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RENEWABLE ENERGY

US Confirms New Import Duties on Chinese Solar Products

The US Commerce Department announced on Tuesday that it would be imposing preliminary countervailing duties on imports of certain Chinese crystalline silicon photovoltaic products – including solar cells, modules, laminates, and/or panels. The anti-subsidy duties are significantly higher than those confirmed in a separate probe two years ago and cover an expanded scope of products, including those partly manufactured in Taiwan.

The investigations were launched by the US government agency in January, in response to a complaint filed by SolarWorld Industries America, the US' largest solar panel manufacturer.

The company had alleged that Chinese producers – following the previous imposition of anti-dumping and countervailing duties in 2012 – had gotten around paying said duties by commissioning part or all of the production of these solar cells in Taiwan, and then using such cells to then assemble solar panels back in China. (See Bridges Weekly, [30 January 2014](#))

The [new duties](#), which take effect immediately, range from 18.56 percent to 35.21 percent. Changzhou Trina Solar Energy Co., Ltd. would face the lowest of these duties, while Wuxi Suntech Power Co., Ltd. and five of its affiliates would face the highest. All other Chinese producers will be subject to a rate of 26.89 percent, Commerce said.

The duties announced on Tuesday exclude those products already affected by the 2012 duties, which had ranged from 14.78 to 15.97 percent for those producers under investigation. (See Bridges Weekly, [10 October 2012](#))

Expanded scope

Notable in the Commerce Department's determination was the agency's decision to expand the scope of its investigation. Rather than just targeting solar cells, as in the previous 2012 case, this new investigation also covered partially or fully assembled solar panels.

Furthermore, the US agency said, the merchandise subjected to these duties would also include modules, laminates, and/or panels assembled in China, but using cells completely or partly manufactured within another customs territory – ostensibly

Taiwan – that used Chinese-made ingots or wafers in their production process.

Cells whose production began in China and were then completed in another customs territory were also included in the probe.

Beijing fires back

Beijing trade officials promptly slammed the Commerce Department decision, with the Chinese Ministry of Commerce (MOFCOM) issuing a [statement](#) in which they claimed that US investigators both ignored the facts and legal basis for conflicting rules of origin on these solar products.

The preliminary duties, MOFCOM added, are an “abuse of trade remedy measures” that is aimed at protecting US industry, and would only serve to reignite bilateral tensions on solar trade.

In addition, the Chinese ministry said, these trade remedies are unlikely to help the US develop its solar sector. Rather, Washington should terminate the investigation in order to “create a good environment” that would promote competitiveness within the photovoltaic industry worldwide.

Help or hindrance?

Imports into the US of these Chinese-made crystalline silicon photovoltaic products were valued at approximately US\$1.5 billion in 2013, according to Commerce Department figures. However, whether or not these latest duties are indeed a win for the US solar industry – or could instead cripple its own growth – is a subject that has proven divisive domestically.

SolarWorld, the petitioner in the case, [called](#) the decision a “strong win” for the American solar sector, applauding the Commerce Department “for its work that supports fair trade.”

The same company had been the main proponent for the original 2012 case, together with several other US solar panel manufacturers that were known collectively as the Coalition for American Solar Manufacturing (CASM). [According](#) to SolarWorld, many of the founding members of CASM have since had to shut their doors as a result of the intense competition from China, which the US-based solar giant claims is the result of unfair trade practices.

However, US downstream producers that use these same products in their solar projects – such as those companies represented by the Coalition for Affordable Solar Energy (CASE) – disagree.

Calling the ruling a “major setback” for the American solar industry, the group urged US government officials to continue efforts toward a negotiated settlement with China instead.

“US solar businesses now find themselves collateral damage to litigation, which is increasing module costs and freezing future investment through pricing uncertainty,” the group said on Tuesday, [warning](#) that the move would put a damper on the recent “record-breaking” growth seen by the domestic solar industry.

George Hershman, Division Manager of the Colorado-based company Swinerton Renewable Energy and a CASE member, suggested in a recent [op-ed](#) that the low prices on Chinese solar panels are actually “one of the reasons [the American solar industry] is thriving.”

Rather than competing with China or Taiwan, he added, US solar companies are really competing against “coal, natural gas, and other forms of electricity generation that solar has only recently been able to beat on cost.”

Long-running squabble

The US and China have repeatedly been at loggerheads over their renewable energy trade policies in recent years, with complaints of unfair trade practices being lobbed by both sides. These disagreements have also extended to other sectors, including wind power, as both sides continue their efforts to advance clean energy generation at home.

The spats have not been limited to these two countries alone. The EU and China engaged in a similarly heated row last year, with the disagreement being defused only by an eleventh-hour “price undertaking” deal that committed Chinese manufacturers to exporting a set volume of solar products at a minimum price in order to avoid hefty anti-dumping duties from Europe. (See Bridges Weekly, [5 September 2013](#))

While the US was involved in the early discussions on this price undertaking agreement, it ultimately was not involved in the final pact.

Australia, meanwhile, announced last month that it was launching its own anti-dumping investigation into Chinese solar imports, while India has recently imposed anti-dumping duties on products from the US, China, and various other countries. (See Bridges Weekly, [22 May 2014](#))

The growing frequency of trade spats over renewable energy – which has in some cases led to formal disputes at the WTO – has highlighted the question of how countries can work to develop their domestic renewable energy generation capacity, while respecting international trade rules and finding avenues for global cooperation.

Even amid this flurry of disagreements, the US, EU, and China are also among a group of countries planning to launch negotiations for an Environmental Goods Agreement (EGA), aimed at lowering tariffs on a list of environmental goods in order to promote the increased deployment of renewable energy globally.

Formal talks on such a pact could begin as early as this summer, once the 14 WTO members involved complete their domestic procedures.

Next steps

The duties announced by Commerce this week mark just one phase in a longer process. The US agency has said that a final determination on these countervailing duties will be issued in mid-August, unless this deadline is extended.

If this final Commerce determination is affirmative, the US International Trade Commission (ITC) will then need to review whether or not these imports did cause – or threaten to cause – material injury to US industry, and issue its findings within 45 days.

Should both the Commerce and ITC determinations be affirmative, the duties will continue, though the level could be revised. However, should either issue a negative finding, no countervailing duty would be issued.

Until then, cash deposits will be collected on these imports, based on the preliminary rates. A separate probe into allegations of dumping – a practice where producers sell their goods abroad at prices lower than their normal value – is still ongoing, with preliminary findings expected in July.

ICTSD reporting.

POST-2015 DEVELOPMENT AGENDA

UN Group Chairs Unveil Zero Draft for Sustainable Development Goals

A UN group tasked with formulating a proposed set of sustainable development goals (SDGs) will for the first time consider a [zero draft of a possible text](#) at its next meeting later this month, officials confirmed earlier this week.

The co-chairs of the Open Working Group on Sustainable Development Goals (OWG) – as the body is formally known – circulated the 21-page text on Monday 2 June. The document now offers 17 suggested goals, following the separation of poverty and inequality into separate headlines. The co-chairs had foreshadowed this move at the close of the group's previous session in May, shortly after which they also released a draft introduction for the framework. (See BioRes, [15 May 2014](#))

Ahead of this week's release, it was not clear whether the co-chairs felt they had the mandate to produce a zero draft for line-by-line negotiations. Since the end of the earlier "stock-taking" phase in February, input for the group's meetings had been framed as working documents. (See BioRes, [11 March 2014](#)).

In an accompanying letter circulated to UN members, the co-chairs reminded delegations that the group's next week-long session would be preceded by three days of informal meetings from 9-11 June. While these gatherings will not pre-empt the official work, OWG participants have been urged to use this as an opportunity to take stock of the proposed goals, their targets, and means of implementation.

"As stated at OWG11, we would strongly request that delegations move directly into focused consideration of the proposed goals and targets contained in the zero draft in order to make progress towards a successful and timely conclusion of the report for onward submission to the General Assembly for appropriate action," the co-chairs' [letter](#) read.

The SDG effort – a direct result of a UN Conference on Sustainable Development (Rio+20) held in June 2012 – is part of a broader process to develop a post-2015 development agenda that would replace the current eight headline Millennium Development Goals once they expire next year.

Work in the OWG has been underway for over a year. Seats in the group are often shared between "troikas" of like-minded states, and broadly represent the five UN regional country groupings. The working group should produce a set of SDG recommendations by July, to be considered by the UN General Assembly this autumn.

Compromise structure for means of implementation

The means to achieve development goals and targets has historically proved contentious in multilateral discussions of this type. Such divisions emerged noticeably at the group's April meet, with members split over whether to include relevant "means of implementation" (MoI) under each individual goal, separately as its own goal, or both.

The zero draft appears to make a bid for the middle ground. Although MoI are included as the final goal, this is made up of several subsections detailing options for each of the previous goals.

“What they have done is to show how particular Mol would fit under each goal. This enables there to be an agreement either to leave it as a separate goal or put them under the relevant goal at a later stage,” [said](#) Felix Dodds, former executive Director of the Stakeholder Forum for a Sustainable Future (1992-2012).

Trade features across Mols

In the previous version of the working document, trade featured as a sub-section within the “means of implementation” goal. In this version, trade-related targets are now posited as potential “means of implementation” for several of the proposed development goals.

The target of “timely implementation of duty-free quota-free [DFQF] market access... in accordance with WTO decisions and the Istanbul Programme of Action” is listed as one measure that would support progress towards the central target of poverty eradication.

DFQF was also included in previous working document iterations. Talks on the issue have struggled to advance at the WTO since a ministerial decision in 2005 to implement substantially increased DFQF market access for goods from least developed countries (LDCs), although ministerial decisions last December urged a renewal of efforts in this area. (See BioRes, [25 April 2014](#)).

Several trade-related targets appear as possible means of implementation for the goal of promoting strong, inclusive, and sustainable economic growth and decent work for all. This includes, for example, complying with the mandate for agriculture, services and non-agricultural products in the WTO Doha Round – the global trade body’s current series of talks.

The same Mol subcategory also mentions the implementation of the outcomes of the WTO Bali Ministerial Declaration. At the Bali meet last December, trade ministers from the 159-member body formally agreed a multilateral deal on trade facilitation, along with a few items involving agriculture and development.

The subcategory for “sustainable growth implementation means” continues by mentioning increasing trade-related capacity building to assist development and the Aid for Trade initiative – a WTO-led financial assistance framework reaffirmed at the body’s latest ministerial meeting.

Improving market access for agricultural, fisheries, and industrial exports from developing countries, African economies, and the world’s poorest nations in order to increase their share of global exports is also included as a Mol to support progress towards the goal of sustainable economic growth and decent work. In a departure from the text for the May meeting, however, the zero draft has replaced the target of doubling LDC exports as a share of the global total by 2020 with the objective of simply “increasing” their share of exports in world markets.

Encouraging the full use of Trade-Related Aspects of Intellectual Property Rights (TRIPS) flexibilities is a new addition to the zero draft, now mentioned in two subcategories of Mol, supporting the goals of “attain healthy life for all at all ages” and “promote sustainable industrialization,” the latter in the context of clean energy technology diffusion. A key text in the 1994 Uruguay Round documents establishing the WTO, the TRIPS Agreement brought intellectual property rules into the multilateral trading system for the first time.

Removing agricultural export subsidies – a polarising topic in trade negotiations – is placed as a Mol under the category for ending hunger, achieving food security and adequate nutrition for all, and promoting sustainable agriculture. The draft text calls for a reduction in distortions to international trade, including phasing out agricultural export subsidies.

Reference is made to the WTO 2005 Hong Kong ministerial, where members agreed to the elimination of such trade support, with longer compliance timelines for developing economies.

Oceans goal intact

Other forms of subsidies are also addressed as targets within other goals themselves. The proposed marine resources and oceans goal includes a target of eliminating subsidies that contribute to overcapacity and overfishing by 2020, and for the first time includes the idea of a standstill under which countries would refrain from introducing new subsidies of this kind. The target does, however, include language aimed at accounting for the special needs of poor countries and small island developing states (SIDS).

Dubbed 21st century issues, observers had feared that separate oceans and terrestrial ecosystems headlines would be assimilated into one goal as the proceedings moved forward. Although previous OWG sessions had seen some governments advocate for a stand-alone oceans goal, discussion around prioritising in both these areas has reportedly proved complex. Notably, no means of implementation are suggested at the end of the document for the ecosystems goal.

Climate and energy

Elsewhere, phasing out inefficient fossil fuel subsidies by 2030 remains a target under the goal of affordable and sustainable energy services for all, together with doubling of the share of renewables in the global energy mix. As with the fisheries subsidies language, however, the target of reduction of fossil fuel subsidies is now somewhat more nuanced, and includes the development of "solutions that aim to secure affordable energy for the poorest."

The renewable energy targets reflect UN Secretary General Ban Ki-moon's Sustainable Energy for All ([SE4ALL](#)) initiative, launched in 2011. Some critics have suggested that this figure will not be enough to achieve an energy mix that avoids further climate damage.

For its part, the proposed climate goal includes two phrases: "promote actions at all levels to address climate change," as well as "build a climate change goal based on the outcome of COP21 of the UNFCCC," referring to a process under the UN Framework Convention on Climate Change (UNFCCC). Countries are currently in the process of tough negotiations towards a universal climate deal to be concluded by next year's 21st Conference of the Parties (COP) in Paris, with a round of preparatory meetings currently taking place in Bonn, Germany.

Next steps

As the clock ticks down on the expiry of the MDGs, observers and governments alike are increasingly looking for guidance on how the SDG and post-2015 process will move forward and come together as a coherent whole. Some suggest guidance may come from a synthesis report produced by the UN Secretary-General towards the end of 2014.

OWG participants will convene for their next formal session from 16-20 June. With only 10 working days left on the group's schedule, the pressure is on to produce a concise, action-oriented document required by the Rio+20 mandate. Analysts suggest that this next meeting will be particularly important in this respect.

ICTSD reporting.

CLIMATE CHANGE

Obama Announces Plans to Slash Carbon Emissions from Existing Power Plants

The Obama Administration released [plans](#) on Monday to slash carbon dioxide emissions by an average of 30 percent from 2005 levels by 2030 on all existing American power plants, in what has been touted as one of the most far-reaching moves ever made by the US executive branch to tackle the threat of climate change.

"This plan cuts carbon pollution by building a clean energy economy – using more clean energy, less dirty energy, and wasting less energy throughout our economy," said US President Barack Obama, presaging the announcement in his [weekly address](#) last Saturday.

"One of the best things we can do for our economy, our health, and our environment is to lead the world in producing cleaner, safer energy – and we're already generating more clean energy than ever before," he continued.

The initiative was formally unveiled by the Environmental Protection Agency (EPA), the federal agency with a mission to protect human health and the environment. Known officially as the "Clean Power Plan," the proposal would allow each state flexibility in planning and meeting specific targets. States would have a range of policy options at their disposal, such as energy efficiency improvements, increasing the use of renewables, establishing state and regional-level carbon cap-and-trade systems, or using more natural gas.

Unlike other greenhouse gases, such as nitrogen oxides and sulphur dioxide, there are currently no national limits on carbon pollution levels. According to the EPA, power plants are the US' largest source of carbon pollution and are responsible for around one-third of the country's greenhouse gas emissions overall, which have been blamed for accelerating man-made climate change.

Data from the Energy Department indicated that coal, the most carbon-intensive fossil fuel, provided 39 percent of the country's power mix last year.

"We don't have to choose between a healthy economy and a healthy environment – our action will sharpen America's competitive edge, spur innovation, and create jobs," said EPA chief Gina McCarthy, also placing an emphasis on the domestic socio-economic benefits.

The EPA estimates that the plan could result in climate and health benefits worth between an estimated US\$55 billion to US\$93 billion by 2030 – including the avoidance of between 2,700 to 6,600 premature deaths. Earlier this year, a [US assessment](#) confirmed the wider damage wrought by global climate change. That report echoed a climate study trilogy led by UN climate scientists, who said there was a 95 percent probability that climate change is primarily influenced by human activity. (See BioRes [2 April 2014](#)).

Monday's news forms a long-awaited and central piece of Obama's promised efforts to tackle climate change. After years of wrangling with Congress in an unsuccessful attempt to pass national cap-and-trade legislation, the US President pledged early in his second term that he would do whatever necessary – even if it meant bypassing lawmakers – to address the subject before leaving office. (See Bridges Weekly, [13 February 2013](#) and [27 June 2013](#)).

In his “climate action plan” announced a year ago, Obama explained that he would use executive actions to rein in carbon emissions from new and existing power plants and boost renewables capacity, with further details to be outlined at a later date. A few months later, the EPA released draft regulations aimed at capping carbon emissions from new power plants, which were swiftly beset by legal challenges from its opponents – a result that many analysts already expect for these new rules. (See Bridges Weekly, [26 September 2013](#))

These executive actions have not just been limited to carbon pollution. Earlier this year, Obama confirmed another such initiative aimed specifically at cutting methane emissions – another potent greenhouse gas. (See Bridges Weekly, [3 April 2014](#))

This year’s State of the Union address saw Obama defend his decision to bypass Congress in this area, a move that has proved unpopular among some camps in the legislative branch. (See Bridges Weekly, [30 January 2014](#)).

“The debate is settled. Climate change is a fact,” he [said](#) in January. “And when our children’s children look us in the eye and ask if we did all we could to leave them a safer, more stable world, with new sources of energy, I want us to be able to say yes, we did.”

Damage to economic competitiveness feared

As expected by analysts ahead of the release, Monday’s news received a cold welcome from certain lawmakers, particularly those from traditional coal states.

Some experts have said the climate topic could be a key factor in the November’s mid-term elections, pointing to a series of high-profile media campaigns. The entire House of Representatives – currently dominated by Republicans – and one-third of the Senate will go up for election this year.

Republicans are already expected to keep their hold on the House in November, and are particularly eyeing the Senate, in the hopes that they can win enough seats to erode – or even eliminate – the slim Democratic majority in that chamber. Four of the Senate swing seats are among the top 10 coal producers nationally, according to Reuters.

Senate Minority Leader Mitch McConnell, a Republican from the state of Kentucky who is himself up for re-election, said the plans were a “dagger to the heart of the middle class” and would be detrimental to the US economy.

“The president’s plan is nuts, there’s really no more succinct way to describe it. Americans are still asking ‘where are the jobs’ and here he is proposing rules to ship jobs overseas for years to come,” [said](#) Speaker of the House John Boehner in response to the news.

Boehner, a Republican from the state of Ohio, referred specifically to the fear of “carbon leakage,” whereby jobs are lost to less climate-stringent countries.

Select industry, energy, and business groups also struck out at the proposal. “Today’s regulations issued by EPA add immense cost and regulatory burdens on America’s job creators. They will have a profound effect on the economy, on businesses, and on families,” [said](#) Thomas J. Donohue, President of the US Chamber of Commerce.

More positive words were offered by certain environmental groups. “The EPA’s proposal to limit carbon pollution from power plants for the first time ever is a giant leap forward in protecting the health of all Americans and future generations,” [said](#) Frances Beinecke, president of the Natural Resources Defense Council, a green non-profit.

The plan will now be open to comment for 120 days following publication in the Federal Register. The EPA has indicated it will hold four public hearings around the proposal during

the last week of July. The input received will be used to inform the final standards, set to be issued in June of next year.

Global climate playing field

The US announcement and subsequent outcome will be closely watched by the international community, particularly given that countries are gearing up to negotiate a universal climate deal ahead of an end-2015 deadline.

The UN's annual preparatory climate talks are currently underway in Bonn, Germany, with this year's Convention of the Parties (COP) scheduled for December in the Peruvian capital of Lima. If a binding emissions cutting deal is indeed achieved at the 2015 COP in Paris, France, the result would likely have significant impact on global trade and investment flows.

Christiana Figueres, head of the UN Framework Convention on Climate Change (UNFCCC) Secretariat, the body charged with helping economies tackle climate change at the global level, [said](#) the Obama administration's move was a "good signal to nations everywhere that one of the world's biggest emitters is taking the future of the planet and its people seriously."

A sticking point in the tough UN climate talks has been the distinction between countries with historical emissions responsibility, such as the US, and nations like China that have experienced a rapid surge in emissions in recent years.

Following hot on the heels of the US announcement, however, a top Chinese government advisor signalled that the world's largest greenhouse gas emitter would likely set a limit on its own absolute emissions by the end of the decade, rather than continuing to peg cuts according to its economic growth. Critics have nevertheless cautioned that this is not yet a concrete or precise offering in terms of the size of the cuts.

Nonetheless, another positive step followed on the same day as Beijing also formally deposited its acceptance of the Doha Amendment of the Kyoto Protocol – the current international climate regime.

Some analysts expect that brokering a deal acceptable to both the US and China will be the linchpin of the UN talks. Positive signs of cooperation between these leading emitters have become manifest more recently. Beijing and Washington pledged in February to increase bilateral cooperation on addressing the effects of climate change, initially put forth as part of a five-section plan in July 2013. (See Bridges Weekly, [20 February 2014](#))

ICTSD reporting; "EPA Releases Much-Anticipated Limits on Power Plant Emissions," HUFFINGTON POST, 2 June 2014; "Obama to take action to slash coal pollution," THE NEW YORK TIMES, 1 June 2014; "U.S. unveils sweeping plan to slash power plant pollution," REUTERS 2 June 2014; "Obama Proposes Deep Cuts to Power-Plant Emissions," BLOOMBERG, 2 June 2014; "China to limit carbon emissions for the first time," THE GUARDIAN, 3 June 2014.

RUSSIA

Russia, Belarus, and Kazakhstan Announce Eurasian Economic Union

Russia, Belarus, and Kazakhstan inked a deal last week to formally establish an economic union between them, capping approximately two decades' worth of talks. The bloc – termed the Eurasian Economic Union – notably does not include Ukraine, and comes at a time where Moscow's geopolitical rift with many of its Western partners shows no sign of resolution.

Meanwhile, the Ukrainian government under President-elect Petro Poroshenko has lately reaffirmed its interest in signing a long-awaited trade pact with the European Union. His predecessor, Viktor Yanukovich, had chosen not to sign the pact late last year, in a decision which sparked the Ukraine crisis and ultimately ousted him from office.

Which integration project Ukraine would eventually join – and what it would mean, in both economic and geopolitical terms – has been a hot topic on the international agenda for months. Russia had long lobbied against Ukraine signing onto the EU trade deal, arguing that it would be incompatible with its own Eurasian integration initiative, while European officials had insisted that any decision should be solely up to Ukraine, without outside pressure.

In the wake of the Ukraine crisis, analysts have remarked on an apparent increase in interest on Russia's behalf on cementing other trade ties, given the growing economic isolation it has faced from partners such as the US and EU.

Along with this latest step in the broader Eurasian integration project, Moscow recently clinched a multibillion dollar natural gas deal with Beijing – one that would give Russia an opportunity to focus its energy trade elsewhere, given the EU's wariness of continuing its own heavy reliance on Russian gas sources. (See Bridges Weekly, [22 May 2014](#))

Meanwhile, leaders of the G-7 industrialised countries – Canada, France, Germany, Italy, Japan, the United Kingdom and the United States – are meeting this week in Brussels, where their relationship with Russia is expected to be one of the main items on their agenda.

The G-7 had decided to suspend its participation in the G-8 summit – essentially the same group, together with Russia – in light of recent events, as Moscow holds the rotating presidency of this latter configuration.

2015 launch

The new Eurasian Economic Union would enter into force at the beginning of next year, and is expected to cover a market of 170 million people – a size that could grow should Armenia and Kyrgyzstan also join. The latter two have both expressed interest in the agreement, and leaders from the three current members have indicated that their entry will be approved in the coming months.

The planned economic union, which builds upon an existing customs union between the three same countries, was announced in the Kazakh capital of Astana late last week, with that country's president referring to the decision as the launch of a "new geoeconomic reality."

Even so, Kazakh President Nursultan Nazarbayev acknowledged, the process ahead will not be easy for the three neighbours.

"We have succeeded in creating the Union, but now that it is here, our major objective is to prove the necessity and viability of this integration to ourselves and the entire world," he said last Thursday. "The integration alone does not guarantee an ideal life or manna from heaven; each of the states will need to work hard."

The deal had stumbled in recent months over a disagreement between Moscow and Minsk on oil duties. However, Russia recently agreed that it would send 23 million tonnes' worth of duty-free oil this year to Belarus. Meanwhile, Belarus – which exports oil products back to Russia – would be able to keep US\$1.5 billion next year of the usual duties it pays on sending those latter goods back across the border.

Russian President Vladimir Putin, who has come under fire from his Western partners in recent months over his handling of the Ukraine crisis, also highlighted that the Union's members had faced "heated disputes" and "serious disagreements" in their efforts to clinch a deal. However, he noted, the final result has "an enormous production, research, and technological potential and huge natural resources" – one that could prove attractive to others.

"Wherever I go and whomever I meet, everyone wants to know how to establish relations with the new Eurasian union," he added, noting that "major economies" have already expressed an interest. Furthermore, he said, current Union members are planning to ramp up talks with Vietnam on the establishment of a free trade zone, along with improving cooperation with China.

According to Putin, Union members are aiming to establish a common financial market, along with a gradual harmonisation of currency policy. Furthermore, the three partners would coordinate policies in areas such as agriculture, energy, industry, and transport.

Goods, services, capital, and labour will be able to move unhindered, officials said. However, Belarus' Lukashenko acknowledged, some issues involving their trilateral economic cooperation – especially those involving trade – will be addressed at a later time in order to facilitate continued work on these areas.

Energy markets, however, would not be integrated until 2025, which was reportedly at Russia's request, given the importance it places on oil and gas exports. The country is by far the economic heavyweight of the group, and some experts have suggested that lifting trade barriers with Minsk and Astana could come at an economic cost for Moscow.

The respective parliaments of the three countries will next need to ratify the document, in order to meet the target launch date of 1 January 2015.

Ukraine president-elect expresses interest in EU trade deal

The absence of Ukraine from the Eurasian Economic Union was noticeable at last week's signing ceremony, given Kiev's earlier involvement in the discussions, with some leaders highlighting the loss. Trade with Ukraine is 4.7 percent of Russia's annual total, while Belarus and Kazakhstan together account for 7.1 percent, according to Russian customs data.

"Unfortunately, the burden proved to be too heavy for Ukraine," Belarus President Alexander Lukashenko told reporters last week. However, he indicated, Kiev may wish to reconsider, given that it could serve in the country's economic interests to do so.

"I am certain that eventually the Ukrainian leadership will see where its happiness lies, or at least would not lose what rightfully belongs to the Ukrainian people," he said.

The new leadership in Kiev, meanwhile, has given early signs that it may cast its lot with the EU instead. Within days of winning the presidential election in Ukraine, Poroshenko reportedly confirmed to European officials that he hopes to soon sign the long-awaited trade deal with Brussels.

Whether that will happen during Poroshenko's inauguration this weekend, or later this month at a summit in Brussels, remained unclear at the time of this writing, particularly in light of the continued internal difficulties in Ukraine and the need for the EU to complete its own internal procedures.

At the moment, Ukraine is already receiving unilateral preferential access to the European market, after a decision was passed by the EU earlier this year to lift tariffs on imports coming from its Eastern neighbour.

The move amounted to nearly €500 million in annual tariff reductions, EU trade officials explained at the time, with the goal of providing the Ukrainian economy with a much-needed lifeline. (See Bridges Weekly, [13 March 2014](#))

Such unilateral preferences will only last until 1 November, in order to give Kiev time to sign and provisionally implement the bilateral version of the deal.

ICTSD reporting; "Russia, Kazakhstan, Belarus form Eurasian Economic Union," THE WASHINGTON POST, 29 May 2014; "Russia and 2 Neighbors Form Economic Union That Has a Ukraine-Size Hole," THE NEW YORK TIMES, 29 May 2014; "Uncertainty on date of EU-Ukraine treaty signature," EU OBSERVER, 4 June 2014; "Belarus won't block creation of Eurasian Economic Union," REUTERS, 9 May 2014; "Ukraine Needs Time to Sign Trade Deal With Europe, EU Says," THE MOSCOW TIMES, 28 May 2014.

AFRICA

Lagarde: Poverty, Poor Infrastructure Risk Dampening African Growth

African finance ministers and central bank governors, together with the International Monetary Fund (IMF), agreed last week to ramp up their joint efforts to tackle poverty in order to sustain the strong economic performance that the continent has seen these past two decades. However, they cautioned, various policy challenges remain unresolved as the region works toward achieving sustained growth and development.

Over two-thirds of sub-Saharan African countries have experienced over a decade of uninterrupted growth. However, poverty remains stuck at "unacceptably" high levels, with over 45 percent of households remaining impoverished, IMF Managing Director Christine Lagarde [warned](#) last week at a high-level conference held in Maputo, Mozambique.

"Now is the time to expand the gains that many countries have enjoyed to those that have been left behind by helping them overcome fragility and build some strong institutions," Lagarde said at the 29-30 May meeting. Achieving this goal, she continued, requires significant investment in the future and an awareness of potential challenges on the horizon.

Optimism, with a word of caution

The IMF chief acknowledged the "remarkable resilience" of sub-Saharan Africa over the past two decades, particularly in the face of the recent global financial crisis.

Projected economic growth for the region is 5.4 percent this year, an increase from the 4.9 percent growth in 2013. Excluding South Africa, this year's growth figure rises to 6.5 percent.

The economies of some of Africa's poorest countries could expand by upwards of 7 percent. In a recent press release, the Washington-based institution attributed this success to "skilful macroeconomic policymaking, stronger institutions, increased aid, and higher investment in both human and physical capital."

Furthermore, the continent is projected to have a working-age population of one billion by 2040 – which would constitute the largest labour force in the world.

Even with such a positive economic forecast, Lagarde explained the region's potential could be clouded by three short-term risks, as outlined in the latest [IMF economic report on Africa](#).

Namely, these would involve slower growth in emerging market economies, which are major trading partners for Africa; lower prices for some commodities; and tighter global credit conditions, which could ultimately set less favourable financing conditions for Africa and lead to a potential reduction or even a reversal of private capital inflows in the continent.

Furthermore, various long-term challenges – including demographic, technological, and environmental concerns – require action today, the IMF official said, urging African government officials to "build infrastructure, build institutions, and build people."

Bridging the infrastructure gap

Infrastructure in sub-Saharan Africa lags significantly behind other developing regions. Only 16 percent of roads are paved, compared with 58 percent in South Asia. Meanwhile, per capita output of electricity in sub-Saharan Africa has remained virtually flat.

According to Lagarde, high quality infrastructure can be key to drawing in more foreign investment, leading in turn to benefits such as increased jobs and economic diversification, thus improving the region's integration. However the costs of such an endeavour are formidable, given that the region's investment needs are estimated to be over US\$90 billion annually.

Some African finance officials, such as Sarah Alade, Acting Governor of Nigeria's Central Bank, concurred that infrastructure development is worth the investment, with Alade suggesting that the region can "easily grow at double digits if energy is available."

Infrastructure investment, Kenyan Central Bank Governor Njuguna Ndungu said, would be a "game changer" for the continent. High transaction costs stemming from poor infrastructure, he noted, have kept many farmers from competing successfully on the open market.

Addressing the infrastructure gap requires innovative financing solutions, including at the regional level, ministers [said](#) in their joint declaration, adding that the private sector will need to play a key role.

"A modern infrastructure is needed to attract profitable investment and diversify economic activity," the document said.

Fostering structural transformation

Ministers agreed that countries need to improve productivity in areas such as agriculture, which currently dominates economic activity and employment, while engaging in new higher productivity activities such as industry and services.

"[We need to] invest in processing and storage... [and] to go deeper into how to make markets more accessible," they said, adding that policies must be designed in a way that ensures that growth also fosters structural transformation.

Natural resources potential

Africa is home to approximately one-third of the world's mineral reserves. Experts have long said that, if properly managed, these could unleash enormous opportunity for economic growth and development in the region. These resources could even be instrumental in relieving the large constraints on infrastructure by providing a local source of financing.

According to the IMF head, encouraging transparency and strengthening the institutional and governance frameworks that manage these resources could help ensure they are harnessed for the benefit of all. "In too many countries, the rents from extractive industries are captured by just a few," she said.

"Now is the time to go further, to work together towards an inclusive, job rich, sustainable growth strategy that will respect the environment," Lagarde said.

The presence of natural resources in Africa presents "great opportunity," said Ncube Mthuli, Chief Economist and Vice President of the African Development Bank.

ICTSD reporting.

EVENTS & RESOURCES

Events

Coming Soon

9 June, London, UK. WILL TTIP HAPPEN? Hosted by Chatham House, this expert panel will discuss the Transatlantic Trade Investment Partnership (TTIP), a trade agreement currently under negotiation between the European Union and the United States. The panel aims to determine whether and how the TTIP can be realised, given the complexity of US-EU economic relations and each sides' individual political contexts. The panel will address impediments to progress, such as the lack of agreement among US lawmakers over whether to grant the executive branch with renewed "fast track" powers; increasing questions from civil society related to transparency issues and potential risks for environmental, labour, and social standards; and whether or not negotiations are now veering towards a less ambitious agreement. More information can be found at the event [website](#).

9 June, London, UK. GLOBAL TRADE: A TRADE SYSTEM FOR THE 21ST CENTURY. Hosted by Chatham House, this conference will discuss questions about the future of global trade governance. Key issues will include objectives and challenges for bilateral and multilateral trade governance; reducing non-tariff and behind-the-border barriers to trade; domestic policy and trade liberalization; unlocking the value of global supply chains; and future patterns of international trade in a competitive global economy. More information can be found at the event [website](#).

11 June, Bonn, Germany. ICTSD TRADE AND CLIMATE CHANGE DAY. This event, hosted by the International Centre for Trade and Sustainable Development– the publisher of Bridges – on the sidelines of the mid-year UN Framework Convention on Climate Change (UNFCCC) negotiations, will feature several sessions addressing specific topics at the interface of trade and climate change. More information, including the event programme and registration details, 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.

10 June: Workshop on Trade Facilitation

11-12 June: Council for Trade-Related Aspects of Intellectual Property Rights

11-12 June: Meeting of the Joint Advisory Group on the International Trade Centre (ITC)

13 June: Working Group on Trade, Debt and Finance

Other Upcoming Events

18-19 June, Geneva, Switzerland. UNCTAD PUBLIC SYMPOSIUM. This annual outreach event by the UN Conference on Trade and Development will focus on how increased

inequality can create problems for sustainable development, with sub-themes on the "macroeconomic dimensions of inequality" and "from best policy practices to global transformation." This year's Symposium will also open with the Third Geneva Dialogue, part of a series of events where experts debate global economic issues, including the post-2015 development agenda. For more information, visit the event [website](#).

19-23 June, Geneva, Switzerland. CLIMATE, FOOD, TRADE NEXUS: LINKING EAST AFRICAN ISSUES TO THE GLOBAL CONTEXT. This international conference, hosted by CUTS International, will focus on lessons learned from a three-year project in East Africa titled "Promoting Agriculture-Trade-Climate Linkages in the East African Community" (PACT EAC), and address how these can be integrated into global discussions. The project examined the policy linkages between climate change, food security, and trade. Key topics for discussion include why these three policy areas matter to Africa; the food security agenda in the context of last year's WTO Bali Ministerial Conference; and the role of trade policies in the EAC in ensuring food security. For more information, visit the event [website](#).

1-3 October, Geneva, Switzerland. WTO PUBLIC FORUM: "WHY TRADE MATTERS TO EVERYONE." This annual event, hosted by the World Trade Organization, aims to provide a platform for public debate across various trade issues and topics. This year's forum will focus on the human story behind trade, highlighting ways in which trade affects the daily lives of people worldwide. The WTO is currently accepting proposals from those participants interested in organising sessions at the forum; the deadline for these proposals has been extended to 20 June 2014. More information can be found at the Public Forum [website](#).

Resources

CONFRONTING THE CURSE: THE ECONOMIC AND GEOPOLITICS OF NATURAL RESOURCE GOVERNANCE. By Cullen S. Hendrix and Marcus Noland for the Peterson Institute for International Economics (May 2014). In this book, Peterson Institute Senior Fellow Cullen S. Hendrix and Executive Vice President and Director of Studies Marcus Noland discuss the "resource curse" – the potentially negative impact of abundant natural resources on the development of poor countries – and the related implications for American foreign policy. The authors call for international efforts to "confront the curse" by encouraging greater transparency, improved management of natural resource wealth, and for new partnerships between the West and developing countries. The book can be found [here](#).

FINANCING STATE-OWNED ENTERPRISES: AN OVERVIEW OF NATIONAL PRACTICES. Published by the Organisation for Economic Co-operation and Development (OECD) (2014). This report provides an overview of national policies and practices towards state-owned enterprise (SOE) financing in OECD and non-OECD countries. It summarises how finance decisions are made at various stages of the corporate life cycle including capital structure, rate-of-return requirements, dividend pay-outs, and the provision of state support. The report is part of the ongoing work of the OECD Working Party on State Ownership and Privatisation Practices on The State in the Marketplace. The book can be found [here](#).

AFRICA ECONOMIC OUTLOOK 2014. Produced by the African Development Bank (AfDB), the OECD Development Centre, and the United Nations Development Programme (UNDP) (May 2014). The 2014 edition of this annual report concludes that African countries can transform their economies and achieve development advances by participating more effectively in global and regional value chains. According to the report, this participation can serve to facilitate economic diversification, domestic resource mobilisation, and investments in critical infrastructure in the continent. The report also cautions African countries against getting locked into low value-added activities. The pocket edition can be found [here](#).

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