

# BRIDGES WEEKLY

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## WORLD TRADE ORGANIZATION

### Draft Bali Decision on Ag Export Subsidy Cuts Tabled

Developed countries should halve ceilings for budgetary spending on farm export subsidies in a decision at the WTO's ministerial meeting in the Indonesian resort of Bali this December, the G-20 group of developing countries has said.

The group, which seeks farm policy reform in the developed world, has said that the move would be a token step towards ending the controversial payments – widely seen as the most trade-distorting type of support to producers.

Quantity commitment levels should also be cut to actual average levels in a 2003-05 base period, the G-20 also said.

WTO ministers agreed that farm export subsidies would be eliminated by 2013 when they met in Hong Kong nearly eight years ago – alongside parallel moves to curb other forms of "export competition." But slow progress on the broader Doha Round of trade talks, launched in 2001, has stymied efforts to phase the payments out.

Ministers agreed that the Doha negotiations were at an "impasse" when they met in Geneva eighteen months ago, and said they would focus instead on small steps that could be fast-tracked as the basis for a broader accord.

#### "Another milestone missed"

The G-20 non-paper, which was submitted last Thursday, said that the group regretted that the 2013 deadline for ending farm export subsidies "is yet another Doha Round milestone to be missed."

The group's proposal should therefore be seen as part of an "incremental approach" to achieving the more ambitious goal, according to a copy of the submission seen by Bridges.

While the latest version of the draft Doha accord "continues to deserve the unwavering support of the G-20," the group was nonetheless willing to propose agreement on "intermediate" commitments for Bali, "in a spirit of flexibility and pragmatism."



International Centre for Trade and Sustainable Development

**Export credits: "intermediate" targets**

The proposal therefore sets targets in a number of areas that are less ambitious than those included in the draft Doha "modalities" text, the most recent version of which dates from December 2008.

Developed countries should immediately set maximum repayment terms at 540 days, the group proposed, while developing countries would have to do so no later than three years after implementation.

The original Doha accord would instead have set a maximum of 180 days for subsidised export credit repayments.

However, the non-paper's sponsors do not set out in detail new disciplines for addressing any trade-distorting effects arising from the activities of exporting state trading enterprises or the provision of international food aid. In 2005, WTO members had agreed to address these in the Doha talks in parallel to negotiations on export subsidies and export credits.

**"Overloaded" boat for Bali?**

Trade sources said that the EU and US immediately opposed the G-20 non-paper. Some members of the G-10 group of countries with highly-protected and subsidised farm sectors were also reported to have expressed concerns.

"The boat is already overloaded," warned one negotiator who expressed misgivings about the G-20 proposal.

"If you add one extra issue, you make things much harder," the source explained.

Many trade officials have cautioned against adding too many items to the global trade body's agenda ahead of the ministerial conference, fearing that another high-profile failure could potentially deal a death-blow to the faltering Doha Round talks.

However, others cautioned against setting the bar for ambition too low. "This year, we're supposed to be eliminating fully export subsidies," another trade source said.

Actual spending on agricultural export subsidies and export credits has dropped substantially from the levels seen in the 1980s and 1990s, when the European Community and US used these programmes to keep producer prices high at home by shifting surplus production off of domestic markets.

**Trade facilitation: finding the balance**

Some developing countries have argued that a Bali deal on trade facilitation – seen by many as a potential centrepiece of the ministerial gathering – would have to be complemented by action in other areas, such as agriculture, if it is to generate consensus amongst the organisation's membership.

A proposal last year from the G-20 on tariff rate quotas was aimed at establishing this "balance," as was another submission on food stockholding and domestic food aid from the G-33 group of developing countries with large populations of smallholder farmers. (See Bridges Weekly, [3 October 2012](#) and [14 November 2012](#))

Trade sources told Bridges that countries such as India are making progress on trade facilitation conditional on corresponding action on their priorities – such as increased flexibility for developing countries to purchase food at administered prices when building food stocks or providing domestic food aid.

Others reported that the US was also proving reluctant to entertain new proposals on other issues in the absence of faster traction on trade facilitation.

### **G-33 proposal: some convergence?**

The chair of the agriculture negotiations, New Zealand ambassador John Adank, told a meeting open to all negotiators last Thursday that "elements of potential convergence have begun to surface" in two areas on consultations on the G-33 proposal.

Countries might be willing to explore whether WTO members could agree to exempt a set of developing country farm programmes from subsidy limits, so long as these cause no more than minimal trade distortion, the chair [said](#). They may also be willing to agree not to bring legal challenges to minimally trade-distorting support programmes under a possible "peace clause," perhaps along the lines of similar [commitments](#) made in the past.

However, members are "still very much divided" over any possible amendment to the Agreement on Agriculture, or an agreed interpretation of its provisions, in the run-up to the Bali ministerial. They were also divided over the utility of setting up some kind of case-by-case mechanism that could allow members with specific concerns to seek additional flexibility.

"I know that some delegations will be disappointed that I am not able to report rather more definitive progress," Adank acknowledged. However, he proposed to continue holding further informal consultations "to identify more clearly the range of potential landing zones."

### **OECD meeting: negotiators look for a signal**

Several trade officials told Bridges that they were hopeful that ministers meeting in the sidelines of an OECD event in Paris this Thursday and Friday might be able to provide some sort of signal on how to move forward in the talks.

A number of ambassadors, including Adank, were due to attend, sources said. Both OECD members and some other countries would be there.

"Maybe right now it's too early to make a compromise," mused one negotiator.

Another concurred, telling Bridges that "the deal is always going to get done closer to the time." Negotiators will "have a better idea" of prospects for the ministerial by September, the source said.

ICTSD reporting.

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## RENEWABLE ENERGY

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# EU-China Solar Panel Talks Inconclusive, But “Constructive”

The ongoing disagreement between the EU and China over solar panels has shown little signs of abating in the past week, despite meetings of top trade officials from the two sides aimed at defusing tensions and potentially setting the stage for a negotiated solution.

Earlier this month, reports surfaced that the European Commission had agreed on provisional anti-dumping tariffs on imports of solar panels from China, its second largest trading partner. (See Bridges Weekly, [8 May 2013](#)) The proposed duties would average 47 percent, with a range of 37 to 68 percent.

The news has sparked harsh criticism from Beijing, which argues that the duties are both unwarranted and protectionist. The EU is China's main export market for solar panels, making up nearly 80 percent of all Chinese export sales, according to European Commission data. In 2011 alone, China exported €21 billion worth of solar panels and their main components to the 27-member bloc.

“The Commission's actions have tarnished its image as an advocate of free trade, fuelled the rise of protectionism and run counter to the commitment by the leaders of the Group of 20 leading industrialised nations not to introduce protectionist measures,” said China's ambassador to the EU, Wu Hailong, in a recent Financial Times opinion [piece](#).

With the deadline for confirming the provisional duties looming – a decision must be taken by 5 June – trade observers have been watching closely to see whether the two sides will reach an amicable solution in the coming days, or whether Beijing will instead act on its warning that it could take retaliatory action.

### EU, China trade officials meet

Reports have emerged over the past two weeks suggesting that Brussels and Beijing might be ready to begin consideration of a negotiated settlement, potentially with the participation of Washington, which imposed its own anti-dumping and countervailing duties on solar cell imports from China last year. (See Bridges Weekly, [23 May 2013](#)) The original reports that the two sides were in negotiations were denied last week by EU and US officials.

Since then, however, EU Trade Commissioner Karel De Gucht has met with Chinese Vice-Minister of Commerce Zhong Shan to discuss the solar case. Monday's informal meeting, which was reportedly requested by China, ended without result, though both sides were quick to call the meetings constructive.

“Commissioner De Gucht expressed clearly [during today's informal meeting] that he was ready to negotiate a solution on the solar panels case,” EU Trade Spokesman John Clancy [said](#) in a statement afterward. He added that China did not put forward any specific proposals on Monday, adding that this was “quite normal,” given that formal negotiations would only be able to start after a decision has been made on the provisional tariffs by the June deadline.

The Commission is also planning to look into the possibility of pursuing a negotiated settlement in partnership with Washington, the statement said, "should this become necessary."

A [statement](#) from China similarly called the meetings "conducive" both for resolving trade disagreements but also to fostering ties between the two sides. However, in both the solar case and in the potential telecoms investigation that the Commission announced last week (see Bridges Weekly, [23 May 2013](#)), Beijing cautioned that "the Chinese government would not sit on the sideline, but would rather take necessary steps to defend its national interest."

### **EU member states divided**

The EU trade chief also told the Chinese official that "he was aware of the pressure being exerted by China on a number of EU member states" on the solar matter, according to the Commission statement issued on Monday. The Commission added that its role is to remain independent and resist outside pressures in order to see the "big picture" for Europe.

The EU's largest economy, Germany, has publicly opposed the planned duties, and the Financial Times reports that up to 18 of the EU's 27 members have now said that they are against the measure, news that some observers say could risk undermining the Commission. Others, such as France and Italy, are reportedly backing the duties. EU member states will ultimately need to sign off on the final duties in December, assuming the Commission recommends maintaining them.

Speaking to the European Parliament's International Trade Committee on Tuesday, De Gucht stressed that China is "not going to impress me by putting pressure on member states."

"They can try to put pressure on member states, but they will waste their time trying to do so with me," he said, in comments reported by Reuters.

ICTSD reporting; "Europe and China Trade Talks End Bitterly," THE NEW YORK TIMES, 27 May 2013; "Germany thwarts EU in China solar fight," FINANCIAL TIMES, 27 May 2013; "UPDATE 2-EU trade chief tells China he won't yield on solar panels," REUTERS, 28 May 2013; "EU trade chief feels heat in China solar dispute," FINANCIAL TIMES, 28 May 2013.

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## DISPUTES

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# EU Commission Announces Duties on Argentine, Indonesian Biodiesel

The European Commission has imposed provisional anti-dumping duties on imports of biodiesel from Argentina and Indonesia, according to an [announcement](#) posted in the EU's Official Journal on Tuesday. The news has quickly escalated tensions between Brussels and Buenos Aires on biodiesel trade policies, which have already been running high in recent weeks as the result of a separate dispute at the WTO.

The Commission duties officially took effect on Wednesday, and are meant to target the practice of selling products below their normal value overseas, also known as "dumping."

These duties will amount between €75.97 to €104.92 per metric tonne for Argentine producers, depending on the company involved. In percentage terms, the dumping margins are 6.8 to 10.6 percent. For Indonesian producers, the range is between €0 and €83.84 per metric tonne – in other words, dumping margins of 0 to 9.6 percent.

The Commission has recommended, since the anti-dumping duty will apply to both biodiesel and to biodiesel blends – with the latter being calculated in proportion to the blend's biodiesel content by weight – that customs authorities of EU member states apply the duty as a fixed amount in euros per net tonne.

The provisional duties will apply for six months, according to the Commission regulation, and will be confirmed, revised, or revoked depending on the investigation's final results.

### Differential export tax

The Commission had launched the investigation last August, in response to a complaint filed by the European Biodiesel Board (EBB) – a group of European biodiesel producers that together make up more than 60 percent of the bloc's production. (See Bridges Weekly, [12 September 2012](#)) Brussels is also conducting a separate investigation on whether Buenos Aires and Jakarta have been providing their producers with unfair subsidies; provisional results of that investigation have not yet been released.

The EBB claims that both countries maintain differential export tax (DET) regimes under which they sell final products, such as biodiesel, at lower prices than the raw material used to make them, such as soybeans and soybean oil for Argentina and palm oil for Indonesia.

"By having significantly higher export taxes for the raw materials used to produce biodiesel than on biodiesel itself, DET artificially discourages raw materials exports in favour of biodiesel exports," the EBB claimed in a [press statement](#) at the time of the original complaint.

### Market share

The Commission investigation found that the allegedly dumped imports more than doubled in terms of volume during the actual investigation period considered. The period covered by the investigation was 1 July 2011 to 30 June 2012.

The Commission said that this resulted in a "significant increase" in those two countries' total market share – specifically, by 10 percentage points in the 12-month period under

review. Meanwhile, EU industry lost 5.5 percent of market share during that same timeframe.

"Based on the above, it is provisionally concluded that the low-priced dumped imports from the countries concerned, which undercut the prices of the Union industry during the [investigation period] and which also significantly increased in volume, have had a determining role in the material injury suffered by the Union industry," Brussels found.

### **European producers call for quick action on anti-subsidy duties**

The EBB [welcomed](#) the decision as a "positive first step," while urging the Commission to also decide soon on anti-subsidy duties. "Differential Export Taxes (DETs) will still hamper European industry" without those additional measures, the coalition said.

"The European biodiesel industry calls for appropriate measures ensuring accurate level playing field and an efficient defence of fair trade," they continued.

Argentina and Indonesia are the two biggest biodiesel exporters to the bloc, together making up 90 percent of the EU's imports of the product.

### **EU decision "protectionist," Argentina says**

Buenos Aires quickly lambasted the European Commission's decision, calling it "one more action in the escalation of the historic protectionism of Europe, now aggravated due to the crisis that transcends the continent."

"The measure adopted is due to the incapacity of European producers to compete with other, more efficient, producers, as is the case of Argentine and Indonesian biodiesel producers," the Argentine Foreign Ministry said in a [statement](#).

The Commission investigation said that it had dismissed the argument that Union industry was inefficient, noting that many biodiesel producers in southern Europe are located at port sites with the deliberate intention of accessing raw materials from Argentina and Indonesia, or are situated at fossil oil refineries, with the goal of improving the market's vertical integration.

"Given that the effect of the differential export tax has been to make the raw materials more expensive than the finished product, this has clearly injured the Union industry by making it economically impossible to manufacture [biodiesel from palm oil or soybean oil]," the Commission said.

### **WTO row in the background**

The EU and Argentina are also sparring on the biodiesel subject at the WTO, with Buenos Aires lodging a complaint earlier this month about policies regarding the importation and marketing of biodiesel in the EU bloc, as well as its domestic support of the sector. (See Bridges Weekly, [16 May 2013](#)) The WTO challenge also cites the implementation of these measures by five EU member states.

The WTO complaint is separate from the European Commission investigation. However, Argentine officials warned on Tuesday that the dispute at the global trade arbiter – along with a previous case that Buenos Aires had dropped – is clear evidence of the Argentine government's "firm decision to undertake all of the necessary actions, in the framework of international law, to protect itself from actions that run against the existing rules regarding our country's production and exports."

ICTSD reporting.

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## INTELLECTUAL PROPERTY

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# North-South Differences Ease at World Health Assembly

The World Health Organization's annual Assembly saw members reach consensus on a range of topics that had proven contentious in earlier gatherings, including research on neglected diseases, an action plan to tackle non-communicable diseases, and a poor quality medicines mechanism. However, intellectual property-related concerns on ensuring access to treatment for patients in developing countries in cases of pandemics remained unresolved after the 20-27 May meeting.

The [66<sup>th</sup> World Health Assembly](#) is the WHO's top decision-making body. At these annual meetings, which are held at the organisation's Geneva headquarters, members are tasked with supervising financial policies, reviewing programmatic goals, and determining organisational practices.

### Post-2015 process

In her opening [speech](#), WHO Director-General Margaret Chan called upon member states to do "everything they can to ensure that health occupies a high place on the new development agenda," referring to the ongoing UN discussions on a development framework for 2015 onward – the scheduled completion date for the Millennium Development Goals (MDGs).

A UN panel is currently in the process of preparing a report aimed at advising UN Secretary-General Ban Ki-moon on such an agenda, with the findings due out at the end of this week. (See Bridges Weekly, [7 November 2012](#))

"The debate on the place of health in the post-2015 development agenda continues to intensify," Chan said. "The Millennium Development Goals strongly influenced resource flows and competition among multiple sectors for a place in the new agenda is fierce – very fierce," she added.

Along with including non-communicable diseases in this new framework, Chan urged for member states to continue their efforts to reach the health-related MDGs, even after the 2015 completion date, noting that efforts to achieve these goals have accelerated during recent years.

### Neglected diseases

Research and development for neglected diseases was a central topic of discussion during this year's meetings, building off of a [follow-up](#) document to the report issued by the Consultative Expert Working Group on Research and Development: Financing and Coordination (CEWG) last year. (See Bridges Weekly, [5 December 2012](#) and [30 May 2012](#))

The CEWG, which was established in 2010 in the context of the WHO Global Strategy and Plan of Action, was given the mandate of examining options for current and proposed financing of research focused on diseases that disproportionately impact poor countries, along with diseases that occur in both developed and developing countries.

The phenomenon of neglected diseases stems from the low profitability of marketing products to and investing in research in some developing countries. The IP system has



traditionally faced difficulties in addressing this market failure, and health activists have argued that the current framework actually restricts access to medicines through higher prices. In this context, one of the prime goals of the CEWG recommendation was to de-link research and development costs from the price of health technologies.

In the past, proposals to establish a binding treaty on health research and development – as [recommended](#) by the CEWG – have been resisted by the US and EU, in particular, on the grounds that some members were not ready to commit adequate financing to such research efforts. (See Bridges Weekly, [5 December 2012](#) and [30 May 2012](#))

However, a US proposal presented last Friday helped break the long-standing deadlock. The plan would establish an advisory meeting that would serve as a platform for government representatives and health experts to advance action with regards to monitoring, coordination, and financing health research and development demonstration projects.

While concerns on the scope and inclusiveness of the meeting were reportedly raised by some delegations, the proposal was generally received with support.

Civil society organisations have long advocated for a binding instrument on health research, with several NGOs and scholars sending delegates a joint letter on the subject ahead of this year's meeting. Signatories of the letter included Médecins sans Frontières and Oxfam, among others.

"We request WHO member states to consider the CEWG recommendations holistically, including the central recommendation... that 'formal intergovernmental negotiations should begin for a binding global instrument for research and development and innovation for health'," the [letter](#) read.

### **Non-communicable diseases made a high priority**

Members also agreed that a group would be tasked with taking forward a draft resolution and a global action plan for the prevention and treatment of non-communicable diseases (NCDs) for 2013-2020. The plan provides for the establishment of 25 indicators for tracking progress at the national and regional level, as well as nine voluntary global targets.

The action plan [reportedly](#) obtained general support, although some developing countries argued that they did not possess adequate financial and institutional capabilities to meet the outlined targets.

The drafting group had to find compromises on the access section of the global plan, which deals with IP issues. While the WTO's Agreement on Trade-Related Aspects of Intellectual Property (TRIPS) was largely maintained as benchmark, some language regarding the flexibilities that developing countries would have at their disposal was watered down, reportedly due to pressure from Canada and the EU, according to IP-Watch.

### **Recent viral outbreak sparks debate on Pandemic Influenza Preparedness**

Members also took note of progress reports on the Pandemic Influenza Preparedness framework, a unified mechanism for sharing pandemic influenza viruses in the case of a pandemic. The system was introduced two years ago. (See Bridges Weekly, [4 May 2011](#))

Delegates touched on IP-related issues, including fears on behalf of developing countries that they could lose access to treatment for virus strains that they share with research centres in developed countries. Accordingly, they called for fair access and benefit-sharing of the medical technologies derived from this process.

The discussions come at a time where some countries – particularly Saudi Arabia – are struggling with the outbreak of a novel coronavirus that many have compared to SARS. Recent news reports have set the death toll to 23 out of 44 confirmed cases, with the infection mainly being linked to travel in the Middle Eastern region.

"We are still struggling with diagnostics and the reason is that the virus was patented by scientists and is not allowed to be used for investigations by other scientists," Saudi Deputy Health Minister Ziad Memish said.

While acknowledging the severity of the situation, Chan countered that virus strains should not be shared on a bilateral manner, but only within WHO collaborating facilities.

"I will follow it up," the Director-General said. "I will look at the legal implications together with the Kingdom of Saudi Arabia. No IP should stand in the way of you, the countries of the world, to protect your people."

In her closing speech, Chan also noted that the coronavirus is her "greatest concern right now" with regards to the overall health situation, particularly given how little is currently known about the disease.

Joint WHO missions with both the Kingdom of Saudi Arabia and with Tunisia were [announced](#) to conduct a proper risk assessment with regards to the virus.

### **Consensus on poor quality medicines mechanism**

At the previous World Health Assembly, delegates agreed on a new mechanism on substandard/spurious/falsely-labelled/falsified/counterfeit medical products. The mechanism would be geared toward tackling the entry of counterfeit products into the supply chain. (See Bridges Weekly, [30 May 2012](#)).

Delegates agreed at this year's meeting that the chairmanship would be assigned on a rotating basis, as set forth by a proposal from Brazil. A consensus on the subject was seen by many as crucial, as it put an end to a deadlock that effectively blocked the functioning of the mechanism. The system had been explicitly mandated to address the issue of poor quality medicines from a public health perspective that disregards IP- and trade-related aspects.

ICTSD reporting; "World Health Assembly: As Members Approve Health R&D Decisions, US Says Time To 'Put Our Money Where Our Mouth Is,'" IP WATCH, 27 May 2013; "World Health Assembly: Pandemic Flu Framework Clears Committee," IP WATCH, 27 May 2013; "WHO urges information sharing over novel coronavirus," BBC, 23 May 2013; "Coronavirus death reported in France," BBC, 28 May 2013; "World Health Assembly: Draft of NCD Action Plan Shows Compromises on IPRs," IP WATCH, 23 May 2013.

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## PREFERENTIAL AGREEMENTS

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# EU Parliament Signs Off on US Trade Talks, With Caveats

The European Parliament overwhelmingly signed off on Brussels' plans to begin trade talks with Washington, with 460 lawmakers in favour, 105 against, and 28 abstentions. However, EU lawmakers also passed a separate amendment urging the exclusion of the controversial "cultural exception" from the talks, in a move that some observers warn might be indicative of future hurdles for the negotiations.

While both resolutions are non-binding, EU parliamentarians have stressed that their approval will ultimately be needed in order to authorise the final pact once the negotiations are over.

"Parliament has teeth and can bite," rapporteur Vital Moreira said following the vote. "The resolution [approving the negotiations] should now be duly taking into account by the Council and the Commission, as Parliament will only give its final consent if we have a positive outcome for our businesses, workers, and citizens," he said.

The main [resolution](#) outlines a series of priorities that EU parliamentarians would like to see in an agreement. For instance, the pact should provide the 27-member bloc – soon to have 28 countries with the addition of Croatia in July – with full access to US public procurement markets, a longstanding sticking point between the two trading partners. Financial services should also be included in the talks, they said, adding that the two sides should aim for convergence towards a common regulatory framework.

The agreement, which should be "deep and comprehensive," should also open up new opportunities for European companies and "directly benefit" European consumers, while creating jobs.

"[The Parliament] reiterates its conviction that an EU-US comprehensive trade and investment agreement has the potential to lead to a win-win situation, beneficial for both economies, and that a deeper degree of integration would considerably multiply the gains for both economies," the resolution continued.

### **Sensitivities, cultural exception**

The resolution also stressed the sensitivity of certain topics for the EU. In the agricultural sector, for instance, "perceptions of genetically modified organisms (GMOs), cloning, and consumer health tend to diverge between the US and the EU," parliamentarians noted.

The deal should also include "strong protection" of geographical indications and other "clearly defined" areas of intellectual property rights, they said.

In the amendment regarding the EU's "cultural exception," lawmakers asked that cultural and audiovisual services be excluded from the Commission's negotiating mandate. That measure passed 381 to 191, with 17 abstentions.

The "cultural exception" rule involves the exclusion of audiovisual goods and services from some trade disciplines, on the grounds that cultural goods and services are not the same as other products. This exclusion allows, for instance, for some subsidies, quotas, and other measures to support domestic cultural products.

Whether or not the cultural exception should be declared off-limits has been raised repeatedly since the European Commission first circulated its draft negotiating mandate to member states in March. While UK Prime Minister David Cameron has called for all issues to be on the table when the trade talks kick off, some other EU member states – particularly France – have said that they need assurances that the cultural exception will not be touched in order for them to back the negotiations. (See Bridges Weekly, [13 March 2013](#) and [16 May 2013](#), respectively)

"I was alone at the beginning," French Trade Minister Nicole Bricq said following the vote, in comments reported by Reuters. "At the end, I had a large majority in the European Parliament which approved what we wanted."

EU Trade Commissioner Karel De Gucht has [said](#) in recent months that the Commission will not do anything in the planned talks with Washington that would jeopardise the bloc's "cultural diversity." At a business conference in Brussels last week, however, he did warn against "carving out" the audiovisual sector entirely.

"It will be a mistake, and it's also not good to start negotiations on the basis of carve-outs," he said, in comments reported by the New York Times. Starting with non-negotiables so early on could pave the way for the US to do the same, some trade officials have warned.

### **UK referendum poses trade questions**

Meanwhile, questions over the UK's long-term future in the EU – and what a potential withdrawal could mean for the trade pact – have continued circling as lawmakers in the island country consider language for a bill that would formalise Cameron's pledge to hold a referendum on EU membership in four years' time.

While Cameron has pledged to negotiate changes to the UK's terms of membership with the EU should he win re-election in 2015 – and has said that he will hold a referendum on his country's continued participation in the bloc in 2017 – the Prime Minister has also been a staunch advocate of the EU-US pact.

Unnamed US officials cited by The Guardian have said that Washington is unlikely to conduct separate trade talks with the UK should it leave the EU, and that the UK's participation is also key to the overall success of the Brussels-Washington talks.

### **Next steps**

The EU Council of Ministers still needs to sign off on the launch of the trade talks before Brussels and Washington can begin negotiating, a step that is expected by June. The US, meanwhile, is completing its own domestic procedures, specifically a 90-day consultation period with Congress.

Many have said that an official launch could occur as early as the Group of 8 Summit in Northern Ireland next month, with a first round of negotiations then being held in July.

ICTSD reporting; "EU exit would put US trade deal at risk, Britain warned," THE GUARDIAN, 27 May 2013; "European Parliament Moves to Limit Scope of Eventual U.S. Trade Deal," THE NEW YORK TIMES, 23 May 2013.

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## PREFERENTIAL AGREEMENTS

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# Lima Talks on Trans-Pacific Pact Make Progress Toward 2013 Goal

The eleven countries currently negotiating the Trans-Pacific Partnership (TPP) Agreement have continued to make advances toward their goal of completing a deal by year's end, officials said after the 17<sup>th</sup> round of talks, held in Lima, Peru last week. Japan is set to formally join the negotiations by late July.

Following the 10-day talks, which were held from 15-24 May, negotiators reported that they had made progress "across the agreement," according to a [statement](#) by the Office of the US Trade Representative (USTR).

The areas that saw significant work, officials said, were services, government procurement, trade remedies, sanitary and phytosanitary standards, labour and dispute settlement. Other areas that also reported progress were e-commerce, technical barriers to trade, financial services, and investment, among others.

Some of the more difficult areas of the talks, such as intellectual property and environment, also yielded "productive discussions," the USTR statement said.

The eleven current TPP countries include Australia, Brunei, Canada, Chile, Malaysia, Mexico, New Zealand, Peru, Singapore, the US, and Vietnam. While Japan has been welcomed into the group as its twelfth member, it has yet to formally join the talks, as current members are still completing their necessary domestic procedures. (See Bridges Weekly, [23 April 2013](#))

### 2013 deadline still in focus, officials say

TPP countries have said that they hope to conclude an accord by the end of this year, possibly even in time for the Asia-Pacific Economic Cooperation (APEC) Leaders' Meeting this October in Bali, Indonesia. Some trade observers have speculated, however, that this goal could be overly optimistic, particularly given the impending entry of Japan into the group.

However, officials from current member countries maintain that the end-2013 deadline is still in reach, and that they are continuing their work with that timeframe in mind.

"We have been negotiating now for three years so we are well along in the negotiations and we'd like to move towards conclusion as quickly as we can," chief US negotiator Barbara Weisel told Dow Jones Newswires. Peru's chief negotiator, Edgar Vazquez, has similarly said that the process is likely to remain on track, even with Japan joining the negotiations.

### Japan entry expected toward end of next round

Negotiators announced on Friday that they would be holding their next round of talks from 15-25 July, in Kuala Lumpur, Malaysia, having added on an additional day to the planned discussions in order for Japan to have more time to participate. How to help integrate the incoming member into future rounds of talks was also a topic of discussion during this latest gathering, negotiators said.

Tokyo officials have indicated that the Asian economy – the world's third largest – will be able to take part in the TPP talks from 23 July onward, as that is when the US' 90-day consultation period with Congress ends. The consultations are a required part of Washington's domestic procedures with regards to trade negotiations.

Trade observers and officials alike expect Japan's entry to have a noticeable impact on the process, given both the scale of its economy – among TPP members, it is outranked in size only by the US – and its negotiating interests. Agriculture, for instance, has traditionally been a sensitive topic for Japan, and many have wondered what concessions Japan may be asked to make in this area – particularly by countries such as the US, Australia, and New Zealand, which all have interests in this sector.

Tokyo officials, such as Economic Revitalisation Minister Akira Amari, who is also tasked with his country's participation in the talks, told reporters on Friday that Japan will be able to "assume the offensive" in market access negotiations, given that those chapters have not yet been concluded.

ICTSD reporting; "Japan Not Expected to Delay Asian-Pacific Trade Negotiations," THE WALL STREET JOURNAL, 24 May 2013; "Next TPP trade round set for July 15-25, Japan to join near end," KYODO INTERNATIONAL, 25 May 2013.

## IN BRIEF

## European Commission Eyes Possible Investment Agreement with China

The European Commission aims to negotiate an investment agreement with China, officials [announced](#) last Thursday, pending the approval of the bloc's member states and the conclusion of Beijing's own internal procedures.

The proposed investment deal would consolidate existing bilateral arrangements that China has with 26 of the EU's member states into a single, coherent pact. Such an agreement, EU officials say, would better protect EU investment in China and vice versa and reduce barriers to investment. Last year, European companies invested €17.5 billion in China, while China invested €2.8 billion in the EU – representing less than three percent of each side's total FDI outflows.

Some trade observers have suggested that the proposal could pave the way for the Commission to eventually negotiate a trade pact with the Asian economy, which has finalised the terms of deals with two European countries – Iceland and Switzerland, both of which are not part of the EU – over the past couple of months.

ICTSD reporting.

## WTO Dispute Panel Established in Japan-China Steel Row

A WTO dispute panel is set to hear Japan's complaint regarding China's anti-dumping duties on imports of high-performance stainless steel seamless tubes (HP-SSST), after Tokyo presented its second panel request at a meeting of the Dispute Settlement Body (DSB) on 24 May. ([DS454](#))

Japan had originally filed its request for consultations last December. It then submitted its first request for a panel in April, which was blocked by China. (See Bridges Weekly, [16 January 2013](#)) Under WTO rules, a respondent in a dispute can reject initial panel requests; however, when a second request is filed, a panel must automatically be established.

At issue in the case are procedural concerns regarding how China has conducted the anti-dumping investigations. Japan claims that China has violated WTO rules due to "flaws in every aspect of its anti-dumping investigations." China, for its part, said at last week's DSB meeting that its anti-dumping investigations are WTO-consistent, sources told Bridges.

According to Japan's Ministry of Economy, Trade, and Industry, China's anti-dumping duties on certain HP-SSST exports range from 9.2 percent to 14.4 percent. Exports of this product were worth approximately US\$72 million in 2011.

ICTSD reporting.

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## Pacific Alliance Inks Tariff Accord

Pacific Alliance members Chile, Colombia, Mexico, and Peru have signed an accord that would remove tariffs for 90 percent of goods traded among them starting this July, in line with a plan previously announced in April. (See Bridges Weekly, [11 April 2013](#)) Duties on the remaining 10 percent will be eliminated in the medium term.

The group, formally established last June, has said that it aims to promote free market policies, attract more foreign investment, and integrate their respective countries' capital markets and energy networks. The four members are some of Latin America's fastest-growing economies, with their total GDP accounting for over a third of that of the region.

Last week's summit also saw Paraguay – which is currently under suspension from neighbouring economic bloc Mercosur – welcomed as an observer to the group, along with Ecuador, France, and Portugal. Other observers include Australia, Canada, Costa Rica, Panama, New Zealand, Spain, and Uruguay. US Vice President Joe Biden [said](#) on Monday that Washington is also interested in becoming an observer.

ICTSD reporting; "Pacific Alliance agrees to eliminate tariffs for 90% of goods beginning July," MECROPPRESS, 24 May 2013; "Paraguay suspended from Mercosur has requested Pacific Alliance observer status" MERCOPRESS, 30 January 2013; "Latin America cements 'Pacific Alliance'," FINANCIAL TIMES, 24 May 2013.

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## Canada-EU Pact Possible By Summer, Officials Say

The long-awaited trade pact between Canada and EU may soon be completed, officials have said in recent weeks, with agriculture reportedly being the last major hurdle to clinching the deal.

Canadian Ambassador to the EU Matthias Brinkmann said earlier this month that he can "see the way to a deal" once both parties decide on the level of market access that the EU would offer Canadian beef and Canada would allow for additional European cheese.

A few other "smaller" sticking points, such as public procurement, urban transport, and rules of origin for cars, also remain, he told Canadian newspaper The Globe and Mail. "That we are working on. And there, we know more or less where it will end."

Officials are said to vying to secure this deal with the EU before Brussels formally begins trade talks with Washington this summer. Some have suggested that an agreement could be ready in time for the G-8 summit in Northern Ireland next month.

ICTSD reporting; "Canada PM Tells Italy PM Important to Conclude Canada-EU Trade Deal," THE WALL STREET JOURNAL, 27 May 2013; "Canada-EU Trade Talks Risk Losing Priority, EU Official Warns," THE WALL STREET JOURNAL, 27 May 2013; "Divide over beef last bridge to cross on road to EU trade pact," THE GLOBE AND MAIL, 9 May 2013.



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## EVENTS & RESOURCES

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# Events

### Coming soon

31 May, Paris, France. 2013 INTERNATIONAL ECONOMIC FORUM: LATIN AMERICA AND THE CARIBBEAN. The fifth edition of the International Economic Forum on Latin America and the Caribbean will be focusing on the themes of fostering small and medium enterprise (SME) development, and empowering entrepreneurship for competitiveness. After providing an overview of the economic outlook of the region, the Forum will ask how governments can undertake reforms in favour of higher productivity by more adequately addressing the needs of SMEs and by better including them in the production structure. The Forum is being co-organised by the Development Centre of the Organisation for Economic Co-operation and Development (OECD), the Inter-American Development Bank (IDB), and the French Ministry of Economy and Finance. More information is available at the event [website](#).

3 June, Antigua, Guatemala. ROUNDTABLE: BUILDING SUSTAINABLE CITIES AND COMMUNITIES IN THE AMERICAS. This event, hosted by the Organization of American States (OAS), will focus on a range of topics related to building sustainable cities and communities in the region. Topics on the agenda include, but are not limited to, the challenges of scaling up such efforts, regulatory frameworks for sustainable urban development, building consensus toward priority areas of cooperation for the development of these cities, and more. Additional information, in the form of a draft agenda (in Spanish), is available [here](#).

4 June, London, UK. THE TRANSATLANTIC TRADE AND INVESTMENT PARTNERSHIP: A GAME-CHANGER? This event, hosted by Chatham House, will feature João Vale de Almeida, EU Ambassador to the United States, as its main speaker. The ambassador will share his insights into the motivations, challenges, and opportunities awaiting negotiators on both sides as they prepare to get to work, and address whether the talks - if launched in the margins of the G-8 summit in June - can deliver economically meaningful results in a reasonable timeframe. He will also consider the global impact of such a deal, and how a deal might or might not affect the debate about Europe in the United Kingdom. Attendance is strictly by invitation only, and the event will be held under the Chatham House Rule. More information is available [here](#).

5-7 June, Nay Pyi Taw, Myanmar. WORLD ECONOMIC FORUM ON EAST ASIA 2013. This year's event, held under the theme "Courageous Transformation for Inclusion and Integration," will focus on three pillars: inspiring inclusive transformation; realising regional integration; and scaling regional solutions for global resilience. This meeting aims to understand and to shape Myanmar's ongoing reforms and reconciliation process. With Myanmar set to assume the chairmanship of ASEAN in 2014, it will have a critical role in guiding the bloc's ten member economies toward the planned economic integration in 2015. In this regard, the meeting hopes to provide value not only to participants from the ASEAN region, but also to those who see in ASEAN an important evolving geopolitical and geo-economic pillar of the global economy. More information is available [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.

4-5 June: General Council

5 June: Committee on Trade and Environment

6 June: Working Party on the Accession of Bosnia and Herzegovina

### **Other Upcoming Events**

6 June, multiple locations. AFTER THE POST-2015 HLP REPORT: RESPONSES FROM AROUND THE WORLD. The High-Level Panel, appointed by the UN Secretary General to advise him on the post-2015 agenda, reports on 30th May. This event, hosted by the Overseas Development Institute and held simultaneously in London, Nairobi, Dhaka, and Bogotá, provides a global audience with a chance to discuss the report with each other and with two panel members. In each location, an audience and speakers will discuss the report with each other and with participants in the other locations, to provide a global response. As well as responding to the HLP report, the event will provide an opportunity to consider its implications for the intergovernmental negotiations on post-2015 goals in the Open Working Group, and the lead up to the UN special event on the MDGs and post-2015 in September 2013. More information is available at the ODI [website](#).

8-10 July, Geneva, Switzerland. FOURTH GLOBAL REVIEW OF AID FOR TRADE. This year's event, held at the WTO, will focus on the theme "Connecting to Value Chains." The meeting brings together ministers from developed and developing countries, heads of international agencies and regional organisations, representatives from private sector companies and associations, and an array of trade and development experts. The Review will examine the economic opportunities that trade in value added offers, the constraints that firms in developing, and in particular least-developed, countries face in connecting (and moving up) value chains and will focus on how Aid for Trade can assist in this process. The event builds on the results of an extensive monitoring and evaluation (M&E) exercise undertaken jointly by the OECD and WTO, in collaboration with various others. More information is available [here](#).

1-3 October 2013, Geneva, Switzerland. WTO PUBLIC FORUM: "EXPANDING TRADE THROUGH INNOVATION AND THE DIGITAL ECONOMY." This annual WTO event aims to provide a platform for public debate across a range of trade issues and topics. This year's forum specifically looks at the future of trade in an era of innovation and digitalisation. A call for proposals for sessions is now open, and online registration for attending the event is also available. More information can be found at the Public Forum [website](#).

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## Resources

**A GUIDEBOOK TO FOSSIL-FUEL SUBSIDY REFORM.** Published by the Global Subsidies Initiative (GSI) of the International Institute for Sustainable Development (IISD) (May 2013). This guidebook discusses how governments can formulate an effective reform strategy that will fit their individual objectives and circumstances. It is aimed at policy-makers in Southeast Asia, though the authors note that much of its guidance could apply to any region. It draws together lessons from countries around the world, providing guidance on the pace of reform and identifying good practice across three core elements: getting the prices right: how to change pricing systems for fossil fuels; managing the impacts: estimating effects of reform and mitigating unwanted impacts; and building support: internal organisation, and external consultation and communication. The publication is available in full [here](#).

**GLOBAL TRACKING FRAMEWORK.** This report has been compiled by experts from 15 agencies, including the World Bank and the International Energy Agency. It is the first of a series to monitor progress towards the three objectives of the Sustainable Energy for All initiative, launched in 2011 by United Nations Secretary General Ban Ki-moon. The initiative, whose advisory board is co-chaired by World Bank Group President Jim Yong Kim, is mobilising a global coalition of governments, private sector and civil society to achieve, by 2030, its three objectives of universal access, doubled renewables and doubled energy efficiency improvement. The report puts numbers to those three objectives and identifies what needs to change where and how to do it. To access the report, please click [here](#).

**AFRICAN ECONOMIC OUTLOOK 2013.** This report, produced annually by the African Development Bank (AfDB), the OECD Development Centre, the Economic Commission for Africa (ECA), and the UN Development Programme (UNDP), focuses on the theme "Structural Transformation and Natural Resources." Specifically, it finds that Africa's agricultural, mining and energy resources could boost the continent's economic growth and pave the way for a breakthrough in human development. To learn more, or to read the report in full, click [here](#).

**GLOBAL VALUE CHAINS AND DEVELOPING COUNTRY EMPLOYMENT: A LITERATURE REVIEW.** By Ben Shepherd for the Organisation for Economic Co-operation and Development (OECD) (May 2013). This literature review focuses on the labour market impacts of three processes that lie at the core of GVC development: importing, exporting, and foreign direct investment (FDI). The paper includes two case studies – electronics in Asia and services in Chile – that demonstrate the complexity of the issues involved. To learn more, or to read the literature review, click [here](#).

**CROSS-COUNTRY ANALYSIS OF FARM ECONOMIC PERFORMANCE.** By Shingo Kimura and Christine Le Thi for the Organisation for Economic Co-operation and Development (OECD) (May 2013). Large farm size, low age profile, high educational level, and use of financial leverage are factors that can determine high economic performance of farms, according to this analysis of data from nine OECD countries and regions – Australia, Flanders (Belgium), Canada, Estonia, Germany, Italy, Netherlands, England (United Kingdom), and the United States. The analysis shows significant differences in farm economic performances within countries as well as across countries. The report is available [here](#).

REFORM OF INVESTOR STATE DISPUTE SETTLEMENT: IN SEARCH OF A ROADMAP. Published by the UN Conference on Trade and Development (UNCTAD) (May 2013). This new issue note outlines the current challenges posed by today's investor-state dispute settlement (ISDS) regime, and suggests five main reform paths. The authors also note the potential advantages and disadvantages of each reform path, and discuss ways to address these. The note can be downloaded in full [here](#).

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International Centre for Trade  
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Chemin de Balexert 7-9  
1219 Geneva, Switzerland  
+41-22-917-8492  
[www.ictsd.org](http://www.ictsd.org)

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Director at +41-22-917-8335.

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Jonathan Hepburn, Jia Li Ng, Jaslene Pang, and  
Marco Valenza. This edition of Bridges Weekly  
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