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WORLD TRADE ORGANIZATION

WTO: Farm Trade Negotiators Confront Gulf in Expectations

Negotiators must clarify in the coming months what agricultural concessions they can make if progress is to be achieved on wrapping up the Doha Round talks, the chair of the WTO's farm trade negotiations urged last week.

"Determining or confirming what you want from others is clearly the easy part," said New Zealand ambassador John Adank in a [report](#) to an informal meeting of the WTO's Trade Negotiations Committee (TNC), which is tasked with the Doha discussions.

"Members must also be prepared to indicate what they will contribute to make potential solutions politically saleable," he added.

His sentiments echoed those of WTO Director-General Roberto Azevêdo, who is trying to shepherd the organisation's membership towards a year-end deadline for concluding a work programme that would wrap up outstanding issues in the Doha talks, now well into their thirteenth year.

Of these subjects, agriculture, non-agricultural market access (NAMA), and services have been highlighted in recent months as the three core areas that will likely determine the level of ambition of the overall Doha work programme.

Chairs of the different negotiating groups similarly emphasised that point at last week's TNC, with many referring to success in the agriculture talks as a key determinant of what might be achieved elsewhere.

However, with the year over halfway done, and just a few weeks left before the WTO's annual August break, "I am not hearing – not from anyone – about what they can do," Azevêdo warned.

"Sobering" reality

"Our current reality is sobering," acknowledged Michael Punke, the US Ambassador to the WTO, who [spoke](#) at the same meeting.

Punke told negotiators that "the world has changed" since the WTO's last draft negotiating accord on farm trade was tabled in 2008.

"The WTO has not yet found the solution for how to address that change," he cautioned.

Punke argued that lower tariff and subsidy cuts for "recently acceded members" – including China, which joined the WTO in 2001 – should be revisited in the light of changes to markets and policies in the last six years.

"Geneva must be the only place in the world where the term 'recently' is divorced from time," he said. "That's just goofy."

In particular, some categories of trade-distorting farm support would be subject to lesser cuts in China than in other developing countries, Punke said. He singled out reductions to "de minimis" payments – which are defined as support falling below a given share of the value of farm production – to illustrate his point.

"Unhelpful" finger pointing

"Finger-pointing or cross-examining each other is not a good defensive weapon or negotiation strategy," said China's ambassador Yu Jianhua, according to a transcript of his remarks seen by Bridges.

Yu argued that any solution should prioritise "the concerns of developing members, and the [least developed countries, or LDCs] in particular."

"There are some solution-oriented ideas flying around," the ambassador noted. He nonetheless cautioned that WTO members should not give up on the 2008 text "unless and until we have found these ideas more doable and acceptable to all members."

Brazil echoed China's insistence that developing countries should only be asked to make concessions that would amount to less than full reciprocity with the concessions offered by developed countries, according to a copy of the country's statement seen by Bridges.

MC10 result?

Despite these concerns, the Chinese official also floated the idea that a completed Doha Round might be possible by the WTO's next ministerial conference, expected in late 2015.

"In today's post-crisis era, global trade is slowing down," Yu said. "The only way to reverse this worrisome trend is to get this Doha job done sooner than later."

While not outright mentioning a potential deadline, the US also highlighted the need to conclude the talks "in a reasonably rapid timeframe," and noted that the next ministerial could be "the defining moment in this regard."

Simplification?

In order to avoid past problems and actually achieve a Doha result, negotiators "need to simplify the overall approach in at least some areas of the negotiations," [suggested](#) Angelos Pangratis, the EU Ambassador to the WTO.

The Doha Round, he added, should be considered just a stepping stone in the trade liberalisation process – rather than the "Round that will end all Rounds," echoing past comments made by the Director-General.

Pangratis suggested that a simpler approach would be particularly helpful in "areas which proved to be stumbling blocks in the past" – singling out market access for agricultural and manufactured goods as a particular example.

However, in other areas "previous work remains broadly valid," Pangratis said - with the draft text on export competition and domestic support still "a sound basis for negotiations."

In response, Yu warned that any simplification "must apply to all members, with equal proportion based on the 2008 text."

Landing zones

Adank confirmed that in the area of export competition WTO members "have a very well-developed idea of the potential landing zone" – even though links to other negotiating areas meant it was still hard to deliver actual outcomes.

On domestic support, he said his consultations had raised the issue of how an overall agreement in this area would relate to separate work on how WTO rules should account for food purchased at administered prices as part of public stockholding schemes in developing countries.

WTO members had also pointed out that policies, and support patterns, had changed around the world since the negotiations were last active, Adank said – including in some of the emerging economies.

Some WTO members did not see tariff cuts and other market access measures in the draft text as an "acceptable landing zone" for the talks, Adank said. However, others were reluctant to go beyond discussing the set of ten issues that had been identified as "outstanding" by a former chair of the agriculture negotiations in April 2011.

Some other members sought a simpler approach, while others insisted that any new trade rules had to deliver "real and substantial improvements" in market access, Adank said.

Three pivotal areas

Despite the lukewarm assessment of progress to date, Azevêdo remained cautiously upbeat about the negotiation's prospects.

"In recent weeks, we have moved from talking about process, to talking about substance – with a focus on the three pivotal and interlinked areas of agriculture, NAMA, and services," he told the meeting.

At the same time, the Director-General was anxious to dispel what he described as "certain rumours that I have heard in the corridors."

In particular, he emphasised that he was not on the verge of releasing a paper "which would provide a magical path forward."

Instead, any roadmaps "would have to come from members," he said.

Negotiations continue

A meeting of the negotiating session of the committee on agriculture is set to be held today, which delegates told Bridges was likely to be the last such meeting before the WTO's August break.

A General Council meeting is scheduled for 24-25 July, where members are expected to review any advances in this and other negotiating areas.

One delegate told Bridges that negotiators were now approaching the "problem-solving" stage in the talks, in the run-up to the December deadline.

Another acknowledged that intensive work on resolving a row regarding the implementation of the WTO's Trade Facilitation Agreement (TFA) – one of the key outcomes of last December's ministerial conference in Bali – has left little time or energy to focus on other areas.

However, others said that they expected in-depth negotiations to begin in earnest only once negotiators return to Geneva at the beginning of September.

Trade facilitation disagreement in the background

Efforts to draft a protocol that would incorporate the trade facilitation deal into the overall WTO Agreement hit a roadblock in May, after the African and Least Developed Country Groups called for the pact to be implemented on a "provisional" basis pending the conclusion of the entire Doha Round – a move that has sparked significant debate among members. (See Bridges Weekly, [28 May 2014](#)).

A meeting of the Preparatory Committee on Trade Facilitation – set up for the purposes of bringing the TFA into effect – is planned for this week, with another one scheduled for 10 July. Trade observers are thus watching closely to see if a resolution can be found in order to keep the implementation process on schedule, and also avoid any negative spillovers into the Doha work programme discussions.

The Committee is hoping to draft the protocol by the end of this month, in order to give members until 31 July 2015 to ratify the agreement. Two-thirds approval by WTO members is required to bring the deal into force.

Azevêdo has been among those to warn that the TFA disagreement could spell disaster for the overall Doha work programme efforts, telling members last week that "everything we worked together to achieve in Bali would potentially be lost."

Furthermore, he warned, "a similar outcome could be expected for the work programme on the [Doha Round]," noting that revising the terms of the Bali deal could hurt the chances for succeeding in the overall trade negotiations.

ICTSD reporting.

POST-2015 DEVELOPMENT AGENDA

UN Group Revises Sustainable Development Goals "Zero Draft" Ahead of Final Session

The co-chairs of a UN working group charged with drafting recommendations for a set of sustainable development goals (SDGs) have released a revised version of a "zero draft" text to be considered at the group's final session later this month.

The [revised draft](#), which would ostensibly serve as a basis for the upcoming SDG deliberations, maintains a total of 17 proposed goals, as seen in an earlier version released last month and discussed at the group's latest session. The revision, however, includes fewer targets and more succinct draft goals.

A structural change has also now been made whereby these targets, along with those referring to specific means of implementation (MoI), are differentiated under each goal using a system of numbers and letters.

The co-chairs' efforts reflect calls made throughout the process by countries and civil society alike to ensure that the new goals are easily communicable and manageable in order to galvanise broad support.

The decision to draw up a set of SDGs to replace the current eight Millennium Development Goals (MDGs), due to expire at the end of next year, was a major outcome of the landmark Rio+20 conference on sustainable development held just over two years ago in Rio de Janeiro, Brazil.

The SDG effort has been ongoing for the last 18 months through the Open Working Group on Sustainable Development Goals (OWG), as the UN body is formally known.

Following an initial stocktaking phase in the OWG's first eight sessions, countries moved this past March to considering the concrete shape of the new goals, first through working documents presenting a series of "focus areas" and then a zero draft of a proposed framework of goals and targets. (See BioRes, [9 June 2014](#))

Means of implementation structure revised

The latest revision contains a reworking of the means to achieve each goal. MoI has historically proved a divisive issue in multilateral discussions of this nature and has been a particularly tough topic for the OWG to navigate.

During the past few sessions, group members have been divided as to whether to include relevant MoI under each goal, as a separate category, or both. Earlier working documents have tried various formats, with the previous zero draft grouping all MoI targets into the final goal, albeit organised under subheadings reflecting each of the other goals. This meant that trade-related MoI were allocated to support a wide range of issues across the SDG framework.

In the latest draft, the subsections in proposed goal 17 now focus on cross-cutting means of implementing development goals. These include trade; finance; technology; capacity building; policy and institutional coherence; multi-stakeholder partnerships; and data,

monitoring and accountability. Several targets are then posited under each subsection. This structure for a separate Mol goal is closer to the approach used in a working document presented for the group's eleventh session held in May. (See BioRes, [25 April 2014](#))

The current draft, however, also posits several Mol under each goal. The distinction likely represents a desire to distinguish between systemic or cross-cutting Mol and those more specifically related to achieving individual goals.

Trade's evolution in the SDG framework

Trade-related considerations have featured throughout the OWG process. However, their position in working documents and drafts has evolved, as described above, as has their formulation.

In the latest version, the first target under the trade subsection of the final Mol goal emphasises the importance of promoting a "universal, rules-based, open, non-discriminatory and equitable multilateral trading system." This formulation drops earlier language referring to the conclusion of the WTO's ongoing Doha Round talks and the implementation of the decisions taken at the global trade body's most recent ministerial meet last December in Bali, Indonesia. (See Bridges Daily Update, [7 December 2013](#))

The second trade subsection target now refers to improving market access for developing country exports, including doubling the poorest countries' share of global exports by 2020. The equivalent target in the original zero draft had specifically referred to agricultural, fisheries, and industrial exports of developing countries. Experts suggest this new formulation could be interpreted more widely as covering all developing country exports.

The final trade target calls for the timely implementation of duty-free, quota-free (DFQF) market access for poor countries consistent with past WTO decisions, and remains almost unchanged in terms of the language previously used. The June zero draft had placed this target as a Mol under the document's leading goal of poverty eradication.

At the recent Bali ministerial meet, WTO members urged developed countries to continue efforts towards granting DFQF access for at least 97 percent of products originating from least developed countries (LDCs), with developing countries in the position to do so also augmenting such market access.

In the June zero draft, the first two of these trade Mol subsection targets were identified as a means of support for the proposed goal on sustainable economic growth and decent work. In the current document, improving aid for trade support remains as the only specific Mol listed under that goal.

An Mol target on respecting the principle of special and differential treatment for LDCs in international agreements, with a specific mention of the WTO, is a new addition in the revised zero draft under proposed goal 10 – reducing inequality within and between countries.

The technology subsection of the current draft's cross-cutting Mol goal maintains previous language encouraging the full use of the WTO's Trade-Related Aspects of Intellectual Property Rights (TRIPS) flexibilities in relation to the dissemination of clean and environmentally sound technologies. Use of TRIPS flexibilities is also included in a goal-specific Mol under the health goal, which combines two previous targets referring to increased research and development on communicable diseases and providing access to affordable essential medicines.

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. The flexibilities gives countries some room to adopt the agreement to their development needs.

The latest version drops language used in the June zero draft setting a target of reducing distortions in international trade under the ending hunger goal. The equivalent goal in the latest version includes a slimmed down MOI target calling for a "phase out of all forms of agricultural export subsidies," removing language previously used referring to the objectives set at the WTO's 2005 ministerial conference to remove all forms of agricultural export subsidies.

Climate, energy, oceans

The climate goal in the latest draft remains as a stand-alone goal and now reads "tackle climate change and its impacts."

The phrase includes an asterisk specifying that the targets under this goal may be "part of and complementary to" targets defined in the climate negotiations under the UN Framework Convention on Climate Change (UNFCCC). In the June zero draft, the goal was composed of two phrases allowing for a mention of the UNFCCC outcome.

Governments are currently in the process of hammering out a legally binding global climate deal with the aim of reaching an agreement by the end of next year. (See BioRes, [17 June 2014](#))

The climate goal has been labelled as one of the more complex "21st century" issues being considered by the working group. During the OWG's penultimate session last month, the co-chairs circulated an unofficial slimmed down list of 15 goals, merging climate change with the sustainable consumption and production goal, as well as combining those addressing poverty and inequality. The move was met with resistance among group participants for a number of reasons. (See BioRes, [24 June 2014](#))

Elsewhere, international cooperation to facilitate access to clean energy technologies remains an MOI target under the "ensure sustainable energy for all" goal but now makes mention of "including advanced and cleaner fossil fuel technologies" and promoting "public and private investment in energy infrastructure and clean energy technologies."

Recent UN Conference on Trade and Development (UNCTAD) [work](#) on the role of investment in achieving the SDGs more generally includes a focus on enhancing the role of private sector contributions in order to bridge an identified annual investment gap of around US\$2.5 trillion in development-relevant sectors.

The sustainable energy goal also maintains a target to phase out inefficient fossil fuel subsidies by 2030. The previous iteration of the target had placed this in the context of wasteful consumption while the latest version refers to both fossil fuel production and consumption subsidies.

The oceans and terrestrial ecosystems goals also remain separate in the latest draft, with many of the targets and MOI largely unchanged. The former retains its target on eliminating and refraining from introducing any new subsidies that contribute to overcapacity and overfishing by 2020.

Eight working days

The OWG will meet for its final round from 14-18 July. The group has agreed that the session will be preceded by informal meetings taking place 9-11 July.

This gives group members a total of eight working days to finalise a set of SDG recommendations that will then be considered by the UN General Assembly this autumn.

Over the next year, the UN system will face the challenge of pulling together and building coherence between various streams of work related to the post-2015 development agenda. This includes work on sustainable development financing, technology facilitation, and sustainable development indicators, as well as development recommendations put forward last April by a High-Level Panel of Eminent Persons. (See BioRes, [11 April 2013](#))

Other UN bodies are also adding their voices to the post-2015 debate. The inaugural UN Environment Assembly took place last week – another mandated outcome from Rio+20 – with a day dedicated to a high-level ministerial dialogue on the SDGs and the post-2015 development agenda. (See related story, this edition)

Back in New York, the second meeting of the High-level Political Forum (HLPF) – also a result of the Rio+20 conference – is underway this week and next under the auspices of the UN Economic and Social Council (ECOSOC). The body will take stock of the MDGs as well as examine how to achieve an ambitious new development framework. The HLPF is expected to play a critical role in reviewing the implementation of the international community's eventual sustainable development commitments.

ICTSD reporting.

ENVIRONMENT

Wildlife Trade, Post-2015 Agenda in Focus at First UN Environment Assembly

The largest global gathering of environment ministers in the last two years took place last week in Nairobi, with the Kenyan capital playing host to the first-ever universal UN Environment Assembly (UNEA).

The five-day long meet, held under the auspices of the UN Environment Programme (UNEP), resulted in [16 decisions](#) and resolutions on major environmental issues such as illegal wildlife trade, climate change, biodiversity loss, marine plastic debris, and the post-2015 development agenda.

The inaugural event was attended by 1200 participants from 160 UN member and observer states, as well as a number of stakeholders and civil society groups. The decision to convene the Assembly in the context of boosting UNEP's role in the UN system was one of the outcomes of the pivotal Rio+20 sustainable development conference in June 2012, a follow-up event to the 1992 summit in the same city.

"The resolutions agreed by member states at UNEA will help shape the global environmental agenda into the future and will determine collaborative action on priority issues," [said](#) UNEP Executive Director Achim Steiner at the event's closing session on Friday.

The ministerial outcome document featured calls to accelerate and support efforts towards sustainable consumption and production patterns, among other decisions. Ministers also urged the full implementation of existing multilateral environmental agreements, as well as other international and regional environmental commitments.

Fostering the development of partnerships to address the particular environmental challenges faced by small island developing states (SIDS) was also raised, ahead of the upcoming UN SIDS conference this September in Apia, Samoa.

The process of accepting a final document did hit some hurdles, however, according to Earth Negotiations Bulletin (ENB). During the latter stages of the event, a few delegates reportedly sought the explicit mention of the principle of "common but differentiated responsibilities" (CBDR) – beyond the broad reaffirmation of countries' commitment to all the Rio principles on sustainable development. The latter were a key outcome of the landmark 1992 Rio Earth Summit.

The second half of the week also included a high-level segment where ministers discussed the formulation of a set of sustainable development goals (SDGs), along with the escalation of poaching and related wildlife crime.

In addition, the meeting featured two symposiums on environmental rule of law and financing a green economy.

"We need to act decisively to change humanity's relationship with our planet," UN Secretary General Ban Ki-moon said on Friday. "This is just the beginning. Change is in the air. Solutions exist. We are now poised for the next phase of human development," he continued.

Fighting illegal wildlife trade

In the ministerial outcome document, delegates urged countries to prevent, combat, and eradicate illegal trade in wildlife products, recognising the severe economic, social, and environmental damage wrought by the illicit commerce.

According to a new joint UNEP-INTERPOL [report](#) launched last week, global environmental crime – which encompasses illegal logging, poaching and trafficking of wildlife, illegal fishing and mining, as well as the dumping of toxic waste – may be worth up to US\$213 billion annually and threatens to throttle sustainable development in many nations.

The UNEA decisions called for, among other actions, the implementation of country and regional commitments on fighting illegal wildlife trade, targeted actions to tackle both the supply and demand sides of the challenge, and the promotion of zero tolerance policies. Environment ministers also said the issue should be addressed in the context of the post-2015 development agenda.

In order to help spur further action on the wildlife trafficking crisis, delegates asked UNEP to produce analysis on the environmental impacts of the illegal trade for the next UNEA meeting, scheduled to be held in two years' time. The UN environment body was also asked to support governments in developing and implementing environmental rule of law mechanisms at the national level.

During the high-level ministerial dialogue on the issue, a number of countries reportedly stressed the link between illegal wildlife trade and poverty. Some delegates also suggested that efforts should be made to strengthen synergies between the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) – the body responsible for regulating trade in over 35,000 listed species – and other multilateral environmental agreements.

Several participants, however, said that the challenge posed by illegal wildlife trade might be better addressed by internal security ministers or equivalent. Others reportedly said that – notwithstanding the importance of a strong message from environment ministers on the issue – UNEP would be best placed to support ongoing initiatives, as opposed to launching new platforms.

Meanwhile, Thursday saw government representatives from Kenya, Uganda, and Tanzania [announce](#) their intention to work together alongside relevant UN agencies and INTERPOL to clamp down on East Africa's devastating illegal timber trade. All three nations face severe challenges both within their borders but also as transit countries for stolen wood.

According to UNEP, the costs to the global economy from illegal logging are estimated to be between US\$30-100 billion, with ecosystem services from tropical forests valued on average to be worth US\$6120 per hectare each year. Forests cover around 675 million hectares, or 23 percent, of the African continent.

Calls for climate action, renewables trade growth

Addressing air pollution was identified as a top priority by delegates, with ministers adopting a resolution encouraging governments to take action across all sectors to improve air quality, as well as to formulate action plans and establish national air quality standards. Recent data from the World Health Organization (WHO) suggests that air pollution is responsible for around 7 million deaths annually.

The ministerial outcome document also called for an ambitious outcome in the ongoing negotiations under the UN Framework Convention on Climate Change (UNFCCC) to seal a global climate deal by the end of next year's Conference of the Parties (COP) in Paris. An

informal working dinner held last Wednesday during the UNEA week – attended by approximately 200 delegates and 70 ministers – discussed ways to speed up and ensure a successful outcome in the climate talks.

At their latest UNFCCC inter-sessional meeting in Bonn, Germany last month, climate delegates appeared to shift into negotiating mode on some of the substantive details that will need to be worked out over the next 18 months, including around what information countries will need to provide in their national contributions to tackling the global climate challenge. (See BioRes, [17 June 2014](#))

UNEP also unveiled [new research](#) last week analysing trade flows in renewable energy products between countries in the global South, as developing countries are often termed. The study finds that between the years 2004-2011 South-South trade in goods such as solar photovoltaic (PV) cells and modules, wind-powered generating sets, and hydraulic turbines grew faster than global trade in the same sectors, excluding intra-EU trade.

The findings also suggest that in 2007, developing countries moved from being net importers to net exporters of green goods, a trend driven by particularly dynamic growth in trade in solar PV and related products, an area where China has become one of the top exporters.

The report calls for further South-South cooperation in this sector, including by establishing favourable trade policies and agreements.

"The [environmental goods and services] market – which is expected to grow to around US\$1.9 trillion by 2020 – offers developing countries an unprecedented opportunity to drive the green economy transition," said UNEP's Steiner at the report's launch.

Post-2015 development agenda

During the 2012 Rio meet, governments decided to develop a series of SDGs that would replace the Millennium Development Goals when they expire in 2015. These SDGs, they said at the time, would balance and integrate the economic, social, and environmental pillars of development, as well as being an agenda for universal action.

UN members have since been meeting in New York under the auspices of an Open Working Group on Sustainable Development Goals (OWG), with a view to agreeing upon SDG recommendations for the UN General Assembly to consider this autumn. The OWG's final session is scheduled for later this month, and earlier this week the group's co-chairs released a [revised version](#) of a zero draft text for consideration on that occasion.

In line with the overarching theme of last week's Nairobi meet – the post-2015 development agenda – a full day was devoted to a ministerial plenary regarding the new development framework. Macharia Kamau, OWG co-chair, attended the meeting last Thursday to brief delegates on the process underway in New York and also to gather environment ministers' views on the new goals.

Scepticism had reportedly been expressed from some corners ahead of the UNEA gathering about the Assembly's ability to shape the process in New York. However, several delegates told ENB that while the UN environment body should not attempt to pre-judge the working group's outcomes, UNEP might provide a number of useful tools to ensure that environmental considerations are fully integrated across the new framework.

The UNEA outcome document called on the international community to achieve an ambitious and balanced post-2015 development agenda, with a full integration of the environment dimension.

"UNEA is a historic event for all of us, set to define not only the future of UNEP, but to support further the institutional framework and programmatic platform for sustainable development and set the environmental agenda for the world to follow," said UNEA's President and Mongolian environment minister Dr. Oyun Sanjaasuren at the closing session.

The beginning of the UNEA week also saw the launch of the UN Conference on Trade and Development's (UNCTAD) annual [World Investment Report](#), with a special focus this year on financing and the SDGs. According to the report, developing countries currently face an annual investment gap of around US\$2.5 trillion in SDG-relevant sectors. Investment in areas such as basic infrastructure, food security, and climate change mitigation and adaptation in developing countries will require between US\$3.3 trillion and \$4.5 trillion per year, according to further estimates.

In order to meet these investment needs, the report provides a framework to understand and enhance the role of private sector contributions, with a range of policy options to address the challenges these present.

Discussions on sustainable development financing – a historically difficult area in international negotiations – are currently underway at UN headquarters. These talks have been held through an intergovernmental Committee of Experts on Sustainable Development Financing, which has highlighted – among other considerations – the important role that a well-regulated international trade system can play in this area. (See BioRes, [24 June 2014](#)).

ICTSD reporting; "Summary of the First UN Environment Assembly of the UN Environment Programme," ENB, IISD Reporting Services, 30 June 2014

EUROPEAN UNION

EU Leadership Shuffle Continues As Bloc Eyes Growth, Energy Plans

Jean-Claude Juncker was nominated to be the European Commission's next president last Friday, following a weeks of heated debate among EU leaders over who should next head the bloc's executive branch – and what this decision would mean for the 28-nation group's future in the long-term.

Meanwhile, the new European Parliament began its first legislative session of the 2014-2019 term on Tuesday. With the 751-member body seeing a sizable increase in eurosceptic parties' representation following the May elections, questions have abounded on what this result might mean in determining EU priorities for the next five years, as incoming parliamentarians highlight the need to abandon "business as usual" approaches.

Juncker nomination

The former Luxembourg premier was elected to the Commission's top post by a 26 to 2 vote margin on Friday, with the UK and Hungary being the only two against him. UK Prime Minister David Cameron had been the most vocal against electing Juncker, arguing that the latter's federalist approach would be insufficient to respond to public concerns over the bloc's future.

"We must accept the result and Britain will now work with the Commission president, as we always do, to secure our national interest," Cameron [told reporters](#) on Friday. "But let me be absolutely clear, this is a bad day for Europe."

Whether the UK will stay in the EU has been a pressing question for the bloc's policymakers, as the island nation sees growing anti-EU sentiment domestically. Cameron has been vying to renegotiate London's terms with the EU and is pushing for reforms in the bloc, while promising to hold an in-out referendum in 2017 on his country's membership should he win re-election.

Though Cameron lost the Commission presidency vote, the Council made sure to refer to his concerns in their outcome document, which was released following a two-day summit in the Belgian town of Ypres last week.

"The UK raised some concerns related to the future development of the EU," the Council noted in its conclusions, adding that such concerns would "need to be addressed."

"In this context, the European Council noted that the concept of ever closer union allows for different paths of integration for different countries, allowing those that want to deepen integration to move ahead, while respecting the wish of those who do not want to deepen any further," they added.

National leaders also pledged to consider the process for nominating Commission Presidents in the future, with respect to existing EU treaties, in what was deemed as a concession to Cameron's qualms.

Leadership changes are also underway in the EU's legislative chamber, which began the first day of its new session on Tuesday. Martin Schulz was re-elected to head the European Parliament for a second term; however, the German Socialist will only serve for 2.5 years

out of this Parliament's upcoming five-year session, with a Christian Democrat set to hold the post from January 2017 to mid-2019.

Other top EU jobs, such as foreign policy chief and Council President, are set to be decided on 16 July when national leaders reconvene in Brussels. Juncker's nomination is set to be voted upon at the Parliament level on the same day in Strasbourg, with the new Commission to take office in November.

Strategic agenda

In Ypres last week, EU leaders also agreed on a strategic agenda, meant to guide the 28-country bloc's priorities over the five years to come.

The five main objectives of this agenda include: stronger economies with more jobs; societies enabled to empower and protect all citizens; a secure energy and climate future; a trusted area of fundamental freedoms; and effective joint action in the world. Under each objective, leaders outlined a series of broad "priorities" aimed at reaching such goals.

Leaders noted that action in these fields is essential, particularly amid a climate of persistent unemployment and growing inequality. Furthermore, they noted, the fast pace of change in the global economy – together with the scarcity of natural resources and the EU's current dependence on external energy sources – make it imperative to act quickly.

Fiscal discipline versus growth?

Among the most cited of the European Council's conclusions is the commitment to using flexibilities within the EU's existing fiscal framework in order "to balance fiscal discipline with the need to support growth."

The reference was apparently included to give space to countries like Italy to push growth-oriented policies, even if it means taking more time to meet their debt reduction commitments.

"Structural reforms that enhance growth and improve fiscal sustainability should be given particular attention, including through an appropriate assessment of fiscal measures and structural reforms," the leaders said.

Under the existing fiscal rules, outlined in the EU's [Stability and Growth Pact](#), the bloc's member governments must limit their respective budget deficits to 3 percent of GDP, while not allowing public debt to surpass 60 percent of GDP. Non-compliance with either these terms or the country-specific medium-term budgetary objectives can lead to sanctions, such as annual fines or suspension of financing.

"We are all committed to the Stability and Growth Pact and that it is a matter of making best use of the flexibility that is built into the existing Stability and Growth Pact rules," said European Council President Herman Van Rompuy.

Energy security

Regarding energy, national leaders reviewed progress toward a 2030 climate and energy framework, with a final decision planned for October. The planned 2030 package will succeed the bloc's "20-20-20" goals, which establish targets for emissions reduction, renewables, and energy efficiency for the end of this decade.

The Commission had outlined in January a new 10-year climate and energy framework that would take effect from 2020, and called specifically for a 40 percent reduction in greenhouse gases (GHG) target below 1990 levels and an EU-wide binding renewable energy target of at least 27 percent. Endorsement of the framework at the Council level

had previously been hoped for by June. (See Bridges Weekly, [23 January 2014](#) and [6 March 2014](#))

Among the bloc's energy priorities in the near term, leaders said on Friday, would be to "reduce the risk of disruption of energy supplies," in an apparent reference to Russia, given the ongoing tensions with Moscow over the Ukrainian crisis.

In this context, leaders held a first discussion on the Commission's European Energy Security Strategy, [issued](#) in May to both the Council and Parliament for review. The EESS, as it is also known, is meant to be closely tied to the 2030 framework, and is aimed at avoiding future energy supply disruptions, such as those seen by some Eastern member states in the winters of 2006 and 2009.

The EU imports 53 percent of the energy it consumes, according to Commission statistics. Of its crude oil and oil product imports – which total at €300 billion annually – one-third comes from Russia, as does 39 percent of EU natural gas imports.

Russia, the EU's third largest trading partner, is thus a key supplier of energy for several European member states, with six of them sourcing their gas imports entirely from Russia. As a result, the 28-member bloc has been reticent to impose heavy sanctions against Moscow in response to its handling of the Ukraine situation, out of concern that its Eastern neighbour could retaliate in kind – including by cutting off energy supplies to these countries.

Leaders also called for additional efforts to limit the bloc's energy dependency, noting that they support "the immediate implementation of a set of most urgent measures to strengthen Europe's resilience and increase its energy security in the short term, before the winter of 2014/2015."

EU leaders have thus directed their officials to further analyse medium-to-long term solutions on energy security, building on the Commission document. These should also be ready by October, they said, and should place a particular focus on improving energy efficiency, advancing the implementation and integration of the European energy market via a regional approach, and fostering missing infrastructure.

ICTSD reporting; "Schulz Re-Elected EU Parliament Chief as Parties Split," BUSINESSWEEK, 1 July 2014; "UPDATE 1-EU leaders agree to apply fiscal rules as flexibly as possible –draft," REUTERS, 26 June 2014.

UKRAINE CRISIS

EU Inks Trade Deal with Ukraine, as Russia Ties Remain under Strain

EU and Ukrainian leaders completed the signature process for their long-awaited trade deal on Friday, following months of uncertainty in the wake of the ongoing crisis in the Eastern European country. The move – completed on the margins of an EU Council summit in Ypres – comes as Brussels also weighs whether to impose new, harder-hitting sanctions on Moscow in the next few days.

Along with signing the economic part of the EU-Ukraine Association Agreement – which includes a trade deal – the EU signed Association Agreements last week with Georgia and Moldova, also former Soviet states.

Under the terms of the deal, Ukraine and the EU will eliminate 99.1 and 98.1 percent, respectively, of duties in trade value. All three agreements are set to enter provisionally into force, pending ratification both at the EU Parliament and member state level.

"These are not just any other agreements – but milestones in the history of our relations and for Europe as a whole," European Council President Herman Van Rompuy said on Friday, following the completion of the signature process.

Ukrainian President Petro Poroshenko, who took office just weeks ago, similarly welcomed the agreements. "Over the last months, Ukraine paid the highest possible price to make her European dreams come true," he said.

Russia pledges economic response

The 28-member EU's effort at increasing integration with these Eastern European countries has been at the heart of a diplomatic and economic tug-of-war with Russia, which had been hoping to bring these same countries into a Eurasian Economic Union that it has established with Belarus and Kazakhstan. (See Bridges Weekly, [5 June 2014](#))

The completion of the signature processes on Friday has led Russia to reiterate past promises to take economic actions to counter the impact of these deals.

"The EU prefers to create new dividing lines, openly drawing in our common neighbours into its zone of political and economic influence without taking into account the interests of Russia," the country's Deputy Foreign Minister Vasily Nebezya told Izvestia newspaper.

EU officials, for their part, have continued to stress that these new pacts will not necessarily come at Moscow's expense, with Van Rompuy saying on Friday that the bloc "stands ready to engage with Russia as much as need be, to dispel misunderstandings where they exist."

Sanctions to come?

Whether to scale up EU sanctions against Russia was another key question at last week's meeting of European leaders. The group agreed at the time to hold off on additional sanctions through Monday 30 June, at least, pending the results of a series of demands – such as releasing hostages, a return of three border checkpoints to Ukrainian authorities, and agreement on a verification mechanism for a cease-fire and control of the border.

The Council pledged to assess the situation, and “adopt necessary decisions” as required. While the next meeting of the Council is slated for 16 July, leaders have said that they are willing to meet sooner if needed.

Despite the Monday 30 June deadline, the decision on such sanctions has now been delayed until at least next week, in light of reported advances toward these goals.

The prospect of heavier sanctions against Russia – including those that could target sectors of the Russian economy – would be a notable shift by the EU, which has been wary of undertaking such measures given the close ties its own economy has to Moscow. Russia is the EU's third largest trading partner, and is one of its top energy suppliers, though the European Commission has [noted](#) that trade growth between the two sides has slowed as a result of the crisis.

Brussels and Washington have thus been undertaking technical work to determine how best to develop such measures in a way that does not harm the EU.

However, EU leaders did welcome a recent decision by the Commission to prohibit imports of goods from Crimea and Sevastopol that lack a Ukrainian certificate, in light of the bloc's move to not recognise Russia's annexation of those two regions.

WTO disputes proceed

Tensions between Russia and the EU have spilled over into other international forums, with the two sides openly challenging each other at the WTO in recent months over whether each side is complying with its respective international trade commitments.

Russia joined the WTO in August 2012, following nearly two decades of negotiations. The support of the US and EU in the final stages was seen as critical toward getting Russia into the now 160-member body, where all new accessions must be approved by existing members.

In the nearly two years since, however, the EU and US have been among the most vocal critics of Russia's performance so far as a member of the global trade club. While most of these criticisms have been raised in WTO committee meetings – such as the Council for Trade in Goods and the General Council – some of these have escalated into full-blown trade disputes.

Brussels, to date, has filed three disputes against Moscow. Russia, for its part, has filed two against the EU. While the US has not issued any formal WTO complaints of its own, a recent report submitted to Congress by the Office of the US Trade Representative [noted](#) that the US will use “all appropriate means... including, as needed, dispute settlement, to ensure that Russia's and the [Customs Union/Eurasian Economic Union]'s measures conform to Russia WTO obligations.”

Russia, meanwhile, has raised the possibility of formally challenging some of the sanctions that the US has imposed thus far on certain individuals involved in the Ukraine crisis in the form of visa bans and asset freezes. Last month, Prime Minister Dmitry Medvedev told a St. Petersburg forum that such sanctions were likely in violation of WTO rules, namely those dealing with services trade.

“It remains to be seen whose arguments regarding the legality of the sanctions against Russian companies will prevail at the WTO,” the Russian premier said. “But this will be an opportunity for us to see whether this dispute resolution mechanism is impartial and unbiased.”

A formal dispute on the subject has not yet been filed, however, and whether such a

complaint would ultimately be successful has been the subject of debate among trade experts, given the possibility that the US could try to defend such sanctions under a national security exemption provided for in WTO rules.

Separately, sources say that the EU is asking for a dispute panel to hear its April complaint over Russian's ban on imported live pigs, pork, and pork products from the 28-nation bloc, with a special meeting of the WTO's Dispute Settlement Body scheduled for 10 July to hear the request. Under the organisation's rules, Moscow can reject the first panel request, if it chooses to do so; however, should Brussels then re-issue the request, a panel would automatically be established. (See Bridges Weekly, [10 April 2014](#))

ICTSD reporting; "Russia Warns Ukraine of Higher Tariffs as It Attacks EU Accord," BLOOMBERG, 1 July 2014; "Ukraine crisis: EU sets deadline for Russia to act," FINANCIAL TIMES, 27 June 2014; "Russia threatens US with WTO action over Crimea sanctions," FINANCIAL TIMES, 16 April 2014 "EU countries delay Russia sanctions despite ultimatum," EU OBSERVER, 1 July 2014.

EVENTS & RESOURCES

Events

Coming Soon

8 July, Geneva, Switzerland. GREEN GOODS INITIATIVE: A STEPPING STONE TOWARDS EFFECTIVE CLIMATE CHANGE ACTION. This dialogue, hosted by ICTSD, will focus on the highly-anticipated trade agreement that aims to eliminate import tariffs on environmental goods. The event will explore the potential of the "Green Goods Initiative" to effectively address climate change by prioritising clean energy technologies and other climate-friendly goods. The event will include a cross section of voices from business, academia, and government. For more information, visit ICTSD's [website](#).

8 July, Tokyo, Japan. GLOBAL FOOD PRICES AND BUSINESS CYCLE DYNAMICS IN AN EMERGING MARKET ECONOMY. This Asian Development Bank event will address to what extent poor countries feel the impact of global commodity market price shifts. The seminar will be led by Oliver Holtemöller, an economics professor at Martin-Luther-University Halle-Wittenberg, Germany, who also heads the department of macroeconomics at the Halle Institute for Economic Research. To learn more, visit the ADB [website](#).

10 July, London, UK. THE EURASIAN ECONOMIC UNION IN THE NEW INTERNATIONAL CONTEXT. This Chatham House event, which is by invitation only, will focus on the recent move by Russia, Belarus, and Kazakhstan to establish a Eurasian Economic Union, to take effect next year. It will also address Armenia's plans to join their group, and the implications of Ukraine's decision to ink a trade deal with the EU rather than sign onto the Eurasian grouping. To learn more, visit the event [website](#).

10-12 July, Bern, Switzerland. REGULATORY CHALLENGES IN INTERNATIONAL ECONOMIC LAW: CONVERGENCE OR DIVERGENCE? This biennial conference of the Society of International Economic Law will focus on a range of issues, including international trade agreements, investment, the relationship between exchange rates and trade. The three day event is being co-hosted by the World Trade Institute, and will also include the SIEL Annual General Meeting. A draft programme of the event is available [here](#).

WTO Events

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

4 July: Preparatory Committee on Trade Facilitation

7 July: Committee on Trade and Development – Dedicated Session on the Monitoring Mechanism on Special and Differential Treatment

7 July: Committee on Trade and Development

9 - 10 July: Committee on Sanitary and Phytosanitary Measures

10 July: Dispute Settlement Body

10 July: Preparatory Committee on Trade Facilitation

Other Upcoming Events

11 July, Washington, US. BRICS SUMMIT 2014: AGENDA AND IMPLICATIONS. This panel discussions, hosted by the Brookings Institution, aims to provide a preview of the mid-July summit of BRICS leaders – in other words, those of Brazil, Russia, India, China, and South Africa. Panellists will also discuss the event's likely implications for US foreign policy and elsewhere, particularly in light of recent events such as the Moscow-Beijing gas deal and the election of Narendra Modi in India. To learn more, visit the Brookings [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. More information can be found at the Public Forum [website](#).

9-11 November, Dubai, United Arab Emirates. SUMMIT ON THE GLOBAL AGENDA. This World Economic Forum event brings together the thought leaders of WEF's Network of Global Agenda Councils. These consist of over 80 expert groups, with participants from the private and public sectors, as well as academia and civil society. This year's summit will explore the most recent developments in the worlds of business, society, and technology, and include a series of interactive workshops aimed at yielding recommendations for today's global challenges. More information is available [here](#).

Resources

POST-2015 DEVELOPMENT AGENDA BRIEFING SERIES. Published by the International Centre for Trade and Sustainable Development (ICTSD) (June 2014). This series of ICTSD briefing notes, based on submissions to the UN Open Working Group on Sustainable Development Goals (SDGs), summarises research on the role of trade in meeting sustainable objectives, including addressing the challenges of climate change and sustainable fisheries. The four papers are available [here](#).

GREEN GROWTH INDICATORS 2014. Published by the Organisation for Economic Co-operation and Development (OECD) (June 2014). This book updates the 2011 publication "Towards Green Growth: Monitoring Progress," and features a selection of updated indicators that illustrate the progress that OECD countries have made since the 1990s. The publication is available [here](#).

IIA ISSUES NOTE - REFORM OF THE IIA REGIME: FOUR PATHS OF ACTION AND A WAY FORWARD. Published by the UN Conference on Trade and Development (UNCTAD) (June 2014). This note discusses the current international investment agreement (IIA) regime, and some of the concerns that have emerged around the development dimension of such pacts, the regime's systemic complexity, and the balance of rights and obligations between investors and states. The authors also outline the potential benefits that could come from systemic reform, and refer to a list of options aimed at supporting rule-makers in shaping modern investment policies. The issues note is available [here](#).

CARBON TAXES IN SOUTH AFRICA: THE POLITICAL AND TECHNICAL CHALLENGES OF PRICING CARBON. By Smita Nakhooda for the Overseas Development Institute (ODI). This paper outlines the process in South Africa to develop a carbon tax in recent years, and the resistance that has emerged from some sectors. A decision on the proposal was delayed earlier this year, and is now slated for 2016. The author therefore reviews the evolution of the potential carbon tax, and reflects on possible lessons learned. The publication is available [here](#).

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