

BRIDGES WEEKLY

Global trade news from a sustainable development perspective

VOLUME 17, ISSUE 25, 11 JULY 2013

DISPUTES

EU Launches First-Ever WTO
Dispute Against Russia..... 1

LABOUR RIGHTS

EU, Bangladesh Agree on
"Sustainability Compact" in
Wake of Factory Collapse..... 3

AID FOR TRADE

Global Value Chains in Focus as
WTO Reviews Aid for Trade's
Progress..... 6

AGRICULTURE

Indian Cabinet Approves New
Food Subsidy Scheme 8

RENEWABLE ENERGY

EU-China Solar Talks Advancing
Quickly, Industry Official Says... 10

PREFERENTIAL AGREEMENTS

Questions Linger over Timeline
for EU-Canada Trade Talks 12

IN BRIEF

Paraguay-Mercosur Tensions
Linger as Group Summit Looms. 14

Switzerland, China Sign Trade
Deal 14

EVENTS & RESOURCES

Events..... 16

Resources..... 18

DISPUTES

EU Launches First-Ever WTO Dispute Against Russia

The EU has formally lodged a WTO complaint against Russia, in what marks Moscow's first dispute at the global trade body since it joined in August 2012. At issue in the case (DS462) is a vehicle recycling fee, which Brussels claims discriminates unfairly between imports and their domestic equivalents.

"The European Commission has pursued every diplomatic channel for almost one year now to find a solution with our Russian partners on this matter, but to no avail," EU Trade Commissioner Karel De Gucht said on Tuesday in announcing the move.

"It is severely hampering trade in a sector which is key for the European economy," De Gucht added. EU vehicle exports to Russia – the bloc's third biggest trading partner – reached over €10 billion in 2012, according to the European Commission statistics. The EU, for its part, is Russia's largest trading partner.

The controversial recycling fee entered into force in September of last year, shortly after Russia's WTO accession. The fee ranges from €420 to €2700 for new cars, and a €2600 to €17,200 fee for cars older than three years. Other vehicles, such as certain mining trucks, face fees up to €147,700, the EU says.

Russian vehicles, along with those from customs union partners Belarus and Kazakhstan, are exempted from the fee if they meet certain conditions. The EU, however, is not eligible for exemptions. The 28-country bloc argues that this distinction discriminates between foreign goods and their domestic counterparts, and is therefore in violation of WTO rules.

The EU's move to challenge the measure makes good on a promise Brussels made earlier this year to launch a WTO dispute should Moscow not remove its recycling fee by 1 July. (See Bridges Weekly, [6 June 2013](#))

Revisions to recycling fee could be in the works, Russia says

While Russia has submitted legislation to the State Duma that would – once passed – change the law in order to remove the distinction, the bill has yet to be passed, with the legislative body now on its summer recess.

"That is why, with regard to the EU decision, we'll act within the WTO's formal dispute settlement procedure," Ekaterina Mayorova, deputy head of the department



International Centre for Trade
and Sustainable Development

for trade negotiations at the Russian Ministry for Economic Development, told RIA Novosti newspaper.

If passed by the Duma, the proposed solution would apply the fee indiscriminately towards domestic and foreign manufacturers. The explanatory note attached to the legislation says that the bill is designed to bring domestic law in line with Russia's international commitments, given the potential for a WTO challenge.

The Duma is reportedly set to review it in October after returning in late September, according to the Wall Street Journal.

Accession less than a year old

Moscow formally became a WTO member just under a year ago, following nearly two decades of negotiations with current members. However, since joining, some of its trading partners – including the US and EU – have raised questions in forums such as the organisation's Goods Council over whether Russia is implementing its WTO commitments quickly enough. (See Bridges Weekly, [28 November 2012](#))

More recently, European Commission President José Manuel Barroso and other top EU officials [raised](#) these concerns at a summit with Russian President Vladimir Putin this past June, with the two sides pledging to work together in the hopes of resolving their disagreements involving trade – such as the recycling fee – and other areas.

Meanwhile, US domestic law requires the regular publication of "WTO compliance reports" for Russia, which the Office of the US Trade Representative must submit to Congress. The first of these reports was published less than a month ago, and outlined areas of concern for Washington with regard to Moscow's compliance with WTO rules – including the recycling fee now being challenged by Brussels. (See Bridges Weekly, [27 June 2013](#))

The EU, US, and Japan are slated to raise the issue of Russia's adherence to WTO commitments at today's meeting of the Goods Council, according to a proposed agenda available on the organisation's website.

With this being Russia's first case at the global trade arbiter – either as a complainant or a respondent – many in the trade community are likely to watch closely to see how the country adapts to the WTO dispute settlement system. Moscow may itself be lodging a complaint in the coming days against Brussels on anti-dumping duties being imposed on Russian fertiliser, according to the Financial Times.

Under WTO rules, the two sides must now conduct consultations for at least a 60-day period, in an effort to reach a mutually agreed solution. If they are unable to resolve their differences in that timeframe, however, the EU can then request that the WTO establish a dispute panel to review the case.

ICTSD reporting; "EU ready to sue Russia in first WTO dispute," RIA NOVOSTI, 9 July 2013; "Russia, EU to Seek Compromise on Mutual Trade Claims – Putin," RIA NOVOSTI, 4 June 2013; "Europe Takes Russia to WTO Over Car Fee," WALL STREET JOURNAL, 9 July 2013; EU takes Russia to WTO over vehicle recycling fee," FINANCIAL TIMES, 9 July 2013.

LABOUR RIGHTS

EU, Bangladesh Agree on “Sustainability Compact” in Wake of Factory Collapse

EU and Bangladeshi officials announced on Monday that they have agreed on a “sustainability compact” aimed at addressing concerns over labour conditions in the Asian country, particularly in its garment sector. The initiative, which will also involve participation from the International Labour Organization (ILO), was developed in response to a series of disasters in Bangladesh, with the most recent being a factory collapse in April that claimed 1129 lives.

The compact, announced in Geneva following a multi-stakeholder meeting hosted by EU Trade Commissioner Karel De Gucht, comes just weeks after the US announced that it would be removing its trade preferences for Bangladesh. Many in the international community had wondered if the EU would soon follow suit, or if it would pursue a different approach toward spurring policy changes in Dhaka.

“The cause of the disaster in Savar was not trade but a lack of respect for labour rights, poor working conditions, and lack of health and safety in the work places,” De Gucht explained at the opening of Monday’s meeting, which along with government and ILO officials also included representatives from industry, employers, and trade unions.

“While responsibility is certainly individual, the problem is systemic and the solution must be collective,” the EU trade chief said. “This is after all not the only example of where poor workplace conditions have led to deaths and injuries. Far from it.”

Time-bound commitments

The initiative announced on Monday includes a series of actions that Bangladesh has pledged to take to improve conditions in the country, with the help of the EU and the ILO.

The compact is about “making detailed time-bound commitments that will implement these actions,” the three parties said in a joint statement. These commitments are divided into three areas: respect for labour rights; structural integrity of buildings and occupational safety and health; and responsible business practices.

Bangladesh will, for instance, aim to reform its national labour legislation; work in consultation with the ILO to develop additional legislative proposals that would address the organisation’s recommendations; take steps to ensure collective bargaining and freedom of association; and launch skills and training programmes for those workers injured in the recent tragedy.

Dhaka will also assess building structure safety and fire safety of all active export-oriented ready-made garment (RMG) and knitwear factories by next June and begin efforts to remedy any problems, with the help of the ILO.

The European Commission, meanwhile, has committed to providing assistance to rehabilitate those permanently disabled in the factory collapse. In addition to other measures, the Commission will also consult with the ILO, the Bangladeshi government,

and other donors to see how the EU can provide technical or financial support in improving working conditions in Bangladesh's ready-made garment sector.

Monday's announcement reflects a political compact, rather than a legal agreement, Bangladesh Foreign Minister Dipu Moni told reporters. However, she said, "it's something that we are totally committed to," noting also the various efforts Dhaka has made in recent months to begin improving labour conditions throughout the country.

While the compact addresses various areas, others – such as those relating to the global supply chain, or pricing – still need to be examined in the future, she said.

The EU and Bangladesh will hold a follow-up meeting in 2014 to assess progress made on implementing the compact.

Labour law reform hoped for in Dhaka

Reforms to Bangladesh's labour law are widely expected in the wake of the April disaster and previous incidents. Amendments to the legislation are likely to make it through Parliament this week, and the joint EU-Bangladesh-ILO statement says that the revisions should ideally enter into force by year's end.

The proposed amendments would include, for instance, permission for workers to form unions without requiring their employers' consent, and provisions aimed at improving occupational safety and health. The ILO would then be tasked with monitoring the implementation and enforcement of these changes.

The reformed labour law should also apply to workers in export processing zones, which currently fall outside the national labour legislation, De Gucht said, adding that the EU is ready to help in providing support.

"There can be no doubt in anybody's mind about the action required, and we hope very, very much that the legislation under consideration will meet those needs," ILO Director-General Guy Ryder said on Monday.

EU to keep Bangladesh in trade preference programme

The EU has also confirmed that it will be keeping Bangladesh in its Everything But Arms (EBA) scheme, which is part of the 28-country bloc's Generalised System of Preferences. EBA grants least developed countries, such as Bangladesh, duty-free, quota-free access to the EU market for all goods exports, with the exception of arms and ammunition.

Suspending Dhaka from the preference scheme, De Gucht told reporters on Monday, would be "disastrous" for the small Asian country, leaving millions jobless. Companies, he warned, could easily relocate their operations to other countries whose labour conditions might not necessarily be any better.

The EU is Bangladesh's main trading partner. Bangladesh, meanwhile, is the 35th trading partner for the 28-country bloc. Ready-made garments represent approximately 90 percent of Bangladesh's exports to the EU, and provide 2.5 million jobs, primarily for women.

Given that the EU is Bangladesh's largest client, De Gucht said, Brussels has a "special responsibility" to ensure that this problem is resolved. However, he added, no LDCs should take such trade preferences for granted, and the EU may consider "appropriate action" under EBA should progress for Bangladeshi workers be insufficient.

De Gucht: US "still deciding" whether to join sustainability compact

Whether or not the US will join onto the sustainability compact has yet to be decided, according to the EU trade chief. Washington has, however, been involved in discussions on the subject.

The US had announced at the end of June that it would be suspending Bangladesh from its Generalised System of Preferences (GSP) programme, following a review of working conditions in the country. (See Bridges Weekly, [4 July 2013](#)) The review process had kicked off before April's disaster, given previous incidents that had also raised concerns over labour protections.

The decision to suspend Dhaka from the Washington scheme was generally deemed as symbolic, given that its GSP only covers a small fraction of the products that Bangladesh actually sends to the US market, and does not include textiles at all.

"We're engaging with both, but with the EU, we have been able to reach this compact where we are looking forward, working together, working toward a common goal," Moni told reporters on Monday. "With the US, we are also working together, but we believe that suspension of GSP does not help. It does not help the workers at all, because it makes their lives more difficult."

Duty-free, quota-free

The US is one of the few countries where LDCs such as Bangladesh do not enjoy duty-free, quota-free (DFQF) market access. Some analysts, such as the Center for Global Development's Kim Elliott, have [argued](#) that extending DFQF to all LDCs would be a better way for the US to incentivise labour improvements, rather than a GSP suspension.

"The US position has been that DFQF market access for all LDCs should be part of a final Doha Round package," she noted, in comments e-mailed to Bridges. "But since it is obvious that the Round as originally envisioned will not be concluded and that [the WTO's upcoming Bali ministerial conference] is likely the last chance to salvage something from the negotiations, that position is not credible."

Least developed countries have recently submitted a proposal urging that DFQF, along with other items of interest to the WTO's poorest members, be granted as one of the Bali conference's deliverables. However, the LDC Group has reportedly faced some internal divisions on the subject, due to the concerns of some that DFQF could actually lead to preference erosion.

"A consensus among the members of the LDC Group to back a compromise that extends benefits to all LDCs, while including exemptions to mitigate preference erosion for existing preference program beneficiaries in the US market, would help to shift the political balance in the United States," Elliott said.

ICTSD reporting.

AID FOR TRADE

Global Value Chains in Focus as WTO Reviews Aid for Trade's Progress

Ministers, delegates, civil society, and private sector representatives gathered in Geneva this week to review the progress of the WTO's Aid for Trade initiative, an eight-year-old effort designed to help developing countries better integrate into the world trading system. While the emergence of global value chains has created new opportunities in this area, participants broadly stressed that challenges remain, particularly given that donor countries have had to tighten their aid budgets as a result of the financial crisis.

These "Global Reviews" of the Aid for Trade initiative are held on a biennial basis, with this year's event marking the fourth since the project began. The theme of this year's event was "Connecting to Global Value Chains," focusing both on how countries can better integrate into these chains and move "up" them by producing more value-added goods.

"A message that emerges strongly from our joint monitoring survey with the OECD is that companies in developing countries want to add value," outgoing WTO Director-General Pascal Lamy said in his introductory [remarks](#). "They want to move up the value chain."

Eight years in

The Aid for Trade initiative was formally launched at the 2005 Hong Kong Ministerial Conference, shortly after Lamy began his first term. Eight years into the initiative, donors have allocated more than US\$170 billion in Aid for Trade commitments, according to the joint [report](#) prepared by the WTO and the Organisation for Economic Co-operation and Development (OECD) for the event.

The effort has also been shown to generate large returns in developing country exports. OECD-WTO analysis found, for example, that US\$1 in Aid for Trade is associated with an increase in developing countries' exports by US\$8, with that number reaching up to US\$20 for some of the poorest countries.

Though the private sector is increasingly playing a larger role in aid for trade, such as by providing capacity-building support, challenges still remain in this area with regards to its role and expectations, the report said.

At Wednesday's closing plenary session, WTO members generally highlighted the successes of the initiative, while noting that areas for improvement remain. For instance, Nepal, on behalf of the LDC Group, highlighted the need for additionality and predictability in Aid for Trade resources, and that such assistance should be commensurate to developing country needs, national priorities, and challenges.

Morocco, speaking for the African Group, added that many obstacles still remain in allowing LDCs to fully participate in global value chains. The WTO's upcoming ministerial conference in Bali should be a chance for ministers to evaluate the initiative's effectiveness and find ways to further optimise the process, the ambassador continued.

There is also wide variation in the scope of access to Aid for Trade benefits among recipient countries, Jamaica said on behalf of the African, Caribbean, and Pacific (ACP) Group, despite the growth of Aid for Trade in absolute terms.

Financial crisis casts pall over aid flows

The ramifications of the global financial crisis have extended to the Aid for Trade initiative, with many donors being forced to refocus on domestic priorities and cut back on their aid budgets.

The WTO-OECD report found, for instance, that aggregate Aid for Trade fell to US\$41.5 billion in 2011, largely due to lower contributions from G-20 countries. Overall official development assistance (ODA), with the exclusion of debt relief, also fell for the first time since 2007.

Some trade analysts have also warned that the pace of aid disbursements has yet to keep up with commitments, compounding the effects of the slowdown.

"The financial crisis is casting a long shadow," Lamy warned on Monday, warning that Aid for Trade flows are under pressure even with increased engagement of the private sector in capacity-building and growing involvement of South-South partners.

"Collectively we need to make the case why Aid for Trade remains important. How it can help to connect the least connected. Why it should be firmly part of the post-2015 agenda," he said.

Developing countries echoed the concern over declining aid flows on Wednesday, noting that they are still facing their own supply-side constraints and other difficulties in engaging more in trade and moving up global value chains.

Trade facilitation in focus ahead of Bali meet

With the Bali ministerial just months away, the need to finalise a trade facilitation agreement in time for the December meeting was highlighted by various participants during this week's meetings.

"Such an agreement would go a long way towards supporting the emergence of regional and global value chains, and the enhanced participation of developing countries in these fragmented production processes," OECD Secretary-General Ángel Gurría said.

WTO members are currently negotiating a set of deliverables from the Doha Round of trade talks for agreement in time for the ministerial conference, with a trade facilitation agreement being at the core. The process of preparing such an "early harvest" package, however, has been difficult. Many have warned in recent months that the process of removing "brackets" from the draft trade facilitation text has been moving too slowly, held up both by disagreements within those talks and in the other elements of the so-called "Bali package." (See Bridges Weekly, [6 June 2013](#))

One of the main issues in the trade facilitation talks are questions by some developing country WTO members over whether they will have the capacity and resources to take on new commitments under such a deal. In an effort to assuage these concerns, a group of 27 developed country governments and several international organisations [issued](#) a statement on Monday pledging to help developing countries in this area.

"We recognise that there are WTO members that will require support to fully implement a Trade Facilitation Agreement, complementing the support provided to date," the group said. "Developing and least developing WTO members can be confident of our ongoing support for their implementation of a WTO Trade Facilitation Agreement."

ICTSD reporting.

AGRICULTURE

Indian Cabinet Approves New Food Subsidy Scheme

India's cabinet has approved a food subsidy scheme that will dramatically expand subsidised food entitlements to millions of poor citizens. While the government has described the move as a "game changer," the opposition has been quick to dismiss it as an "election gimmick."

The [ordinance](#), which Indian President Pranab Mukherjee approved on Friday, is set to provide 67 percent of the population with a legal right to obtain cheap food grains from the country's extensive network of "fair price" shops.

The governing Congress party has made the initiative a centrepiece of its legislative programme, but a bill to enact the scheme has been held up in successive parliamentary sessions due to differences between political parties on the best way to tackle hunger sustainably.

The new ordinance will now fast-track the legislation ahead of national elections, which are scheduled to be held in the next ten months. However, parliament will still need to sign off on the scheme when the upcoming "Monsoon Session" begins in the next few weeks, in order for the programme to become law.

Tackling widespread malnourishment

About eighteen percent of the country's 1.3 billion population is malnourished, UN agencies say – or around a quarter of the world's hungry.

The text provides for five kilogrammes a month of subsidised grains for up to three-quarters of the rural population, and up to half of the urban population. Rice will be made available to beneficiaries at 3 rupees per kilo, wheat at 2 rupees per kilo, and coarse grains at 1 rupee per kilo. (Rs. 100 = US\$1.66 at today's exchange rate)

There is already an existing programme, known as the Antyodaya Anna Yojana, which targets the very poor. This system will continue to provide 35 kilogrammes of grains a month at subsidised prices, with additional clauses that make special allowances for pregnant and lactating mothers.

The new scheme's supporters, including Nobel prize-winner Amartya Sen, have [argued](#) in favour of passing the legislation as soon as possible.

The government estimates that the initiative is likely to cost Rs.1.25 trillion (or about US\$22 billion) – a figure which some experts caution may in fact be too low.

Critics also warn against relying on the country's notoriously "leaky" public distribution system to channel the aid to beneficiaries. The government has [estimated](#) that up to 40 percent of aid is wasted, lost to corruption, or for other reasons fails to make it to the people it is meant to help.

Identifying beneficiaries: new technology

Ashok Gulati, chair of the government's Commission on Agricultural Cost and Prices, has said that direct cash transfers may be more effective in ensuring food support gets to consumers who need help.

"A much better option would have been to adopt best international practices of using an income policy approach (rather than price policy) to help the poor through conditional cash transfers," Gulati said in comments to Bridges.

He added that India is now expanding a programme using new computer technology that will give each person a unique identification number through iris recognition and finger printing.

"This would have gone a long way in plugging leakages in PDS [the Public Distribution System], avoiding the need for large stocking of grains by public agencies, not disturbing the natural process of diversification in agriculture, and involving much lesser resources to achieve the same objectives," Gulati said.

ICTSD reporting; "President agrees to Food Bill ordinance," THE HINDU, 5 July 2013; "India launches huge cheap food scheme," REUTERS, 3 July 2013; "How will government make right to food a reality?" LIVEMINT, 4 July 2013.

RENEWABLE ENERGY

EU-China Solar Talks Advancing Quickly, Industry Official Says

Negotiations between Brussels and Beijing on trade in solar panels and their component parts could see a resolution as soon as next month, according to industry officials familiar with the discussions cited by Reuters. Formal talks between the two sides have been underway for the past few weeks, in an effort to resolve their high-profile row on the subject.

"We reckon there is a big chance for us to defuse the dispute," said Sun Guangbin, secretary general of the solar department of China's Chamber of Commerce for Import and Export of Machinery and Electronic Products, which is involved in Beijing's talks with Brussels. "We remain highly optimistic about the direction we are moving in."

China has reportedly proposed to cap the annual volume of its solar panel exports to the EU at 10 gigawatts of photovoltaic modules per year and set a minimum selling price of €0.5 per watt, according to a report in the Shanghai Securities News. The exact numbers are, however, still fluid.

Wang Sicheng, researcher with the National Development and Reform Commission, China's top economic planner, said at a solar industry conference last Thursday that in return, the EU should impose no or low duties on Chinese solar panels.

Despite escalating tensions over the last month over a variety of trade issues, both sides have said that they are optimistic about reaching a negotiated outcome to the multibillion-dollar solar trade spat.

Damaging trade tensions

Friction between the two parties began earlier this year, when a European Commission investigation deemed that China was flooding Europe with cheap solar panels sold at below the cost of production.

Brussels then imposed provisional anti-dumping duties on Chinese-made solar panels and their component wafers and cells, with such rates set to more than triple if an agreement is not reached by August. The Commission explained that the duties were necessary to secure the current 25,000 jobs in EU solar production. (See Bridges Weekly, [6 June 2013](#))

The EU currently imports €21 billion in Chinese solar panels, cells, and wafers a year, accounting for about half of the Asian powerhouse's solar exports. These have already been hit hard by the eurozone debt crisis, which had forced major European countries such as Germany to slash subsidies for renewable power. The resulting slump has caused China to begin diversifying its solar panel exports away from Europe and boost domestic demand.

Bilateral ties worsened after China launched an anti-dumping and anti-subsidy probe into various imports from Europe, including chemicals and wine. EU officials have denied dumping wine in China or subsidising exports, with France telling CNA that it felt the product was "unfairly targeted."

Beijing has said that the wine investigation is not a tit-for-tat response to Brussels' solar duties, but rather a response to legitimate trade concerns. China imports about US\$1 billion of wine from EU countries annually.

EU Trade Commissioner Karel De Gucht, in China last month for talks, has said that he hopes any agreement on solar panels will help to resolve the wine dispute.

China is the EU's second-largest trading partner, reaching US\$546 billion in bilateral trade last year, according to Beijing's figures. The bloc's exports to China, meanwhile, total US\$212 billion.

Germany: China will not impose tariffs on EU polysilicon

In a separate development, the German Economy Ministry confirmed on Monday that China will not be slapping duties on polysilicon imports from the EU. Beijing has been conducting its own trade defence investigation into imports of the product – which is used in making solar panels – since last October.

"The dispute about trade sanctions with China is resolved for the time being," a spokeswoman with the Economy Ministry, who asked not to be named, told Bloomberg this week. The decision was originally reported by German newspaper Handelsblatt.

ICTSD reporting; "Germany Says China Won't Slap Tariffs on EU Polysilicon," REUTERS, 8 July 2013; "China Won't Introduce Duties on EU Polysilicon Imports," BLOOMBERG, 9 July 2013; "China Expects to End Solar Trade Spat with EU," REUTERS, 6 July 2013.

PREFERENTIAL AGREEMENTS

Questions Linger over Timeline for EU-Canada Trade Talks

Efforts to conclude the ongoing trade negotiations between the EU and Canada have continued in recent weeks, though a date for finalising the talks remains unclear. The push to clinch an Ottawa-Brussels deal in the near future comes as the 28-country EU begins its negotiations with another major partner across the Atlantic – the US.

The EU and Canada had previously aimed to announce an agreement in June, after four years of negotiations. (See Bridges Weekly, [6 June 2013](#)) However, major disagreements remain on market access issues, particularly with regards to Canadian beef and EU dairy products.

These unresolved disagreements have reportedly slowed the entire negotiation process, making the timeline for the agreement's completion longer than was originally expected – much to the frustration of officials on both sides of the Atlantic.

"The EU has shown pragmatism and flexibility and is ready to take the last steps to achieve a political breakthrough in the negotiations," EU Trade Spokesman John Clancy said in June, after no agreement was announced at the G-8 leaders' summit. "We have been awaiting a similar message from Canada since the trade and agriculture ministers met in Ottawa in early February."

Canadian officials, meanwhile, have said that they have made offers in good faith, and hope to see the same from their European counterparts.

However, despite these setbacks, there have been recent reports of progress. Canadian news media reported this week that Ottawa has succeeded in securing a larger quota for automobiles to be sold on the European market, for instance, in the hopes of securing major increases in its car exports to the 28-country bloc. Canada's automobile exports to the EU are miniscule, reaching a mere 13,000 cars in 2012.

Moreover, Ottawa is said to be considering the removal of current restrictions on foreign ownership in the uranium industry, which would allow for European ownership of uranium mines.

EU officials have lately called for finishing the talks with Canada by summer's end, in order to avoid losing any more momentum. "It takes two to tango, so here we are," Matthias Brinkmann, the EU ambassador to Canada, said last week.

EU-US talks underway

Brussels and Ottawa had aimed to finish their talks before the EU's negotiations with the US for a bilateral trade and investment deal began. Observers and officials alike had cautioned that, should the EU-Canada talks not be completed by then, these could risk being put on the backburner.

Another concern is whether the EU's stance in the Canada talks could be affected by what it wants to achieve with the US, with some pundits suggesting that the amount of concessions Brussels wins in this first trans-Atlantic deal will set the stage for negotiations with Washington.

However, despite these fears, the EU-US talks are now underway, with the first round kicking off on Washington this Monday and concluding tomorrow. (See Bridges Weekly, [4 July 2013](#))

Some of the issues that have slowed progress in the EU-Canada talks are similarly expected to be contentious in this new set of negotiations, such as government procurement and agriculture. Brussels and Washington have said that they aim to wrap up the talks within the next 18 months – in other words, by the end of the current term of the European Commission and before the US midterm elections.

However, trade analysts say that this process is likely to take longer, given the long-standing differences between the EU and US on issues such as regulations and standards.

"We will of course meet a lot of problems and stumbling stones, but if we reach an agreement, it would be a historic one – so let us work now," EU Trade Commissioner Karel De Gucht told reporters in Geneva on Monday.

ICTSD reporting; "Canada wins expanded auto quotas in EU Trade Talks," CBC NEWS, 8 July 2013; "EU-Canada stalemate cautionary tale for transatlantic trade deal," FINANCIAL TIMES, 7 July 2013; "Leaders downplay reports of stalled Canada-EU talks," CBC NEWS, 18 June 2013.

IN BRIEF

Paraguay-Mercosur Tensions Linger as Group Summit Looms

Tensions between South American customs bloc Mercosur and suspended member Paraguay have again been on the rise, ahead of this week's expected handover of the group's rotating presidency to Venezuela. Paraguay's president-elect Horacio Cartes has proposed that Mercosur instead give the bloc's presidency over to his own country after he takes office in August.

"The government of [outgoing President Federico] Franco fully supports president-elect Cartes initiative, which is a matter of dignity for Paraguay, for Mercosur institutions and for the international standing of our regional group," said Paraguayan Foreign Minister José Félix Fernández.

Paraguay's membership has been under suspension since last year, as Mercosur considered the impeachment and ousting of previous President Fernando Lugo by the Paraguayan Senate to be "illegitimate." In the meantime, the bloc's other members – such as Argentina, Brazil, and Uruguay – moved ahead to grant Venezuela full membership, a decision which Paraguay had been blocking for years.

Paraguay alleges that this incorporation in its absence was in violation of the Mercosur charter, which requires the unanimous approval of all members. "If Venezuela takes the chair Paraguay is not interested in returning to Mercosur," Fernández reiterated.

However, if the summit is postponed until August, the new Paraguayan Congress is expected to vote for Venezuela's incorporation in the interim.

ICTSD reporting; "Paraguay not interested in Mercosur if Venezuela holds the chair, says top official," MERCOPRESS, 9 July 2013; "Mercosur and Paraguay on collision course; Uruguay insists Venezuela will hold the chair of the group," MERCOPRESS, 10 July 2013.

Switzerland, China Sign Trade Deal

Switzerland and China have inked their free trade agreement, officials from both countries [announced](#) this past weekend. The two trading powers finalised the technical details of the agreement in May, after three years of negotiations. The deal marks the second agreement between China and a European country, with the first being Iceland earlier this year.

The pact is expected to enter into force in 2014, following ratification. Bern has also signed a parallel agreement on labour and employment with Beijing.

The deal with the world's second-largest economy is expected to boost the Swiss economy, which has felt the impact of the economic struggles of the neighbouring European Union. The agreement seeks to increase economic exchange and facilitate

industrial cooperation between the countries, and includes provisions related to the environment, intellectual property, and government procurement.

The deal is also set to cut duties on Swiss products, such as pharmaceuticals and machine tools, and decrease the tariffs on watches exported to China by 60 percent over the next ten years. China is seeking to increase the sale of textiles in Switzerland, and therefore these products will be given zero-tariff access to the Swiss market.

China is currently Switzerland's largest Asian trading partner, with imports from China valuing CHF 10.29 billion, and Swiss exports to China valued at CHF 7.83 billion in 2012. (1 CHF = €0.80 at today's exchange rate)

ICTSD reporting; "Swiss Business Expects Boosts from Newly Signed Trade Pact," WALL STREET JOURNAL, 6 July 2013.

EVENTS & RESOURCES

Events

Coming soon

15 July, Washington, US. RESTORING MOMENTUM IN TRANSATLANTIC COOPERATION IN FINANCIAL REFORM. This event, hosted by the Brookings Institution's Initiative on Business and Public Policy, will highlight the status of cooperation across the Atlantic on financial regulatory reform. European Union Commissioner for Internal Market and Services Michel Barnier, who directs Europe's efforts in this area, will present his views on how best to accelerate progress towards genuine financial stability. His remarks will then be followed by a question-and-answer period. More information is available at the event [website](#).

16-17 July, Manila, Philippines. FIRST MEETING OF EXPERTS ON LONG-TERM FINANCE. This expert meeting will be held under the UN Framework Convention on Climate Change's (UNFCCC) extended work programme on long-term finance, and will address topics including: parameters for identifying pathways for mobilising scaled-up climate finance; public policy and financial instruments that facilitate the mobilisation of climate finance for mitigation and adaptation activities in developing countries; and enabling environments and policy frameworks for effective deployment of climate finance. More information is available [here](#).

16-17 July, Johannesburg, South Africa. INFRASTRUCTURE AFRICA. This annual conference will present stakeholders with an opportunity to discuss the growth potential in addressing Africa's infrastructure needs. It will also bring together business representatives to explore new trading opportunities, establish new business networks, develop and form partnerships, and plan a way forward to address some of the continent's requirements. Sectors for discussion will include agriculture, energy, transport, information and communication technology, and water. More information is available [here](#).

18 July, London, UK. EURASIAN ECONOMIC INTEGRATION: RHETORIC AND REALITY. This seminar, hosted by Chatham House, will examine the Eurasian Customs Union and its plans for expansion into a Single Economic Space and an Economic Union. Other issues for discussion include the union's institutional architecture and key driving forces, along with the external implications of this new regional integration regime. Attendance is by invitation only. To learn more, visit the Chatham House [website](#).

WTO Events

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

15 + 19 July: Negotiating Group on Trade Facilitation

16 + 18 July: Trade Policy Review Body – European Union

17 July: Committee on Trade and Development

18 July: Dedicated Discussion on Electronic Commerce

Other Upcoming Events

8 - 10 September 2013, Coimbra, Portugal. ENERGY FOR SUSTAINABILITY 2013. "SUSTAINABLE CITIES: DESIGNING FOR PEOPLE AND THE PLANET." Organized by the Institute for Research and Technological Development in Construction Sciences, this forum brings together stakeholders, researchers, and academic practitioners from interdisciplinary fields to discuss and share their expertise on how to tackle the need for a more sustainable world. This year, the challenges posed by the increasing concentration of the world's population in cities will be debated under the four main categories: smart cities, buildings and end-uses, clean energy supply, and policy and assessment. For more information or to register, please click [here](#).

10-11 September, Beijing, China. ASIA-PACIFIC TRADE FACILITATION FORUM 2013: "TOWARDS MORE EFFICIENT AND INCLUSIVE SUPPLY CHAINS: PUBLIC AND PRIVATE SECTOR PERSPECTIVES." Attracting two- to three-hundred participants from 30 countries each year, this annual forum serves as a regional platform for exchanging information, experiences, and practices for trade facilitation in Asia-Pacific, identifying priority areas for regional cooperation and integration, and learning about new tools and services which can increase the efficiency of cross-border transactions. The event is being co-organised by the UN Economic and Social Commission for Asia and the Pacific (ESCAP) and the Asian Development Bank. Event organisers hope the gathering can help strengthen regional cooperation and coordination of Aid for Trade and related technical assistance and capacity building in trade facilitation. For more information, please visit their [website](#).

26-28 September, Incheon, South Korea. INTERNATIONAL SYMPOSIUM ON SUSTAINABLE CITIES: EMPOWERING LOCAL GOVERNMENTS THROUGH CAPACITY BUILDING. Organised by the United Nations Office for Sustainable Development (UNOSD), this symposium will bring together government officials, along with representatives from international organisations, the private sector, and civil society in order to share good practices on how to foster sustainable cities. Critical areas will be identified in which further capacity building is inevitable, including best strategies for meeting capacity gaps. For more details or to register, please visit their [website](#).

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](#).

17 October, Brussels, Belgium. CLOSING THE FUNDING GAP: COMPETITION AT THE HEART OF THE SINGLE MARKET. Organised by the European Capital Markets Institute (ECMI), in collaboration with Carefin - Università Bocconi and the Belgian Financial Forum, the conference will bring together market participants, policymakers, and academics to discuss challenges for capital markets and European integration. This year's theme will focus on exploring the multi-faceted concept of competition within an economically and financially integrated area. For registration or more information, please visit their [website](#).

Resources

PROFITING FROM PRECAUTION: HOW CHINA'S POLICY BANKS CAN ENHANCE SOCIAL AND ENVIRONMENTAL STANDARDS. Written by Kevin P. Gallagher for the Paulson Institute (July 2013). This report argues that China's policy banks need to incorporate strong social and environmental safeguards into their decision-making in order to avoid losing market opportunities. Such safeguards, the author says, can also help policy banks to identify and mitigate risk. To read the full report, please click [here](#).

OECD PERSPECTIVES ON GLOBAL DEVELOPMENT 2013: INDUSTRIAL POLICIES IN A CHANGING WORLD. Published by the Organisation for Economic Co-operation and Development (OECD) (June 2013). This report focuses on the change in the global economic landscape and the gradual movement of the centre of gravity of the global economy towards the East and South – along with the opportunities and challenges that such a shift presents. This report aims to flag emerging issues in the development debate, focusing on new economic and policy trends in developing countries. The report is available [here](#).

AID FOR TRADE AT A GLANCE 2013: CONNECTING TO VALUE CHAINS. Jointly published by OECD and WTO (July 2013). Taking assessments from developing countries, donors, and providers of South-South cooperation, this publication puts a spotlight on Aid for Trade to evaluate what is happening, what is not, and where improvements are needed. Trends in aid-for-trade policies, programmes and practices are analysed. It finds that the Aid-for-Trade Initiative is delivering tangible results in improving trade performance and bettering people's lives in developing countries, notably those of women, though challenges still remain. To read more, please click [here](#).

AID FOR TRADE IN ACTION. Jointly published by the OECD and WTO (July 2013). This publication reviews almost 300 case studies on the result of the Aid for Trade programme, in particular how it has helped developing countries to build human, institutional, and infrastructure capacity to integrate into regional and global markets and to make good use of trade opportunities. To download the full report, please click [here](#).

EXPLORE THE TRADE AND SUSTAINABLE DEVELOPMENT
WORLD FURTHER WITH ICTSD'S BRIDGES NETWORK

BIORES

Analysis and news on trade and environment for a global audience
<http://ictsd.org/news/biores/>
English language

BRIDGES AFRICA

Trade and sustainable development news and analysis on Africa
<http://ictsd.org/news/bridges-africa/>
English language

PUENTES

Latin America-focussed analysis and news on trade and sustainable development
<http://ictsd.org/news/puentes/>
Spanish language

МОСТЫ

CIS-focussed analysis and news on trade and sustainable development
<http://ictsd.org/news/bridgesrussian/>
Russian language

PONTES

Analysis and news on trade and sustainable development for the Portuguese-speaking world
<http://ictsd.org/news/pontes/>
Portuguese language

桥

Analysis and news on trade and sustainable development for the Chinese-speaking world
<http://ictsd.org/news/qiao/>
Chinese language

PASSERELLES

Africa-focussed analysis and news on trade and sustainable development
<http://ictsd.org/news/passerelles/>
French language

PUBLISHED BY



International Centre for Trade
and Sustainable Development
Chemin de Balexert 7-9
1219 Geneva, Switzerland
+41-22-917-8492
www.ictsd.org

Bridges Weekly Trade News is made possible
through generous contributions of donors and
partners including

DFID - UK Department for
International Development

SIDA - Swedish International
Development Agency

DGIS - Ministry of Foreign Affairs
Netherlands

Ministry of Foreign Affairs, Denmark

Ministry of Foreign Affairs, Finland

Ministry of Foreign Affairs, Norway

Copyright ICTSD, 2013. Readers are encouraged
to quote and reproduce this material for
educational, non-profit purposes, provided the
source is acknowledged.

This work is licensed under the Creative
Commons Attribution-Noncommercial-No-
Derivative Works 3.0 License.

Your support to BRIDGES and the BRIDGES series
of publications is most welcome; if interested,
please contact Andrew Crosby, Managing
Director at +41-22-917-8335.

Contributors to this issue are Sofia Alicia Baliño,
Jonathan Hepburn, Alexis McGivern, Jia Li Ng, and
Jaslene Pang. This edition of Bridges Weekly
Trade News Digest is edited by Sofia Alicia Baliño.

The Publisher and Director is Ricardo Meléndez-
Ortiz. The Editor in Chief is Andrew Crosby.
Comments and suggestions are welcomed and
should be directed to the [editor](#) or the [director](#).

Price: €10.00
ISSN 1563-0

