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GLOBAL ECONOMIC GOVERNANCE

BRICS Countries Launch New Development Bank

Leaders from the BRICS countries – Brazil, Russia, India, China, and South Africa – formally launched a joint international development bank on Tuesday during their annual summit, held this year in the Brazilian city of Fortaleza. Headquartered in Shanghai, the bank will finance infrastructure and sustainability projects in BRICS and other emerging and developing countries.

The New Development Bank, as it will be called, will have US\$100 billion in initial authorised capital at its disposal. The BRICS countries will initially underwrite half that amount – US\$50 billion – with each putting forward equal contributions of US\$10 billion.

The rotating presidency of the bank will first go to India, leaders said in the [Fortaleza Declaration](#), with Brazil chairing the bank's first board of directors. Russia, for its part, will chair the first board of governors, while a regional centre will be set up concurrently in South Africa.

BRICS finance ministers have now been directed to work on modalities for bringing the bank into operation. Officials have said that other countries, multilateral institutions, and investment banks could eventually become bank shareholders, though their participation will be subject to BRICS' sign-off.

During the meet, leaders also signed off on a reserve fund that will help BRICS members deal with actual or potential balance of payments problems, known as the Contingent Reserve Arrangement (CRA).

This initiative will receive US\$100 billion in initial subscribed capital, with China contributing the largest share of the funding at US\$41 billion. Brazil, Russia, and India will equally provide US\$18 billion, with South Africa supplying the balance of US\$5 billion.

Jockeying for position

Since the launch of the BRICS – previously known as just BRIC, until South Africa joined three years ago – analysts have questioned whether the coalition can indeed form a true alliance, given their varying political and economic circumstances. The group has historically found difficulty in backing common positions, such as nominations for new World Bank and International Monetary Fund (IMF) chiefs.

Furthermore, this year's summit comes on the heels of the quadrennial World Cup tournament, also hosted by Brazil, and the Winter Olympics held earlier this year in the Russian city of Sochi – both instances that highlighted some of the development changes that these emerging economies still face.

In their statement on Tuesday, the BRICS noted the various efforts they have already made to strengthen their coordination on the world stage, in particular the contributions that emerging markets have made to global growth in the wake of the economic crisis.

"In the aftermath of the first cycle of five Summits, hosted by every BRICS member, our coordination is well established in various multilateral and plurilateral initiatives and intra-BRICS cooperation is expanding to encompass new areas," they said.

At this stage, leaders said, the group is now "committed to raise our economic cooperation to a qualitatively new level," while noting that over the past five years the BRICS countries have "consolidated their position as the main engines for sustaining the pace of the international economy."

IMF reform in the background

The New Development Bank is meant to mirror the World Bank, and the CRA will be set up similarly to the IMF, Brazilian Ambassador José Alfredo Graça Lima, Under-Secretary-General for Political Affairs II in the Brazilian Foreign Affairs Ministry, [told reporters](#) ahead of the meet.

The push to launch this new bank has emerged largely from the desire to move away from a long-standing dependence on the IMF and the World Bank, though BRICS leaders have said that this new initiative is meant to supplement existing multilateral institutions.

The Bretton Woods institutions, as they are also called, have frequently come under fire from emerging and developing economies, with many clamouring for a reform in their governance structure to reflect current realities. The IMF reforms agreed to four years ago would have shifted more power to developing and emerging market economies; however, these reforms have since stalled as a result of the US Congress' failure to ratify the implementing legislation domestically.

The IMF's policy-setting body, known as the International Monetary and Financial Committee (IMFC) gave the US Congress a year-end deadline to pass these reforms. Otherwise, the IMFC warned, it will push the IMF to develop "options for next steps." (See Bridges Weekly, [17 April 2014](#))

"We remain disappointed and seriously concerned with the current non-implementation of the 2010 International Monetary Fund reforms, which negatively impacts on the IMF's legitimacy, credibility, and effectiveness," the BRICS leaders said on Tuesday, highlighting the importance of giving emerging economies a greater voice in the institution.

The five-country group made similar calls regarding World Bank reform, stressing that the implementation of "more democratic governance structures" and improved financial capacity would be key in helping the institution bring to bear its goal to end extreme poverty by 2030, as pledged a year ago. (See Bridges Weekly, [25 April 2013](#))

Clarity on Bali trade deal?

Another key question ahead of this week's meet was whether India might clarify – or even change – its controversial position on the implementation of the WTO's Trade Facilitation Agreement (TFA), which was agreed upon at the global trade body's Ninth Ministerial Conference (MC9) in Bali, Indonesia last December.

In the months since, WTO members have been working to bring the Trade Facilitation Agreement into the organisation's legal framework by 31 July, so that it can then be ratified by enough members to enter into force by the same date next year. Bringing the TFA into the WTO Agreement requires the adoption of a Protocol of Amendment by members.

However, the Protocol process ran into difficulty in May, after the African Group tabled a proposal that would make the deal's implementation provisional, pending the conclusion of the overall Doha Round trade negotiations. (See Bridges Weekly, [28 May 2014](#))

Though the African Union has appeared to soften its stance in this area, a new hurdle emerged earlier this month when India said it could not back the TFA unless it saw more signs of action on developing a "permanent solution" on food security – as promised in one of the other Bali decisions. Public comments from Indian Commerce Ministry officials later affirmed this view. South Africa is one of the other countries that has reportedly continued backing the provisional implementation of the trade deal. (See Bridges Weekly, [10 July 2014](#))

At a meeting of the WTO's Preparatory Committee on Trade Facilitation last week, prior to the BRICS Summit, Philippine Ambassador Esteban Conejos – who chairs the group – said that consensus was still "elusive," sources confirmed to Bridges at the time. To date, no new meeting of the committee has been formally scheduled.

Separately, the WTO's Committee on Agriculture is set to discuss two papers on public stockholding in developing countries after the summer break, sources say. One paper was released by the US, and features proposed "elements for a work programme on food security." The G-33 coalition of developing countries, of which India is a part, is reportedly planning its own contribution.

In Tuesday's Fortaleza Declaration, BRICS leaders pledged their commitment to helping establish a post-Bali work programme by year's end for concluding the Doha Round, in line with the direction given by trade ministers at the WTO ministerial conference.

They noted, moreover, that this work programme "should prioritise the issues where legally binding outcomes could not be achieved at MC9, including the Public Stock-Holding for Food Security Purposes."

However, the leaders also said that they "looked forward" to the implementation of the Trade Facilitation Agreement, while noting the importance of ensuring that the WTO's poorest members receive support from international partners to deal with the costs.

Brazilian trade minister Mauro Borges went further, telling Reuters on Monday that the BRICS countries "are confident that the Bali agreement will be implemented by all." India's concern over its food security, the Brazilian official added, was "understandable," though not an "ultimatum" against meeting the 31 July deadline for adopting the Protocol.

Indian Trade Secretary Rajeev Kher, for his part, told reporters that progress on food security would not be a pre-condition for signing off on the Protocol, while stressing that it should be addressed alongside trade facilitation.

"We are not saying there should be no deal," Kher told Reuters. "We are simply asking them to address our concerns."

ICTSD reporting; "BRICS Fight Waning Clout With \$150 Billion Deal in Brazil Summit," BLOOMBERG, 13 July 2014; "Brazil sees Bali trade deal implemented despite India concern," REUTERS, 14 July 2014; "India says progress on food not condition for Bali deal implementation," REUTERS, 15 July 2014.

AFRICA

West African Leaders Formally Endorse EU Trade Pact

After over a decade of negotiations, West African leaders formally approved their Economic Partnership Agreement (EPA) with the EU last week during an ECOWAS Heads of States summit in Accra, Ghana. Regional chief negotiators have now been instructed to take immediate action toward launching the signing and implementation processes.

The leaders' decision came following "consensual results reached by the Chief Negotiators on all the issues (particularly on the market access offer, the EPA Development Programme (EPADP) and the text of the Agreement)," the [summit communiqué](#) said.

The planned EPA, once ratified, would establish a free trade area between the EU and West Africa, replacing the non-reciprocal regime currently in place.

"This agreement, with a strong development component at its heart, will pave the way for sustainable economic growth in West Africa, generating jobs and well-being for our citizens," [said](#) European Trade Commissioner Karel De Gucht on Friday, in response to the news.

Despite progress earlier this year by the regional bloc towards finalising the trade pact, the final deal was briefly put into doubt after several African trade ministers openly sided with Nigeria against the EPA during a meeting of African Union trade ministers in April.

The ECOWAS group – known also as the Economic Community of West African States – consists of Benin, Burkina Faso, Cape Verde, Gambia, Ghana, Guinea, Guinea-Bissau, Ivory Coast, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, and Togo.

Nigeria lifts veto

West African leaders had already endorsed the EPA "in principle" during a previous ECOWAS Heads of States Summit in Yamoussoukro, Côte d'Ivoire. However, Nigeria later said it was concerned over the deal's potentially adverse economic impacts, arguing that the EPA could cause harm to its infant industries and jeopardise its development. (See Bridges Africa, [15 May 2014](#))

The change in stance, sources say, came following significant domestic opposition to the pact, ranging from civil society to the private sector. Nigeria had therefore insisted on renegotiating some of the agreement's key provisions, such as by asking that 181 tariff lines be reclassified within the different categories of the offer.

This, Nigeria claimed, was necessary given that the initial structure would have hampered key sectors of its economy.

The country also requested further discussions on a revision clause, which would require that the agreement be adapted every five years, as well as on Brussels' commitment to offset tax losses and provide additional financial resources for the EPA development programme. In addition, Nigeria had also asked for the development of indicators for measuring the EPA's impact.

An ad hoc committee comprised of Nigeria, Ghana, Côte d'Ivoire, and Senegal was thus established to assess Nigeria's concerns, in the hopes of moving the discussions forward. The group provided technical and political responses to Nigeria's queries during their second meeting in mid-May.

According to sources close to the discussions, countries agreed that the Agreement would be revised every five years and that this revision would be based on the results of an economic impact study.

Furthermore, West Africa will receive a five-year moratorium during which it will not have to cut tariffs. The safeguard measures for ECOWAS' common external tariff will also be integrated within the EPA, thus giving each country the opportunity to protect domestic production if necessary.

Meanwhile, the implementation of the EPA will be guided by a joint EU-West Africa Ministerial Council.

The ad hoc committee also convinced Nigeria to set aside its demands that the market access component of the pact be revised. Ministers reportedly stressed that such a request could dismantle the hard-won compromise, which was the result of a complex process that required balancing the region's varying economic configurations and interests.

Another consideration for West African officials, sources say, was the fear that the EU might lose interest in committing to the agreement if the initial 75 percent phased-in market opening over the next 20 years was adjusted downwards.

Preserving regional integration integrity featured high in the discussions, observers say.

EU market access preserved for Côte d'Ivoire, Ghana

Côte d'Ivoire and Ghana are no longer in the list of countries that risk losing their trade preferences to the European market. Key exports from these countries to the EU – such as cocoa, bananas, and tuna – will therefore not be affected. Both countries have openly backed the new deal, having previously initialled interim EPAs with the EU in 2007.

Analysts note that these two countries are the only ones in the region – besides Nigeria – that are not “least developed countries” (LDCs). This therefore put them at risk of being included in the less advantageous EU Generalised System of Preferences should the EPA not be in place. The LDCs in the region, meanwhile, would still benefit from duty-free, quota-free (DFQF) access under the Everything But Arms arrangement.

In an effort to speed up the talks, the European Commission announced in 2011 that countries which have concluded an EU EPA without having taken steps for ratification and implementation by 1 October 2014 will be withdrawn from the Market Access Regulation, which provides DFQF access to 36 African, Caribbean, and Pacific countries.

Should these developing countries not ratify an EPA by this deadline, they would potentially be at risk of losing their free access to the EU market.

Some experts, such as Ben Czapnik, an adviser for the International Trade Centre, have suggested that a failure to reach a deal would not only have undermined Côte d'Ivoire's exports of primary products to Europe, but could also have reversed the industrialisation process already underway in some sectors. (See Bridges Africa, [30 May 2014](#))

For instance, Côte d'Ivoire has been using its comparative advantage in cocoa to move up the value chain and export value-added cocoa products. Furthermore, he noted, the fact that Cote d'Ivoire and Ghana are both key economic players was also significant, as the absence of a regional EPA could have made the West African common market unworkable.

SADC, EAC regions next in line?

In the other two African regions where EPA negotiations are still ongoing, significant strides have been made over the past few months. Various sources are particularly optimistic that a deal could soon be reached with the Southern African Development Community (SADC), where discussions have been narrowed down to two outstanding issues: export taxes and agricultural safeguards.

In the East African Community (EAC), while issues such as the Most Favoured Nation (MFN) clause and rules of origin have reportedly been settled, export taxes and EU domestic agricultural support are still unresolved.

However, sources indicate that political issues could also jeopardise the deal in the latter region, given that East African leaders are not keen to sign a trade agreement that includes a non-execution clause – in other words, a clause that permits the deal's suspension in cases of proven human rights violations.

The upcoming weeks will therefore be critical for the future of trade relations between the EU and Africa, as negotiators continue their efforts to conclude the talks ahead of the October deadline.

ICTSD reporting.

CLIMATE CHANGE

Australia Repeals Carbon Tax

Canberra succeeded in repealing the country's divisive carbon tax on Thursday, following years of bitter political debate on the topic, and two failed attempts in recent months.

Prime Minister Tony Abbott made the repeal a flagship feature of his election campaign last year and a priority of his Liberal-National Coalition government since taking office in September.

A repeal bill axing the carbon tax and a planned emissions trading scheme (ETS) passed the Australian Senate on Thursday by 39 votes to 32 after the Abbott government secured the support of minor political parties.

"Today the tax that you voted to get rid of is finally gone, a useless destructive tax which damaged jobs, which hurt families' cost of living and which didn't actually help the environment is finally gone," Abbott told reporters at a press conference after the Senate decision.

After failing to abolish the carbon tax in March following opposition in the Senate from Labor and Green representatives, the Abbott government had re-introduced repeal legislation into the new incoming Australian Senate in early July.

Shortly after the vote some observers suggested that the move could jeopardise Australia's ability to comply with its international climate pledges, particularly as climate legislation to replace the tax has not yet been finalised. Under the Kyoto Protocol – the current international climate regime – the world's 12th largest economy has pledged a five percent reduction in greenhouse gas emissions by 2020.

Palmer support key

The government's hopes for a quick repeal second-time round received an initial setback last week, however, when mining magnate Clive Palmer's Palmer United Party (PUP) withdrew their support for the legislation.

At the time, Palmer, whose three senators hold the balance of power in the upper house, said that an amendment his party had submitted as a condition for supporting the legislation had not been fully incorporated. This would see a requirement in the new law for companies to pass on any savings gained from the carbon tax repeal to customers – or face a fine.

In June, Palmer had also said that his party would only support the repeal if the country's 20 percent renewable energy target was kept, a low-carbon lender known as the Clean Energy Finance Corporation (CEFC) retained, and a roadmap for a fair, global emissions trading scheme set up. (See BioRes, [26 June 2014](#))

"We remain calmly, methodically, determined to continue to proceed until the carbon tax is repealed," Greg Hunt, environment minister had warned after last week's Senate upset.

After a weekend of talks, Palmer again switched his position on Monday to support the carbon tax repeal, saying the formerly problematic amendment was now satisfactory.

While the third attempt to axe the carbon price passed the House of Representatives on Monday, the legislation had struggled to gain traction in the Senate, with the Australian upper house extending its hours on Tuesday due to fierce debate. Green and Labor representatives on Wednesday fired questions at the Abbott government scrutinising the repeal and the amendments.

Greens leader Christine Milne said that the government did not have a full understanding of its own legislation while Sam Dastyari, a Labor Senator said there was a "real concern" that customers would not benefit from the repeal.

A controversial tax

The carbon tax was originally introduced by then-Prime Minister Julia Gillard in 2011 and entered into force in July 2012. Targeting the country's top polluters, levies were imposed at A\$23 (US\$23.67) per tonne of carbon emitted, with annual increases set at a rate of 2.5 percent. The tax was then scheduled to move to a floating price emissions trading scheme next year, at which point it would have been linked to the EU's own cap-and-trade system. (See BioRes, [4 July 2012](#))

Proponents of the tax have long argued that it will help Australia – one of the world's largest per capita emitters – tackle domestic greenhouse gas (GHG) emissions and transition to newer, cleaner sources of energy. Opponents say that the tax will cripple the country's key mining and coal export industries, potentially leading to job losses and poor economic growth.

Abbott's government has proposed setting up an Emissions Reduction Fund (ERF) as the centrepiece of its Direct Action plan. Through the ERF, the government will purchase emissions reductions from pre-approved projects on the basis of price per tonne of carbon dioxide, following an auction process. (See BioRes, [15 May 2014](#))

Critics of Abbott's Direct Action have slammed the alternative climate legislation as drastically underfunded and poorly planned.

Decarbonisation possible

The Abbott government move came shortly after UN research indicated that Australia could move to a low-carbon economy without crippling its growth.

Economic models in the report suggest that the country could cut its emissions to zero by 2050 while still achieving an average growth of 2.4 percent a year over the same period. This transition would involve significant structural changes, however, such as investment in renewables and other clean energy technology. The report also notes the potential for gains from improved energy efficiency, as well as carbon capture and storage.

The findings are part of a report that aims to identify actions that could be taken by the world's leading emitters to decrease carbon emissions and move towards economies that support an international agreed target of limiting a global temperature rise to below 2 degrees Celsius.

"This report is all about the practicalities. Success will be tough – the needed transformation is enormous – but is feasible and is needed to keep the world safe for future generations," said Jeffrey Sachs, a leading international economist who headed the coalition of researchers that produced the report.

"One key message is to invest in developing the low-carbon technologies that can make a difference," Sachs continued.

The report is geared towards supporting discussion at the upcoming UN Climate Summit, due to be held on 23 September. That event, convened by Secretary-General Ban Ki-moon, is designed to ramp up high-level political engagement in the UN climate talks.

Countries have set themselves until the end of next year to negotiate a binding global climate deal under the UN Framework Convention on Climate Change (UNFCCC) that will enter into force from 2020. At the latest round of talks in June, discussion moved to consider some of the more substantive details of the eventual agreement. (See BioRes, [17 June 2014](#))

The co-chairs of the group steering these talks released in early July [materials](#) for the next round of negotiations scheduled for October in Bonn, Germany. This includes a draft decision on the information that should be provided in countries' national contributions, slated as the building blocks of the eventual agreement.

ICTSD reporting; "Australia Repeals Carbon Tax" THE WALL STREET JOURNAL, 17 July 2014; "Abbott blow as Senate votes to delay carbon tax axe," RTCC, 10 July 2014; "Carbon tax likely to survive another day as Senate debate continues," BRISBANE TIMES, 16 July 2014; "Carbon tax repeal: Clive Palmer confirms PUP support as bills to scrap tax pass Lower House," ABC NEWS, 14 July 2014; "Australia can cut carbon emission to zero and still grow, says report," THE SYDNEY MORNING HERALD, 9 July 2014.

BILATERAL TIES

US-China Meetings Yield Tentative Progress on Investment Treaty Plans

Top government officials from the US and China met in Beijing late last week for a series of high-level discussions, addressing topics such as currency reform, a planned investment treaty, and a prolonged row over a tech trade deal. While officials reported constructive talks in these and other areas, analysts note that more work will be needed to translate this progress into concrete results.

The US-China Strategic & Economic Dialogue has become a regular feature on the international calendar, serving as an opportunity for the two sides to advance dialogue and potentially find solutions in what has traditionally been a complicated relationship, one of both cooperation and competition.

China became the world's largest trader earlier this year, surpassing the US, a long-time holder of that title. The rise of the Asian nation on the world economic stage has not been without controversy, however, and the two sides have sparred repeatedly over topics ranging from renewable energy support policies to the use of trade remedies.

The efforts of the US to close a trade deal with 11 other Pacific Rim countries in the near-term – an initiative known as the Trans-Pacific Partnership – has prompted many analysts to suggest that the pact is meant to counter the growing influence of China. To date, Beijing is not a member of the group negotiating the trade deal, and has not formally requested entry, though it has asked for information regarding TPP developments.

"Let me emphasise to you today the United States does not seek to contain China," US Secretary of State John Kerry said last week. "We welcome the emergence of a peaceful, stable, prosperous China that contributes to the stability and the development of the region, and that chooses to play a responsible role in world affairs."

ITA progress?

Trade watchers had been particularly looking to last week's meetings for signs of a resolution to the months-long stand-off over the expansion of the WTO's Information Technology Agreement (ITA).

Various ITA participants have been negotiating in recent years to expand the pact's product coverage. The existing version of the ITA – a tariff-cutting mechanism for selected information and communication technology products – dates back to the mid-1990s, and many of the goods subject to its requirements have since become obsolete.

Meanwhile, several new products and technologies have entered the marketplace that are not included in the trade deal.

Negotiators had been hoping to unveil an agreed-upon list of new products in time for last December's WTO Ministerial Conference in the Indonesian island province of Bali. The talks, however, came abruptly to a halt in November, following a disagreement between China and several fellow participants over the former's wish to exclude a series of products from the final list and subject some others to long tariff phase-outs. (See Bridges Weekly, [21 November 2013](#))

A meeting of trade ministers from the Asia-Pacific Economic Cooperation (APEC) countries in May, while citing progress, failed to lead to a resolution. (See Bridges Weekly, [22 May 2014](#))

While no formal resolution was reached, the two sides had "constructive discussions" on the ITA expansion efforts, said US Trade Representative Michael Froman in a [statement](#) following the meetings.

"We look forward to intensifying our work with China in the coming weeks with the goal of defining a list that is consistent with achieving an ambitious plurilateral agreement," the US trade chief added, noting that reaching an agreement would also be a win for Beijing in its role as APEC host this year.

Investment treaty timetable

A potential timetable for the negotiation of a bilateral investment treaty (BIT) between the two sides was another key focus of the meeting. The renewal of these plans was a key outcome of last year's bilateral talks, though the process had originally begun under previous US President George W. Bush. (See Bridges Weekly, [18 July 2013](#))

The recent move to ease investment restrictions in the Shanghai Free Trade Zone – a Chinese pilot project that aims to serve as a testing ground for reforms – has been raised as a potential model for how Beijing may approach its BIT negotiations with Washington. (See Bridges Weekly, [10 July 2014](#))

According to Froman, the US has received assurances from its Asian trading partner about a "timetable for moving forward" on the "negative list" component of the pact. Under a negative list approach, all sectors are open to investment except for those specifically deemed closed.

Chinese Vice Premier Wang Yang confirmed additional details in his statement to reporters last week, noting that the two sides are aiming to reach a deal this year on the BIT text's core issues and main articles, and would launch negative list negotiations in early 2015.

Currency

Another outcome of last week's meetings was a non-binding commitment by China to speed up the liberalisation of its exchange rate regime. The strict control of its currency, known as the renminbi or yuan, has been a long-standing source of contention with its trading partners, particularly the US.

Critics of the existing policy say that China's currency is undervalued, thus giving its exports an unfair advantage over its competitors. Beijing, for its part, has noted that the currency has already appreciated significantly over the past several years, and that further liberalisation will take time.

"Consistent with your reform agenda, China committed to reducing intervention as conditions permit, and China is making preparations to adopt greater transparency, including on foreign exchange, which will accelerate the move to a more market-based exchange rate," US Treasury Secretary Jack Lew told reporters following the discussions.

Chinese Central Bank Governor Zhou Xiaochuan stressed the point in a briefing on the event margins, telling reporters that the "direction of our foreign-exchange reforms is clear," while noting that interventions into the exchange rate will only be decreased "when conditions are ready."

"We hope that the exchange rate could be kept basically stable on a reasonable and balanced level through reforms," he said, in comments reported by the Financial Times. "At the same time, we will allow market supply and demand to play a bigger role in determining the exchange rate."

Climate

Climate change has been another key issue for the two sides, particularly over the division of responsibility in this area, given that both are major emitters of carbon.

A year ago, Chinese President Xi Jinping met with US President Barack Obama in California to discuss this and other topics, after which the two sides announced an agreement to work toward phasing down the production and use of hydrofluorocarbons, a major greenhouse gas. The move was seen at the time as a potential turning point for US-China climate discussions. (See Bridges Weekly, [13 June 2013](#))

During Secretary of State Kerry's last visit to Beijing, the two countries then announced five initiatives under their Climate Change Working Group, including reducing emissions from heavy-duty and other vehicles; improving smart grids' carbon capture, utilisation, and storage; collecting and managing greenhouse gas emissions data; and increasing energy efficiency in buildings and industry. These were to be implemented from October 2013 onward, at the earliest. (See Bridges Weekly, [18 July 2013](#))

This time around, the working group announced programmes across all five initiatives, along with an agreement to adopt stronger fuel efficiency standards for heavy- and light-duty vehicles and greenhouse gas emissions standards. The group also announced a new initiative on climate change and forests, as well as four projects on carbon capture, utilisation, and storage.

"As the world's two biggest energy consumers and carbon emitters, China and America have a special role to play in reducing emissions and in developing a clean energy future," Kerry told reporters last week.

The US' top diplomat highlighted that coming together on climate is invaluable for advancing a solution on the global level, particularly in light of the negotiations for a new international pact to replace the Kyoto Protocol. The planned deal is being discussed under the auspices of the UN Framework Convention on Climate Change (UNFCCC), and officials hope to complete it in time for a meeting in Paris late next year.

ICTSD reporting; "China vows to speed up renminbi liberalisation," FINANCIAL TIMES, 10 July 2014; "U.S., China ink coal, clean energy deals but climate differences remain," REUTERS, 9 July 2014.

DISPUTES

WTO Panel Grants China Victory in US Dispute over State-Owned Enterprises

A WTO dispute panel has found that the US was largely in violation of global trade rules in a series of countervailing duty investigations against Chinese exporters. The ruling, issued on Monday, brings back to the fore the long-running debate between the two economic giants over China's state-owned enterprises (SOEs), and the impact these have on trade.

Washington has repeatedly argued that Chinese SOEs are the recipients of unfair government support – thus making it easier for their producers to be more competitive on the global market – and has lobbied for Beijing to reform them accordingly.

The WTO case ([DS437](#)) focuses specifically on 17 countervailing duty (CVD) investigations that the US Commerce Department conducted from 2007 through 2012, on products ranging from solar panels and wind turbines to kitchen shelving and steel sinks. Such duties are meant to counter instances of unfair subsidies, should they be found to exist.

China had challenged the initiation decisions, as well as the preliminary and final determinations issued by the US agency in these cases, as being inconsistent with international trade rules. The goods affected, Beijing has said, are worth US\$7.2 billion in export value, and are thus of significant trade interest to the Asian giant.

State-owned enterprises in focus

In the dispute, Beijing had disagreed with the US Commerce Department's findings in 12 of the 17 investigations that certain SOEs either majority-owned or controlled by the Chinese government were "public bodies" within the meaning of the Subsidies and Countervailing Measures (SCM) Agreement.

Under the SCM article in question, "a subsidy shall be deemed to exist if there is a financial contribution by a government or any public body within the territory of a member," though that is not the only element involved in determining the presence of a subsidy.

The panel recalled a past ruling by the WTO Appellate Body, which serves as the global trade body's highest court. The Appellate Body had found that the key consideration in identifying a public body is whether the latter has the authority to perform governmental functions.

Therefore, the panel said that a government simply owning or controlling an entity is not enough to establish that it is a public body, and a further inquiry would be needed. As a result, the panel found that the US Commerce Department's rationale behind the "public bodies" finding in those 12 countervailing duty investigations cannot be justified under WTO rules.

Default policy?

Another key point in the case involved a July 2009 final determination that Commerce made involving kitchen shelving products. In this instance, the US agency had said that it generally considers majority government-owned enterprises to be public bodies unless that assumption is proven otherwise. For China, this "rebuttable presumption," as it is known in legal jargon, is inconsistent with WTO rules.

The panel agreed with China that the scope of this policy concerns the default legal standard that the Commerce Department applies to determine whether a majority government-owned entity is a public body – going beyond simply using a certain methodology repeatedly across specific cases. For the panel, this made the policy susceptible to a WTO challenge.

Moreover, the panel said, this norm causes the US agency to consider majority-ownership enough to deem a company a public body, and restricts Commerce to considering any other evidence purely on its own initiative. Therefore, the panel concluded that this policy ran contrary to the past Appellate Body ruling that government ownership is not enough to establish that an entity is a public body.

Regional specificity, export restraints

China had also claimed that the US Commerce Department had failed to establish in seven of the investigations that the subsidies in question were indeed limited to enterprises located within a designated geographical region, as required under Article 2.2 of the SCM Agreement.

The panel supported China's argument that the fact that the land in question is located within an industrial park or economic development zone – and that this area is within the seller's jurisdiction – is insufficient by itself to establish that there are limits to accessing the subsidy.

As a result, the panel found that six of the seven challenged US investigations were inconsistent with WTO rules.

The panel also considered whether an investigating authority can launch a CVD investigation based on claims that a foreign government's export restraints – and their effects on that same country's domestic prices – constitute a financial contribution.

In investigations involving magnesia bricks and seamless pipe, the US Commerce Department had found that the information provided in the applications regarding certain Beijing export restraints was "adequate evidence tending to prove or indicate" the presence of a government-provided financial contribution, namely by entrusting or directing a private body to provide these products to domestic consumers.

The panel disagreed. The evidence in the applications is insufficient on conceptual grounds, they said, given that it pertains only to the export restraints themselves and their price-suppressing effects, and not to other Chinese government action. As a result, there was not enough evidence to prove that there was a financial contribution in the form of government-entrusted or government-directed provision of goods – making the launch of these two CVD investigations WTO-inconsistent.

Other claims

The panel ruling was not entirely in China's favour, however, a fact that US officials were quick to note.

"The WTO panel's decision to reject many of China's challenges to US countervailing duties on unfairly subsidised Chinese imports is a victory for American businesses and workers," US Trade Representative Michael Froman said in a [statement](#).

Regarding the areas where Washington did not succeed, the trade official said that the US was now evaluating its options and would take "all appropriate steps" to ensure that American trade remedies continue to be strong and effective.

Among the areas where the US won was the panel's decision to partially reject China's claim regarding the US Commerce Department finding that the alleged subsidies were specific to certain enterprises.

The panel also rejected China's claims against the US agency's findings on benefit calculation, financial contribution by public bodies, and specificity to justify the initiation of countervailing duty investigations, as well as on the use of "adverse facts available."

ICTSD reporting.

PREFERENTIAL AGREEMENTS

Japan Farm Trade Debate Unresolved After TPP Ottawa Meet

Chief negotiators from the Trans-Pacific Partnership (TPP) countries wrapped up over a week's worth of meetings this past Saturday. While no major breakthroughs were reported, some progress was reportedly reached in the labour and sanitary and phytosanitary standards (SPS) areas, though larger obstacles – such as the debate over Japan farm trade protections – remain unresolved.

The 3-12 July meetings, held in the Canadian capital city of Ottawa, were geared toward achieving clarity on the remaining TPP issues, after ministers met in May in Singapore for a check-in on the talks' progress. (See Bridges Weekly, [22 May 2014](#))

A [statement](#) posted on the website of the Canadian Department of Foreign Affairs, Trade, and Development gave a brief summary of the topics discussed, which included labour, state-owned enterprises, services, investment, and all market access areas. Other meetings were at the working group level, focusing on intellectual property, investment, state-owned enterprises, and rules of origin/textiles.

However, despite being touted in May as an opportunity for intensifying engagement, this latest series of meetings was relatively quiet, compared to past gatherings. No dates were announced for the next TPP meetings, at chief negotiators' or ministerial level, despite some reports indicating a likely meeting in September.

The twelve members of the TPP are Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam.

Obama "November proposal" not discussed

The group of countries negotiating the trans-Pacific pact had previously aimed to finish their negotiations in 2013, only for that target to become the latest in a series of missed deadlines.

Since then, most officials have been reticent to openly set a new target date for concluding the talks, given the complicated nature of the issues involved, and the sizes of the respective economies.

The TPP is aiming to be a "21st century" trade pact, covering issues ranging from intellectual property to regulatory coherence to small- and medium-sized enterprises, to name a few. The current participants make up over 40 percent of global trade, with analysts [setting predictions](#) for the deal's potential gains as high as US\$223 billion a year in added global income.

US President Barack Obama, in meetings with New Zealand Prime Minister John Key last month, suggested that TPP members could have a draft ready by November, in time for his trip to Asia for the Asia-Pacific Economic Cooperation (APEC) Leaders' Week. (See Bridges Weekly, [26 June 2014](#))

However, other officials, such as Australian Trade Minister Andrew Robb, have said that a 2015 deal is more likely, particularly given the midterm elections set for this November in

the US. At last week's meeting, the November suggestion made by the US President was not discussed, according to Japanese chief TPP negotiator Koji Tsuruoka.

"The chief TPP negotiators cannot see any path to the future unless they meet again," he said, in comments reported by the South China Morning Post.

Japan market access unresolved

The long-running question of how much Japan will be able to open up its heavily-protected agricultural sector has become one of talks' most difficult hurdles to overcome, leading some members – such as New Zealand – to openly question whether the country will be able to stay in the negotiations. (See Bridges Weekly, [26 June 2014](#))

The US has been the TPP member most openly pressing Tokyo to significantly reduce – or eliminate entirely – its tariffs in this area, though others in the group are also keen to see these protections lifted.

Farm trade is a politically fraught issue in Japan, however, which has made it difficult for Japanese negotiators to make the level of concessions asked for by their TPP partners. While some progress has been noted, particularly after a meeting between Obama and Japanese Prime Minister Shinzo Abe in April, the two sides have yet to reach a mutual agreement in this area. Bilateral meetings continue to be held on the subject, including those scheduled for this week. (See Bridges Weekly, [1 May 2014](#))

Separately, Australia already clinched its own bilateral trade deal with Japan in April, which it then signed earlier this month. (See Bridges Weekly, [10 April 2014](#) and [10 July 2014](#), respectively)

That deal was Japan's first with a major agricultural exporter, and included some unprecedented concessions on beef and dairy – particularly sensitive products for Tokyo. However, some industry groups and TPP advocates have criticised Australia for agreeing to less ambitious terms than previously hoped for.

In an interview earlier this month with Sky News Agenda, Australian Trade Minister Andrew Robb explained that this pact was "by far the most ambitious trade deal Japan has ever done," noting that if Canberra had pushed for a stricter deal it would have taken several more years.

"We've got an outstanding deal on a whole range of agricultural products," he said. In other areas where Australia got a less favourable result, his negotiators are hoping to see a better result under TPP.

"My sense of the negotiations we've been having with Japan in the context of the Trans-Pacific Partnership means that we will get the greater benefits that might accrue to others," the Australian trade official [said](#).

ICTSD reporting; "Japan says Trans-Pacific Partnership regional free trade talks agree broadly on labour, health issues," AFP, 13 July 2014; "Pacific free-trade talks unlikely to go anywhere until after US midterm polls," SOUTH CHINA MORNING POST, 14 July 2014; "No clear path to TPP without game changer," THE JAPAN TIMES, 13 July 2014; "TPP talks make progress, barring thorny issues," Jiji PRESS, 13 July 2014.

DISPUTES

WTO Panel Releases Mixed Ruling in US-India Steel Row

A WTO panel granted a mixed victory to India on Monday in its dispute with the US over countervailing duties that Washington had imposed on certain steel products from the Asian economy.

At issue in the complaint ([DS436](#)) were certain provisions of the United States Tariff Act of 1930, and how these were applied in countervailing duty investigations and subsequent reviews involving hot rolled carbon steel flat products from India. New Delhi had first filed the challenge in April 2012. (See Bridges Weekly, [18 April 2012](#))

Back in 2004, the US Commerce Department had determined in an administrative review that the India National Mineral Development Corporation (NMDC) – a state-run enterprise that is also the country's largest producer of iron ore – had provided high-grade iron ore only to those industries, such as the steel industry, that use the good.

This, in effect, constituted a specific subsidy, the US agency said, as those companies that received the iron ore were limited in number.

According to the WTO's Subsidies and Countervailing Measures (SCM) Agreement, countervailing duties may only be levied on imports that benefit from subsidies that are specific – either by law or by practice – to an enterprise or industry or a group thereof.

However, in determining whether a subsidy is, in fact, specific, the SCM Agreement says that one should take into account how diversified the relevant economy is and how long the programme at issue has been in operation.

Referring to prior proceedings in which the United States imposed trade remedies on imports from India, Washington tried to demonstrate that its Commerce Department did indeed consider India's economic diversification.

In its ruling, the panel found that this reference was not enough to support the US' argument, finding that Washington failed to account for all mandatory factors in determining that this subsidy was indeed specific to the steel industry.

Price benchmarks

India also claimed that the US Commerce Department failed to apply certain in-country price benchmarks – known as Tier I – when reviewing NMDC sales of high grade iron ore to determine the benefit to the recipient, despite the fact that the SCM Agreement cites a preference for such benchmarks.

To be considered as subsidy under the SCM Agreement, the government measures at issue should confer a benefit to the recipient.

The panel found that the US acted inconsistently with WTO rules by failing to consider the relevant domestic price information for use as in-country benchmarks. During the panel proceedings, the US had tried to explain that decision using a different rationale than the one used by the Commerce Department during the original investigation – a move that the panel rejected.

Injury assessment

In addition, India also challenged a rule that requires the US International Trade Commission – another agency involved in US trade remedy investigations – to cumulatively assess, for purposes of determining material injury, the effects of dumped and subsidised imports on the domestic industry under certain conditions.

In its injury assessment in the original CVD investigations, the USITC had lumped together the effects of subsidised imports from India with those of similar imports from ten other countries. Four of these countries – Argentina, Indonesia, South Africa, and Thailand – faced CVD investigations at the same time as India, as well as parallel anti-dumping probes. The other six were only subject to anti-dumping investigations.

The panel considered that the US rule – as it was applied in the original Commerce investigation – is inconsistent with several paragraphs of Article 15 of the SCM Agreement. Article 15.3 only allows the effects of imports subjected to simultaneous CVD investigations to be assessed jointly for the purposes of completing an injury analysis, the panel said.

Moreover, the panel said, the use of the term "subsidised imports" in various articles of the SCM Agreement limits the scope of the investigating authority's injury assessment only to subsidised imports – meaning that the effects of other "unfairly traded" imports that are not subsidised are not a relevant consideration.

Other findings

In connection with India's captive mining programmes for iron and coal, the panel found that the US Commerce Department failed to ensure that the information it used to determine such programmes' existence was indeed accurate, as required by international trade rules.

According to the panel, the US did not have sufficient evidence to make the determination that a captive coal mining lease granted to Tata Steel under these programmes constituted a financial contribution – another violation of WTO subsidy rules.

Furthermore, the US agency's decision to reject certain domestic price information when assessing benefits from iron ore mining rights was WTO-inconsistent, the panel said.

The panel also supported India's claim that the United States acted inconsistently with the SCM Agreement by applying "facts available" without any factual foundation with respect to the countervailing original investigation and subsequent reviews at issue.

The panel did not rule on all of India's claims, as it deemed some as not being necessary to resolve the complaint – known in legal jargon as "judicial economy" – while rejecting the other remaining allegations.

ICTSD reporting.

TRADE MONITORING

WTO Finds No Acceleration in New Trade Restrictions

The pace at which trade restrictions have been introduced by WTO members has shown no notable increases in recent months, according to the latest monitoring report released by the global trade body on 11 July.

The report, which covers the period between mid-November 2013 and mid-May 2014, is part of the organisation's effort to monitor members' adherence to their commitment to avoid trade protectionism initially made in the context of the 2008 global financial and economic crisis.

The WTO also conducts a separate, though related, exercise specific to the G-20 group of major developed and emerging economies. The results of their latest G-20 report are incorporated into the document.

This year's monitoring report also comes at a time when trade growth forecasts for the upcoming two years continue to be lower than their historical averages, while exceeding earlier predictions. (See Bridges Weekly, [17 April 2014](#)) Under current forecasts, world merchandise trade is set to rise 4.7 percent this year and 5.3 percent in 2015.

Meanwhile, WTO members are working to implement the decisions agreed at their latest ministerial conference in Bali, Indonesia, including a global deal on trade facilitation, while trying to prepare a "work programme" for resolving the various outstanding issues in the Doha Round negotiations. (For more on trade facilitation, see related story, this edition.)

Trade remedies, facilitation

The report was presented to the Trade Policy Review Body (TPRB) last Friday by WTO Deputy Director-General (DDG) Yonov Frederick Agah, on behalf of Director-General Roberto Azevêdo, having already been circulated to the membership on 27 June.

Of the 320 total trade and trade-related measures implemented during this period, 159 were trade remedy actions – an almost equal split between their initiation and their termination – with the bulk of these being attributed to anti-dumping measures.

Eighty-six trade-facilitating measures were recorded during the period under review, most of which consist of a decrease or elimination of import tariffs or the streamlining of customs procedures.

Also worth noting is the wide range of measures affecting trade in services that have been introduced by several WTO members in the period under consideration. According to the report, no clear sectoral or policy trend can be distinguished from these as they appear to be in response to specific domestic contexts and objectives.

Calls for increased transparency

In his statement last Friday, Agah praised the improved response rates to Azevêdo's initial information request – now standing at 37 percent of the global trade body's members – while noting that the report's ability to account for subsidies and other "behind-the-

border" support measures was limited because of the lack of information made available by delegations.

"In line with recent reports, the document before you shows that the record of members' compliance with their notification obligations is patchy and far from satisfactory in areas such as agriculture, quantitative restrictions, subsidies, state trading enterprises, and trade in services," he said, noting that the transparency issue is one of systemic importance for the WTO.

The DDG urged members to provide more information for the monitoring reports, particularly in these areas. "Members must accept their collective responsibility for promoting the transparency and predictability, which importers and exporters demand," Agah continued.

ICTSD reporting.

EVENTS & RESOURCES

Events

Coming Soon

18 July, New York, US. BRIEFING BY THE CO-CHAIRS OF THE INTERGOVERNMENTAL COMMITTEE OF EXPERTS ON SUSTAINABLE DEVELOPMENT FINANCING. At this event, which will be held at UN Headquarters, the Co-Chairs of the Intergovernmental Committee of Experts on Sustainable Development Financing (ICESDF) will present a briefing on their work to date. The Committee was created at the United Nations Conference on Sustainable Development (Rio+20) for the purposes of assessing the financial needs of developing countries, and thus propose options for a financing strategy aimed at achieving sustainable development objectives. The presentation, which will also be webcast live, will feature the key messages that will be included in the Committee's final report, scheduled for release in August. To learn more, click [here](#).

22 July, London, UK. LEARNING FROM THE CRISIS: OPTIONS FOR REFORM. At this Chatham House event, Adair Lord Turner of Ecchinswell – Senior Fellow at the Institute for New Economic Thinking – will analyse the lessons learned from the financial crisis and ongoing recovery efforts. Among other topics, Lord Turner will explore in detail the need for reform, in order to ensure sustained financial prosperity and to avoid the potential for a relapse. The event is by invitation only; more information is available at the organisation's [website](#).

25 July, Washington, US. INDIA'S NEW GROWTH STORY: REVITALIZING U.S.-INDIA RELATIONS. This event, hosted by the Carnegie Endowment for International Peace, will feature a panel discussion among top Indian business leaders. Panellists will discuss domestic industry expectations, in light of the recent change in government in India, and outline their perspective on the current growth agenda. Other topics for review include the potential future direction of India-US ties. For more information, or to register, please click [here](#).

29 July, Geneva, Switzerland. ROUNDTABLE ON MEGA-REGIONALS AND THE WTO: AN RTA EXCHANGE INITIATIVE. At this event, the International Centre for Trade and Sustainable Development (ICTSD) will launch a new initiative known as the RTA Exchange, together with the Inter-American Development Bank (IDB) and the Asian Development Bank Institute (ADBI). The Exchange will serve as a clearinghouse for information on regional trade agreements, exploring how these relate to the multilateral trading system. The launch will be followed by a roundtable discussion on the subject; more information is available at this [link](#).

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

7-8 August, Hanoi, Vietnam. SIXTH GMS ECONOMIC CORRIDORS FORUM. This event, hosted by the Asian Development Bank, will provide stakeholders the opportunity to review the key milestones and achievements of the Economic Corridors Forum, examine existing cross-border transport agreements and transport and trade facilitation initiatives in the region, and analyse the role of economic zones in the development of such corridors. For more information, visit the event [website](#).

5 September, London, UK. GLOBAL VALUE CHAINS IN ASIA: IS EVERYONE BENEFITTING? This event, hosted by the Overseas Development Institute, will focus on the spread of Global Value Chains (GVCs) in East Asia and the role these have played in the region's rapid industrialisation, creation of jobs, and prosperity. Discussion topics will include whether GVCs can sustain East Asia's future growth; whether these chains can foster inclusive growth in the rest of the developing world, and what policies would be required to do so; and the role for foreign aid in this area. For more information, visit the event [website](#).

22-30 September, Geneva, Switzerland. ASSEMBLIES OF THE MEMBER STATES OF WIPO: FIFTY-FOURTH SERIES OF MEETINGS. This annual meeting of the World Intellectual Property Organization's (WIPO) main policy and decision-making bodies will bring together the agency's member states for several days of discussions. The event will afford them the opportunity to review WIPO's work over the past year, including across the organisation's various committees, and establish future policy directions. For more information, visit the event page on WIPO's [website](#).

24-25 September, Washington, US. WITA-GWU INTENSIVE TRADE SEMINAR. This event, hosted by Washington International Trade Association (WITA) and the George Washington University (GWU) Elliott School of International Affairs, is a two-day intensive seminar that will provide an overview of how the US government formulates and enforces trade policy, both in the US Congress and across federal government agencies. Topics that will be covered include policy monitoring and dispute settlement, enforcement and remedies, and trade agreements. More information can be found at the event [website](#).

28-29 September, Brussels, Belgium. GLOBAL FRAGMENTATION OF PRODUCTION AND TRADE POLICY. This workshop, which is being hosted by the European Centre for Advanced Research in Economics and Statistics (ECARES) in association with the Centre for Economic Policy and Research (CEPR) and the Centre for Competitive Advantage in the Global Economy (CAGE) at the University of Warwick, is a component of the Dispute Settlement in Trade: Training in Law and Economics (DISSETTLE) research project. The latter aims to train a new cohort of economic and legal experts to work together on areas of dispute resolution under the World Trade Organization and bilateral and regional trade agreement regimes. The event is designed specifically for researchers who focus on global supply chains and trade policy. For more information about the event, visit the event page on the CEPR [website](#).

Resources

OECD-FAO AGRICULTURAL OUTLOOK 2014-2023. Published by the Organisation for Economic Co-operation and Development (OECD) and the Food and Agricultural Organization (FAO) of the United Nations (July 2014). This annual publication provides an assessment of prospects for the coming decade of national, regional, and global agriculture commodity markets, including fish and biofuels. This edition includes a special focus on India, where food diets are expected to improve and diversify. The full Outlook can be found at the OECD [website](#).

THE UNITED STATES, JAPAN, AND THE TRANS-PACIFIC PARTNERSHIP. By Jeffrey J. Schott for Peterson Institute for International Economics (June 2014). This paper discusses the trade relationship between the United States and Japan in the context of the Trans-Pacific Partnership (TPP), a proposed 12-country trade pact that is currently under negotiation. The paper provides an overview of trade ties between Japan and the US – the two biggest economies in the group – and a summary of the TPP. Schott then explains why Japan joined the TPP negotiations and why Japan's involvement in the pact is so important for the US. The paper also discusses whether the renewal of Trade Promotion Authority (TPA) by the US Congress is required to conclude TPP. The paper can be accessed [here](#).

POLICIES TO ENHANCE TRADE FACILITATION IN SOUTH ASIA AND SOUTH EAST ASIA. By Anthony Bayley for the Asian Development Bank Institute (July 2014). This paper argues that there is limited intra- and inter-regional South and South East Asia trade because trade facilitation with partners in developed countries is more user-friendly and stable. The paper reviews the current situation and identifies the scope of trade facilitation in the two regions, highlights key issues and constraints, and discusses some ongoing initiatives designed to promote change in this area. The paper also proposes some recommendations to eliminate barriers that are adversely affecting trade within and between these regions. The working paper can be found [here](#).

SOUTH-SOUTH TRADE IN RENEWABLE ENERGY: A TRADE FLOW ANALYSIS OF SELECTED ENVIRONMENTAL GOODS. Published by the United Nations Environment Programme (2014). This report focuses on South-South trade in renewable energy technologies and stresses that South-South trade in environmental goods and services is key for transitioning to low-carbon, resource-efficient green economies. The report, which covers the period 2004-2011, analyses trade flows in selected environmental goods, emphasises the need for targeted investments, and highlights social, economic and environmental opportunities for expanding South-South trade. The authors also outline policy recommendations with the aim of supporting developing countries' ability to participate in sustainable value chains and accelerating South-South trade in renewable energy goods. The full report can be accessed [here](#).

PACIFIC ECONOMIC MONITOR 2014. Published by the Asian Development Bank Institute (July 2014). The policy briefs in this issue of the Pacific Economic Monitor - a publication produced by the Asian Development Bank that delivers information about economic development and policy issues in the Pacific region – focus on the region's employment challenges and discuss policy options for job creation. More information about the report can be found [here](#).

IS THE EUROZONE ON THE MEND? LATIN AMERICAN EXAMPLES TO ANALYZE THE EURO QUESTION. By Eduardo A. Cavallo, Fernández Arias, and Andrew Powell for the Inter-American Development Bank (July 2014). This paper argues that some European countries face challenges similar to those previously faced by some of the emerging

economies of Latin America. Therefore, the authors say, reflecting on Latin America's experience could provide useful insight that can help Europe improve its recovery chances. Economic booms financed by large capital inflows, credit and asset price booms and busts, sudden stops in capital flows, the interaction between sovereign debt and domestic banking systems, the role of foreign banks and contagion all in the context of a fixed exchange rate are some of the common issues discussed in this paper. The publication can be accessed [here](#).

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