ray to Appendix II was also adopted. The species has been a point of growing concern, as they have among the lowest reproductive rates of any marine animals. Experts say this, combined with high prices in international markets for use in traditional Chinese medicine, make them extremely vulnerable. Protection for rays, sharks, and other marine wildlife such as turtles, has led several observers to call COP16 as a historic year for marine species.

Polar bear initiative fails to get traction

One hotly-contested proposal, which ultimately failed to pass, saw the alignment of Russia and the US behind increasing protections for polar bears. The US – emphasising climate change, not simply trade as a main threat to the species – made a bid to move the arctic animal from its current listing on Appendix II to Appendix I, stating that this upgrade in listing “is not the solution, but is part of the solution.” This united US-Russia front marked a change from Moscow’s opposition to a similar proposal from the US three years ago.

Ultimately however, the US-Russia alignment failed to overcome adamant opposition from Canada and Denmark, with the latter representing Greenland. Canada, in particular, had strong Inuit presence at the conference that fought any proposal concerning increasing regulation on polar bears, stressing the cultural and traditional importance of polar bear hunting for native peoples.

Plans in motion for great apes, elephants, rhinos

COP16 also had several movements to strengthen monitoring, enforcement and prosecuting measures for violations of CITES trade policy. Following a report by TRAFFIC, the wildlife trade monitoring network, on the severity of illegal trade in great apes, members moved to establish an illegal trade reporting mechanism on the animals. Experts hailed the decision as a major step toward saving great apes from extinction.

The recent surge in illegal elephant poaching and ivory trade made the species a prominent issue in Bangkok. Countries with high levels of illegal ivory trade – China, Kenya, Malaysia, the Philippines, Tanzania, Thailand, Uganda, and Vietnam – were mandated to submit plans to address the problem within two months.

Several groups hailed the progress made, with Carlos Drews, WWF’s head of delegation, calling it a “major milestone.” Others, however, said they felt it was not enough, and that the decision to not implement any immediate trade sanctions was a failure of the convention.

“Illegal killing of large numbers of elephants is increasingly involving organised criminal groups and sometimes well-armed militias,” Achim Steiner, head of UNEP, said in his opening address to CITES participants. “Poached ivory is believed to be exchanged for money, weapons, and ammunition to support conflicts in the region.”

Member states also extended greater protection to endangered rhinos that are being poached in record numbers for their horns. CITES member states decided that Vietnam, Mozambique, and South Africa must enact stricter legislation concerning poachers and rhino horn smuggling, and they also must provide comprehensive reports to CITES on progress made. Governments also agreed to increase covert investigations, prosecute members of organised crime groups implicated in rhino-related crimes, and use stronger penalties as a deterrence mechanism.

Host country issues

Host country Thailand made headlines at the start of the meet when Prime Minister Yingluck Shinawatra announced that the government would start to work towards ending the country’s domestic ivory trade.

Thai rosewood was also the subject of intense debate at COP16. The southeast Asian country has been struggling with cross border smuggling of the rare wood to neighbouring countries, particularly China, despite domestic Thai law prohibiting logging of all rosewood and other precious wood species. CITES members, however, approved a proposal to list

several species of rosewoods from Brazil, Thailand, Honduras, and Madagascar onto Appendix II.

Some observers have commented that the Bangkok meeting has marked a historic shift where countries are increasingly viewing CITES as a useful tool for global enforcement. One delegate noted that in the early years of the Convention, parties were reluctant to even discuss penalties for non-compliance. CITES Secretary-General John Scanlon drew a connection from the positive outcome in Bangkok to movement made at the UN Conference on Sustainable Development last year in Rio.

"CITES Parties have heeded the call from Rio+20 and recognised the important role of CITES as an international agreement that stands at the intersection between trade, the environment, and development," Scanlon said.

The next COP will be held in South Africa in 2016.

ICTSD reporting; "Shark Protections Upheld as Wildlife Trade Meeting Ends," ENVIRONMENT NEWS SERVICE, 14 March 2013; "Thai rosewood gets international protection to curb China trade," REUTERS, 12 March 2013; "U.S. and Russia Team Up in Bid to Aid Polar Bears," NEW YORK TIMES, 3 March 2013; "Endangered sharks to be protected under international law," REUTERS, 12 March 2013; "Governments Shield Rhinos, Elephants from Illegal Trade," ENVIRONMENT NEWS SERVICE, 12 March 2013; "Gang trafficking of endangered great apes prompts global action," NBC WORLD NEWS, 11 March 2013; "Conservation meeting decisions hanging in the balance," BBC NEWS, 13 March 2013; "Summary of the Sixteenth Meeting of the Conference of the Parties to the Convention on International Trade in Endangered Species of Wild Fauna And Flora: 3-14 March 2013," EARTH NEGOTIATIONS BULLETIN, 18 March 2013.

WORLD TRADE ORGANIZATION

WTO Members Push On With Bali Preparations, Ahead of April Stocktaking

WTO members are continuing their efforts to prepare items for a tentative agreement at their upcoming ministerial conference in Bali, Indonesia, this December, with meetings in Geneva last week of the group tasked with the trade facilitation negotiations, as well as technical discussions on agriculture.

The 159-member organisation is hoping to clinch a small package of deliverables from the long-running round of Doha trade talks, which were formally declared at an impasse in December 2011, in time for the upcoming Bali gathering.

Activity in Geneva has ramped up in light of an unofficial Easter stocktaking deadline, sources say, especially given that a meeting of the WTO's Trade Negotiations Committee – tasked with the Doha Round negotiations – is currently scheduled for mid-April. The TNC gathering has been deemed by many to be a useful date for testing whether a Bali agreement is indeed likely – particularly given the few months between now and December.

The global trade body's outgoing Director-General, Pascal Lamy, has already warned that the membership must "run faster" if they hope to achieve results in Bali and avoid another "housekeeping ministerial." (See Bridges Weekly, [27 February 2013](#))

Chair: Trade facilitation talks moving too slowly

The proposed centrepiece of any Bali deal is an agreement on trade facilitation, which deals with topics such as easing customs procedures and cutting times at border crossings. Trade facilitation negotiators met in Geneva last week in an effort to advance these talks forward, only for several brackets – numbering well over 600 – ultimately remaining unresolved in the trade facilitation draft text.

Following the five-day meeting, Ambassador Eduardo Ernesto Sperisen-Yurt of Guatemala, who chairs the trade facilitation talks, warned members that the negotiations are not advancing fast enough. "Based on our existing progress, we will not make it by December," he said, according to sources familiar with the meeting.

While delegates speaking to Bridges confirmed that talks were moving slowly, with many contentious issues remaining on the table, some still expressed optimism that an outcome might be possible in time for the Bali ministerial.

Consultations on trade facilitation have lately been held under a "facilitator-led process," involving facilitators from 17 WTO members that have been reviewing the text section by section in order to find areas of agreement. In an effort to move the process forward, the chair suggested last week that members change tactics – specifically, by appointing four "friends of the chair" to supplement the facilitator method that has been used to date.

These four "friends of the chair" would be Michael Stone of Hong Kong, already a facilitator, along with Ambassador Mario Matus of Chile, Ambassador Remigi Winzap of Switzerland, and Ambassador Yonov Frederick Agah of Nigeria.

The four "friends of the chair" would be tasked with consulting with members on the main points of contention in the trade facilitation draft text, under the guidance of Sperisen-Yurt, with the hopes that looking at the text more broadly might help in whittling down the 650-plus remaining brackets.

Sources told Bridges that the "friends" could also consider whether some sort of emerging consensus on what members seek to achieve is being properly reflected in the text's current draft.

In his remarks, the chair reportedly stressed that these four will not be tasked with preparing any sort of Chair's or Friends of Chair's text. Rather, these four "friends of the chair" will be required to hold open-ended meetings with members, together with any other consultations that they deem useful; any findings from these various consultations will ultimately be brought back to the full negotiating group. The process will remain member-driven, he said, according to sources familiar with the meeting.

However, even with the new process, there is "still much to do, to see if we make progress in this area," one developing country delegate commented to Bridges.

A new consolidated trade facilitation draft text is expected to be released in the coming days, reflecting revised language on areas such as publication, penalties, appeals, separation of release, e-payment, and perishable goods, which were adopted via the facilitator's process. The next meeting of the trade facilitation negotiating group is currently scheduled for 21-24 May.

Agriculture

Meanwhile, trade officials have come to the end of a month's intensive discussions on food stockholding schemes, as part of an attempt to understand how best to respond to a negotiating proposal on this question that was tabled ahead of the Bali conference. (See Bridges Weekly, [20 February 2013](#)) The proposal was first submitted by the G-33 group of developing countries with large populations of smallholder farmers.

The chair of the WTO's negotiating group on agriculture – New Zealand ambassador John Adank – is set to convene a meeting next Wednesday to discuss progress so far in the talks. However, with differences in approach emerging among the countries that co-sponsored the stockholding proposal, it remains unclear how members will seek to move ahead. (See Bridges Weekly, [6 March 2013](#))

A number of developed countries remain concerned that the proposal could open a significant loophole in WTO rules on farm support, by allowing some developing countries to expand the amount of trade-distorting support they provide to farmers when purchasing food stocks. Many developing countries, including some of the original proponents of the initiative, have also questioned whether the stocks could actually distort global markets and undermine food security for their own producers.

However, trade sources told Bridges that delegates are ready to engage in talks on the G-33's submission. "Most delegates said 'yes, we're ready for a substantive discussion on the proposal'," said one.

Also hanging in the balance is a separate proposal for easing farm imports under tariff rate quotas, which was tabled in October by the G-20 developing country group that favours farm policy reform in the developed world. (See Bridges Weekly, [3 October 2012](#)) Delegates told Bridges that members were still due to discuss this, along with another proposal on agricultural export competition, as part of the pre-Bali preparations.

Developing, LDC issues

The third section of a planned Bali package would likely involve issues of interest to developing and least developed country (LDC) members. The Special Session of the Committee on Trade and Development has been meeting every couple of weeks in an open-ended format during the first part of this year, with the latest one reportedly being held last Friday.

Sources familiar with the talks in this area note that the 28 Cancún proposals – part of a group of 88 proposals aimed at strengthening the special and differential treatment (S&DT) provisions in the various WTO agreements that were agreed, but not harvested, ten years ago – are still being discussed in this setting, as is the so-called Monitoring Mechanism, which would review the functioning of provisions in WTO rules for S&DT treatment in favour of developing countries and potentially suggest improvements.

Topics related to the WTO's Agreement on Sanitary and Phytosanitary Measures are also being reviewed, delegates familiar with the talks noted to Bridges.

The question of which LDC-specific issues – such as duty-free quota-free market access, rules-of-origin, and cotton – might be included in a December package is also expected to emerge again ahead of MC9, sources say. These topics had also generated substantial discussion ahead of the last ministerial, only for the planned "LDC-plus" package for the 2011 conference to ultimately fall through.

ICTSD reporting.

BILATERAL TRADE TIES

Trade and Currency in the Spotlight as Chinese President, US Treasury Secretary Meet

Washington and Beijing's oft-contentious trade relationship came to the fore this Tuesday, as newly-instated Chinese President Xi Jinping met with recently-appointed US Treasury Secretary Jack Lew. The high-profile event – which also addressed issues such as currency and intellectual property – marked both Xi's first meeting as president with a senior foreign official, and the first major trip for the new US Treasury Secretary.

"I can say we have a seamless connection," Xi said following the event, while acknowledging that "some differences" remain. Both officials also expressed their commitment to strengthening their often strained trade ties, while stressing their countries' significance in the world economy.

The two sides have repeatedly found themselves at odds in recent years over a series of trade issues, ranging from their respective support policies for their renewable energy sectors to the enforcement of intellectual property rights, among others, with some of their disagreements also taking the form of WTO disputes. During last year's US presidential election, candidates from both US political parties repeatedly pledged to "get tough" on allegedly unfair Chinese trade practices, a stance that had fuelled some tension with Beijing.

Currency, IP in focus

The long-standing debate over China's valuation of its currency was said to be one of the main points on the meeting's agenda, with Lew having recently told US lawmakers that he would make it a "top priority" in his new role.

The new Treasury Secretary has said that he wants Beijing to allow the renminbi to appreciate more quickly, repeating earlier calls that have been made by Washington officials. Beijing has long come under fire from critics who argue that its currency is undervalued, making the Asian economy's exports more competitive than those of some of its trading partners. While China has allowed the renminbi to rise more rapidly in recent years, the Obama administration has urged additional flexibility in this area.

The alleged infringement by Chinese companies of US intellectual property (IP) rights – another thorny topic in the two's trade relations – was also raised in Tuesday's meeting. Lew said that Washington wants to work with Beijing to "protect the work of our innovators," referring to complaints about widespread Chinese pirating of Hollywood movies and other goods.

Rivalry over Pacific trade?

The Xi-Lew meeting also comes as both the US and China intensify their efforts in trade negotiations with other members of the Asia-Pacific region.

According to its Ministry of Commerce, China will hold three rounds of trade talks with South Korea and Japan this year in an effort toward eventually crafting a trilateral trade

pact. Beijing is also planning to begin negotiating with 15 other countries – including the ten members of the Association of Southeast Asian Nations (ASEAN) – for a so-called Regional Comprehensive Economic Partnership (RCEP).

Meanwhile, the US is continuing talks for a proposed Trans-Pacific Partnership (TPP) Agreement with 10 other countries – a number that could soon increase, given Japan's recent announcement that it hopes to join the group (see related article, this issue). TPP members have said that they hope to clinch a deal by the end of this year.

How these separate negotiations will play out in relation to each other – and whether one or more of these such agreements might serve as a model for a broader Free Trade Area of the Asia-Pacific (FTAAP) – has been raised by many observers. However, some officials from the countries involved have suggested that the proposed deals do not necessarily have to act in opposition to each other, but are instead useful as countries work toward the goal of achieving greater regional integration.

"Trade, economy top agenda as China's Xi meets U.S.'s Lew," REUTERS, 19 March 2013; "Lew visit marks US-China re-engagement," ASSOCIATED PRESS, 19 March 2013; "Xi Stresses Positive U.S. Ties in Lew Meeting Amid Tensions," BLOOMBERG, 19 March 2013; "Xi to meet Lew on cyber row and trade," FINANCIAL TIMES, 19 March 2013.

DISPUTES

WTO Appeal Hearings in Canada Renewable Energy Row Kick Off

The WTO appeals process for the high-profile dispute over the Canadian province of Ontario's feed-in-tariff (FIT) programme for renewable energy officially kicked off in Geneva last week, as the EU, Japan, and Canada all participated in the first round of hearings on the subject.

The Ontario scheme at issue aims to support renewable energy in the province by guaranteeing domestic electricity generators above-market rates on certain renewable sources of energy, such as wind and solar. The WTO challenge had been tabled by the EU and Japan, who had argued that the scheme violates global trade rules because it requires participating electricity generators to source up to 60 percent of their equipment in Ontario.

Last December, a WTO panel had found that the local content requirement in Ontario's programme was not in line with international trade rules ([DS426](#) and [DS412](#)). (See Bridges Weekly, [19 December 2012](#)) Ottawa subsequently challenged the panel's finding, and both Brussels and Tokyo – despite the favourable outcome – responded with cross-appeals to clarify points of law in the panel decision. (See Bridges Weekly, [20 February 2013](#))

Government procurement

A main point of contention during last week's hearings – which were open to the public – was whether Ontario's programme falls under a provision in the WTO's General Agreement on Tariffs and Trade (GATT) that would exempt the FIT scheme's local content requirement from certain trade rules, if it was found to be a form of government procurement.

The panel had found that, while the programme involved procurement for governmental purposes – one requirement for the exemption – it was ultimately "with a view to commercial resale" and therefore did not qualify. Canada, however, argued that Ontario did not intend to profit from the programme, and that the scheme did not qualify as "commercial resale."

"The aim behind [Ontario's] purchase of wind and solar electricity under the FIT Program is governmental and not commercial," Canada said in its oral statement last week. Ottawa continued by noting that the programme is in place to ensure a mix of renewable energy and to secure a sufficient and reliable supply of electricity – which, it argues, is a legitimate governmental purpose.

For its part, the EU argued that another WTO Agreement – the Trade Related Investment Measures (TRIMs) Agreement – actually applies to the Ontario scheme. The FIT programme's "rationale is explicitly to promote investment in renewable energy generation," Brussels said, suggesting that the GATT exemption would therefore not apply.

Japan, meanwhile, clarified that it did not take issue with Ontario's aim of providing a sufficient supply of renewable electricity to Canadian consumers, or the use of the FIT programme to do so. Rather, its concern was whether "the WTO agreements permit Ontario to discriminate against imports of renewable energy generation equipment" – in

other words, whether the local content requirement of the scheme violates global trade rules.

Illegal subsidy?

The countries also clashed over the Subsidies and Countermeasures (SCM) Agreement, specifically over whether the FIT programme, coupled with the local content requirement, constitutes an illegal subsidy by conferring a benefit.

Originally, the panel had found that there was no reliable benchmark to measure whether the program conferred a "benefit" on electricity generators. Japan, in its counter-appeal, endorsed the dissenting panel member's view that a benefit existed "based on the design, structure, and operation" of the FIT system.

"It is undisputed that the FIT Program allows wind and solar electricity generators to operate in Ontario that would otherwise not be able to," Japan said in its oral statement.

The EU agreed with Japan, noting that "the result of the negotiations between the government and green energy generators [based on previous experience] did not lead to the same remuneration conditions as those provided by the FIT Program."

In order to determine whether a "financial contribution" confers a "benefit" under the SCM Agreement, a proper counterfactual situation must be constructed with which to compare the conditions under the subsidy.

"The most relevant fact in identifying [such a situation] is that there is no separate market for renewable energy in Ontario, and that consumers in Ontario, rather than the Government of Ontario, are not prepared to pay for electricity sufficiently for renewable energy generators to cover their production costs and reasonable profit," Japan said.

Canada argued instead that the appropriate benchmark for determining the "adequacy of remuneration" of the FIT rates paid for wind and solar electricity would be something based on costs of production, because Ontario is the sole purchaser of electricity in the system. There is no real "arm's-length" transaction between private entities, which would be the most appropriate benchmark.

Ottawa also suggested that wholesale and spot market prices do not reflect the true cost of producing electricity, and therefore rarely compensate electricity generators adequately. Therefore, Canada rejected the EU and Japan's approach to measuring a "benefit," since under such an approach "92 percent of electricity generation in Ontario earning regulated or contracted rates is being conferred a 'benefit'."

Canada added that, without the Ontario government's purchases, none of this electricity – renewable or otherwise – would be present in the market, and all of these purchases would be understood to confer a benefit to the producers.

The EU responded that, in cases where the government is the sole buyer – as Ontario is – it should negotiate to obtain the lowest possible price from each producer through negotiations or a bidding process, whereas under the FIT scheme a standard rate is offered.

The legal status of Ontario's FIT programme will remain unclear until the Appellate Body releases its final decision.

ICTSD reporting.

CLIMATE CHANGE

Suspension of EU Aviation Emissions Rule Planned for April, Officials Say

The temporary suspension of the aviation component in the EU's Emissions Trading System (ETS) from flights to and from the 27-country bloc will formally take effect on 30 April, officials announced last week.

Under the original EU scheme, airlines landing in or taking off from any of the bloc's 27 member states – as well as Iceland, Liechtenstein, and Norway – would have had to surrender carbon permits for the emissions they produce. The aviation component of the ETS entered into force in January of last year, with the requirement that airlines buy permits for 15 percent of those emissions; the remaining 85 percent would initially have been provided to them for free. Various non-EU countries – including the US, China, India, and Russia – had opposed the aviation rule, arguing that Brussels was overstepping its authority by charging for emissions created outside of European airspace.

The decision to temporarily "stop the clock" for the EU aviation rule was first announced by the European Commission in November, following a meeting of the International Civil Aviation Organization that saw signs of movement toward a potential pact on global aviation emissions. (See Bridges Weekly, [14 November 2012](#)) Last year's Commission proposal, however, still had to go through the necessary EU internal procedures in order to take effect.

The European Commission, the European Parliament, and Ireland – which is the current holder of the EU presidency, and thus represents the European Council – have now agreed on a legal text for the suspension, which will go through a few more additional steps before the Parliament formally signs off on it during next month's plenary in Strasbourg.

The latest version of the text shows some changes from the proposal that the Commission announced last November. Specifically, the plan was [modified](#) in the European Parliament's Environment Committee last month to allow the option for the suspension to last for over a year – but only if "clear and sufficient" progress is made in the talks at ICAO, the UN's civil aviation body, toward a global emissions deal.

A high-level group of ICAO negotiators is slated to meet in Montreal next week, in a meeting that is expected to be closely watched for signs of what might lie ahead at the UN body's General Assembly this autumn.

The planned suspension only applies to emissions from 2012; had the EU aviation scheme not been put on hold, emissions permits would have had to be submitted by the end of April. The ETS still applies to flights within the EU bloc, however, regardless of airline.

Backloading permits?

Meanwhile, the EU carbon market that underpins the ETS continues to face its own series of difficulties, with the oversupply of carbon permits – and the bloc's broader economic struggles – having been largely blamed for the allowances' persistently low prices.

According to Bloomberg News, the European Commission has reportedly told member states that it expects the European Parliament to approve next month the start of talks on a controversial process known as backloading. This measure – if passed – could eventually

involve delaying the auctioning of 900 million carbon permits from 2013-2015 to 2019-2020, with the hopes of propping up permit prices.

The European Parliament Environment Committee already [approved](#) last month a proposal that would allow the Commission to, "in exceptional circumstances," interfere in the timing of auctions, so long as an impact assessment indicates that the sectors involved would not be at risk of companies relocating outside of the EU bloc. Such a move would only be allowed in one instance, according to the amendment approved by the committee.

The backloading proposal has already sparked substantial debate in Europe, over concerns by some that the delay would raise energy prices and make the market less predictable.

ICTSD reporting; "EU agrees text of 'stop the clock' aviation law," REUTERS, 12 March 2013; "EU lawmakers back suspension of airline carbon payments," REUTERS, 26 February 2013; "EU Told States It Expects Parliament to Back Carbon Fix in April," BLOOMBERG, 17 March 2013; "EU Carbon Fix in Energy Report Survives Rejection Attempt," 15 March 2013.

EVENTS & RESOURCES

Events

Coming soon

22 March, London, UK. EUROPE AND JAPAN: A COMMON ECONOMIC AGENDA? Chatham House's International Economics department, together with the Japan Economic Foundation (JEF), will host their fourth symposium, bringing together senior policy officials, academics, and private sector practitioners from Europe and Japan. Participants will discuss opportunities and challenges for economic integration between Asia and Europe, with a particular focus on the coordination of monetary policies within and between the two regions as well as the risks of rising public debt for developed economies. Attendance is by invitation only. More information is available at the event [website](#).

25-27 March, Bali, Indonesia. FOURTH MEETING OF HIGH-LEVEL PANEL ON POST-2015 DEVELOPMENT AGENDA. This fourth and final meeting of the UN High-Level Panel on the Post-2015 Development Agenda will be hosted by the government of Indonesia, and focus on the theme "Global Partnerships." The UN panel – which is chaired by President Susilo Bambang Yudhoyono of Indonesia, President Ellen Johnson Sirleaf of Liberia, and British Prime Minister David Cameron – has been tasked with defining a new global development framework beyond 2015, the completion date for the Millennium Development Goals. This meeting will feed into the panel's preparation of a final report on the subject, which will be submitted to UN Secretary-General Ban Ki-Moon by the end of May. More information is available at the event [website](#).

27 March, Geneva, Switzerland. ACADEMIC LAUNCH: 2013 HUMAN DEVELOPMENT REPORT. The United Nations Development Programme (UNDP) Office in Geneva is organising, in partnership with the University of Geneva and the Graduate Institute, an academic launch on this year's Human Development Report. The report – entitled "The rise of the South: Human Progress in a Diverse World" – examines the shift in global dynamics that is being driven by the fast-rising powers of the developing world, and the implications of this phenomenon for human development. The report also identifies policies and institutional reforms that, the authors argue, could promote greater human progress throughout the world for decades to come. The launch will include two panel discussions on the subject, featuring experts from academia, government, international organisations, and NGOS. To learn more, please visit the event [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.

21 - 22 March: Committee on Sanitary and Phytosanitary Measures

21 March: Working Party on Domestic Regulation

21 March: Council for Trade in Services

22 March: Committee of Participants on the Expansion of Trade in Information Technology Products

25 March: Council for Trade in Goods

25 March: Committee on Budget, Finance and Administration

26 March: Committee on Agriculture (followed by Inf.)

26 March: Dispute Settlement Body

27 March: Working Party on the Accession of Bosnia and Herzegovina

Other Upcoming Events

28 March – 18 April, Washington, US. WITA TPP SERIES. This series of four Washington International Trade Association breakfast panels will explore a wide range of issues within the ongoing Trans Pacific Partnership (TPP) trade negotiations. The panel topics in this series are "21st Century Issues" (28 March), "Sensitive Market Access Issues" (3 April), "US Priorities and Objectives," (11 April), and "Views from TPP Partner Nations" (18 April). The series will then be followed by a private embassy reception on 18 April for those who register for all four panels. For more information, or to register, please click [here](#).

28-29 May, Beijing, China. GLOBAL SERVICES FORUM. This event – organised by the United Nations Conference on Trade and Development (UNCTAD), together with the Chinese Ministry of Commerce and the People's Government of Beijing Municipality – will be held concurrently with the second China International Fair on Trade in Services (CIFTIS). The purpose of this event is to deepen the understanding of opportunities and challenges for developing countries in fostering sustainable and inclusive development through services. The Global Services Forum aims to gather together prominent players in the services sector, from governments, the business world, and academia. Event organisers hope that the ideas emerging from the interaction of participants will help create and strengthen networks and partnerships for the development of the services sector. More information is available [here](#).

1-19 July, Geneva, Switzerland. INTERNATIONAL INTELLECTUAL PROPERTY AT THE WORLD INTELLECTUAL PROPERTY ORGANIZATION. This American University summer course provides a study of international intellectual property policymaking at the World Intellectual Property Organization (WIPO). The course will feature numerous lectures and site visits with staff of the World Intellectual Property Organization and other Geneva-based experts, as well as informal opportunities to socialise and network with practitioners and alumni in the field. To learn more, please visit the course [website](#).

1-19 July, Geneva, Switzerland. THE WORLD TRADE ORGANIZATION: RULE MAKING AND DISPUTE SETTLEMENT. This summer course, hosted by American University's Washington College of Law, aims to provide an in-depth look at the World Trade Organization, with a focus on the structure and internal workings of the WTO and overview of the substantive areas of international economic relations that are covered in the text of the WTO Agreements. To learn more, please visit the course [website](#).

Resources

AFRICAN CONTRIBUTIONS IN SHAPING THE WORLDWIDE INTELLECTUAL PROPERTY SYSTEM. By Tshimanga Kongolo; published by Ashgate. (March 2013) This book underlines the contributions made by African countries as a group to the development of the current international intellectual property (IP) system. The author – an intellectual property researcher – examines these countries' proposals and initiatives at the WTO, the World Intellectual Property Organization (WIPO), and the World Health Organization (WHO) with regard to IP and public health; IP and traditional knowledge, traditional cultural expressions, and genetic resources; IP and biodiversity; and exceptions and limitations to copyright. Using Botswana, Burundi, Egypt, Ghana, Kenya, Mauritius, Morocco, South Africa and Tunisia as examples, the author examines the systems under which these IP subject matters are protected. The book also analyses some regional initiatives taken to protect traditional knowledge and traditional cultural expressions. To learn more about the book, please click [here](#).

MINERAL RESOURCE TRADE IN CHILE: CONTRIBUTION TO DEVELOPMENT AND POLICY IMPLICATIONS. By Jane Korinek for the Organisation for Economic Co-operation and Development (OECD) (March 2013). This paper identifies some of what it deems "good practice areas" in mining regulation in Chile, whose economy has shown strong growth over most of the last two decades. Instead of resorting to trade measures such as export restrictions, the author finds that Chile manages its minerals sector through a combination of balanced taxation, stable investment measures, good management of tax revenue, exchange rate policy, and initiatives aimed at producing a multiplier effect of economy-wide development. For more information, please click [here](#).

UNCTAD INVESTMENT POLICY MONITOR. Published by the UN Conference on Trade and Development (UNCTAD) (March 2013). UNCTAD's [Investment Policy Monitor](#) is a regular publication that aims to provide the international investment community with country-specific, up-to-date information about the latest developments in foreign investment policies, both at the national and international level. The period in review in this latest edition (November 2012–February 2013), according to the authors, saw a notable increase in new investment restrictions and regulations – with such measures reaching a new high of 36 percent. Nonetheless, the report finds that investment liberalisation and promotion remained the dominant trend in national investment policies. The reporting period also saw fifteen changes in corporate tax rules, with nine reducing and six increasing the tax rate. At the international level, the move towards regional investment agreements gained further momentum, while the conclusion of new bilateral investment treaties continued to slacken, and stakeholders increasingly voice their views. To learn more, or to read the publication, please click [here](#).

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