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PREFERENTIAL TRADE AGREEMENTS

EU, Ukraine Parliaments Ratify Trade Deal

The European and Ukrainian parliaments ratified their bilateral trade deal on Tuesday. The landmark votes, which were conducted simultaneously in Strasbourg and Kiev and streamed through a joint video link, came following a turbulent year that saw Western ties with Russia fall to their lowest point in decades amid an outbreak of violence in Ukraine.

Tuesday's vote, which was welcomed by European Parliament President Martin Schulz as "an historic moment," saw EU lawmakers back the deal with 535 votes in favour, with 127 voting against and 35 abstaining. In Kiev, the legislature gave 355 votes for the trade deal, out of the 381 total.

The Deep and Comprehensive Free Trade Agreement, as the EU-Ukraine trade pact is formally known, is part of a larger political association and economic agreement between the two sides. The decision nearly a year ago by Ukraine's then-president, Viktor Yanukovich, not to sign the deal following pressure from Russia had sparked protests in Kiev that ultimately led to his ouster.

In economic terms, the deal has put Kiev in the position of balancing between two trade regimes – the preferential trade arrangement which it currently has with Moscow under the Commonwealth of Independent States (CIS), and the FTA it has now negotiated with Brussels.

Russia had warned that the two deals could potentially be incompatible, and would also put its own economy at risk of being flooded with lower-priced European imports, given the close trade links between Russia and Ukraine.

Geopolitically, the trade deal has taken on a broader significance – namely, whether the Eastern European country would choose to deepen its political, diplomatic, and economic ties with the EU, or whether it would instead choose to prioritise its long-standing relationship with Russia.

"Through this ratification, Ukraine's European choice will be institutionalised and will bind the future of the EU and Ukraine together," said rapporteur Jacek Saryusz-Wolski, the EU parliamentarian tasked with shepherding the legislation through the legislative chamber.

Ukrainian President Petro Poroshenko concurred. Kiev "has embarked on the

European path and nobody will shut the door to the EU membership for Ukraine," he said on Tuesday, in comments reported by the ITAR-ITASS news agency.

Delay in application

Despite the ratification on Tuesday, the full agreement will not immediately enter into force, due to a separate deal reached late last week to delay the provisional application of the trade agreement until 31 December 2015.

In other words, while the autonomous trade preferences that the EU has been granting Ukraine since May will remain in place, Kiev can continue imposing tariffs on imports from the EU until the end of next year. The decision came following a trilateral meeting held on Friday between the EU, Ukraine, and Russia, and has been viewed as a major win for Moscow.

"The reason we are doing this, and more precisely the continuing of the autonomous trade measures, is the very difficult economic situation in Ukraine," EU Trade Commissioner Karel De Gucht told reporters.

"On the other hand, we agreed to delay the provisional application because that gives room – in fact, 15 months – for either party to make remarks [or] proposals," he added, noting that trilateral consultations between the parties are expected to continue in the interim.

"This is part and parcel of the comprehensive peace process in Ukraine," the trade chief noted, given the months of fighting in the Eastern European country between Russian-backed separatists and Ukrainian troops.

In the meantime, De Gucht explained, the existing CIS trade arrangement between Kiev and Moscow will continue to apply. During this 15-month period, negotiators will be hard-pressed to find an arrangement that will be tenable for all three sides, though the EU trade official has said he believes one is possible.

Russia has maintained that once the EU-Ukraine deal is fully in force, it will impose stiff trade restrictions on Ukraine, a result that Kiev and Brussels are hoping to avoid.

The decision to delay the pact's provisional implementation has drawn harsh criticism from some high-level Ukrainian political figures, such as former Prime Minister Yulia Tymoshenko.

The move is "a betrayal of national interests," she told a meeting of her party, in comments reported by the Wall Street Journal. Other rivals of new Ukrainian President Poroshenko have been similarly critical, as have some members of his own government. Deputy Foreign Minister Danylo Lubkivskiy resigned over the delay, warning that it had issued "the wrong signal to everyone."

The delay itself will still require some procedural steps on the European side to become official, namely a formal sign-off from the European Council.

Regarding the autonomous trade measures, these will need to go through the EU's "co-decision process" – in other words, the Commission will need to prepare a proposal, which must then be approved by the Parliament and the Council. This should occur by 1 November, which is the expiry date of the existing autonomous measures.

ICTSD reporting; "Ukraine President Poroshenko Faces Backlash Over EU Trade Deal Delay," WALL STREET JOURNAL, 14 September 2014; "EU and Ukraine ratify trade agreement in historic vote," FINANCIAL TIMES, 16 September 2014; "Ukraine and EU ratify landmark Association Agreement," RT, 16 September 2014.

WORLD TRADE ORGANIZATION

Azevêdo Warns WTO Members of "Precarious" Situation as TFA, Food Stockholding Talks Resume

A resolution to the deadlock over whether to link the implementation of the WTO's Trade Facilitation Agreement (TFA) to finding a permanent solution on public food stockholding is still "far from evident," Director-General Roberto Azevêdo told ambassadors in Geneva on Monday afternoon.

Monday's informal meeting at the level of Heads of Delegation – HoDs, in trade shorthand – kicked off what is expected to be a busy period of consultations as WTO members try to break through the impasse, which caused them to miss a key deadline for ratifying the Protocol of Amendment for the TFA in late July. (See Bridges Weekly, [31 July 2014](#))

The Protocol is necessary in order to bring the TFA – a global deal aimed at easing customs procedures and reducing red tape at the border – into the WTO's legal framework. From there, WTO members will then be able to individually ratify the agreement, which was finalised at their ministerial conference in Bali, Indonesia last December, in their domestic legislatures.

Azevêdo: "strict parallelism" impossible

Advancing the TFA protocol, however, now appears to be intrinsically linked to finding some sort of deal between India and its fellow WTO members that answers both New Delhi's concerns regarding public food stockholding while at the same time preserving the integrity of the Bali package.

India has insisted that it will not back the adoption of the TFA protocol unless it sees significant progress on a permanent solution on food stockholding. India had said in July that it hopes to see this permanent solution by end-December of this year.

An interim solution is currently in place, having also been agreed at December's WTO ministerial conference in Bali. This solution was meant to serve until a permanent one could be negotiated, with the understanding that the latter should be ready in time for the WTO's 11th ministerial conference in 2017.

The interim solution essentially involves the adoption of a due restraint mechanism, or "peace clause," which commits members not to file legal challenges on subsidised purchases of farm goods under existing public food stockholding programmes. In turn, those WTO members wishing to use the flexibility provided by the peace clause would need to provide more information on the scale and type of support being provided to their farmers.

"On the issue of the Bali decisions, there seems to be a clear interplay between concerns relating to the negotiations on public stockholding for food security purposes and the adoption of the protocol of amendment on the Trade Facilitation Agreement," Azevêdo commented on Monday.

"However, we know that strict parallelism is not possible," he continued, noting that the different Bali components were designed with their own individual timetables.

US, EU back peace clause "clarification"

In his intervention on Monday afternoon, US Ambassador Michael Punke confirmed that his country would be willing to provide [some clarifications](#) to India regarding how long the interim solution would hold, should a permanent solution not be ready by the original 2017 target.

"If the issue is one of clarification, the United States is ready – as we were in July – to clarify ambiguity concerning the duration of the due restraint mechanism, so long as such clarification occurs coincident with adoption of an appropriate [Trade Facilitation] protocol of amendment and does not entail a reopening of the Bali package," Punke said.

The US will not, however, accept anything that would entail linking TFA implementation with determining a permanent solution on food stockholding. "We and many others would see it as fundamentally rejecting the Bali package," he said. "That is untenable."

The US ambassador highlighted, however, that it is still not clear to all WTO members what India actually wants – and knowing the answer to that question is key to determining "whether breaking the current deadlock is possible."

"The simple, threshold question is, which position does this member hold?" he asked.

Separately, the EU confirmed that it too would be open to backing a "confirmation of the open-ended nature of the interim solution," if that is what India seeks. However, the EU added, the only "realistic way" to move forward will require a clear understanding that the TFA Protocol will be adopted "without links or conditions."

TNC meeting on 6 October

An informal meeting the following day of the Committee on Agriculture also failed to yield significant advances, with members reportedly differing on whether talks on the "post-Bali" issues could continue if the TFA protocol had not been adopted.

Sources say that members were also at odds on Tuesday over which forum to use for the food security discussions. At the WTO, discussions on agriculture are held either in the regular Committee on Agriculture, which deals with implementing the existing Agreement on Agriculture as well as monitoring members' commitments, or in the "special session," which involves agriculture-related negotiations.

The agriculture special session is slated to meet next week, and the Preparatory Committee on Trade Facilitation will be meeting on 29 September. Negotiating group chairs have also been directed to hold consultations of their own. (See Bridges Weekly, [10 September 2014](#))

The results of these upcoming meetings will be reviewed at a 6 October meeting of the Trade Negotiations Committee (TNC), Azevêdo said on Monday. The TNC is tasked with the overall Doha Round trade talks, and is chaired ex-officio by the Director-General.

In the meantime, the WTO chief told members, the upcoming weeks of consultations should show a "sense of real commitment and real urgency," cautioning them against pursuing a business-as-usual approach.

The negotiations are still in a "very precarious" situation, the global trade chief said, noting that he was "not sure that the scale of the risk is fully appreciated by all."

ICTSD reporting.

AGRICULTURE

India Reports Farm Subsidies Beneath Current WTO Ceilings

India has reported that its trade-distorting support consistently fell below WTO ceilings, or was exempt from these limits, according to new [figures](#) covering a seven-year period up to 2010-11.

Trade-distorting payments allowed under the trade body's "de minimis" clause amounted to only US\$2 billion in 2010-2011, the government has claimed in its submission to the global trade body. Although classed as trade-distorting, current rules allow developing countries to provide these payments so long as they represent less than ten percent of the value of production.

The trade-distorting payments in that year were all ascribed to support for rice: support for wheat and coarse cereals did not contribute to the overall figure, as administered prices for these products fell below an external reference price used to benchmark support levels. The government reported that 34.2 million tonnes of rice had been eligible to receive the applied administered price.

Another US\$32 billion of farm support in that same year was classified by New Delhi as input and investment subsidies that are exempt from any cuts or ceilings under WTO rules, according to a clause that allows developing countries to provide support of this kind under certain circumstances. The remaining US\$25 billion in 2010-2011 payments were dubbed as "green box" – again exempt from any upper limit, on the condition that they do not distort trade or production.

Delegates in Geneva welcomed the decision to submit the data. Trading partners have long argued that more up-to-date information on spending patterns could help them better respond to complaints from New Delhi about the methodology used to calculate farm support levels – a repeated source of friction between WTO members over the last two years. (See Bridges Weekly, [14 November 2012](#))

India's last such notification, in 2011, covered the period from marketing year 1998-99 to 2003-04. (See Bridges Weekly, [15 June 2011](#))

Input subsidies mushroom

Agricultural input subsidies for low-income or resource-poor producers have consistently accounted for over half of all India's farm support, the new data suggests. These payments, which developing countries can exempt from their WTO ceiling on trade-distorting support, amounted to US\$29 billion in 2010-11, having risen sharply over the previous seven years. In 2003-04, these payments were one-third of that level.

Input subsidies have included support for fertilisers, irrigation, electricity, and seeds, New Delhi said.

The government has also reported that over 99 percent of Indian farm holdings belonged to low-income or resource-poor farmers, according to census data from 2005-06 – a marginal increase on the share recorded in the previous census five years earlier.

Investment subsidies generally available to agriculture amounted to another US\$2.5 billion, the government said. The support was primarily directed towards livestock and poultry improvement and breeding.

Public stockholding: steady growth

New Delhi has reported it made no payments under certain support categories of support in the "green box," such as domestic food aid or decoupled income support for farmers. Instead, it focused payments in five main categories: food stockholding, "general services" such as research or farmer advisory services, investment aids, disaster relief, and environmental programmes.

The new figures indicate that in 2010-11 the government spent US\$14 billion in support on this category – over double the level seen seven years previously.

Trade officials are likely to scrutinise closely new figures on India's public stockholding schemes, the source of continued tension between India and its trading partners in recent months.

India has argued that food purchased at administered prices should not have to count towards WTO ceilings on trade-distorting support, so long as it forms part of a public stockholding scheme for food security. New Delhi has said that this could help counter the effect of food price inflation on its farm subsidy levels, and expressed fears that otherwise India could risk breaching current WTO limits on its permitted levels of trade-distorting support.

At the WTO's ninth ministerial conference in Bali, Indonesia, last December, governments agreed to refrain from bringing trade disputes on this issue while a permanent solution was under negotiation. But seemingly slow progress in doing so prompted India to withhold support for the adoption of a "Protocol of Amendment" needed to advance a separate agreement on trade facilitation – another Bali outcome – in July. (See Bridges Weekly, [31 July 2014](#))

India had asked to see a permanent solution on the food security question by the end of this year – rather than the previously-agreed 2017 date – and had said that it will not sign off on the Trade Facilitation Agreement (TFA) Protocol until then.

Efforts to resolve this disagreement – which has pitted India against many of its fellow WTO members, particularly the US and EU – are now underway. Many WTO members have argued that linking the adoption of the TFA Protocol to finding an agreed permanent solution on food security would essentially entail re-opening the Bali package, which these countries say would be unacceptable. (See related story, this edition)

Research spending jumps

Spending on research leaped more than ten-fold to US\$5.6 billion in 2010-11, the data shows – meaning that support in this sub-category of "general services" spending under the green box far outstripped other sub-categories, such as infrastructure spending or farmer advisory services.

In contrast, spending on structural adjustment assistance through investment aids reportedly fell from around US\$6 billion in 2008-09 to slightly over half that level in 2010-11. The bulk of the support provided in this category was ascribed to concessional loans and debt waivers, New Delhi reported.

ICTSD reporting.

POST-2015 DEVELOPMENT AGENDA

UN Members Weigh Post-2015 Development Agenda Progress

UN Secretary-General Ban Ki-moon urged UN members last Thursday to make a final push to achieve the eight Millennium Development Goals (MDGs) by their 2015 target date, and to simultaneously work toward building a development roadmap for the years ahead.

"The coming year will be full of hard work, in-depth discussions, and vigorous debate," Ban [told](#) participants at a high-level development-focused event.

"We must build a framework that will sustain and finish what we have accomplished with the MDGs in our fight against poverty, hunger, ignorance, and disease. We must rise to challenges old and new, not least climate change," he continued.

In addition, the UN chief urged the international community to come through on a pledge to deliver a meaningful universal climate agreement, also by the end of next year.

The event, held on 11-12 September in New York, provided an opportunity for UN members and civil society to review the state of play in the various tracks feeding into a UN process known as the "post-2015 development agenda." The new development framework is set to replace the MDGs when these expire at the end of next year.

Work undertaken in various tracks towards this end includes, among other efforts, the formulation of a proposed set of sustainable development goals (SDGs); a report on sustainable development financing; and identification of options for a technology facilitation mechanism.

General Assembly to review proposed SDGs

John Ashe, President of the 193-member UN General Assembly, said that the new development agenda required an updated toolkit and that policies should take into account synergies between various sectors.

The 17 proposed SDGs, delivered by a designated UN group in July, were intended to adopt this approach. For example, bids to eliminate harmful fossil fuel consumption and production subsidies would also be a win for the environment.

"The SDGs build on the MDGs and incorporate economic and environmental dimensions. They break new ground by including issues such as energy, economic growth, inequality, cities, sustainable consumption and production, as well as peaceful societies," Ashe said last week.

The proposed SDGs are due to be forwarded to the General Assembly for its consideration later this month. Last Wednesday, the international body adopted a draft resolution confirming that the proposed goals would be the "[main basis](#)" for the final SDGs in the post-2015 development agenda. Statements by UN members, however, indicated a degree of difference around the extent to which the document will be re-opened for discussion.

Similar differences of opinion on the way forward were echoed at the high-level event on Thursday and Friday. Some countries cautioned against opening up the much-discussed

proposed SDG outcome document, while others said more work was needed to reduce the number of goals and targets, or that a greater focus was required in certain areas.

Some UN members have also expressed concern that having 17 proposed goals will be too difficult to implement. Furthermore, while all participants agreed on the importance of effective means of implementation (MoI) for realising the post-2015 framework, some countries disagreed on the balance between various sources of financing. These were outlined in a [draft report](#) released in August by a UN group known formally as the Intergovernmental Committee of Experts on Sustainable Development Financing (ICESDF).

The proposed SDGs themselves include a stand-alone goal on various sources of MoI, which features a subsection on trade with three targets, as well as specific trade-relevant MoI included under some of the other goals. (See BioRes, [23 July 2014](#))

Last week also saw the release of an advanced, unedited version of the UN Secretary-General's [report](#) to the General Assembly on the post-2015 processes. Among other areas, the draft report suggests that member states should work on the design and function of the High-level Political Forum on Sustainable Development (HLPF). The forum has been given a mandate by governments to review and monitor, beginning in 2016, international sustainable development commitments. (See BioRes, [15 July 2014](#))

During the high-level event last week, UN members also said that the role of other existing accountability mechanisms was important, such as the recently inaugurated UN Environment Assembly.

Realising the MDGs

Meanwhile, the UN has said that many of the currently incomplete MDG targets can be realised by the 2015 due date, according to a [report](#) released in July.

Providing an update on progress made so far, the report emphasises that some MDGs are more on track than others, and that variations exist across regions and population groups. Key targets such as reducing world poverty by half from 1990 levels have already been successfully met.

Further effort in the next 15 months is required, however, on access to sanitation, as well as on reducing child and maternal mortality. Keeping up momentum in areas such as the hunger reduction goal is also flagged.

The report also warns of uneven efforts on the environmental sustainability goal and the threat this could pose to sustainable economic and social development.

Climate gathering

Later this month, as the discussion picks up again on the post-2015 development agenda and its sustainable development goals, world leaders will also gather at UN headquarters in New York to discuss climate change at the invitation of the Secretary-General.

The UN recently confirmed that the Climate Summit, as the event is formally known, will be attended by 126 world leaders. This figure will make it the largest heads of state gathering on climate to date. The event is designed to ramp up efforts towards reaching the promised global climate deal under the UN Framework Convention on Climate Change (UNFCCC).

With approximately half a day dedicated to national announcements, many in the climate community are hopeful the summit will provide a positive boost to the UN climate talks.

Some civil society groups stressed the importance of acting on climate change in the SDGs. For example, in a recent [report](#), humanitarian group CARE welcomed the inclusion of a climate goal in the proposed framework.

The group, however, also said that the proposed climate goal is “vague” and that climate-related targets in other relevant goals are weak. The report argues that goals and targets related to industrialisation and economic growth lack substance in terms of environmental sustainability.

Work on refining this text and underpinning the targets with indicators will mark the next challenge for the international community, the report says, and the post-2015 development agenda and UNFCCC process must be mutually supportive.

ICTSD reporting; “Climate change and the SDGs: Where do we go from here?” ECO-BUSINESS, 12 September 2014.

EUROPEAN UNION

EU: Juncker Nominates New Commissioners, Chooses Malmström for Trade

European Commission President-elect Jean-Claude Juncker named his new team of commissioners last week, with the incoming group set to begin their term on 1 November should they win parliamentary approval. The former Luxembourg premier has also made some significant changes to the structure of the EU executive branch, such as naming several second-in-command positions and altering the make-up of some policy portfolios.

Of the changes outlined by Juncker last week, most notable is the creation of six new vice president positions, outside of the High Representative of the Union for Foreign Affairs and Security Policy, which was already a vice president role.

These new vice presidents will be given "priority projects" that they will each advance, along with needing to "steer and coordinate work across the Commission" in line with the "Political Guidelines" document that Juncker presented to the European Parliament during his confirmation vote in July.

The vice presidents will have significant authority, Juncker has said, essentially acting on his behalf in their respective areas of responsibility and giving direction to the relevant commissioners. New initiatives will generally require the recommendation of one of these vice presidents for inclusion on the Commission's agenda, he said.

"As a general rule, I will not include a new initiative in the Commission Work Programme or place it on the agenda of the College unless this is recommended to me by one of the Vice Presidents on the basis of sound arguments and a clear narrative that is coherent with the priority projects of the Political Guidelines," Juncker told all of the commissioners-designate in their mission letters.

The opinion of Frans Timmermans, who will serve as the First Vice President in charge of Better Regulation, Inter-Institutional Relations, the Rule of Law, and the Charter of Fundamental Rights, will receive particular attention when it comes to the Commission Work Programme, Juncker said.

Timmermans' position marks the first time a Commissioner has been given the mandate to focus on "better regulation," a move slated by political analysts as particularly strategic, given popular backlash in recent years in some member states against heavy top-down regulation from Brussels.

Kristalina Georgieva, who has been named as the Vice-President for Budget and Human Resources, will also have substantial say in this regard, focusing particularly on the impact of the Commission's activities on its financial resources and staff.

The new Commission head also indicated that there will not be a hierarchy among the portfolios, in keeping with the collective spirit of the branch enshrined in [EU law](#). "In the new Commission, there are no first or second-class Commissioners – there are team leaders and team players," Juncker said unveiling his line-up.

He has also urged the commissioners-designate to develop a better relationship with the European Parliament, one that is "political and not technocratic." In addition, the President-elect has directed the new College of Commissioners to build closer ties with national Parliaments, in order to improve communication channels between EU member states and the EU institutions.

The Commission has the role of proposing new laws that represent the interests of the EU's 28 member states and then seeing that these are implemented, once adopted. However, in order for a Commission proposal to become law, these must be approved by the European Council, which represents individual member state governments and sets the political direction of the EU institutions, and the European Parliament, a 751-member body directly elected by the bloc's citizens.

Each of the EU's 28 member states has one representative in the College of Commissioners, as the group is otherwise known. Their terms last for a period of five years, and each commissioner is assigned a policy area(s).

Malmström slated for Trade Commission

Juncker has designated a current member of the Barroso Commission, Swedish politician Cecilia Malmström, to be the EU's top trade official. Malmström has been the Commissioner responsible for Home Affairs since 2010.

Malmström, who has a PhD in political science, previously served as Vice-President of the Liberal Party of Sweden, and was also Sweden's Minister for EU affairs. She spent several years before that as a member of the European Parliament, serving on committees relating to foreign and constitutional affairs, among others.

"Trade is a vital part of Europe's economic recovery, and a cornerstone of our prosperity," Malmström [said](#) following her nomination. She highlighted the importance of lowering barriers and opening new markets, without going into further detail.

Under the structure outlined by Juncker, Malmström will work on projects "steered and coordinated" with the incoming Vice-President for Jobs, Growth, Investment, and Competitiveness. The latter post will be held by Jyrki Katainen, who previously served as the Prime Minister of Finland from June 2011 to June 2014.

The Trade Commissioner-designate will also have to liaise with the EU's High Representative for Foreign Affairs and Security, a job that has been given to Federica Mogherini of Italy.

Malmström will be taking over from Karel De Gucht, a Belgian politician who has been in the role since 2010. Before joining the Commission, De Gucht was previously the Deputy Prime Minister of Belgium, having also held ministerial-level posts in the Belgian government.

One of the main initiatives that began during De Gucht's tenure, and is expected to be a key focus for Malmström, is advancing the negotiations for a Transatlantic Trade and Investment Partnership (TTIP) with the United States. Those talks began just over a year ago, and if successful could provide a significant boost to both economies.

However, the negotiations have struggled to overcome public scepticism on both sides of the Atlantic, despite assurances from officials that the EU-US trade deal will not do anything to weaken existing domestic standards and regulations aimed at protecting public health, safety, or the environment.

The final TTIP, Juncker said in his letter to Malmström, should be one that "neither threatens Europe's safety, health, social, and data protection standards, nor jeopardises

our cultural diversity," the latter being an apparent reference to the controversy last year as to whether the EU's "cultural exception" policy would be on the table in the trade talks. (See Bridges Weekly, [25 April 2013](#))

Climate, energy merged

In another change of potential significance, some existing portfolios – such as climate and energy – have been merged. In this case, Spanish politician Miguel Arias Cañete is meant to head the Commission in charge of Climate Action and Energy policy.

The decision to combine those two, according to a Commission factsheet, was meant to help give the EU "one strong voice to speak on behalf of the European Union ahead of the United Nations Paris meeting in 2015 and beyond," referring to the UN Framework Convention on Climate Change's (UNFCCC) annual Conference of the Parties.

Countries are aiming to clinch a binding global emissions-cutting deal to take the place of the present climate regime by the Paris 2015 meeting.

"Climate action and energy are mutually reinforcing: strengthening the share of renewable energies is not only a matter of a responsible climate change policy. It is, at the same time, an industrial policy imperative if Europe still wants to have affordable energy in the medium term," the Commission factsheet said.

Juncker told Arias Cañete in his mission letter that, among things, Europe needs to develop its other energy supply channels enough so that – should there be difficulties in receiving energy from Eastern partners – it could switch quickly.

The suggestion appeared to be an indirect reference to Russia, given the high reliance some EU member states have on its energy sources, which had helped to complicate the process of imposing sanctions on Moscow in the wake of the Ukraine crisis.

Furthermore, Juncker stressed that improved EU energy efficiency should be another key goal, noting that a binding 30 percent objective for such efficiency by 2030 "is to me the minimum if we want to be credible." The outgoing Commission had proposed a 30 percent target in July, as part of a draft 2030 climate and energy framework, which the bloc's leaders are hoping to finalise next month.

Potentially significant, however, was Juncker's mention that this goal should be binding, which had not been made clear in the July proposal. (See Bridges Weekly, [31 July 2014](#))

Upcoming challenges

The incoming College of Commissioners is expected to face a series of challenges when it takes office in November, both politically and economically. At the political level, the Juncker Commission will likely be hard-pressed to answer questions of whether the EU institutions are taking the bloc in the right direction, given the rise of anti-EU groups in various member states.

UK Prime Minister David Cameron, for instance, had lobbied hard against giving Juncker the presidency of the Commission, due largely to questions over whether the latter was too much of a federalist. The UK leader at the time said that appointing such a figure would not be appropriate given the shift in balance of the European Parliament in May toward more euro-sceptic parties. (See Bridges Weekly, [28 May 2014](#))

Juncker has pledged that he hopes this incoming Commission will be "bigger and more ambitious on big things, and more modest on small things," stressing that they "cannot and should not do everything."

The Commission line-up named by Juncker features five former prime ministers, four deputy prime ministers, 19 former ministers, 7 commissioners, and 8 former EU parliamentarians. Given the high-level posts of these commissioner-designates, it remains to be seen how the relationship will evolve between the EU executive branch, the Council, and the increasingly powerful European Parliament.

The prospect that the UK could exit the EU entirely – in what many say would be a substantial blow to the 28-nation bloc – will also continue to weigh on officials' minds. Cameron has promised a 2017 national referendum on the subject, pre-conditioned on his re-election to office, and is in the meantime aiming to renegotiate the UK's relationship terms with the European Union.

In what was seen as a major win for the UK, Juncker has nominated Jonathan Hill of the House of Lords as the incoming financial stability and services commissioner, a newly-designed economic post and one of the most powerful on offer in the latest incarnation of the EU executive branch.

At the economic level, the EU continues to struggle against the possibility of deflation in the eurozone, high levels of youth unemployment, the difficulties that some member states are having in meeting their debt reduction commitments, and various other challenges.

To that end, Juncker has said that he hopes his new Commission can have a "jobs, growth, and investment package" ready for presentation within the first three months of taking office – in other words, by end-January 2015.

Parliament consent next

The list released last week already has the approval by the Council, in line with EU procedures. However, the entire College of Commissioners must be approved by the European Parliament. EU lawmakers cannot cherry-pick which commissioners to keep or reject, as the sign-off is for the group as a whole.

The vote by EU lawmakers is expected in October, following parliamentary hearings for each of the commissioners-designate.

ICTSD reporting; "Lord Hill must convince EU he is right for financial services job," FINANCIAL TIMES, 14 September 2014; "Eurozone slips a step closer to deflation," FINANCIAL TIMES, 29 August 2014; "Jean-Claude Juncker Names European Commissioners," THE NEW YORK TIMES, 10 September 2014.

CLIMATE CHANGE

China Unveils Plans for National Carbon Market by 2016

China is set to put in place a national carbon market from 2016, according to recent media reports. The country already has seven regional pilot programmes in operation as part of an effort to lay the groundwork for what will become the world's largest emissions trading programme.

An outline for the country-wide carbon market was reportedly unveiled at a conference held Thursday of last week in the northern city of Tianjin by the National Development and Reform Commission (NDRC), the country's top economic planner, and the Asian Development Bank.

The NDRC is responsible for drawing up the rules and regulations for the carbon trading scheme. Approval on the final framework, however, will need to be granted by China's cabinet, known formally as the State Council.

Approximately 3-4 billion tonnes of carbon dioxide would be covered annually by the scheme during its first five years of operation, equal to four percent of China's total emissions, according to NDRC officials. Under this design the emissions permit future market would be worth between 60-400 billion yuan (US\$11-72 billion) annually by 2020.

Officials also told media sources that the scheme could be extended to cover a wider range of sectors after the end of the decade and may seek to link up with international carbon markets.

Thursday's reports confirmed comments made by a government official at the end of August. On that occasion Sun Chihua, a senior official with the NDRC, said that the body would send national market regulations to the State Council by the end of this year.

Responsible for 30 percent of global greenhouse gas emissions (GHGs), China is the world's largest emitter. The Asian giant has pledged to reduce carbon emissions per unit of its GDP to between 40-45 percent below 2005 levels by 2020. An absolute cap on emissions, however, continues to remain elusive for the time being.

Beijing has signalled stronger domestic action on climate change in recent months, however, including plans to set up a 10 billion yuan (US\$1.65 billion) fund to fight air pollution, designed to incentivise firms to clean up their operations.

Also last week, the State Council published a draft of a law that would clamp down on coal use in China and ban low-quality imports, responsible for heavy pollution across many of the nation's top cities. At present, coal generates around 80 percent of the country's electricity.

Climate action, carbon pricing

Dr. Frank Jotzo, an expert on carbon markets at the Australian National University, suggested that the outlined scheme would equate to a market carbon price of around US\$18 a tonne.

The carbon market watcher also said on Friday that the two-year out starting date could further signal the country's intention to tackle climate change.

"What [came as a] surprise was the announcement that the plan is for a 2016 start when most experts were expecting closer to 2020," Jotzo told journalists. "It is a fair bet that China will be a force to drive strong global climate action," he continued.

The news comes as the international community prepares for a series of climate meetings in the coming months as part of a bid to hammer out a global emissions-cutting deal by the end of next year.

First up is a high-level Climate Summit being convened by UN Secretary-General Ban Ki-moon next week in New York, although Chinese President Xi Jinping is currently not slated to attend.

The World Bank, however, recently said that a number of nations will announce plans to price carbon at the New York event.

"We believe by the time we get to the summit we will have a very substantial number of countries, states, cities, and companies and we will be able to talk about significant percentages of global GDP, the world's population and greenhouse gas emissions coming from economies where carbon is being priced," Rachel Kyte, the Bank's special envoy for climate change said on Friday, speaking with climate reporters from [RTCC](#).

The World Bank previously released a [report](#) in May outlining the state and trends of national and regional carbon markets. At that point in time, the global emissions trading schemes were valued at US\$30 billion.

According to the design reported this week China's carbon market would be twice the size as the world's current largest carbon trading scheme, which is run by the EU.

For its part, the 28-nation state bloc's scheme has in recent years struggled with a glut of carbon permits, which has at times caused trading prices to hit rock-bottom.

In July, Australia passed legislation repealing its own polarising carbon tax and a planned national emissions trading scheme. The fixed-rate tax, imposed on the country's top polluters, had been scheduled to move to a floating price emission trading scheme next year, at which point it would have also linked up to the EU's cap-and-trade system. (See BioRes, [17 July 2014](#))

Market-based mechanisms to tackle harmful emissions from economic activity have been increasingly deployed as a policy tool in recent years, though not without attracting controversy.

ICTSD reporting; "China aims high for carbon market by 2020," THE SYDNEY MORNING HERALD, 12 September 2014; "China Plans a Market for Carbon Permits," THE NEW YORK TIMES, 31 August 2014; "China plans 465bn carbon market – at around \$18/tonne," RENEW ECONOMY, 12 September 2014; "UN climate summit set for major carbon pricing announcement," RTCC, 12 September 2014; "China's coal proposals leave some hope for exporters: Russell," REUTERS, 11 September 2014.

EVENTS & RESOURCES

Events

Coming Soon

18-19 September, Washington, US. FOOD PRICE VOLATILITY, FOOD SECURITY AND TRADE POLICY CONFERENCE. This World Bank event will focus on the difficulties posed by food price volatility, particularly for people living in developing countries. The two-day discussion will also address the various challenges that policymakers face in trying to design trade policies that do not adversely affect food security. To register, or for additional information, please visit [the World Bank's website](#).

22 September, online. SHOULD KOREA JOIN THE TRANS-PACIFIC PARTNERSHIP? This webcast, held by the Peterson Institute for International Economics, will focus on the question of whether South Korea should become a member of the 12-country Trans-Pacific Partnership (TPP). The discussions will build on a policy brief on the same subject, presented by the Peterson Institute's Jeffrey Schott and Cathleen Cimino. They will then review Seoul's goals and prospects for joining the Pacific Rim trade talks and evaluate potential next steps, in the context of the current negotiations. The webcast will be held from 12:15-1:30 PM (EDT). More information is available [here](#).

22 September – 16 November, online. CLIMATE CHANGE DIPLOMACY: NEGOTIATING EFFECTIVELY UNDER THE UNFCCC. This online course, hosted by the UN Institute for Training and Research (UNITAR), aims to help participants develop a deeper understanding of the climate change policy framework, namely by addressing the science behind the subject, as well as the history of the policymaking process and the UN Framework Convention on Climate Change (UNFCCC). Participants will also learn about the more recent developments in the global climate talks, and analyse what will be the likely hot topics for negotiators as they vie to complete a new international climate deal by end-2015. To learn more, or to sign up, [visit the UNITAR website](#).

24 September, Washington, US. INDIA FIRST: MODI'S APPROACH TO FOREIGN POLICY. This event, hosted by the Carnegie Endowment for International Peace, will focus on new Indian Prime Minister Narendra Modi's approach to foreign policy, highlighting specifically his plans to transform the domestic economy, his efforts to build a stronger relationship with Japan, and the role that he played in the recent summit of BRICS leaders. Speakers at the event include Samir Saran, senior research fellow and vice president for development and outreach at the Observer Research Foundation, and Frederic Grare, senior associate and director of Carnegie's South Asia Program. To learn more, or to register, please visit the event [website](#).

24 September, Washington, US. WITA-GWU INTENSIVE TRADE SEMINAR. The Washington International Trade Association and the GWU International Trade and Investment program will host a two-day seminar to study how the US government develops and executes trade policy, both at the congressional and agency levels. Topics for discussion include free trade agreements; policy monitoring and dispute settlement; and trade remedies and enforcement. The event has been designed for newly-arrived embassy staff whose dossiers involve trade and economic policy, as well as graduate students and others interested in the field. To register for the seminar, please go to the [WITA website](#).

25 September 2014, New York, US. ENSURING A POSITIVE CONTRIBUTION OF TRADE POLICY TO CLIMATE ACTION TOWARDS COP 21. This event, hosted jointly by the International Centre for Trade and Sustainable Development (ICTSD) and the Guarani

Center of NYU Law, will focus on green trade, and is being held on the sidelines of the UN Secretary-General's climate summit. The ICTSD-NYU event aims to raise awareness of trade's role in climate change and sustainable energy, particularly for a non-trade audience. Participants will include government representatives, business leaders, and key experts, who will discuss how to advance the climate action and green growth agendas effectively through trade in clean energy technologies. To learn more, visit [the ICTSD 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.

19 September: Seminar on Developments in Trade in Services Statistics and the way forward

23-24 September: Committee on Regional Trade Agreements

24+26 September: Trade Policy Review – Mongolia

Other Upcoming Events

28-29 September, Istanbul, Turkey. SPECIAL MEETING ON UNLOCKING RESOURCES FOR REGIONAL DEVELOPMENT. This World Economic Forum special meeting aims to provide an opportunity for senior global and regional stakeholders to engage with key economic decision-makers from various sectors. The two-day event will focus on the changes being seen in Turkey, and more broadly in the three surrounding regions – the Middle East and North Africa, Eurasia, and Europe. Discussions will revolve around the following pillars: building entrepreneurial and inclusive economies; infrastructure as a platform for growth; shifting regional energy dynamics; and Turkey's forthcoming presidency of the G-20, together with the broader future of the region. For more information, please visit [this event's webpage](#).

1-3 October, Geneva, Switzerland. ICTSD AT THE WTO PUBLIC FORUM. As in previous years, the International Centre for Trade and Sustainable Development (ICTSD) will be hosting several sessions during the WTO's annual outreach event, the Public Forum. ICTSD's events will focus on topics such as innovation, intellectual property, and informal sectors in Africa's development; why services trade is important for Africa; the role of trade in a universal post-2015 development agenda; and the growing role of smaller players in global trade. More information on ICTSD's activities is [available here](#).

13-16 October, Geneva, Switzerland. WORLD INVESTMENT FORUM 2014: INVESTING IN SUSTAINABLE DEVELOPMENT. This biennial high-level event, hosted by the UN Conference on Trade and Development (UNCTAD), will bring together nearly 4000 participants from over 140 countries in order to discuss investment-related challenges that have emerged in recent years. The conference aims to provide a platform for stakeholders to discuss "investment for development," with the goal of promoting investment flows that contribute to sustainable and inclusive development. More information on the meetings is available at the [UNCTAD website](#). A [multidisciplinary academic conference](#), focusing on "Shaping a Future Research Agenda for Investment for Development," will also be held on the occasion of the Forum.

Resources

FISCAL AND MACRO-STRUCTURAL CHALLENGES AND POLICY RECOMMENDATIONS FOR THE EURO AREA AND ITS MEMBER STATES UNDER THE 2014 SEMESTER CYCLE. By Jacob Funk Kirkegaard for the Peterson Institute for International Economics (September 2014). In this paper, the author addresses the need for eurozone policymakers to continue with the reforms enacted during the crisis, in order to avoid the possibility of stagnation. The author discusses obstacles that could prevent the eurozone from ensuring that fiscal consolidation protects public investment spending, and makes a series of proposals aimed at improving the working procedures of the euro group. To read the full paper, [click here](#).

KNOWLEDGE SPILLOVERS THROUGH INTERNATIONAL SUPPLY CHAINS. By Roberta Piermartini and Stela Rubínová for the World Trade Organization (July 2014). This WTO working paper reviews industry level research and development (R&D) and patent data across 29 countries. The authors use this data, which is for the years 2000-2008, to study how international supply linkages affect knowledge spillovers, finding that improvements in the former yield an increase in the latter. To learn more, or to download the paper, visit the [WTO website](#).

THE SIZE AND SECTORAL DISTRIBUTION OF SOES IN OECD AND PARTNER COUNTRIES. Published by the Organization for Economic Co-operation and Development (OECD) (September 2014). This new report features an analysis of an extensive dataset regarding the size of state-owned enterprise (SOE) sectors across 34 countries, breaking these down by number, value, and employment. The publication also reviews the composition of these SOEs. The analysis finds that these 34 countries, 31 of which are OECD members, have between them SOE portfolios featuring a combined 2111 enterprises worth over US\$2 trillion. To read the report, [click here](#).

A WORLD OF CHANGE. By M. Ayhan Kose and Ezgi O. Ozturk for the International Monetary Fund (September 2014). This article, featured in the IMF's "Finance & Development" publication, presents an overview of the changes the global economy has undergone since 1964. The authors discuss, among other topics, the advent of new technologies, the rise of globalisation, the emergence of new global actors, poverty and inequality, and more. The full article is available [here](#).

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