

# BRIDGES WEEKLY

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## CURRENCY

# Global "Currency War" Debate Approaches Fever Pitch

Tensions among the world's major economies over currency values and export competitiveness came to a head last week, with G-20 finance ministers and central bank chiefs meeting in Moscow this past weekend with the hopes of dispelling growing fears of an international "currency war." However, despite the high-level meeting, questions on what effects developed country monetary policy and ensuing exchange rate movements will have on trade are expected to linger.

### Japan, EU in the spotlight

Taking centre stage during the G-20 meeting was Japan, whose central bank has been increasingly buying government bonds with the stated goal of reaching a two percent inflation rate – up from the previous goal of one percent – "at the earliest possible time." The actions of the Bank of Japan, which have rapidly driven down the value of the yen, come after Prime Minister Shinzo Abe urged the central bank to take additional efforts to stimulate growth in the Asian economy.

While Japanese finance officials have said that its policies are geared toward fighting over a decade's worth of deflation, critics have argued that the move is aimed at boosting the Asian country's export competitiveness.

Also in the spotlight has been the euro, whose recent strength has prompted questions over whether the eurozone's fragile recovery could take a hit as a result. Comments by European Central Bank President Mario Draghi that suggested that the euro's strength will be under close monitoring has raised some speculation that the ECB could soon take action of its own.

Following their meeting this weekend, G-20 officials issued a statement reiterating earlier commitments to transition more quickly toward "more market-determined exchange rate systems and exchange rate flexibility to reflect underlying fundamentals, and avoid persistent exchange rate misalignments and in this regard, work more closely with one another so we can grow together."

In the statement, the G-20 also noted that overly volatile financial flows and "disorderly movements" in exchange rates can have detrimental effects on economic and financial stability, while pledging also to refrain from competitive devaluation – in other words, to avoid deliberately lowering the value of their currencies to gain export advantages.



International Centre for Trade  
and Sustainable Development

"We will not target our exchange rates for competitive purposes, will resist all forms of protectionism and keep our markets open," they said. However, analysts have been quick to point out that this statement did not rule out targeting exchange rates to achieve other policy goals.

The G-20 gathering came just days after the Group of 7 rich nations – which comprises Canada, France, Germany, Italy, Japan, the US, and the UK – issued a similarly-worded [statement](#) of its own that tried, unsuccessfully, to quell currency war concerns. At the time, the group reaffirmed its commitment to market-determined exchange rates, stressing that its members' fiscal and monetary policies are designed toward meeting domestic goals and not for targeting exchange rates. However, the G-7's efforts to calm markets were quickly undercut by comments from an unnamed official from the group, who claimed that the statement indirectly targeted Japan.

### **Currency war fear – warranted, or overblown?**

The fear that developed countries will increasingly pursue loose monetary policy despite the impact on their trading partners has been on the rise since the fall, following news that the central banks of the US, EU, and Japan would be undertaking additional rounds of quantitative easing.

In this context, officials and analysts alike have tabled a range of opinions over whether the global economy is indeed seeing countries pursue active monetary policy at levels seen during the 1930s Depression era – bringing back fears of a return to that era's 'beggar-thy-neighbour' policies. Questions have also been raised over what policy variables fall within central banks' mandates, and what this means for trade.

Brazilian Finance Minister Guido Mantega famously cautioned of a "currency war" in September 2010, in a speech that made headlines worldwide and sparked questions over whether developed countries were effectively "exporting the crisis" to their emerging and developing country trading partners. (See Bridges Weekly, [29 September 2010](#))

Mantega has since reiterated those concerns, particularly following the US Federal Reserve's controversial September announcement that it would be undertaking another round of quantitative easing, specifically by increasing its asset purchases to US\$85 billion a month until US employment figures improve. (See Bridges Weekly, [26 September 2012](#))

"The currency war has become more explicit now because trade conflicts have become sharper," the Brazilian official told Dow Jones Newswires on Friday on the sidelines of the G-20 gathering. "Countries are trying to devalue their currencies because of failing global trade," he added, noting that some countries "do not recognise the existence of a currency war."

Others, however, have suggested that the currency war rhetoric may be unwarranted, and could lead to unnecessary – and damaging – levels of alarm. "We think that talk of currency wars is overblown," International Monetary Fund (IMF) Managing Director Christine Lagarde [said](#) following this weekend's meeting. "People did talk about their currency worries. The good news is that the G-20 responded with cooperation rather than conflict [this weekend]."

Rather than trying to target exchange rates, and thus exports, the US has used "domestic policy tools to advance domestic objectives," US Federal Reserve Chairman Ben Bernanke told Bloomberg last week. The Fed chair has also stressed in the past that ensuring recovery in rich countries is necessary in helping boost trade and growth in emerging markets. (See Bridges Weekly, [17 October 2012](#))

"Most of the exchange rate movements that we have seen were not explicitly targeted; they were the result of domestic macroeconomic policies meant to boost the economy," Draghi told the European Parliament's Committee on Economic and Monetary Affairs on Monday, in comments reported by The New York Times. "In this sense, I find really excessive any language referring to currency wars."

ICTSD reporting; "Currency Wars Harming Export Countries Warns Brazil," WALL STREET JOURNAL, 15 February 2013; "Draghi Seeks to Ease Talk of Global Currency War," THE NEW YORK TIMES, 18 February 2013; "G7 intervenes to defuse currency tensions," FINANCIAL TIMES, 12 February 2013.

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## AGRICULTURE

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# WTO: Food Stockpiling Talks Begin as Bali Beckons

Farm trade officials met today in Geneva to exchange information and views on food stockpiling, against the backdrop of a proposal from some developing countries to modify WTO rules on the issue at the organisation's ministerial conference in Bali, Indonesia this December.

The G-33 group of developing countries, which have sizeable populations of smallholder farmers, is proposing that the global trade body's rules be amended to make it easier for developing countries to buy food at administered prices from poor farmers when building public foodstocks or providing domestic food aid. (See Bridges Weekly, [14 November 2012](#))

The chair of the WTO agriculture negotiations, New Zealand Ambassador John Adank, last week [told](#) trade officials that he would begin a series of technical meetings to discuss how these programmes operate, based on questionnaire responses he had received from some two dozen countries.

"The real goal of this process is I think to improve our understanding of the existing domestic programmes that members have in this area," Adank said.

The chair said he hoped to conclude the technical talks by the beginning of March, so as to allow members to begin discussion on the proposal itself.

"I think everyone recognises that we're in an extremely time-bound process of preparations for the Bali Ministerial Conference," Adank cautioned.

### **"Look at the facts"**

Some negotiators seemed to welcome the move to initiate technical discussions on the proposal.

"Everyone would agree that there's challenges," said one trade official who spoke to Bridges. "Let's just look at the facts."

However, others questioned whether technical talks would allow members to make much progress, suggesting instead that the question was essentially political in nature.

"The technical work can only take you so far," said one, who noted that many WTO members were hoping to have a clearer sense of what to expect from Bali by the time of the organisation's Easter break.

Another source told Bridges that some members had insisted on the technical discussions as a prerequisite for further talks. "It's been very clear from some quarters that this technical process is an absolute premise for any political engagement," the official said.

### **Broader issues**

Ultimately, the G-33 proposal – which was initiated by India – raises broader questions about farm subsidy rules at the WTO, one negotiator said.

"It's about whether [developing countries] have enough AMS," the source argued, referring to the maximum permitted ceiling for the trade-distorting "aggregate measure of support" which countries are allowed under their current WTO commitments.

"That potentially leads to a much broader discussion," the official observed.

Rules on ceilings for agricultural domestic support are among the issues that trade negotiators agreed to address as part of the long-standing Doha Round of trade talks at the WTO – which trade ministers acknowledged were in an 'impasse' when they met in December 2011. (See Bridges Daily Update #4, [18 December 2011](#))

### **"Early harvest?"**

Since the 2011 ministerial, WTO members have focused on trying to identify "early harvest" issues on which progress can be fast-tracked, ahead of a broader Doha deal.

While a number of members expect some kind of agreement on trade facilitation to form the centrepiece of an eventual Bali package, others have argued that this would need to be "balanced" with progress on other issues of importance to them as well.

At the same time, members are anxious to avoid triggering a rush to table ambitious proposals that could scupper any hope of progress at the ministerial.

### **Import quotas and export competition**

While the G-33 has said that revised rules on food stockholding and domestic food aid should be addressed at the ministerial conference, other negotiating groups have put forward different issues as well.

For instance, the G-20 coalition of developing countries – which favours reform of developed country farm policies – has said that easing import quotas for farm goods could be another candidate for a Doha "early harvest." (See Bridges Weekly, [3 October 2012](#))

The G-20 has also asked the WTO secretariat to conduct studies on agricultural "export competition" issues – export subsidies and other issues that are being treated similarly under Doha.

Cairns Group countries, which favour faster liberalisation for farm goods, are also believed to be interested in pursuing progress on export competition at Bali.

At the WTO's Cancún ministerial conference a decade ago, the organisation's members agreed that developed countries would phase out export subsidies in 2013, while also

taking action in related areas such as export credits, food aid, and agricultural state trading enterprises.

But members that have made use of these measures, such as the EU, have tended to argue that this agreement was conditional on broader progress in the Doha talks as a whole. The US was also advising "extreme caution" on the issue, one source said.

### **Planning meetings**

A number of negotiating groups are also meeting informally to discuss how best to pursue their interests in the run-up to the ministerial, trade sources said.

Least developed countries were reportedly interested in exploring what scope there might be for achieving progress on cotton and on duty-free, quota-free market access for their exports, although new proposals on these issues have not been tabled to date.

Some members also said that the group of net food-importing developing countries, led by Egypt, was also looking at preparing something for the Bali ministerial, although again no specific proposal has yet been tabled.

In order to have a realistic chance of being adopted at the ministerial, new proposals would have to be tabled "before Easter," one source told Bridges, adding that "mid-March would be too late."

However, another official said there was "no real timetable" for resolving the fundamental political issues that still need to be addressed in the run-up to Bali.

"We're trying to be as practical as possible," the source said.

ICTSD reporting.

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## DISPUTES

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# Seal Ban Dispute Debuts in Geneva

A much-anticipated WTO dispute hearing got underway this week in Geneva, with initial arguments being presented by Canada, Norway, and the EU over Brussels' ban on seal product imports. The case is one of the most emotionally charged disputes to reach the WTO panel stage.

Much of the 18-20 February hearing was open to the public, which helped attract a large delegation from the animal welfare community as well as the sealing industry. Those arriving at WTO headquarters on Monday were greeted by demonstrators bearing placards with graphic images of seal carcasses upon them. Rumours swirled over the possible appearance of Hollywood actress Pamela Anderson – a prominent anti-sealing activist – at the hearing and security was noticeably heavier than usual.

The case revolves around a 2009 European Commission (EC) regulation which banned the sale of seal products in all EU member states. (See Bridges Weekly [4 November 2009](#)) The ban targets commercial sealing operations – such as those in Canada and Norway – which the regulation's proponents have argued to be “inherently cruel” and “inhumane.” Both countries, however, insist that there is no justification for the ban and that the policy also discriminates against their industries while favouring sealing taking place in certain EU member states.

### Exceptions complicate case

The regulation does allow the sale of seal products in the EU marketplace in three exceptional circumstances: products derived from hunts carried out by indigenous peoples, products from hunts that were conducted for the sustainable management of marine resources, and products brought in by tourists.

The exemptions have come under attack from Canada, Norway, and several third parties to the case, which argued at the hearing that because the ban is based on the concept that there is a moral imperative to protect seals, it should apply in all circumstances. Japan notably spoke to this point strongly at the hearing, saying that the exceptions undermine the EU's claim that animal treatment is the only issue being considered.

For its part, the EU argues that the exemptions – particularly those pertaining to indigenous peoples and sustainable management of marine resources exemptions – are necessary, even if hunts are not conducted with sufficient animal welfare protection, because of the dependence of indigenous communities on the industry and the need to protect other marine species.

Canada and Norway argue that the indigenous exception amounts to discrimination on grounds of nationality because some 80 percent of fellow sealing nation Greenland's population is indigenous and, as such, could qualify for a disproportionate indigenous exemption under the ban. However, this position is unclear because the majority of Greenland's sealing operations are commercial and will likely not qualify for the exemption. Notably, Greenland has not exported any seal products to the EU since the ban was established as it is awaiting recognition under the exception. In its external affairs Greenland is represented by Denmark, a fact that some interpret as the EU aiming to protect its “own” industry.

## Morality at issue

The three parties on Monday presented their opening statements and showed two films that were prepared especially for the event – an unusual occurrence at such a hearing. Canada and Norway began by reiterating their argument that the policy is inconsistent and discriminatory.

"The EU Seal regime bans some seal products because, the EU says, seals cannot be hunted consistently with animal welfare requirements, yet it opens the EU market to other seal products without regard to animal welfare," Norway said in its first opening statement. "As a result, the measure is highly selective about the necessity to protect seal welfare and it does not establish a high level of protection for seals."

The EU, however, has focused on presenting evidence that the ban is legitimate because of the moral basis of animal protection. This is the first time the global trade arbiter will consider the WTO compatibility of a measure based on public morality relating to animal welfare.

"As a result of the conditions in which commercial seal hunting takes place, it is impossible to ensure that seals will not be killed in ways that cause them excessive pain, distress, fear, or other forms of suffering," the EU said in their oral statement.

The EU's position was bolstered by the submission of two *amicus curiae* briefs from an alliance of [animal rights activists](#) and a small [group of Canadian lawyers](#) sympathetic to the EU position. The unsolicited briefs provide non-governmental representatives a means to provide additional inputs into the case that were not provided in the first written submissions of any given party. In an unexpected move the EU decided to make the first amicus brief a formal part of their submission, thus ensuring that it will be taken into account by the panel and the other parties.

## Graphic video footage

The EU followed up its statement with the presentation of a long graphic film demonstrating the way in which some commercial sealing operations conduct their hunt. While the case has only just begun and will likely take many twists and turns before it is over, panel chair Luzius Wasescha of Switzerland appeared to acknowledge that the EU footage was moving.

"The video does not encourage me to have a meat dish tonight – instead I'll opt for raclette," the chair said, referring to the popular Swiss dish of cheese and potatoes. Still, some experts say that basing a WTO case almost exclusively on moral grounds will be difficult because it could open a Pandora's Box of potential trade bans based on "morality." Articulating concerns along these lines, all third parties to the dispute with the exception of the United States appeared to speak against the "morality" arguments presented by the EU.

Some critics of the EU ban also say that the morality basis of the ban is too vague because it hinges upon the visual appeal of the seals themselves, while other animals are not afforded the same treatment. For example, some say the practice of gavage on ducks and geese to feed Europe's foie gras industry should be treated in the same way as the sealing industry if the EC regulation was indeed established to protect animal welfare.

The panel is considering what details it will be focusing on as the case unfolds and has hinted that it was interested in the trade relationship between Greenland and the EU, the market for seal products, the way in which other trade bans function, details around how the indigenous exception works, possible animal welfare outcomes in different EU member states, details on the killing methods that could be used under the sustainable resource

management exception, and clarification on whether the ban is a technical regulation that should be covered under the WTO Technical Barriers to Trade (TBT) Agreement.

The next hearing is expected to focus more specifically on the legal aspects of the case. It will take place at the end of April with a final panel report expected by summer.

ICTSD reporting.

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## WORLD TRADE ORGANIZATION

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# WTO: Structural Reforms Needed for Japan to Sustain Economic Recovery

Japan's shaky economic recovery could be stronger if structural reforms are integrated into the Asian trading power's overall strategy, a WTO secretariat report has found in its biennial review of the country's policies.

In addition, while Tokyo has seen signs of export recovery in the wake of the 2011 tsunami and the global financial crisis, the Asian economic powerhouse has made limited progress in reforming barriers to agricultural market access, boosting investment, and ensuring greater transparency on food safety measures, the global trade body said.

The report, a review of Tokyo's trade policies, institutions, and macroeconomic conditions, was discussed by WTO members on Tuesday during the first day of Japan's Trade Policy Review, which is set to conclude on Thursday.

### Tsunami reconstruction

Much of the two years since Japan's last review have been spent rebuilding, following the March 2011 earthquake and tsunami – the most powerful known quake in the country's record. The event led to major disruptions in the country's supply chain – especially in major export sectors such as automobiles and electronics – while also slowing private consumption and stockbuilding, the WTO review found.

Japan had already suffered a collapse in exports in 2008 and 2009 as a result of the global financial crisis, though it saw signs of economic recovery – driven by exports – in 2010 before the natural disasters hit.

Since then, the report found, the Japanese economy has been on the mend, largely as the result of spending geared at reconstruction, as well as consumer spending and inventory building. However, risks remain, the WTO warned, noting that the Asian country remains "susceptible to shocks in the global economic environment especially in key trading partners such as the EU and China."

The WTO review found that domestic demand is necessary for driving growth in the medium to long term, but that risks to such growth are likely to come from Japan's high public debt and rapidly aging population. Over one-fifth of the island country's population is over 65 years old, according to government [data](#), and that proportion could reach nearly 40 percent of the population by 2050.



Another challenge, the review finds, comes from over a decade's worth of deflation and an appreciating yen during the time period reviewed – a situation that the Bank of Japan has since been trying to counter since Prime Minister Shinzo Abe took office in December, with controversial results. (For more on currency, see related story, this issue)

"To overcome these challenges, the Japanese economy will need to undergo structural reforms, *inter alia*, to improve productivity in the services sector, reform the labour market and reform taxation," the WTO review said.

### **Agriculture tariffs remain high**

The WTO [report](#) found little change in Tokyo's trade policies since the last review in 2011, while noting that there has been a slight increase in Japan's overall simple applied MFN - or most favoured nation - tariff. While the tariff was 5.8 percent in the 2010 fiscal year, in 2012 it increased to 6.3 percent.

Within this, the average for agricultural protection is 16.5 percent, relative to 3.7 percent for non-agricultural products. The report also noted "relatively high" average applied tariffs for footwear, headgear, prepared foods, vegetables, live animals, hides and skins, arms and ammunition, and textiles and clothing.

A Doha deal that would bring down high tariff peaks in agriculture has been on ice since trade ministers declared the negotiations at an impasse in late 2011.

During the first day of the review, questions were raised by various delegations on Japan's high level of agricultural support and tariffs, sources told Bridges, with some noting that tariff peaks can pose particular difficulties for the WTO's poorer members.

"In the area of agriculture, Japan's high tariffs and other barriers to trade in this sector remain a major impediment," US Ambassador Michael Punke [said](#) on Tuesday, noting that discussions on reforming this sector continue in Japan.

Meanwhile, Japan's move away from price support toward income support was praised by some members, including Brazil, sources say. The WTO review had found that this shift, however, remains minor, and that the sector continues to receive government assistance in the way of a high applied MFN tariff rate, tariff quotas, income support, and production controls in some cases.

### **SPS measures under scrutiny**

Members also tabled questions over whether Japan's various SPS measures – which deal with food safety and plant and animal health – were in line with international standards, bringing up concerns such as existing beef bans or the need for cost-benefit analyses.

Japan submitted 41 SPS notifications to the WTO in the period under review, according to the secretariat report, with 30 of the revisions involving changes to maximum residue limits (MRLs) for pesticides and amendments regarding food additives.

"Regarding SPS issues we would like to welcome Japan's recent decision to allow the import of beef from animals of under 30 months from several of its WTO partners including the Netherlands and France," EU Ambassador to the WTO Angelos Pangratis said, referring to an agreement that was reached earlier this month. (See Bridges Weekly, [6 February 2013](#))

However, he added, this should just be a first step in the process, noting that he hoped Japan would soon extend this authorisation to the other EU member states who are seeking market access for beef and have submitted the necessary documentation.

Japan has also partially lifted beef bans for US and Canada over the past few weeks. Tokyo had previously cited concerns over Bovine Spongiform Encephalopathy (BSE) – more commonly known as mad cow disease – as cause for the restrictions.

"Another priority area is for Japan to ensure that its SPS measures are based on science and brought into consistency with international standards," Punke said in his remarks.

### **Regulatory challenges**

Another topic that sparked discussion on Tuesday involved regulations and standards, and what obstacles these pose for trade. While the report found that 54 percent of Japanese Industrial Standards (JIS) were aligned with international standards in 2011 - an increase from 46 percent two years prior - some members called for even greater convergence between the two.

"Although Japan's industrial tariffs are generally low, significant non-tariff barriers remain," the US said.. "As a result, the United States continues to look to Japan to take new, bold steps to increase transparency, to reduce unnecessary regulation, and to remove other non-tariff barriers to trade."

Some of the other members that spoke, meanwhile, noted that regulatory obstacles to trade in goods, services, investment, and public procurement remain high.

### **Investment**

The report also found that inward foreign direct investment (FDI) in Japan continues to be outpaced by outward FDI, despite government efforts to create investment incentives – a fact that some delegations pointed out at the meeting. FDI makes up a much smaller percent of GDP than in Japan's larger OECD counterparts.

While inward FDI saw inflows between 2007 and 2009, the report found, 2010 and 2011 saw outflows of inward FDI of US\$1.4 billion and US\$1.8 billion, respectively. Outward FDI, meanwhile, more than doubled in 2011 to US\$116 billion, a result that was attributed in part to the yen's appreciation.

### **More information**

The WTO conducts a review of its four largest traders – the US, EU, Japan, and China – every two years. The next 16 traders are reviewed every four years, while the interval for other members is six years. A longer period can be set for least developed country members.

Washington and Beijing's latest reviews were both held last year, while Brussels' trade policies will come under review on 9 and 11 July. The next trade policy review will be of Argentina, on 20 and 22 March.

The full report (WT/TPR/S/276) is available [here](#).

ICTSD reporting.

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## DISPUTES

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# Canada Renewable Energy Case Under Appeal at WTO

Canada has appealed a recent WTO dispute panel finding that local content requirements for renewable energy generation in the province of Ontario violate international trade rules. Despite the favourable outcome, the EU and Japan – who had tabled the WTO challenge ([DS426](#) and [DS412](#), respectively) – responded last week with cross-appeals of their own, aimed at other aspects of the panel report with which they disagree.

The province's feed-in tariff (FIT) scheme aims to support renewable energy by guaranteeing electricity generators above-market rates on certain renewable sources of energy, such as wind and solar. The global trade arbiter on 19 December announced that the local content requirement of the scheme – obliging participants to source up to 60 percent of their equipment from Ontario – was a trade barrier that discriminated against foreign companies. (See Bridges Weekly, [19 December 2012](#)).

### Canada focuses on procurement argument

In its appeal, Canada insists that the Ontario scheme qualifies for an exemption from certain trade rules relating to government procurement under the General Agreement on Tariffs and Trade (GATT).

Under the government procurement exclusion, a country can exempt itself from GATT requirements if the regulation or programme involves a government making purchases for its own needs and not for commercial resale.

The panel had found that the programme does involve government procurement, but that because the Government of Ontario buys and then sells the electricity in the consumer market, it was "with a view to commercial resale." This means that the programme is not exempt from the other trade rules at issue.

Canada argues that the resale of electricity through the FIT programme is not commercial in nature, challenging the panel's characterisation of the electricity market and its programme. According to the panel, however, Ontario purchased electricity that was fed into the grid and sold on the market in competition with private sector retailers of electricity. This effectively means Canada is not purchasing electricity solely for government purposes, even if Ontario is not profiting directly from the resale of the electricity.

One argument that Canada is relying on is that Ontario's electricity system should not be thought of as an open competitive market where supply and demand freely meet. Instead, a functioning and stable electricity market in Ontario relies on government subsidies and regulations. Thus, Ottawa argues, there is no commercial resale because there is no actual market in the Ontario electricity system.

Canada also insists that electricity purchased through the FIT programme is not resold because it is directly injected by way of renewable energy generators into the grid and pooled with other sources of electricity. It has asked the WTO's Appellate Body to reconsider this argument, which was rejected in the initial panel report.

### **Japan, EU cross-appeal**

The panel found that the FIT programme also violated the Trade Related Investment Measures (TRIMs) Agreement and that Ontario did not qualify for the government procurement exception. However, the EU's cross-appeal contends that the government procurement exception should never apply to the TRIMs Agreement, and that regardless of whether the programme qualifies as government procurement, Canada is responsible for bringing the programme into alignment with the TRIMs Agreement by eliminating the local content requirement.

While the panel found that the local content requirement violated certain WTO rules, it separately found that the FIT programme was a subsidy under the Subsidies and Countervailing Measures (SCM) Agreement, but that it did not violate the agreement because Japan and the EU failed to establish that the programme conferred a benefit to electricity producers.

In order to determine whether a subsidy is illegal, the recipient of the subsidy must be measurably better off than without the subsidy. This measurement requires a benchmark to establish the position of the recipient without the subsidy.

The panel did not accept the heavily subsidised and regulated Ontario electricity market as an appropriate benchmark because it is not an open, competitive market. However, Japan and the EU both argue that without the subsidy, these FIT generators would not exist, and that this should count as a measureable benefit under the SCM Agreement.

The legal status of Ontario's FIT programme will remain unclear until the Appellate Body issues its ruling. The Appellate Body will be able to revise aspects of law – such as legal interpretation – but may not revisit the facts of the case.

ICTSD reporting.

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## PREFERENTIAL AGREEMENTS

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# EU, India Hoping to Clinch Trade Deal by April, Officials Say

The European Union and India are hoping to complete their nearly six-year trade talks by April of this year, French and Indian trade officials said last week. The proposed deal, if completed, would cover a market encompassing 1.7 billion people.

Chief negotiators are meeting in March in what will ideally be the last round of negotiations, Indian Trade Minister Anand Sharma and French Minister for External Trade Nicole Bricq said last Thursday in a joint [release](#). Any remaining issues, they explained, would then be resolved at the ministerial level in April.

Unofficially, EU representatives have suggested that a deal needs to be reached by the middle of this year, given that the bloc will soon have to devote its attention toward negotiating other pacts – such as the recently announced talks with the US and Japan – and in light of the upcoming general election in India.

The bilateral talks have hit repeated snags over their run, with progress slowing over topics such as services, procurement, investment, banking, automobiles, and agricultural market access. Officials had previously said that they wanted to conclude the talks by autumn 2012, after being unable to clinch a deal ahead of a February 2012 bilateral summit.

"The level of ambition in the negotiation with India goes well beyond what India has agreed with other partners so far, covering issues it has previously dismissed in the WTO context (such as investment and competition) or largely excluded from negotiations with other bilateral partners (public procurement)," the Commission [said](#) earlier this month, in explaining the difficulties both sides are facing in concluding a deal.

Since their launch in 2007, the two sides have undergone 15 rounds of negotiations. The proposed trade deal, if completed, would cover more than [95 percent](#) of tariff lines.

### Emerging economies

The European Commission has [said](#) that a trade pact with India is "essential" for both trading partners, and will hopefully serve as a stepping stone for Brussels in its efforts to develop deeper trade ties with other large emerging economies.

In light of the EU's fragile recovery, furthering the bloc's trade ties through bilateral and regional deals – both with emerging economies, such as India and the ASEAN countries, and with major developed country partners, such as the US and Japan – has been touted as a way to boost growth and jobs in the 27-country bloc.

EU [estimates](#) have found that an "ambitious" trade agenda could lead to the creation of two million jobs, and a two percent increase in growth.

Trade with India amounts to 2.6 percent of the EU's exports, while the EU remains India's single biggest trading partner; the value of EU-India trade grew from €28.6 billion in 2003 to €79.9 billion in 2011, [according](#) to the European Commission.

ICTSD reporting; "India-EU FTA negotiations may conclude by April," ZEE NEWS, 14 February 2013; "India, France see EU trade deal concluded by April," REUTERS, 14 February 2013; "India urges new push for EU trade talks," FINANCIAL TIMES, 11 February 2013.

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## EVENTS & RESOURCES

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# Events

### Coming soon

21 February, Washington, US. THE INNOVATIVE METROPOLIS: FOSTERING ECONOMIC COMPETITIVENESS THROUGH SUSTAINABLE URBAN DESIGN. This event, jointly hosted by the Brookings Institution's Metropolitan Policy Program and the Sam Fox School's Master of Urban Design Program, aims to explore the intersection between sustainable urban design and economic growth while discussing the implications for design and practice. The event will highlight policies that have enabled individual cities to become successful models of sustainability and examine specific design and policy issues through the lenses of economy, government, climate, and social systems. For more information, click [here](#).

25-26 February, Geneva, Switzerland. MULTI-YEAR EXPERT MEETING ON TRADE, SERVICES AND DEVELOPMENT. This expert meeting, hosted by the UN Conference on Trade and Development (UNCTAD), aims to identify best-fit practices with regard to policymaking, regulations, institutions, and trade negotiations, with a view to linking services, trade, and development in a balanced manner, including a strengthening of national services regulation without creating trade barriers. Experts in attendance will include those from government ministries and agencies dealing with trade, trade negotiations, policymaking and regulations of specific services sectors, research institutions, civil society, and the private sector. To learn more, click [here](#).

26 February, Washington, US. HOW DO GOVERNMENT RESTRICTIONS HARM INTERNATIONAL ONLINE TRADE AND COMMERCE?. This forum, hosted by the Centre for Technology Innovation at the Brookings Institution, will discuss how governments can best enable online global commerce while also taking precautions to maintain security, national interests, and intellectual property rights. A panel of experts will discuss the increase in international trade and propose steps that governments should take to strengthen international trade rules and norms for the internet. More information can be found [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.

19 + 21 February: Trade Policy Review Body - Japan

25-26 February: General Council

27 February: Committee on Government Procurement

27 February: Dispute Settlement Body

### **Other Upcoming Events**

20 March, Washington, US. TOO HOT, TOO WET, TOO DRY: BUILDING RESILIENT AGROECOSYSTEMS. The Global Harvest Initiative and Robert B. Daugherty Water for Food Institute will host two events recognising World Water Day, featuring agricultural and environmental experts. Panellists will discuss the challenges of water, food security, and climate change. For more information, click [here](#).

29-30 April, Paris, France. OPENING A NEW CHAPTER IN EU-JAPAN RELATIONS. This roundtable, held at the French Ministry of Foreign and European Affairs, will feature CEOs and senior executives from leading EU and Japanese firms, who will discuss and adopt general recommendations to be submitted to their domestic authorities. Attendees will also hold detailed discussions on the approaching negotiations for an EU-Japan trade deal, bilateral business cooperation especially in/with emerging economies and on resources issues, and other related topics. To learn more, click [here](#).

3-14 March, Bangkok, Thailand. CITES COP 16. The 16th meeting of the Conference of the Parties (COP 16) to the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) will address proposals to amend the Convention appendices and several administrative, strategic and financial issues. CITES was adopted in Washington on 3 March 1973, and the 40th anniversary of the Convention will be celebrated at the March 2013 event. For more information, visit the event [website](#).

20-22 March, Bonn, Germany. ADVANCING THE POST-2015 SUSTAINABLE DEVELOPMENT AGENDA. This event, supported by the German Federal Ministry for Economic Cooperation and Development (BMZ) and the United Nations Department of Economic and Social Affairs (UN DESA), will bring together about 250 civil society organisations to help channel their inputs into global sustainable development and post-2015 discussions. For more information, visit the event [website](#).

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## Resources

MONTHLY STATISTICS OF INTERNATIONAL TRADE. Published by the Organisation for Economic Co-operation and Development (OECD) (January 2013). This publication provides monthly statistics on international trade of the OECD countries. The document also reviews the most recent trends in trading patterns for OECD countries with the rest of the world. The document can be accessed [here](#).

A BLUEPRINT FOR REBALANCING THE CHINESE ECONOMY. By Nicholas Lardy and Nicholas Borst for the Peterson Institute for International Economics (February 2013). This document examines the complexities of the Chinese , and examines the need for rebalancing to put the Chinese economy on a more sustainable growth path. The policy brief also outlines which measures should be changed under the new Xi Jinping-Li Keqiang administration in order to achieve this goal. The publication is available [here](#).

GOING FOR GROWTH. Published by the Organisation for Economic Co-operation and Development (OECD) (February, 2013). This annual report highlights developments in structural policies in OECD countries. It identifies structural reform priorities to boost real income for each OECD country and key emerging economies – specifically, Brazil, China, India, Indonesia, Russia, and South Africa. The report also takes stock of reform implementation in the covered countries. For more information, click [here](#).

HOW TO REKINDLE THE INTEREST OF THE PRIVATE SECTOR IN THE WTO. Published by the Evian Group at IMD (February 2013). In this video, five of the nine candidates vying for the role of WTO Director-General discuss ways for the global trade body to re-engage the private sector. The debate host, Carlos Braga of the Evian Group, focused the discussion on private sector frustration with the stall of the Doha Round of trade talks, along with WTO rules and how they are not perceived to address the most relevant trade issues of today. To watch the video, click [here](#).



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