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WORLD TRADE ORGANIZATION

"Rapid Acceleration" Needed to Ensure Results at WTO Ministerial, Lamy Warns

With the WTO's ministerial conference in Bali, Indonesia fast approaching, members must adopt a "change in mind-set" if they are to complete their negotiations on a package of Doha Round deliverables in time, Director-General Pascal Lamy warned last week.

WTO members have spent the past several months working to extract an abridged package of deliverables from the overall Doha Round of trade talks, which were formally declared at an impasse in December 2011. The proposed "mini-package" would, if completed, include an agreement on trade facilitation, along with agriculture-related components and a few deliverables of relevance to developing and least developed countries.

However, speaking to members at the 11 April meeting of the Trade Negotiations Committee (TNC) – which is tasked with the Doha Round talks – the Director-General noted that the current preparations for the December gathering in the tropical Indonesian island are not moving quickly enough.

"Assuming my diagnosis is right, the stark reality is that the current pace of work is largely insufficient to deliver successfully in Bali," Lamy said. "This means that without rapid acceleration and real negotiations, it is highly probable that you will not see the deliverables you desire in Bali."

However, he cautioned against members assigning blame to one another for the slow movement in the talks, stressing that such an attitude would be counterproductive. "Those of you who are tempted to engage in a blame game at this point, do it at your own peril," the trade chief said.

Members speaking at Thursday's TNC broadly echoed the Director-General's concern over the pace of the negotiations, sources familiar with the meeting told Bridges. Many reportedly stressed the need to bring in senior officials – and possibly ministers – in order to provide the political push to move the Bali process forward.

"We're waiting for a magic show of political will," one official said to Bridges after the meeting.



International Centre for Trade and Sustainable Development

Trade facilitation

An agreement on trade facilitation, which deals with easing customs procedures and cutting time at border crossings, would be the centrepiece of any package agreed for the December ministerial. Negotiators are currently working to eliminate the remaining brackets in the current text of such an agreement, which is now on its 15th draft.

Lamy urged members last Thursday to consult with their capitals and ensure that coordination occur among all relevant ministries – not just those that deal with trade – in order to ensure the negotiations succeed. Members should also be able to collectively answer two questions: what the shared level of ambition is in “beefing up” the articles of the General Agreement on Tariffs and Trade (GATT) that deal with trade facilitation, and whether there is sufficient confidence that there will be enough capacity-building available to allow poorer members to take on new disciplines in this area.

Last month, the chair of the trade facilitation talks established a so-called “Friends of the Chair” process to complement the facilitator-led discussions that have been conducted to date, after finding that efforts to whittle down the 600-plus remaining brackets in the draft agreement were moving too slowly. (See Bridges Weekly, [20 March 2013](#))

This new process is already underway, with the four “Friends of the Chair” – Michael Stone of Hong Kong, Ambassador Mario Matus of Chile, Ambassador Remigi Winzap of Switzerland, and Ambassador Yonov Frederick Agah of Nigeria – reporting to an informal meeting of the trade facilitation group on Monday on their recent efforts in this area.

However, delegates speaking to Bridges noted that it is still too early to tell at this stage what might come from the “friends’” work, noting that more clarity may come from the next trade facilitation “cluster” in May.

Agriculture

Meanwhile, the process to determine which components of the WTO's farm trade talks should make it into the final Bali package has also faced its own hurdles, Lamy noted – a sentiment that various delegates speaking to Bridges shared.

The items currently being discussed as possible agriculture deliverables include a proposal from the G-20 coalition of developing countries regarding how countries manage tariff rates quotas, or TRQs – which are used by some countries to charge higher tariffs on goods being imported after an initial quota has been filled.

Consultations on the G-20 proposal “have highlighted that members continue to see this as a useful one to explore for possible decision in Bali, even though there are sensitivities in relation to some aspects of the proposal that members have not yet settled,” the Director-General reported on Thursday.

However, Lamy noted, “significant divergences” remain around another agriculture proposal on the table that has been raised by the G-33 coalition of developing countries. The G-33 proposal would ease farm subsidy rules on food stockholding purchases – a suggestion that many developed countries have warned could create dangerous loopholes in WTO rules.

Specifically, some have said the plan would effectively permit members to include unlimited amounts of market price support in the WTO's “green box” – which is reserved for subsidies that cause no more than minimal trade distortion – and have asked instead whether the existing disciplines would allow members to achieve their food security objectives.

"Frankly, the very essence of this proposal is confusing and concerning," US Ambassador to the WTO Michael Punke [said](#) last week. "It is ironic that this proposal comes under a title of 'food security'. Even if it did contribute to food security for the two or three countries that can afford the costs to support such a system – and this is debatable – it will certainly create volatility and insecurity for the vast majority of others."

Many others speaking at Thursday's meeting also raised questions over whether the G-33 proposal was calibrated to the rest of the negotiations, or whether it went beyond the current mandate. EU Ambassador Angelos Pangratis, for instance, [suggested](#) that some of the more far-reaching issues might be better addressed within a wider negotiation post-Bali, rather than as part of an early harvest package.

India, which has been one of the main proponents of the G-33 proposal, reportedly urged members at the TNC to be flexible and look at solutions to resolve their differences on the subject. Members need to have a discussion on the give-and-take, India said, according to sources present at the meeting, with the starting point being the "giving."

Other proposals, Lamy noted – such as one from the G-20 regarding export competition – are soon expected to be tabled within the agriculture negotiating group.

Developing country, LDC issues

The third "pillar" of a Bali package would include provisions of relevance to developing and least developed countries (LDCs). Those discussions, which have been conducted within the context of the Committee on Trade and Development's Special Session (CTD-SS), have primarily centred on three clusters of topics: a Monitoring Mechanism, the 28 proposals from the WTO's 2003 Ministerial Conference in Cancún, and six Agreement-specific proposals involving special and differential treatment (S&DT).

The 28 Cancún proposals were part of a group of 88 proposals aimed at strengthening the S&DT provisions in various WTO agreements. These 28 were agreed in principle ahead of the WTO's 2003 ministerial conference in Cancún; however, they were ultimately not harvested.

While sources say that discussions regarding six of these proposals are making progress, disagreements have arisen over whether the other 22 proposals should be agreed "as is" – in other words, using the existing language from Cancún – or modified in some respect.

"No one is sure what will happen on the 22," one official familiar with the talks noted.

Meanwhile, the so-called Monitoring Mechanism under discussion would, if agreed, review the functioning of provisions in WTO rules for special and differential treatment in favour of developing countries. Negotiations on the proposed mechanism date back over ten years; however, disagreements remain over the mandate of such a scheme.

Specifically, sources say, members disagree on whether the mechanism should just be tasked with monitoring, or whether it should be a negotiating body of its own. Members appear to be "more or less agreed" that the mechanism will make recommendations to the appropriate WTO bodies rather than negotiate new proposals, one delegate explained – however, members disagree on what sort of recommendations the mechanism would be allowed to make. Setting constraints on these recommendations is something "some people are not happy about," the source explained. "[They worry] that to further limit the Monitoring Mechanism can't be a helpful approach."

Meetings on the six Agreement-specific proposals – which deal with the Sanitary and Phytosanitary Measures (SPS) Agreement and Import Licensing Agreement – have also continued in recent weeks. However, one source noted that talks in this area have

temporarily hit a snag over some new proposals that were tabled in a recent meeting of the CTD-SS.

The prospects for those issues that affect the poorest WTO members are still unclear, sources say, with members still awaiting proposals from the LDC Group on topics such as duty-free quota-free market access, rules of origin, and cotton. Ambassador Steffen Smidt of Denmark has been appointed by Lamy to serve as a facilitator for the LDC component of the Bali package.

How to operationalise the LDC services waiver agreed at the last ministerial in 2011 is another topic that remains undecided, sources say. Members are also examining a possible extension to LDCs' waiver for implementing the WTO's intellectual property agreement, given that the current waiver expires this July.

Failure at Bali could spell doom for Doha, some members warn

Various members – including the US, Japan, Norway, and China, among others – stressed last week that a failure to conclude a package in time for Bali could have broader implications for the overall Doha negotiations, and the credibility of the multilateral trading system as a whole.

"If Bali fails, it is hard to imagine how Doha can succeed," Punke said on the US' behalf. "It defies logic to believe that, if we fail to deliver on the easier issues, that the WTO is capable of delivering on the more difficult issues – issues at impasse now for more than a decade."

"No one in this room could bear the consequences of the failure at Bali," Chinese Ambassador Yi Xiaozhun concurred. "That failure is not only the defeat of the Doha Round, but also the loss of the multilateral trading system."

Negotiators speaking privately to Bridges noted similar concerns, while expressing hope that a package could still materialise in time.

"We're increasingly worried that we might not get there, even though we scaled back the ambitions of the package," one delegate said. However, "people are aware of the perils of going through to the ministerial without a package," the official added.

Next TNC in May

"Although the odds are not bright today, they are still good enough to warrant a major effort," Lamy concluded on Thursday. "But to succeed, you need to urgently change course, to be more flexible in your negotiating attitude, to accelerate your substantive work, and to refrain from throwing bricks at each other."

"These are the ingredients to avoid hitting a wall with undesirable consequences not only for Bali, but more importantly, for the credibility of the multilateral trading system," the Director-General concluded.

Lamy will be conducting two "green rooms" during the month of May, in order to look horizontally at progress in the three Bali negotiating areas. The next TNC meeting will then be held on 31 May.

ICTSD reporting.

PREFERENTIAL AGREEMENTS

Japan Receives US Backing for Entry into Trans-Pacific Talks

Washington officially signed off on Tokyo's entry into the Trans-Pacific Partnership negotiations last week, bringing the Asian economy one step closer to formally becoming a member of the 11-country group.

"Japan's entry into this important initiative for the Asia-Pacific region will help it to deliver significant economic benefits to the United States, Japan, and the Asia-Pacific region," Acting US Trade Representative Demetrios Marantis [said](#) on Friday.

The decision comes after over a year of consultations between the two sides, which ramped up in February following a joint meeting between US President Barack Obama and Japanese Prime Minister Shinzo Abe. The Japanese leader had subsequently announced in March that he would be formally pursuing entry into the 11-country negotiations. (See Bridges Weekly, [20 March 2013](#))

Agreements reached on automobiles, insurance, NTMs

According to the Obama Administration, the bilateral consultations between the US and Japan have led to agreements between the two sides on Japan's automotive and insurance sectors, as well as how the two sides will generally treat the topic of non-tariff measures.

With regards to automobiles, the two sides have [agreed](#) that US tariffs on Japanese car imports will be phased out in line with the longest "staging period" for any other product being treated in the TPP talks, with the phase-outs timed to take place at the end of this period. Washington and Tokyo have also decided that treatment of US tariffs will exceed that provided for in the US' existing trade pact with South Korea, which entered into force just over a year ago.

In addition, Japan will increase the amount of vehicles that US automobile producers will be allowed to export under Tokyo's Preferential Handling Procedure (PHP), which is a faster system for Japan to import US cars. The current annual ceiling for US cars allowed under Japan's PHP is 2000 per vehicle type; this is set to increase to 5000 per vehicle type.

Non-tariff measures related to automobiles – another long-standing sticking point between the two sides – will be addressed in bilateral talks held in parallel to the TPP negotiations. The results of these talks will be included in the final Japan-US market access package once the broader trans-Pacific talks are concluded.

The US has also long complained that Japan lacks a level playing field with regards to access to the Asian country's insurance market. To that end, the insurance terms inked between Tokyo and Washington last week will prevent Japan from approving "new or modified cancer insurance and/or stand-alone medical products of Japan Post Insurance until it determines that equivalent conditions of competition with private sector insurance suppliers have been established and Japan Post Insurance has a properly functioning business management system in place." These changes are expected to take years.

Meanwhile, negotiations regarding non-tariff measures in various areas – such as transparency/trade facilitation, investment, intellectual property rights, and government

procurement, among others – will be addressed both within the broader TPP negotiations, as well as on a parallel track between Tokyo and Washington.

Mixed reaction from US lawmakers, Japanese public

Friday's announcement by the Obama Administration drew a mixed response from US lawmakers, who will ultimately have to sign off on the final TPP deal once the negotiations are concluded.

Some, such as Senator Max Baucus – a Democrat from Montana who heads the Finance Committee in his chamber, which deals with trade issues – welcomed the move, noting that the inclusion of Japan in the TPP would mean that the pact would cover nearly 40 percent of the global economy.

"Japan's participation in the Trans-Pacific Partnership talks presents an extraordinary opportunity that could open up huge new markets to American goods and services," Baucus [said](#).

Others, however, were more reserved in their response, stressing the long-standing differences between Tokyo and Washington on some trade issues. "The bottom line is Japan must address its longstanding tariff and non-tariff barriers to US exports – in particular on autos, insurance, and agriculture," [said](#) Dave Camp – a Republican who chairs the House Committee on Ways and Means.

"I will not support Japan's entry into TPP unless we obtain airtight assurances that Japan's participation in the TPP negotiations will neither diminish the comprehensive and ambitious nature of these negotiations nor delay the goal of concluding the negotiations this year," Camp said.

Tokyo's joining of the TPP has also sparked substantial controversy within the Asian economy, with farmers worried about the potential of losing agricultural import tariffs as a result of the negotiations. While the Japanese manufacturing industry has largely backed TPP participation, automobile producers have expressed dismay at the prospect of US tariffs on Japanese cars remaining in place for the maximum possible period, as outlined in last week's agreement.

July participation?

Before entering the talks, Japan will need the approval of all current members, a list that includes Australia, Brunei, Canada, Chile, Malaysia, Mexico, New Zealand, Peru, Singapore, the US, and Vietnam. Mexico has already signed off on Japan's participation in the talks, following a meeting last week between Abe and Mexican President Enrique Peña Nieto. (See Bridges Weekly, [11 April 2013](#))

Reports have suggested that a formal invitation to Japan could be extended as early as this weekend, when ministers from the TPP countries gather on the sidelines of the Asia-Pacific Economic Cooperation (APEC) trade ministers' meeting in Indonesia. However, even if Japan is invited to join the TPP this weekend, it will still take some time before Tokyo can formally take part in the negotiations, as current members will have to complete their own domestic procedures.

The US, for instance, must formally notify Congress and then allow for a 90-day period to pass, which would effectively prevent Japan from participating in the next round of talks, scheduled to be held in Lima, Peru in May. Some have hinted that another round of trade talks might be scheduled in mid-July in order for Japan to get involved quickly.

ICTSD reporting; "TPP deal irks farmers, automakers," THE JAPAN TIMES, 14 April 2013.

WORLD TRADE ORGANIZATION

Candidate Field Narrows for WTO Director-General's Race

The first cut in the race for the position of WTO Director-General took place last week, after four candidates were deemed as not having sufficient support to make it to the leadership contest's second stage. The process to whittle down the remaining list of five candidates – which come from either Asia-Pacific or Latin American countries – to two is already underway, with the second round of consultations kicking off on Tuesday.

General Council Chair Shahid Bashir – Pakistan's ambassador to the global trade body – reported to fellow WTO members on Friday that Alan Kyerematen of Ghana, Anabel González of Costa Rica, Amina Mohamed of Kenya, and Ahmad Thougan Hindawi of Jordan had attracted the least support in the first round, and would therefore be expected to withdraw from the race.

Bashir, together with Dispute Settlement Body Chair Jonathan Fried of Canada and Trade Policy Review Body Chair Joakim Reiter of Sweden, is part of the troika that is conducting consultations with the membership in the Director-General selection process.

The five candidates that will formally remain in the race for the next round will therefore be Mari Pangestu of Indonesia, Tim Groser of New Zealand, Herminio Blanco of Mexico, Taeho Bark of South Korea, and Roberto Carvalho de Azevêdo of Brazil.

Pangestu, Groser, Blanco, and Bark are all current or former trade ministers of their respective countries, while Azevêdo has served as his country's WTO ambassador since 2008.

With the remaining five candidates from either the Asia-Pacific or Latin American regions, many expect the next big fight to be over who attracts the most support from African member countries, as well as from the EU and US. Other factors, such as how well a candidate is known in Geneva, their views on trade policy, and whether other international bodies are already headed by someone from their region could very well play into the race.

While speculation abounds over who might advance to the third – and likely final – consultations round, many caution that it is still anybody's race, and that it is difficult to predict who will support which candidates, as the consultations are conducted confidentially.

Kenya, Ghana express concerns over process

Under the guidelines for selection of WTO Directors-General, candidates who attract the least support are expected to withdraw from the consultations process. On Friday, however, Kenya reportedly said that they were not able to join the consensus, according to multiple sources familiar with the meeting, and would not be withdrawing Amina Mohamed's candidacy. However, whether Mohamed would continue to remain in the race, and for long, was unclear at the time of this writing.

Sources told Bridges that both Ghana and Kenya expressed concerns at the General Council about the consultation process, specifically over how some members submitted five preferences instead of the four that the troika had requested for this first round.

Others from the African Group reportedly raised similar questions over transparency and adherence to procedure, one source told Bridges.

Some delegates from other countries commented privately to Bridges that – should Mohamed stay in the race – the result could be “worrying.” Such a result has only occurred once in the WTO’s history, during the Director-General’s race of 1999. Others, however, suggested that Mohamed staying in the race – though “surprising” – would ultimately have limited impact on the process, as they speculated that she would be unlikely to attract much support.

In his report to members on Friday, Bashir stressed, however, that “the fact that some delegations deviated from four preferences did not affect the results in this round.” Furthermore, he added, the list of four candidates with the least support did not change regardless of whether preferences were counted purely in terms of numbers received, or in breadth of support across geographic regions, or over generally recognised groups within the membership.

No candidate received unanimous support from any region, the General Council Chair added.

Multilateral system at a crossroads

The race for a new global trade chief comes at a time when many see the WTO as being at a “crossroads,” with the Doha Round negotiations now finishing their twelfth year with no end in sight. Many have said that a failure to conclude even an abridged package of Doha deliverables in time for the December ministerial conference in Bali, Indonesia, could spell failure for the overall negotiations, and could cause long-lasting damage to the credibility of the multilateral trading system. (For more on the Bali preparations, see related article, this issue)

A new Director-General will only have been in place for a few months by the time the Bali conference takes place, having just taken office at the beginning of September. While the next WTO head will be faced with ensuring the final ministerial preparations come together, trade observers and officials alike say that the new Director-General’s impact would most likely be seen in the post-Bali process, as members determine what to do with the remaining issues on the table in the Doha Round, along with the so-called “21st century issues, such as food security, climate change, or the proliferation of preferential trade agreements.

More on the candidates’ views on the future of the WTO – including on some of these “new issues” – are available in this ICTSD [publication](#), a compilation of interviews with five of the original nine candidates. [Editor’s note: ICTSD is the publisher of Bridges.]

Outgoing Director-General Pascal Lamy has already been conducting consultations with members on a post-Bali process. However, some members have said – both privately and, in some instances, publicly – that whether or not there will even be a “post-Bali” agenda for the new WTO chief depends on whether members can achieve some sort of meaningful outcome for this December’s ministerial.

“The WTO members need to face up to the key trade policy questions of the day, even if they do not yet agree on the answers,” former World Bank President Robert Zoellick [said](#) in an op-ed in the Financial Times. “If the WTO members do not select a new leader with an agenda, global trade diplomacy will drift and other negotiations will fill the vacuum.”

However, how much of an effect any Director-General may have could be constrained by the fact that the WTO is a member-driven organisation, some have warned, with its head having limited powers.

Second round already underway

The second round of consultations began on Tuesday 16 April, and is scheduled to end on 24 April. The "troika" conducting the consultations will convene another informal meeting of the General Council shortly thereafter to report on the results.

In this ongoing second round, members have been given the revised slate of five candidates, and asked to name two preferences – "not more, not less" – according to Bashir. Delegations will be asked to answer the question "What are your preferences?" in confidential individual meetings held with the troika. The preferences stated by members in the first round will not be used in this second set of consultations.

Following this second round, the three candidates with the least support will be expected to withdraw, leaving two candidates to battle it out in the third round. Members must name a successor to Lamy by 31 May, according to the WTO's procedures for the selection of the Director-General.

ICTSD reporting.

CLIMATE CHANGE

European Parliament Votes Down Carbon Permit “Backloading” Proposal

A European Commission plan to delay the auctioning of 900 million carbon permits hit a major snag on Tuesday, as EU parliamentarians voted narrowly against the measure. Prices of the permits – which underpin the EU's Emissions Trading System (ETS) – fell to their lowest on record following this week's high-profile vote.

Under the EU ETS, limits are set on emission levels from factories and plants within the 27-member bloc. These companies can then buy allowances to offset these emissions, and trade whatever surplus permits they have. In recent years, however, the EU carbon market has struggled with the persistently low prices of these permits, which have fallen from €30 per tonne in 2008 to an average of around €5 per tonne.

This has, in turn, sparked questions over the long-term prospects for the emissions trading scheme, which is one of the key components of the EU's plan to reduce greenhouse gas emissions by 20 percent from 1990 levels by 2020 in order to help combat climate change.

The low prices have largely been blamed on a surplus of permits in the EU market, as well as the bloc's broader economic struggles. The Commission proposal would have entailed “backloading” – or delaying – the auction of the permits from the years 2013-2015 to 2019-2020, in an effort to boost these prices. Tuesday's decision saw 334 Members of the European Parliament (MEPs) vote against the measure, with 315 in favour and 63 abstaining.

Supporters had argued that the backloading proposal is essential for the survival of the EU ETS, at least until a long-term solution can be found. Opponents, however, had warned that delaying permit auctions could have the adverse effect of increasing energy costs and undermining confidence in the overall programme. Some detractors of the backloading plan have called for a broader reform of the EU emissions scheme, rather than just a “short-term measure.”

While some, such as Poland environment minister Marcin Korolec, called Tuesday's result a “vote of reason,” others warned that the result could have devastating effects for the ETS' survival.

“I deeply regret today's vote. It is the beginning of the repatriation of climate policy,” said Matthias Groote, a German member of the S&D group that was tasked with steering the proposal through the European Parliament.

Speaking to the Financial Times ahead of Tuesday's vote, International Energy Agency (IEA) chief economist Fatih Birol stressed that the failure of backing the proposal would have international consequences.

“Europe is the region that started this endeavor, which the world, perhaps with some modifications, has to follow,” he said. “If we say that this exercise didn't work out, this would be a loss not only for Europe, but for everybody.”

Next steps

Tuesday's vote is not the end of the backloading proposal, supporters of the measures have stressed. The plan is now set to return to the Parliament's environment committee – which had approved the original plan in February – for further consideration.

"The Commission of course regrets that the European Parliament has not approved the backloading proposal," European Commissioner for Climate Action Connie Hedegaard said in a [statement](#) following the vote. "Europe needs a robust carbon market to meet our climate targets and spur innovation."

However, Hedegaard noted that the Commission still supports the backloading plan as a way to help restore confidence in the EU's Emissions Trading System in the short term, "until we decide on more structural measures."

The proposal is ultimately subject to co-decision in the EU, which means that both the Parliament and the European Council must back the Commission plan in order for it to become law. While Irish Minister for the Environment, Community and Local Government Phil Hogan [called](#) the vote result was "disappointing," he noted that the process is far from over. Hogan serves as President of the Council of Environment Ministers, as Ireland is the current holder of the rotating EU presidency.

The Council, Hogan said, will instead continue working toward reaching an agreed position on the backloading proposal, with two meetings of the Environment Working Party already scheduled for the coming days.

"The ETS is Europe's flagship response to greenhouse gas mitigation, and the extent to which its effectiveness is now undermined by the economic downturn is a regrettable setback to Europe's progressive transition to a competitive, low-carbon economy," Hogan said. "Early and cost-effective transition is key to Europe's leadership on climate change and European competitiveness in the emerging global green economy."

ICTSD reporting; "EU in pivotal battle over carbon market," THE FINANCIAL TIMES, 15 April 2013; "Vote Leaves EU Emissions Trading in Tatters," WALL STREET JOURNAL, 16 April 2013.

TRADE STATISTICS

WTO Reins in 2013 Trade Growth Forecast

The WTO on 10 April cut its projected trade growth forecast for 2013 by more than one percentage point, based on trade figures and trends seen in 2012. The organisation says that slow economic growth in developed economies, high rates of unemployment, and the eurozone crisis in 2012 will likely result in a growth rate of only 3.3 percent over 2013 – down from an earlier projected rate of 4.5 percent.

WTO Director-General Pascal Lamy pointed specifically to spillover effects of the ongoing eurozone crisis, while cautioning countries against resorting to protectionist policies in an attempt to shore up domestic growth. Last year saw the slowest growth in trade since 2009 – the highpoint of the global economic crisis – and the second slowest since 1981.

"The threat of protectionism may be greater now than at any time since the start of the crisis, since other policies to restore growth have been tried and found wanting," Lamy told reporters.

The poor growth figures for the year come as WTO members prepare for their Ninth Ministerial Conference in Bali, Indonesia, this December, which is being touted as one of the best opportunities to achieve progress in the troubled Doha Round of negotiations in some time. (For more on Bali, see related article, this issue.) At last week's Trade Negotiations Committee meeting, Lamy acknowledged the difficult timing.

"The forecast released yesterday does not paint a rosy picture for international trade in 2013," Lamy said. "Against this uncertain backdrop, the stakes for Bali are high."

Lamy stressed that the situation in Europe has highlighted structural weaknesses that cannot be ignored. The Director-General added that developed countries are struggling to strike a balance between short-term growth and restrictive fiscal constraints.

The 2012 figures show that while global trade only grew by 2 percent in 2012, the US and China fared better than most. With a 2.3 percent growth rate, the US almost doubled the 1.2 percent rate for developed economies as a whole. However, Patrick Low, the WTO's chief economist, cautioned that it is not yet "turn around and take-off time" for the country. China similarly saw relatively high growth in 2012, but exports will continue to be weak as demand for goods lags in Europe.

Developing countries as a whole saw particularly high relative growth over 2012, with the African continent leading the pack. With the abatement of the unpredictability associated with the Arab Spring, growth in Africa surged from -8.5 percent in 2011 to 6 percent in 2012. The next fastest growing regions after Africa were Asia at 3.8 percent; the Commonwealth of Independent States at 3.7 percent; the Middle East at 3.3 percent; South and Central America at 2.6 percent; North America at 2.3 percent; and Europe with a contraction of -0.1 percent.

Longer-term projections forecast stronger growth – 5.2-5.3 percent – for 2014, which is closer to the long-term average.

ICTSD reporting.

DISPUTES

Disputes Roundup: US Proposes Tuna Solution in Mexico Spat; European Commission Outlines New Plans for Trade Defence Measures

The past week has seen developments in two WTO disputes involving the US – the first involving a compliance proposal in Washington's tuna-dolphin row with Mexico City, the second regarding Indonesia's efforts to lift some measures that the US challenged at the global trade arbiter in January. Over in Brussels, meanwhile, the European Commission has outlined a proposal for updating its trade defence instruments.

US tuna-dolphin compliance proposal triggers mixed reaction

A proposal by the United States to reform its dolphin-safe tuna label rules to comply with a WTO ruling is receiving praise from environmentalists, who say the initiative would result in fewer dolphin deaths related to the tuna fishing industry. However, because the move would use tighter regulations to comply with the WTO ruling, Mexican tuna would still be locked out of the US tuna market.

The WTO Appellate Body ruled last year that the US dolphin-safe labelling scheme violated core trade rules and discriminated unfairly against Mexican tuna products. (See Bridges Weekly, [16 May 2012](#)) The ruling found that the labelling system was discriminatory because tuna caught with "purse-seine" nets – encircling nets that temporarily set on dolphins to attract the tuna that swim below – are ineligible. Because the nets are today used almost exclusively by Mexican fisheries, due to specific conditions in the Eastern Tropical Pacific (ETP), the majority of Mexican tuna is effectively blocked from the US marketplace.

The purse-seine rule applies even where independent veterinarians certify that no dolphins were killed or injured during the specific catch. Outside the ETP – where purse seine nets are largely not effective – importers are not obliged to prove that no mortalities or serious injuries occurred. The May 2012 ruling found that the label did not sufficiently address dolphin bycatch outside the ETP, where dolphins are harmed by fishing techniques other than purse-seine nets.

The Mexican tuna fleet invested heavily to comply with international standards – namely the Agreement on the International Dolphin Conservation Programme (AIDCP) – which have reduced observed dolphin mortality in the ETP by around 99 percent since 1990. However, the US argues that the law is designed to prevent non-observed injuries and mortalities, which occur most frequently with purse-seine nets. The WTO found the US objectives legitimate, but still ultimately concluded that the scheme was unnecessarily trade restrictive.

Rather than relaxing the labelling requirements within the ETP to comply with the ruling, as expected, the new US National Oceanic and Atmospheric Administration (NOAA) proposal expands the rules to require ETP and non-ETP fishermen to certify that no dolphin mortalities or serious injuries occurred. Outside the ETP, vessel captains would need to issue a statement that no dolphins were killed or seriously injured to comply.

Mark Robertson, a spokesman for the Campaign for Eco-Safe Tuna, which represents Mexico's tuna industry, says the proposed system would be unfair because non-ETP captains would be able to essentially self-certify compliance with the law, while Mexican fisheries would still be subject to an elaborate third-party observation, verification, and tracking system.

While the dolphin-safe label is not technically required for access to the US market, the market is effectively closed for non-certified tuna. But Mexico has argued that the consumers are not being given enough information to make an informed choice about purchasing their tuna.

Indeed, the WTO expressed concern in its initial ruling that American consumers could be misled by dolphin-safe labels affixed to tuna sourced outside the ETP, where it did not necessarily mean that the tuna was caught without mortality or serious injury to dolphins. Mexico has argued that its methods are actually safer than alternative methods, namely the use of Fish Aggregating Devices (FADs), which are employed frequently outside the ETP and have higher incidences of bycatch.

The proposal is open for comments until 6 May, with the US' deadline to comply with the WTO ruling being 13 July.

Indonesia to scrap import quotas on horticultural products

Indonesia will lift import quotas on certain horticultural products, the Trade Ministry announced on Friday. The US challenged these and other measures at the WTO in January, arguing that they unfairly restrict imports of fruits, vegetables, flowers, juices, and other products. (See Bridges Weekly, [16 January 2013](#))

"We have pledged to double trade with the US and we don't take these complaints [over horticultural and beef imports] personally, but more see them as part of normal trade discussions," said Dino Djalal, the Indonesian Ambassador to the US in a statement to *The City Wire* during a visit to Arkansas. The US Trade Representative (USTR) has said that it will review the ministry announcement and seek further details before issuing a response.

Washington already filed a first request for a panel to adjudicate the dispute ([DS455](#)) in March, which was blocked by Jakarta. A second panel request is currently listed on the agenda for next week's meeting of the WTO Dispute Settlement Body; whether or not the request will be removed from the agenda has not yet been announced.

Should a second request be made, a panel will automatically be established, in accordance with WTO rules. Washington is also challenging import limits on beef and other animal products, which were not addressed in Friday's announcement.

Southeast Asia's largest economy relies on agriculture for 15 percent of its GDP. "These [import quotas] appear to be designed to protect Indonesia's domestic agriculture industry," the USTR said in a statement this March.

European Commission outlines plan to modernise trade defence tools

The European Commission has put forward a proposal for modifying its trade defence measures – including anti-dumping and anti-subsidy instruments – marking the first significant revision since 1995. The process of crafting these revisions began in 2011.

"This is a balanced package with real improvements for all stakeholders affected by trade defence duties – producers, importers, and users," said EU Trade Commissioner Karel De Gucht. "We want to equip EU businesses better to tackle unfair trade practices abroad, while not negatively affecting EU consumers or companies that rely on imports."

Back when De Gucht took office in 2010, he had pledged to hold off on proposing revisions to the bloc's trade defence tools until after the WTO's Doha Round was completed. The global trade body's negotiations have continued to struggle, however, and EU officials now say that the current economic climate and the rise of allegedly unfair practices by its trading partners mean that Brussels cannot afford to wait.

The proposed revisions include a two-week notice period for businesses before anti-dumping or anti-subsidy measures are imposed on countries that use allegedly unfair subsidies in raw material markets. EU importers would also be offered reimbursement for duties collected during an expiry review, should the Commission find that trade measures in place are no longer necessary after five years.

Most notable in the proposal, however, may be a provision granting the European Commission the authority to initiate trade investigations without an official request from industry, which officials say could protect EU industry from retaliation. Some observers note that this could make it easier for the EU to pursue cases against Beijing, with whom Brussels has sparred repeatedly in recent years over alleged dumping and illegal subsidies of some Chinese products.

The legislative proposal will need to be approved by the European Council and the European Parliament. If successful, the proposal is not expected to become law until 2014.

At the end of 2012, the EU had 10 active anti-subsidy measures and 102 active anti-dumping measures. The measures affected 0.25 percent of the bloc's imports that year.

Guatemala lodges WTO complaint over Peru "additional" duties on foodstuffs

Guatemala has initiated a trade dispute at the WTO against Peru, challenging its so-called additional duties on some agricultural imports. In its 12 April filing, Guatemala alleged that the measures violate global trade rules by protecting domestic farmers against fluctuations in global commodity prices.

When commodity prices fall below certain established reference levels, Guatemala City says, Lima imposes extra duties on imports of rice, sugar, corn, and milk. In addition, tariff rebates apply when reference prices are "above certain ceiling price levels."

This marks the first trade dispute between the two countries, and Guatemala will have 60 days to hold consultations with Peru before it can request a panel to hear the case.

ICTSD reporting; "U.S. tuna plan pleases conservationists, upsets Mexican industry," REUTERS, 10 April 2013; "Indonesia scraps horticultural import quotas to avoid US spat," REUTERS, 12 April 2013; "Revise and improve trade policies, WTO tells Indonesia," THE JAKARTA POST, 15 April 2013; "Europe to Improve Trade Defence Instruments," TAX-NEWS, 15 April 2013; "Guatemala says Peru breaks trade rules, takes it to WTO," REUTERS, 15 April 2013.

IN BRIEF

“Renewed Momentum” for EU-India Trade Deal, Officials Say

Efforts to clinch a planned Brussels-Delhi trade pact saw “renewed progress” this week, following a highly-anticipated ministerial meeting between EU and Indian officials. The two sides have been conducting negotiations for a bilateral deal since 2007.

EU Trade Commissioner Karel De Gucht and Indian Minister for Commerce and Industry Anand Sharma “had a positive meeting which has provided a renewed momentum to bring the negotiations forward,” said John Clancy, spokesman for the commissioner. EU officials said before the meeting that the discussion was aimed less at resolving specific trade issues, but rather at advancing the overall pace of the negotiations before Indian officials shift their focus to domestic elections.

Trade talks between the two sides have struggled over sensitive issues between the two sides, such as automobile import tariffs, services, and information technology.

In a separate meeting this week, Indian Prime Minister Manmohan Singh and German Chancellor Angela Merkel stressed the importance of concluding a “broad-based, ambitious and balanced FTA in 2013.”

ICTSD reporting; “India, EU open new round of trade negotiations on FTA,” THE TIMES OF INDIA, 16 April 2013; “Positive start to fresh India-EU FTA talks,” THE INDIAN EXPRESS, 16 April 2013.

Canada, EU Aim to Clinch Trade Pact by Summer

Brussels and Ottawa are now aiming to conclude negotiations for a bilateral trade pact by summer’s end, Dutch Trade Minister Lilianne Ploumen said last week. Negotiations between the two sides kicked off four years ago, only to face repeated setbacks and delays.

Despite a concerted push to conclude a deal within the early months of this year, a number of issues reportedly remained unresolved between the sides, including agriculture, government procurement, and patent protections for pharmaceuticals. EU and Canadian leaders say, however, that they remain optimistic that an agreement will be soon reached. Observers have also commented that the EU’s planned negotiations for trade deals with Japan and the US, respectively, make it imperative for the pact with Ottawa to be finalised in the near future.

ICTSD reporting; “EU-Canada free-trade agreement could lay groundwork for larger accord with the US,” INDUSTRY WEEK, 14 March 2013; “Speeding Up Mr. Fast,” THE GLOBE AND MAIL, 15 April 2013.

China, Iceland Ink Trade Deal

China and Iceland have completed talks for a bilateral trade pact, officials announced on Monday. The deal is the Asian powerhouse's first with a European country.

The agreement is expected to give the hard-hit Icelandic economy the opportunity to increase its exports to Asia. Beijing, for its part, is aiming to eventually gain an observer's seat on the Arctic Council, an eight-nation intergovernmental body promoting economic cooperation in the Arctic region, and thus gain access to nearby shipping lanes.

China-Iceland trade remains relatively small: Iceland's exports to China reached US\$61 million in 2012, while Beijing's exports totalled US\$341 million in the same year. The Arctic nation is not an EU member, though it enjoys access to the bloc's single market. China will not receive preferential access to the EU as a result, officials have stressed.

ICTSD reporting; "China, Iceland sign strategic free trade agreement," DEUTSCHE WELLE, 15 April 2013; "Iceland and China Enter Free Trade Agreement," THE NEW YORK TIMES, 15 April 2013.

Obama Proposes Food Aid Reform

A federal budget submitted by the Obama Administration to the US Congress last Wednesday would – if approved – include a sweeping overhaul of US food aid. Specifically, the proposal would sharply curb monetisation – the sale of in-kind food aid by development organisations tasked with delivering the assistance.

In addition, the [proposed reform](#) would expand the ability of the US Agency for International Development (USAID) to help those in need more efficiently through cash transfers and other best practices, thereby increasing the reach of its food relief programmes to four million additional people.

Food aid is one of elements in the WTO's long-running Doha Round talks. Specifically, negotiators in Geneva have largely been concerned with preventing a displacement of local farmers when food aid enters a recipient country. The proposed reform addresses this by allowing for local and regional purchases of food aid. USAID, however, will still be obliged to spend 55 percent of its US\$1.4 billion in total funding for emergency food assistance on US commodities, shipping, and other costs.

Speaking to Bridges, one Geneva-based delegate of a food aid recipient country welcomed the Obama proposal. The budget plan will, however, have to be approved by Congress before the changes can take effect. The food aid programme has traditionally been an important source of revenue for the shipping and farm sectors, at taxpayer's expense. Budget pressures and record farm incomes have informed the call for reform.

ICTSD reporting; "Obama proposes end of monetized food aid," IRIN, 11 April 2013; "A compelling reform of the U.S. food aid," WASHINGTON POST, 16 April 2013.

EVENTS & RESOURCES

Events

Coming soon

19 April, Washington US. THE RISE & FALL OF FAST TRACK TRADE AUTHORITY. This book launch, hosted by Public Citizen's Global Trade Watch, will examine the history of trade policy in the United States from 1789 to the present, specifically on the levels of involvement of the US executive and legislative branches in negotiating trade pacts. More information is available on the event [website](#).

24 April, New York, US. PARTNERING FOR INNOVATIVE SOLUTIONS FOR SUSTAINABLE DEVELOPMENT. The UN Economic and Social Council (ECOSOC) will convene a special event, titled "Partnering for innovative solutions for sustainable development," as one of the preparatory events for the 2013 ECOSOC Annual Ministerial Review (AMR). This event will specifically examine the theme "Science, technology and innovation, and the potential of culture, for promoting sustainable development and achieving the Millennium Development Goals (MDGs)." Organisers aim to bring together officials from government, the private and non-profit sectors, and civil society for this full-day event. For more information, click [here](#).

WTO Events

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

18 April: Committee on Rules of Origin

22 April: Committee on Import Licensing

22 April: Committee on Subsidies and Countervailing Measures- Special Meeting

22 April: Committee on Subsidies and Countervailing Measures

23 April: Committee on Safeguards

23+25 April: Trade Policy Review Body- Switzerland/Lichtenstein

Other Upcoming Events

29 April-9 June, online. GREEN DIPLOMACY. This online course from the UN Institute for Training and Research (UNITAR) will address the challenges and opportunities for integrating environmental considerations into key diplomacy tracks. The course is designed for government officials and others involved in multilateral negotiations involving the environment, human rights, trade and investment, global economic recovery, and development cooperation. The cost of registration is US\$800. To learn more, click [here](#).

29 April, Geneva, Switzerland. WORKSHOP ON THE ROLE OF INTERGOVERNMENTAL AGREEMENTS IN ENERGY POLICY. The aim of this WTO workshop is to shed light on the application of existing international rules embodied in the WTO and the Energy Charter Treaty to trade and investment in energy. Organisers also hope that the event will raise awareness of current challenges in the energy sector and the implications of such challenges for the regulatory framework. The discussion will focus on the interactions of the Energy Charter Treaty with the WTO Agreements. For more information, visit the event [website](#).

27 May – 19 July, online. INTRODUCTION TO A GREEN ECONOMY: CONCEPTS AND APPLICATIONS. This online course from the UN Institute for Training and Research (UNITAR) will provide interested stakeholders from government, business, and academia with an introduction to the green economy concept. Participants will learn about different concepts and facets of the green economy, as well as global, national, and sector-specific challenges. Additionally, attendees will acquire basic skills for applying the green economy concept in economic, policy, and personal contexts. For more information, visit the [website](#).

Resources

CROSS-BORDER TRADE IN ELECTRICITY AND THE DEVELOPMENT OF RENEWABLES-BASED ELECTRIC POWER: LESSONS FROM EUROPE. By Heymi Bahar and Jehan Sauvage for the Organisation for Economic Co-operation and Development (OECD) (April 2013). This work from the OECD discusses the benefits of cross-border electricity trade. The text outlines how green energy can be intermittently interrupted, and how governments therefore need to create a broad network of cross-border energy trade in order to diversify their energy portfolios. The authors argue that this will make green energy more palatable to governments and result in the sector's growth. To read the document, click [here](#).

THE DAMAGING LINKS BETWEEN FOOD, FUEL AND FINANCE: A GROWING THREAT TO FOOD SECURITY. By Timothy Wise for the Global Development and Environment Institute at Tufts University (April 2013). The author discusses the impact of oil trader Vitol's decision to enter the grain-trading business, specifically regarding the possible effects on future ties between food, fuel, and financial markets. The author also examines the impact that this could have on the world's poor. To read the publication, click [here](#).

GENETICALLY MODIFIED CROPS: POLICY LOGJAM. By Sachin Chaturvedi and Krishna Ravi Srinivas for Asian Biotechnology & Development Review (April 2013). In this publication, the authors begin by discussing an interim report to the Supreme Court of India by the Technical Expert Committee calling for a 10-year moratorium on field trials of genetically modified crops. The authors then suggest and describe how biotechnology can create an environment where genetically modified crops can be harvested in a safe way while continuing to provide for the needs of the Indian people. The authors then argue that the blanket moratorium does not help any party move past polarising debates on biotechnology. To read to report, click [here](#).

GLOBAL INFORMATION TECHNOLOGY REPORT 2013. Published by the World Economic Forum (WEF) (April 2013). This annual WEF report provides readers with information regarding the effective use of information technology on different countries across the globe. The text shows how digitisation has a measurable effect on economic growth and job creation, and how a comprehensive digital boost in emerging markets could help lift half a billion people out of poverty over the next decade. The report gives in-depth analysis of a variety of IT statistics, including internet access, technology literacy rates, and smart phone availability. To read the report, click [here](#).

OPPORTUNITIES FOR SUSTAINABLE PUBLIC PROCUREMENT IN MOZAMBIQUE. By Martin Dietrich Brauch for the International Institute for Sustainable Development's Trade Knowledge Network (2012). This publication examines the process of public procurement in Mozambique, and how its government can use public procurement to promote a green economy in the African nation. The author intends to inspire conversation with policy-makers and procurement specialists, both in Mozambique and abroad, on how the Mozambican legal framework on public procurement can promote sustainability. To read the document, visit the [website](#).

RECENT DEVELOPMENTS IN INVESTOR-STATE DISPUTE SETTLEMENT (ISDS). Published by the UN Conference on Trade and Development (UNCTAD) (March 2013). This report from UNCTAD finds that 62 investor-state dispute cases were initiated in 2012. The document contains a wide range of statistics on investor-state disputes including public opinion, court decisions including monetary awards, where most disputes take place, and what sectors are most prone to disagreements. To read the text, click [here](#).

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