

# BRIDGES WEEKLY

Global trade news from a sustainable development perspective

VOLUME 18, ISSUE 25, 10 JULY 2014

## ENVIRONMENTAL GOODS

"Green Goods" Trade Talks Kick Off in Geneva ..... 1

## WORLD TRADE ORGANIZATION

WTO Members Work to Bridge TFA Divide Before July Deadline 5

## DISPUTES

WTO Appellate Body Issues Mixed Ruling in US-China Trade Remedy Case ..... 9

## CHINA

China Trade Review Notes Reform Prospects, Transparency Questions ..... 12

## RUSSIA

Russia Considers Protective Trade Measures against Moldova ..... 15

## PREFERENTIAL AGREEMENTS

Australia, Japan Sign Trade Deal 16

## EVENTS & RESOURCES

Events ..... 18

Resources ..... 20

## ENVIRONMENTAL GOODS

### "Green Goods" Trade Talks Kick Off in Geneva

A group of 14 WTO members – including the US, EU, and China – formally launched negotiations on Tuesday for a new agreement aimed at liberalising trade in environmental goods.

"The challenges we face, including environmental protection and climate change, require urgent action," the participating members said in a [joint statement](#) at a press conference in Geneva, Switzerland.

Through this planned Environmental Goods Agreement (EGA), the group hopes to "achieve our shared goal of global free trade in environmental goods," the statement continued.

Participants say that they plan to hold intensive talks in Geneva, starting this week, geared at hammering out the substance of the eventual agreement, without outlining a specific timeframe for such discussions.

While the group is aiming to reach agreement on an ambitious and broad range of goods, the selection would also be based on the specific objective of a product's ability to meet environmental challenges. This might include, for example, goods related to energy efficiency, combating air pollution, providing clean drinking water, and scaling up renewable energy equipment.

Total global trade in environmental goods reached roughly US\$955 billion in 2012, according to US data, with tariffs on some products as high as 35 percent. At Tuesday's launch, Canada also stressed the sizable expected growth in these markets in the coming decades.

With Australia, the EU, US, China, Canada, Costa Rica, Hong Kong, Japan, Korea, New Zealand, Norway, Singapore, Switzerland, and Chinese Taipei on board, the group represents some of the world's largest importers and exporters of such products.

An oft-repeated message by participants on Tuesday was the hope that an EGA would eventually serve the dual aim of tackling climate change as well as providing a lift to the multilateral trading system.

"This agreement will boost global trade in green goods and services. It will be a valuable instrument to support green industry. And it will help us all to meet climate

and energy targets," EU Ambassador to the WTO Angelos Pangratis told reporters.

### **Bringing a deal to the WTO**

At Tuesday's launch, participants also reaffirmed their commitment to bring the agreement into the WTO as a most-favoured-nation (MFN) style pact, which would extend the eventual benefits to the global trade body's full membership.

In order to do so, however, the initiative would need to be joined by enough WTO members to achieve a "critical mass." In other words, the deal would have to encompass a significant enough portion of trade in the list of covered goods to stave off potential free riders.

EGA participants say that they have not yet decided on what threshold would constitute a "critical mass," and that this is the kind of detail that will be discussed in the coming months.

Trade watchers have speculated that the EGA group might set the number at 90 percent, following a precedent set by the WTO's Information Technology Agreement (ITA), a plurilateral tariff-cutting mechanism for information and communication technology products.

The current 14 participating members of the EGA make up around 86 percent of global trade of the environmental goods that are under initial consideration by the group.

The group also stressed at the launch that they remained open to working with other trading partners interested in pursuing similar objectives and ambition.

"We would like to see more developing members in particular join this process," said China's WTO Ambassador to the WTO Yu Jianhua on Tuesday.

Welcoming the news, WTO Director-General Roberto Azevêdo also highlighted this point, noting that EGA participants have made very clear that the negotiations are open to any and all interested WTO members.

"The topic of environmental protection is of utmost importance in the WTO and the liberalisation of environmental goods is also a significant element of negotiations under the Doha Development Agenda," the WTO chief [added](#).

According to a UN Environment Programme (UNEP) [report](#) released at the inaugural UN Environment Assembly (UNEA) meet in Nairobi Kenya earlier this month, developing countries moved from being net importers to net exporters of certain green goods in 2007, a trend driven in part by strong export growth from China, including in the renewables sector. (See BioRes, [2 July 2014](#))

### **Tariff-only focus, for now**

EGA officials, such as Australian WTO Ambassador Hamish McCormick, explained on Tuesday that the negotiations would initially focus on tariff issues related to environmental goods.

Other participants added, however, that this did not preclude returning to issues such as environmental services and non-tariff barriers (NTBs) at a later stage.

Several experts at a meeting held on Tuesday following the launch stressed the importance of eventually addressing such issues as an integral part of any effort to scale up green trade. Other experts participating in the event said that the green goods initiative could be a very important and useful contribution from the trade community to the effort

to seal a global climate deal under the UN Framework Convention on Climate Change (UNFCCC) by the end of next year in Paris, France. *[Editor's note: the meeting was hosted by ICTSD, the publisher of Bridges and BioRes]*

Questions have been raised, however, among the trade community as to whether environmental services should be considered elsewhere as part of other initiatives.

For instance, some have suggested the inclusion of environmental services in separate trade talks focusing specifically on services – known as the Trade in Services Agreement (TISA) – among a group of different, albeit overlapping, WTO members.

### **Doha in the background**

A commitment to negotiations towards lowering tariffs and NTBs in both environmental goods and services (EGS) trade was included in the WTO's original Doha Round negotiating mandate, launched in 2001.

Progress at the multilateral level in this area stalled, however, with members running into hurdles such as how to identify an environmental good and what products to put forward.

The overall Doha Round has itself been deadlocked for several years, despite the recent advance seen at the WTO's latest ministerial conference in Bali, Indonesia, last December.

At the time, the global trade body's members signed off on a new agreement on trade facilitation, as well as some agriculture and development-related deliverables, while pledging to develop a Doha Round "work programme" by end-2014 that would outline how to bring the negotiations to a successful conclusion.

Meanwhile, initiatives such as the EGA and TISA have been raised by some WTO members as possible avenues for advancing trade liberalisation – and potentially contribute to breaking the Doha Round deadlock – in line with the direction given by trade ministers at the 2011 ministerial conference to pursue new, more flexible negotiating approaches.

### **APEC list**

The EGA group first signaled its intention to pursue a green goods trade agreement in January, making the announcement during the World Economic Forum's annual meet in Davos, Switzerland. (See BioRes, [28 January 2014](#))

At that time, the group said that it would use a list of environmental goods agreed to by the 21 economies that make up the Asia-Pacific Economic Cooperation (APEC) forum as a starting point.

In late 2012, APEC members had announced their plans to reduce applied tariffs on a list of 54 green goods – including wind turbines and solar panels – to five percent or less by the end of 2015, following up on a commitment they made in 2011. (See Bridges Weekly, [12 September 2012](#))

The decision was hailed at the time as a positive step in this area, and one that could have the potential to reinvigorate WTO talks on environmental goods and services. This latter idea, however, received a cold welcome by some members, who argue that agreements made outside the WTO should not influence the Doha Round negotiations. (See Bridges Weekly, [14 November 2012](#))

Some of the APEC members are also involved in the new EGA initiative, and how the two commitments will later intersect remains unclear, given that the APEC deal is non-binding.

Experts have also said that, while the APEC 54 list provides a good start to the new negotiation, some lessons might also be learned from the way in which APEC members implemented voluntary cuts and the goods that were subject to such cuts. For example, the APEC group leaves it up to member economies to decide whether or not to cut tariffs at the Harmonized System (HS) 6-digit level – a World Customs Organization classification – or pick and choose more specific products from within these categories.

This approach has created a degree of uncertainty in the APEC agreement, trade sources say.

### **Changing trade realities, balancing interests**

Along with considering these questions, EGA negotiators will also need to address other tricky areas, such as how to make sure a green goods trade deal keeps up with rapidly changing technological developments, consistent with participants' pledge earlier in January to negotiate a "future-oriented" agreement.

The WTO's ITA, for instance, has run into that same problem, given the myriad technological advances that have been seen in the information and communication technology field since the mid-1990s, when the agreement was originally negotiated.

Some of the participants in the ITA have attempted in recent years to expand the product coverage of the existing pact in order to reflect current trade and technological realities, only for those negotiations to stall in light of certain members' sensitivities.

Although pitted as a "win-win" initiative, EGA negotiators will also need to strike a balance between the commercial interests of participating countries and the stated environmental aims of the agreement. Some delegates from participating countries have said that the agreement will need to be based on a list that is both credible and practical.

### **Conflicted sector**

The plans for this new environmental goods deal comes even as a number of participating members are engaged in a series of spats over allegedly unfair trade practices in this sector.

Some of the most high-profile rows to date have involved the US, EU, and China. These disagreements, among others, have highlighted the question of how to support renewable energy generation and innovation domestically, while at the same time advancing the deployment of such goods at a global level and ensuring fair trade.

On Tuesday, some delegates suggested that the new negotiations could help to assuage these renewables trade tensions. Others stressed that an EGA would nevertheless not go so far as to impose a moratorium on relevant trade remedies – actions deployed to address allegedly unfairly traded imports – in this area.

ICTSD reporting.

---

## WORLD TRADE ORGANIZATION

---

# WTO Members Work to Bridge TFA Divide Before July Deadline

The divide among WTO members over the implementation of the new Trade Facilitation Agreement (TFA) has continued to persist in recent weeks, despite an end-July deadline to agree on a protocol of amendment that would bring the deal into the organisation's overall legal framework.

The TFA was the centrepiece of the so-called Bali package. Agreed by trade ministers at the WTO's latest ministerial conference in December, the package was the organisation's first global deal in nearly two decades. The Trade Facilitation Agreement itself aims to simplify customs rules and reduce inefficiencies that create long lag times in cross-border flows of trade, with some estimates placing the [potential GDP gains](#) at up to US\$1 trillion.

Though the deal was hailed at the time as a significant advance for the global trade club, efforts to bring the TFA into force hit a snag in May, after members disagreed on whether it should be implemented on a provisional basis pending the conclusion of the overall Doha Round.

The coming weeks will be decisive in solving the remaining issues, as WTO members have given themselves until 31 July to adopt the protocol of amendment. The pact will then be open for ratification until 31 July 2015, with two-thirds approval of the membership required for the pact to enter into force.

Ambassador Esteban Conejos of the Philippines, who chairs the Preparatory Committee on Trade Facilitation, reportedly urged members last week to continue their efforts on finding a compromise in time for a meeting scheduled on Thursday 10 July.

This, he reminded members, would enable them to adopt the protocol at the next meeting of the WTO's General Council, which is currently set for 24-25 July.

### "Provisional implementation" debate

The disagreements came following a conference of African Union trade ministers in April, where the African Group was directed to present language suggesting that the TFA be implemented on a provisional basis, in line with paragraph 47 of the Doha Declaration.

This suggestion was included in a paper presented by Lesotho on the African Group's behalf in May in Geneva. At the time, the group indicated that the TFA should later be reviewed for balance with the rest of the Doha Round areas, once these are resolved. This, they said, would be in line with the WTO principle of the "single undertaking." (See [Bridges Africa](#), 7 May 2014).

The African Group's suggestion was lambasted at the time by several fellow WTO members, who warned against revisiting what was agreed in Bali. These members have said that doing so could risk jeopardising the process currently underway to develop a Doha Round "work programme" by year's end.

"If the Trade Facilitation agreement unravels, it's hard to imagine a post-Bali work plan proceeding," [said](#) Michael Punke, the US Ambassador to the WTO, at last month's meeting of the organisation's Trade Negotiations Committee.

"Anything short of what is foreseen in the relevant Bali decision will very seriously undermine any existing momentum... on post-Bali," said Angelos Pangratis, the EU Ambassador to the WTO, at the same meeting.

### **African leaders shifting position?**

African Union leaders have since appeared to be changing their tone, saying in recent weeks that they are willing to implement the Trade Facilitation Agreement in line with the decisions reached in Bali. The decision was reportedly made at the African Union Conference in Malabo, Equatorial Guinea, on 26-27 June.

During the meeting, countries such as Nigeria and Mauritius were among those who refused to join the previous consensus among African trade ministers to implement the TF agreement on a provisional basis. Sources familiar with the deliberations say that some other African countries then followed suit, also withdrawing their support for the April declaration.

The new African Union Heads of State draft decision reached in Malabo – a [copy](#) of which has been seen by Bridges – instead "reaffirms commitment to the Doha Development Agenda and to its rapid completion in accordance with its development objectives."

Furthermore, the African Union has also reiterated its commitment to "all the decisions the Ministers took in Bali which are an important stepping stone towards the conclusion of the Doha round... to this end, leaders acknowledge that the TF agreement is an integral part of the process."

Some officials, however, have claimed that the change in position was the result of undue pressure from some developed countries, with Nelson Ndirangu, Director for Economics and External Trade in the Kenyan Foreign Ministry, [telling the IPS](#) news agency that there was "unprecedented pressure and bulldozing to change the decision reached by the African trade ministers on April 27."

Trade sources indicate that some United States lawmakers had reportedly expressed scepticism about renewing the African Growth and Opportunity Act – a unilateral and non-reciprocal trade pact that offers duty and quota free access to certain goods from Sub-Saharan Africa into the US market – should the disagreement on TFA persist. The US legislation, known also as AGOA, is set to expire in September 2015.

### **Uncertainty ahead**

Despite the apparent shift in the African Group's position, resistance toward the trade facilitation pact has since emerged from other quarters, namely from India, which said last week that it will only allow the TFA process to advance if it sees its own concerns on food security addressed.

"We are under no legal obligation to ratify the protocol for TFA by the July 31 deadline," an Indian Commerce Ministry official told the Hindu BusinessLine last week. "We are not going to do it until our concerns are addressed."

Meanwhile, sources have said that Tanzania, Uganda, Zimbabwe, the Solomon Islands, and South Africa are among those members who still support the provisional application of the agreement based on the single undertaking.

WTO members, South Africa said at the latest TNC meeting, should aim "to implement all decisions of the WTO Ministerials and not to cherry pick those which advance their interests," according to a copy of their remarks seen by Bridges.

### **Balance of interests**

Since the Bali package was agreed upon last December, critics have pointed to the “best endeavour” nature of some of the decisions taken, particularly regarding some of the development-related components of the deal.

Along with the Trade Facilitation Agreement and a few agriculture-related decisions, ministers in Bali had also signed off on decisions involving least developed country (LDC) concerns, such as duty-free and quota free market access, preferential rules of origin, and a waiver that would allow for preferential access to services from these poorer nations.

Experts note, however, that given the complex and the political nature of the above-mentioned issues, the Bali decisions represent a significant outcome that should put in motion a process which will benefit the LDCs.

The TFA itself has been criticised by some developing countries since its adoption in Bali, with those countries arguing that it primarily benefits their developed trading partners. Observers note, however, that several proposals were tabled on special and differential treatment reflecting the actual gap between developed and developing countries.

The African Group proposal for the TFA's provisional application came as the result of concerns over ensuring that development issues are fully addressed in the future negotiations on the Doha work programme.

“[The Bali outcomes] were not the most optimal decisions in terms of African interest...we have to reflect and learn from the lessons of Bali on how we can ensure that our interests and priorities are adequately addressed in the post-Bali negotiations,” said African Union Trade Commissioner Fatima Acyl during the April trade ministers' meeting.

### **Capacity-building, technical assistance**

In Malabo last month, African leaders reiterated that assistance and support for capacity building should be provided as envisaged in the TF Agreement “in a predictable manner,” in order to help African economies acquire the necessary capacity to implement its requirements.

“For the first time in WTO history, implementation of an [Trade Facilitation] agreement is directly linked to the capacity of the country to do so,” said WTO Director-General Roberto Azevêdo last week at a Forum on Industrialisation and Inclusive Development in Africa.

Azevêdo explained that TF would support regional integration, facilitate integration in global value chains and as such, give impetus for industrialisation and inclusive sustainable development.

Furthermore, Azevêdo explained, the TFA provides that not only must a country have the necessary capacity before implementing the agreement's provisions, but that technical assistance and support must be provided to help these countries achieve that capacity.

“Moreover, developing countries and LDCs can determine for themselves when they have the capacity to implement each of the trade facilitation measures of the Agreement,” he added.

The WTO chief has backed the idea of establishing a new facility dedicated to TFA-related technical assistance and capacity building support, a suggestion that was reportedly backed during last week's Preparatory Committee meeting by Lesotho on the African Group's behalf.

The creation of a fund, Lesotho said, will help build confidence among the membership, while confirming donors' intention to help developing countries acquire implementation capacity.

As per the terms of the Trade Facilitation Agreement, African countries will have to specify their capacity building needs in order to undertake specific reforms.

ICTSD reporting; "Africa under 'unprecedented' pressure from rich countries over trade," IPS, 2 July 2014; "Commerce mondial: difficultés dans l'application des accords de Bali à l'OMC," ROMANDIE, 26 June 2014; "No trade facilitation pact without resolving food security issue: Govt," THE HINDU BUSINESSLINE, 3 July 2014.



---

## DISPUTES

---

# WTO Appellate Body Issues Mixed Ruling in US-China Trade Remedy Case

The WTO Appellate Body released its final ruling on the US' Tariff Act Amendment – known otherwise as the “GPX Legislation” – this week, finding that there was not enough factual analysis in a previous panel decision to determine whether the law violates Washington's international trade obligations.

The dispute had been filed by China in 2012, and had brought front-and-centre the controversial issue of Beijing's status as a non-market economy, or NME.

At issue in the case was Section 1 of the GPX legislation, which was passed by the US Congress in March of that same year. The legislation introduced a new paragraph into Section 701 of the US Tariff Act of 1930, one that expressly provided for the application of countervailing – also known as anti-subsidy – duties to NMEs.

Furthermore, this provision applied to all countervailing duty proceedings initiated by US authorities on or after 20 November 2006, as well as to all related court proceedings that are still ongoing.

The March 2012 law overturned a 2011 US federal court ruling, which had deemed that the US Commerce Department lacked the legal authority to impose such duties on goods from NMEs.

Earlier this year, a WTO dispute panel had found that the US had failed to investigate and avoid “double remedies” in 25 anti-dumping and countervailing duty investigations, thus violating the Subsidies and Countervailing Measures (SCM) Agreement. Double remedies are instances where both anti-dumping and countervailing duties are applied on the same product, even when the subsidies at issue are partly responsible for the dumping.

However, the panel ruled that the 2012 GPX legislation itself was in line with international trade rules. (See Bridges Weekly, [3 April 2012](#))

Both China and the US appealed to the Appellate Body in April, questioning certain issues of law and legal interpretations developed by the panel.

### Double remedies

In its appeal, the US claimed that the panel erred in finding that the legal summary China had provided in its panel request was sufficient to present the problem clearly, in line with Article 6.2 of the Dispute Settlement Understanding (DSU).

Among other concerns, the US contended that the panel failed to evaluate whether China's general reference to Article 19 under SCM Agreement – without referring specifically to the obligations set forth in Article 19.3 – was enough to satisfy the “pleading” requirements under DSU. According to the US, this should have caused the panel to refrain from hearing China's claims regarding double remedies under the SCM Agreement.

Article 19.3 requires countervailing duties to be levied in the “appropriate amounts in each case” and “on a non-discriminatory basis.”

The Appellate Body rejected these claims, finding that – even without specifying the relevant paragraphs of Article 19 – it is still possible to identify Article 19.3 as the pertinent provision in China's complaint.

The reference to "double remedies" in the narrative, they explained, puts China's panel request into context and helps present the problem clearly by creating a plain connection between challenged failure of the US Commerce Department to investigate and avoid double remedies and the alleged violation of Article 19.3. The Appellate Body ultimately upheld the panel's findings and recommendations under Articles 10, 19.3, and 32.1 of the SCM Agreement.

#### **Article X:2 of GATT 1994**

In its own appeal, China challenged the panel's interpretation of Article X:2 of the GATT 1994 – and its finding that the GPX law is consistent with that article. Beijing claimed that the US law caused an "advance in a rate of duty or other charge on imports under an established and uniform practice" or imposed "a new or more burdensome requirement, restriction, or prohibition on imports" within the meaning of that provision.

GATT Article X:2 prohibits the enforcement of measures of general application that increase a rate of duty or impose a new or more burdensome requirement before their official publication.

The Appellate Body indicated that the analysis under Article X:2 requires a comparison between the new measure and the previously published measure that it replaced or modified. This, therefore, requires the identification of a "baseline" of comparison in the law that was in force prior to the new measure. China's appeal focused on the panel's interpretation and application of that baseline.

According to the Appellate Body, the panel erred in finding that the phrase "under an established and uniform practice" in GATT Article X:2 requires a comparison between a new rate effected by the measure at issue and the rate that applied previously.

The WTO judges stressed that the practice of the administrative agency should not be the only element in deciding whether a new or more burdensome requirement has been imposed. Other elements that should be considered in establishing this baseline, they said, include "the text of the law on its face, [and] the pronouncements of domestic courts."

The Appellate Body also criticised the panel's approach in using the Commerce Department's own application of the US countervailing duty law as a baseline of comparison. For the Appellate Body, the panel left open the possibility that an unlawful practice of an administering agency could constitute a relevant baseline under Article X:2.

Furthermore, they said, the panel should have focused on ascertaining the meaning of the previous measure – Section 701 (a) of the US Tariff Act – in order to determine whether the current version increased duties or imposed new or more burdensome requirements relative to the original law.

The Appellate Body stressed that, in this process, the panel should have taken into account all other relevant elements, including Commerce Department practice, as well as the related judicial decisions on the meaning of Section 701(a), in order to determine the meaning of the US countervailing duty law applicable to non-market economies prior to Section 1 of the GPX legislation.

Consequently, the Appellate Body reversed the panel's legal interpretation with respect to GATT Article X:2, as well as the panel's finding that the US had not acted inconsistently with that same provision.

### **Completion of analysis?**

The Appellate Body could not complete the analysis – and thus reach a conclusion – on whether Section 1 had changed the US countervailing duty law. It was therefore unable to determine whether Section 1 of GPX legislation effected an "advance" in a rate of duty or imposed a "new or more burdensome" requirement or restriction on imports within the meaning of Article X:2 of the GATT 1994.

The Appellate Body said that its task had been made difficult because the panel, as a consequence of its erroneous interpretation of the relevant baseline of comparison under Article X:2 and the resulting focus on post-2006 Commerce Department practice, did not adequately examine all relevant elements of US countervailing duty law.

The report also pointed out that the panel failed properly to analyse – and did not address in its findings – the nature of Commerce Department practice before 2006, and whether it was consistent with the agency's practices post-2006, as well as the relevant judicial pronouncements on the applicability of US countervailing duty law to NME countries.

### **Claims of victory on both sides**

The ruling constitutes "another significant victory of China's challenge against the United States' abuse of trade remedy measures through legal channels, which is of great impact," Chinese officials said in a press statement on Monday, noting also that the products affected by the 25 duty investigations are worth over US\$7.2 billion.

Back in 2011, China successfully challenged Washington's "double remedies" practices in a separate WTO case. It also won in a case heard in US courts – specifically the Court of Appeals for the Federal Circuit – regarding the US Commerce Department's practice of imposing countervailing duties on NMEs.

Chinese officials have noted that the US federal appeals court rejected this past March the suggestion that its 2011 decision was not an authoritative statement of US law prior to the enactment of Section 1 of GXP legislation.

Washington officials also found cause to praise the Appellate Body findings, albeit for different reasons.

"As a result of the report, together with the May report from a WTO panel rejecting all of China's claims under Article X of the GATT 1994, there are no WTO panel or Appellate Body findings that the GPX legislation breaches WTO rules," the Office of the US Trade Representative said in a statement.

### **Next steps**

Under WTO dispute settlement practices, if immediate compliance is impracticable, the parties can seek a mutual agreement on the reasonable period of time within 45 days after the adoption of the Appellate Body report by the WTO's Dispute Settlement Body.

Otherwise, the parties can resort to arbitration under Article 21.3 of the Dispute Settlement Understanding if no mutual agreement is reached.

ICTSD reporting.

---

## CHINA

---

# China Trade Review Notes Reform Prospects, Transparency Questions

WTO members concluded their biennial review of China's trade policies last Thursday, with many highlighting the valuable impact the Asian economy's rapid ascent has had on the global economy as a whole. Along with praising Beijing's various efforts in recent years to address past trade qualms – and the prospects for future reforms – many also reiterated past concerns, particularly regarding transparency.

China joined the now 160-member trade club in 2001, and today ranks as the world's largest trader, outside of intra-EU trade. Last year alone, its imports amounted to US\$1.95 trillion, while exports reached US\$2.21 trillion. During the 2012-2014 period reviewed by the secretariat, China saw real GDP grow by 7.7 percent annually, in both years.

However, Chinese officials were quick to stress that the Asian economy still faces serious development challenges, despite these recent advances.

"Although it is already the second largest economy in the world, China remains a developing country facing daunting development tasks," said Chinese Assistant Minister of Commerce Wang Shouwen on Tuesday, heading his country's delegation at the review.

"As it fulfils its own development tasks, China also stands ready to assume responsibilities in international trade and economic affairs commensurate with its own level of development," he added.

The meteoric rise of China's economy in its nearly thirteen years as a WTO member was noted by many participants, some of whom stressed that Beijing must also assume greater responsibilities to correspond with such a role.

"China's own experience as a WTO member could be considered the best advertisement for economic opening in a rules-based multilateral framework. China's ascent to becoming the world's largest trader has brought with it astonishing results in terms of growth, and development," [said](#) EU Ambassador to the WTO Angelos Pangratis during the first day of the review.

"But reaping benefits from the multilateral trading system brings with it increased responsibilities towards the WTO and its members," the EU official added, highlighting a series of areas where the 28-member bloc would like to see improvements.

### Reform prospects

The WTO conducts reviews of the trade policies of all its members, under varying timeframes depending on trade volume. The four largest traders – the EU, US, Japan, and China – undergo a biennial review. The next 16 members are reviewed every four years, with the remainder of the global trade body's membership subject to review every six years.

The events are usually held over a two day period at the WTO's headquarters in Geneva. Along with the production of a report by the secretariat, the member government under review also submits a report of its own. Fellow WTO members have the opportunity to

submit questions to that government both before and during the review, which in China's case involved over 1700 such queries.

Notable about this year's China review – the Asian economy's fifth since becoming a WTO member – is that it comes a few months after Beijing announced plans to allow the market to play a “decisive role” in its economy, in what was hailed as a potentially landmark move by analysts and trading partners alike.

“The core of the reform is to strike a balance between the role of the government and that of the market, allowing the market to play a decisive role in resources allocation, and bringing the government's role into better play,” explained Wang on Tuesday.

Some of the measures that have attracted the most notice are the August 2013 establishment of the Shanghai Free Trade Zone, a pilot project that has been touted as a testing ground – and possible future model – for certain reforms, particularly with regards to foreign investment.

China recently moved to lift some restrictions in the zone, which will reportedly allow foreign investment in banks and other financial companies within the 29-square-kilometre area – a notable first. Investment is set to follow a negative list approach. However, some WTO members during last week's review pushed for additional efforts in this area, with Canada reportedly noting that the initial negative list on foreign investment access was “unambitious.”

Chinese officials, for their part, have said that the Zone is a work in progress, and noted that the lessons learned in Shanghai will serve well in the ongoing negotiations with the US and EU, respectively, on bilateral investment treaties (BIT). The planned US-China BIT is likely to be raised at this week's Strategic & Economic Dialogue between the two countries, as is the continued stall on the negotiations to expand the coverage of the WTO's Information Technology Agreement (ITA).

The role of the state in the Chinese economy is another area that has long been scrutinised by the Asian giant's trading partners. The secretariat report noted that while Beijing has been promoting private participation in the economy, state participation “remains relatively high,” with the public sector accounting for two-thirds of total exports and controlling 40 percent of fixed-asset investment.

The former claim was questioned by Wang on Thursday, who said that the figure on state-owned enterprises' (SOE) exports was wrong. According to the Chinese official's closing remarks, the share of SOEs in China's imports and exports have fallen from 21 percent in 2011 to 18 percent last year.

### **Intellectual property rights**

The infringement of intellectual property rights (IPRs) has long been a sticking point between China and several of its trading partners, particularly Washington, with US Deputy Chief of Mission Chris Wilson saying on Tuesday that protection and enforcement remains “inadequate and uneven.”

“An enormous amount of work remains to close significant loopholes in China's legal framework, and to reduce the unacceptably high infringement levels in China,” he [said](#).

The secretariat report highlighted the efforts made during the period under review to resolve such problems, such as the enactment of the third amendment of China's Trademarks Law last year, which became effective this past May. Along with efforts on the legislative front, Beijing has also put into place changes to its regulations, as well as departmental rules.

However, despite these efforts, IPR enforcement – which is done at the administrative and judicial levels – “continues to be a major challenge in China,” the report said.

### **Transparency questions**

The secretariat report also highlighted some of the difficulties in obtaining the necessary information to put together the review, such as data on China's level of subsidies to different sectors of its economy. The lack of recent subsidy notifications, and details regarding the application of its support programmes, was particularly stressed in the 200-page document.

Statements from several WTO members highlighted this particular difficulty, noting China's specific accession commitments in this respect. When Beijing joined the global trade body, for instance, it agreed to publish all relevant laws in one or more of the WTO languages.

The scale of China's participation in international trade is further reason for ensuring that it adheres to its transparency commitments, its trading partners said, with the US, EU, and Canada among those to stress that point. The issue was also highlighted by the chair of this year's review, Malaysian Ambassador Mariam Md. Salleh.

“The participation of over 50 delegations in this meeting and the large number of questions posed during this Trade Policy Review indicate the clear importance of China as a trading partner,” said the Malaysian ambassador [in closing the review](#). “In this respect, I would wish to emphasise that it is essential for the system that China abides by its WTO commitments, including that of transparency.”

Assistant Minister Wang, in his closing statement on Thursday, acknowledged that the subsidy information is out of date, according to a copy of his remarks seen by Bridges, and pledged to ramp up efforts in this area.

While Beijing sent in the 2005-2008 data in 2012, it is still in the process of putting together subsidy information for the subsequent years – a daunting task, Wang noted, given the various government agencies involved.

Regarding the publication of trade-related laws, regulations, and other measures, Beijing is also working to improve the translation process in this area, he said.

ICTSD reporting.

---

## RUSSIA

---

# Russia Considers Protective Trade Measures against Moldova

The Eurasian Economic Commission is considering the possibility of taking "protective trade measures" against Moldova following the signing of an Association Agreement between Chişinău and Brussels in June. Russian officials have said over the past week. The group is expected to discuss these potential measures at a Council meeting on 16 July.

The EU-Moldova deal – which includes a trade pact – will seriously affect the latter's economic ties with EEC members Russia, Belarus, and Kazakhstan, Russian Prime Minister Dmitry Medvedev has warned. The latter three countries currently have a customs union between them, which is set to become an economic union next year.

Furthermore, the Russian premier has said, the new deal – which has already been ratified by the Moldovan Parliament – complicates Moldova's existing trade arrangement with Russia under the Commonwealth of Independent States (CIS), which is comprised mostly of former Soviet Republics.

These two trade blocs, Medvedev said, will now need to re-evaluate their existing relationships with Chişinău in light of the latter's deepened ties with the EU, claiming that there are legal mechanisms under both the CIS and the WTO to do so. Of the three EEC members, Russia is the only one that is also part of the World Trade Organization.

Medvedev has also said that similar measures could be taken towards Ukraine and Georgia in the case that they ratify their respective Association Agreements with the EU.

Russia considers the Moldova-EU Association Agreement and the subsequently expected flow of duty-free goods from the EU to Moldova to be a risk to Russian markets, particularly the agricultural sector.

Russian First Deputy Prime Minister Igor Shuvalov has said that the Kremlin needs to examine "all opportunities that exist" to protect Russian market interests.

EU officials have continued to stress that the Agreement is not meant to harm Moldova's ties with Russia and that it is indeed compatible with the existing CIS arrangement. EU officials have also urged Moscow to avoid engaging in any punitive actions against Chişinău. (See Bridges Weekly, [26 June 2014](#)).

Moldova, Georgia, and Ukraine have been at the centre of a prolonged diplomatic and economic row between the EU and Russia, who have both been trying to integrate these Eastern European states into their respective economic unions. (See Bridges Weekly, [3 July 2014](#)).

ICTSD reporting; "Russia Will Protect its Market in Case of EU Association with Georgia And Ukraine," ITAR-TASS, 7 July 2014; "Russia Needs to Make Quick Decision on Free Trade With Moldova – Medvedev," RIA NOVOSTI, 7 July 2014; "Eurasia Economic Commission to Consider Protective Trade Measures With Moldova – Moscow," RIA NOVOSTI, 7 July 2014; "Eurasian Economic Union Council to Debate Protective Measures in Trade Ties With Moldova," ITAR-TASS, 7 July 2014.

---

## PREFERENTIAL AGREEMENTS

---

# Australia, Japan Sign Trade Deal

Japanese Prime Minister Shinzo Abe and Australian Prime Minister Tony Abbott signed a bilateral free trade deal on Tuesday in Canberra, three months after negotiators finalised the terms of the pact.

Negotiations for the Economic Partnership Agreement (EPA) were concluded in April, and marked Japan's first such agreement with a major agricultural exporter. The deal next needs to be ratified by the domestic legislatures on both sides before it can officially enter into force. (See Bridges Weekly, [10 April 2014](#))

Among other components, the trade agreement includes concessions on Japanese products that have traditionally been heavily protected, including beef and dairy, while falling short of full tariff elimination. The deal is expected to yield A\$70 billion (US\$65.8 billion) in additional two-way trade each year.

Abe and Abbott have both said that Japan's willingness to make these concessions for this agreement bodes well for the Trans-Pacific Partnership (TPP), a 12-country trade pact that is currently under negotiation. Some trade experts, however, have questioned that claim, given that Tokyo's reticence to accept full tariff elimination on sensitive agricultural goods has become one of the key sticking points in the trans-Pacific pact.

Chief negotiators for the TPP talks are meeting this week in Ottawa in an effort to ramp up the talks. However, whether the ongoing disagreement between the Japan and another TPP member – the United States – over agricultural tariffs could continue to limit the potential advances in other areas has been a key question in recent months.

Meanwhile, the Australian National Farmers' Federation president, Brent Finlay, has said that he is disappointed with the agreement's overall outcomes for agriculture "with a number of sectors facing marginal improvements or limited commercial gains" including dairy, sugar, grains, pork, and rice.

### China, Japan balance

The two leaders also inked a bilateral defense deal this week, which involves the transfer of military equipment and technology. The pact, analysts say, seems to reflect a broader strategy aimed at strengthening Japan's role in global security, particularly in the face of China's growing military power.

The move has drawn criticism from China, potentially placing Australia in a precarious position between its two biggest trading partners, particularly as Canberra works to clinch a separate trade pact with Beijing by December.

Strengthening ties with Australia's Asian trading partners – particularly China, Japan, and South Korea – within the coming year has been one of the key objectives of Abbott's prime ministership since taking office last September.

Canberra officials, for their part, have sought to reassure Beijing that Australia's stronger security ties with Japan are not aimed at China.

"Fifty-one percent of all our exports now go to Korea, Japan, and China. It is in our interests, our absolute interest, to have peace in the region," said Australian Trade Minister



Andrew Robb, in comments reported by Radio Australia. "The best way in our view to do that is to have strong security ties with all three countries."

ICTSD reporting; "Tony Abbott Confirms Australia and Japan Will Sign Free Trade Agreement," THE GUARDIAN, 7 July 2014; "Japan Sees Ottawa Trade Talks As Key To Final Stage By End-Year," REUTERS, 5 July 2014; "Japanese Prime Minister Shinzo Abe Addresses Federal Parliament, Signs Free Trade Deal With Australia," ABC NEWS, 8 July, 2014; "'No Limits' As Japan Opens Arms To Trade," THE AUSTRALIAN, 8 July 2014; "Japan's prime minister Shinzo Abe addresses Federal Parliament, signs free trade deal with Australia," RADIO AUSTRALIA, 8 July 2014.

---

EVENTS & RESOURCES

---

## Events

### Coming Soon

11 July, Washington, US. BRICS SUMMIT 2014: AGENDA AND IMPLICATIONS. This panel discussion, hosted by the Brookings Institution, aims to provide a preview of the mid-July summit of BRICS leaders – in other words, 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](#).

14-18 July, New York, US. 13<sup>th</sup> SESSION OF THE OPEN WORKING GROUP ON SDGs. This is the 13<sup>th</sup> and final session of the UN Open Working Group (OWG) on Sustainable Development Goals (SDGs), which is working to draft recommendations for a set of SDGs for the UN General Assembly to consider and negotiate in the coming year. These working group meetings bring together OWG members, other UN member states, and observers and representatives from UN agencies and Major Groups to address issues related to the planned SDGs. These include, though are not limited to, means of implementation, sustainable growth, poverty eradication, and global governance. For more information, visit the event [website](#).

17 July, Tokyo, Japan. 21<sup>ST</sup> CENTURY CHALLENGES FOR SOUTHEAST ASIA. At this seminar, hosted by the Asian Development Bank Institute, speaker Ian Coxhead will argue that certain Southeast Asian countries require policy and institutional reform in order to address some of the challenges related to the rapid economic growth they achieved over the past thirty years. These challenges include managing demographic and labour market transitions, dealing with shocks resulting from global economic volatility, and addressing environmental risks associated with natural resource depletion and the effects of global climate change. For more information, visit event [website](#).

### WTO Events

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

22 July: Dispute Settlement Body

23 + 25 July: Trade Policy Review Body – Panama

24 – 25 July: General Council

29 August: Dispute Settlement Body

### Other Upcoming Events

16 September, Lugano, Switzerland. GLOBAL COMMODITY TRADE FINANCE CONFERENCE. This 2014 Global Trade Review (GTR) conference – the first global trade

finance conference to be hosted by the GTR – will highlight the importance of the global trading market and the challenges that exist at various levels of trade governance. The event is being held in partnership with the Lugano Commodity Trade Association. For more information, visit the GTR's event [website](#).

28-29 September, Turkey, Istanbul. UNLOCKING RESOURCES FOR FUTURE REGIONAL DEVELOPMENT. This World Economic Forum Special Meeting will focus on how the economic, political, and social transformations underway in countries in Europe, Eurasia, the Middle East and North Africa (MENA) fundamentally impact the economic trajectory and outlook for growth and investment in these regions. Coming shortly ahead of Turkey's G-20 presidency, this event aims to help senior global and regional stakeholders better understand, adapt, and shape these national and regional transformations by engaging and collaborating with economic decision-makers, leaders from the private sector, and civil society. For more information, visit the World Economic Forum Special Event [website](#).

6-7 October, London, UK. ENERGY AND ECONOMIC COMPETITIVENESS: THE COST OF ENERGY SUPPLY, SECURITY, AND SUSTAINABILITY. This Chatham House conference will examine the impact of high energy costs on economic competitiveness. Issues to be discussed include the role that energy-intensive industries play in driving economic growth, how energy security fears shape geopolitical developments, how energy policies can address climate concerns without risking competitiveness, barriers to energy supply diversification, and how greater energy security and sustainability can be achieved. For more information, visit the event [website](#).

29-31 October, Karlsruhe, Germany. INTERNATIONAL GREENING EDUCATION EVENT 2014. The International Greening Education Event (IGEE), hosted by the European Organisation for Sustainable Development, aims to provide a platform where international stakeholders can discuss how to make sustainability an integral part of the curriculums, courses, teaching and learning methods, and operations of academic institutions. This event aims to provide an opportunity to share knowledge and best practices, present innovative education programmes and initiatives, build synergies, and foster collaboration with the aim of transforming education systems so that they address 21<sup>st</sup> century social and environmental challenges. For more information, see event [website](#).

---

## Resources

MEGA-REGIONAL TRADE AGREEMENTS: GAME-CHANGERS OR COSTLY DISTRACTIONS FOR THE WORLD TRADING SYSTEM? Published by the World Economic Forum (July 2014). This report, released by the World Economic Forum's Global Agenda Council on Trade & Foreign Direct Investment, aims to explore the impact that mega-regional trade agreements may have on those countries that are not part of the negotiations. The report raises the opportunities and challenges that are likely to arise in promoting the coexistence of these proposed agreements with the multilateral trading system. The report is available for download [here](#).

AID FOR TRADE: WHAT HAVE WE LEARNT? WHICH WAY AHEAD? Published by the Center for Economic Policy Research (CEPR) and the Fondation pour les études et recherches sur le développement international (FERDI) (2014). In this new e-book, the authors conduct a critical review of the Aid for Trade (AFT) initiative, in particular the need for a better system for evaluating its effectiveness on the ground. They argue that the WTO Trade Facilitation Agreement reached in Bali last December provides a valuable opportunity in this regard. AFT, they say, could be focused on a narrower set of issues, where outcomes can be related more directly to interventions. They then provide suggestions for how to move forward. The e-book is available for download [here](#).

LOCKED IN OR LEFT OUT? TRANSATLANTIC TRADE BEYOND BRUSSELS AND WASHINGTON. By Sinan Ülgen for Carnegie Europe (June 2014). This paper analyses the approach the United States and the European Union have taken in talks for the Transatlantic Trade and Investment Partnership (TTIP) and cautions that this could result in a bilateral agreement that is difficult to multilateralise. The paper advises other countries interested in joining the TTIP to focus their efforts on accession mechanisms, elimination of non-tariff barriers, and dispute settlement mechanisms. The paper can be accessed [here](#).

VALUE CHAIN DYNAMICS AND THE SMALL-SCALE SECTOR: POLICY RECOMMENDATIONS FOR SMALL-SCALE FISHERIES AND AQUACULTURE TRADE. Published by the Food and Agriculture Organization (FAO) of the United Nations (2014). This technical paper focuses on price transmissions in small- and large-scale fishery and aquaculture value chains in 14 countries of varied levels of development. The study found that small-scale fishers and fish farmers are receiving the smallest economic value for their products relative to other players in the value chain, while processors and retail markets were receiving more of the distributional benefits as a result of their bargaining power. The paper includes policy recommendations that aim to safeguard the interests of the former in order to enable them to obtain prices and margins that will allow them to achieve long-term economic, social, and biological resource sustainability. For more information about the publication, visit the FAO [website](#).

TOP 5 ENVIRONMENT ISSUES: ALL YOU NEED TO KNOW FOR THE ITALIAN EU PRESIDENCY. Published by viEUws (July 2014). In this video briefing, environmental journalist Sonja van Renssen identifies the top 5 environment and climate issues to be addressed by the EU institutions under the current Italian Presidency. Van Renssen says achieving a circular or zero waste economy is a top priority following the European Commission's unveiling of a new policy package that pushes for higher recycling targets and the total elimination of landfills. Also on the agenda is green growth and job creation, agreement on an outline of a climate and energy policy for 2030, reform of the EU Emissions Trading System (EU ETS) and the possible creation of a "market stability reserve," and air quality. The video briefing can be seen [here](#).

PERSPECTIVES ON GLOBAL DEVELOPMENT 2014: BOOSTING PRODUCTIVITY TO MEET THE MIDDLE-INCOME CHALLENGE. Published by the Organisation for Economic Co-operation and Development (OECD) (July 2014). The *Perspectives on Global Development* publication series, which was first released in 2010, has investigated the trends in "shifting wealth," in light of the increasing economic weight of developing countries in the world economy. This report argues that in order to sustain and deepen this convergence, developing countries need to boost their competitiveness and narrow their productivity gap with advanced economies. The report also identifies ways by which developing countries can increase productivity and sustain development. The full report can be accessed [here](#).

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

## BIORES

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

## BRIDGES AFRICA

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

## PUENTES

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

## МОСТЫ

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

## PONTES

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

## 桥

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

## PASSERELLES

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

PUBLISHED BY



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

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

DFID - UK Department for  
International Development

SIDA - Swedish International  
Development Agency

DGIS - Ministry of Foreign Affairs  
Netherlands

Ministry of Foreign Affairs, Denmark

Ministry of Foreign Affairs, Finland

Ministry of Foreign Affairs, Norway

Copyright ICTSD, 2014. Readers are encouraged  
to quote and reproduce this material for  
educational, non-profit purposes, provided the  
source is acknowledged.



This work is licensed under the Creative  
Commons Attribution-NonCommercial-No-  
Derivative Works 3.0 [License](https://creativecommons.org/licenses/by-nc-nd/3.0/).

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

Contributors to this issue are Sofia Alicia Baliño,  
Jessica Berns, Kimberley Botwright, Yaxuan Chen,  
and Kiranne Guddoy. This edition of Bridges  
Weekly Trade News Digest is edited by Sofia  
Alicia Baliño.

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

Price: €10.00

ISSN 1563-0

