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PREFERENTIAL AGREEMENTS

TPP Ministers: Shape of Trade Deal "Crystallising" Following Sydney Meet

Ministers from the Trans-Pacific Partnership (TPP) countries concluded a three-day meeting in Sydney, Australia on Monday, citing "significant progress" in their negotiations on both market access and on trade and investment rules.

"We consider that the shape of an ambitious, comprehensive, high standard and balanced deal is crystallising," ministers said in a [joint statement](#) issued following their meeting.

The announcement that the shape of a potential deal is advancing comes ahead of a series of meetings where leaders from the 12-nation group are set to cross paths, which trade observers say could prove pivotal if a deal is indeed to be concluded this year.

Ministers have now pledged to continue focusing their efforts on consulting "widely at home and work intensely with each other to resolve outstanding issues in order to provide significant economic and strategic benefits for each of us."

The 25-27 October gathering was preceded by a 19-24 October meeting of chief negotiators, and ministers confirmed that these chief negotiators would be staying in Australia for at least a few days longer to continue advancing the work.

The ministerial meeting, which officials said was meant to "lay the groundwork for the conclusion" of the TPP talks, was hosted by Australian Trade Minister Andrew Robb and chaired by US Trade Representative Michael Froman.

Along with meeting in plenary to discuss issues affecting the whole group – with officials afterward touting progress in difficult areas such as intellectual property, environmental protection, and state-owned enterprises – ministers also held various bilateral discussions during the Sydney meeting, which they said focused primarily on goods, services, and investment market access.

The 12 countries currently involved in the TPP negotiations are Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam.

Finish line approaching?

In his [opening remarks](#) to ministers on Saturday, Robb affirmed that, in his view, “we are working now to try and conclude this agreement by the end of this year.”

Some sort of TPP outcome by year’s end has been a stated goal of US President Barack Obama, who suggested in June that he would like there to be “something that we have consulted in Congress about, that the public can take a look at,” in time for his November trip to Asia in order to close the deal. (See Bridges Weekly, [26 June 2014](#))

An ambitious agreement, US officials have repeatedly affirmed, could help build the support in Congress for passing a separate piece of domestic legislation, known as Trade Promotion Authority (TPA) or fast-track, that is essential for ratifying trade deals in Washington without subjecting them to additional amendments by US legislators.

Despite the recent ramp-up in TPP negotiating momentum, however, Robb acknowledged in a radio interview ahead of the ministerial that the greatest risk for the talks “is for this thing to be stalled.”

“Every company’s got its sensitivities, as we do – and the biggest risk is that those things prevent this agreement being concluded,” he said during the [ABC AM interview](#).

[Speaking to reporters](#) after the meeting, Robb affirmed that this latest ministerial demonstrated “a real sense that we are within reach of the finish line,” adding that the focus of the group seems to have increased by “several notches.”

“We are seeing a great preparedness to make some of the difficult decisions, a willingness to compromise, to get to final decisions,” he added. “We are seeing places people are prepared to move providing the rest of the package ends up as they hope. But I would say, in conclusion, that as always [in] these types of agreements, nothing is decided until everything is decided.”

US-Japan market access

The question looming over the negotiations these past several months has been whether the US and Japan will be able to reach a bilateral deal on agricultural and automobile market access.

Despite repeated meetings between Washington and Tokyo officials, the two sides remain apart, ministers confirmed on Monday, though Froman stressed to reporters that there has been “substantial progress over the past several weeks.”

The protracted negotiations between the two largest economies in the 12-country talks have been widely blamed for slowing down the overall pace of negotiations, with other members reportedly hesitant to put too much on the table until it is clear whether a US-Japan deal is reached – and if so, what it would entail.

Officials from some other TPP members tried to dispel that notion last week, noting that the bilateral talks are necessary if the broader group-wide negotiations are to succeed.

“We would be extremely concerned with both the Japanese and the US delegations if they were not meeting privately because power is very important to integrate into a negotiating process,” New Zealand Trade Minister Tim Groser [told reporters](#) on Monday. “It is absolutely essential that they explore what I’d call the outer parameters of a deal, provided that the largest parties [are] in a continuous process of discussion with countries like mine and they are.”

The New Zealand trade official did qualify, however, that a “sweetheart deal that just is made in Tokyo and Washington” – without the participation of other players – would cause “immense disruption” to the 12-country negotiations overall.

Leaders' meetings forthcoming

Ministers told reporters on Monday that chief negotiators will stay on in Australia for a few more days to continue these discussions, in line with the instructions given by their trade chiefs. A subsequent meeting of ministers will occur “in the coming weeks,” they added, without setting a specific date at that time.

Despite not publicly announcing dates for either a ministers' or leaders' meeting, the fact that at least two major gatherings of regional leaders are scheduled for the next month – along with Obama's call for a November result of some kind – have fuelled speculation that a TPP-specific leaders' event may be forthcoming.

For instance, leaders from TPP countries will be present during the Asia-Pacific Economic Cooperation (APEC) Leaders' Meeting in Beijing, China in early November, given that all TPP members are part of the 21-nation APEC group.

However, the fact that Beijing is hosting this year's APEC event has sparked questions as to whether TPP leaders will indeed meet separately in the Chinese capital, given that China is not currently part of the 12-country negotiations.

While China is not in the TPP, it is involved in a separate regional integration initiative, known as the Regional Comprehensive Economic Partnership, which was launched in November 2012. (See Bridges Weekly, [21 November 2012](#)) Along with China, those negotiations include all ten members of the Association of Southeast Asian Nations, India, South Korea, and some TPP countries such as Japan, New Zealand and Australia.

Trade officials involved in the latter talks have suggested that the deal could be another pathway toward reaching a Free Trade Area of the Asia-Pacific – though whether it would be complementary to, or in competition with, the TPP has sparked significant debate.

Another key meeting is the upcoming summit of G-20 leaders in Brisbane, Australia on 15-16 November. Some TPP members – the US, Australia, Canada, Japan, and Mexico – are part of the G-20 configuration. New Zealand and Singapore, while not G-20 members, [are listed](#) as “guest countries” for this year's meeting.

In his remarks to fellow ministers this past weekend, US Trade Representative Michael Froman highlighted the upcoming meetings as another incentive for ramping up the talks.

“We now have in front of us an excellent opportunity to resolve the outstanding issues where possible, to narrow our differences, and to tee up these issues for our leaders as they see each other in the coming weeks in various places around Asia,” Froman said.

“It's an effort that will further the integration of this very important region, the Asia-Pacific region, and very importantly it will be an agreement that will help set the rules of the road for this region, and it will be a very important economic and strategy opportunity,” the US trade chief said.

ICTSD reporting.

AFRICA

Africa's Largest Free Trade Area Set to Launch in December

The planned Tripartite Free Trade Area (TFTA) – a zone that would be the largest free trade area in Africa and span across the continent's three main regional economic communities (RECs) – is now set to launch in mid-December at the Tripartite Summit of Heads of State and Government in Cairo, Egypt.

This announcement was made at the end of a two-day meeting of the Tripartite Sectoral Committee of Ministers in Bujumbura, Burundi on 25 October.

The TFTA, once enacted, would bring together the East African Community (EAC), the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA).

In other words, it would cover 26 countries ranging from Egypt to South Africa with a combined population of 625 million people and an aggregate GDP of US\$1 trillion.

These figures represent half of the African Union's membership and 58 percent of the continent's economic activity, according to COMESA.

The TFTA project, also known as the Grand FTA, was originally endorsed at the Tripartite Summit of Heads of State and Government in Johannesburg in June 2011. That endorsement came three years after another tripartite summit in Uganda, where the Heads of State and Government of the respective RECs agreed on a "programme of harmonisation of trading arrangements amongst the three regional economic communities."

According to COMESA Secretary General Sindiso Ngwenya, who chairs the Tripartite Task Force, the decision to operationalise the free trade area by the end of this year takes "into account the fact that the majority of the Tripartite Member/Partner States have made ambitious tariff offers" in the ongoing negotiations.

Zimbabwean trade official Chiratidzo Iris Mabuwa, who chaired the Burundi ministerial meeting, urged delegations to now engage in "expedite[d] negotiations on trade-related areas, including trade in services, intellectual property, and competition policy" to enable the formal launch in mid-December.

Sources close to the negotiations have indicated that a post-signature implementation plan will be enacted immediately after the launch. This would include, among other elements, the finalisation of negotiations on outstanding areas of the TFTA Agreement – most likely Rules of Origin (RoO), trade remedies, and dispute settlement – along with the ratification of the Agreement by member states and the start of the implementation.

Stepping stone for continental free trade

The proposed 26-country Tripartite FTA, together with other regional FTA processes, is meant to set the stage for a broader Continental FTA, or CFTA.

Upon their expected completion in 2014, these regional processes would be consolidated into the CFTA between 2015 and 2016, with the pan-African pact launching in 2017 and a

continental customs union forming by 2019, according to a [roadmap](#) released by the African Union in 2011.

The roadmap also encourages the regional blocs of the TFTA “to ensure that the member states currently outside the three RECs FTA join and become part of the Tripartite FTA.”

The proposed CFTA would be a key component of the African Union's (AU) strategy to boost intra-African trade, which currently stands at 12 percent of total trade, compared to 60 percent for Europe, 40 percent for North America, and 30 percent for ASEAN, according to statistics cited by the WTO.

According to the AU [Action Plan](#) for boosting intra-African trade, the projected CFTA would increase trade within the region by at least 25-30 percent in the next decade.

The Action Plan is a document produced during the AU trade ministers' meeting in December 2011 detailing priority action clusters to address obstacles to increasing intra-African trade. These include, among others, differences in trade regimes, restrictive customs procedures, administrative and technical barriers, limitations of productive capacity, and inadequacies of trade-related infrastructure.

Remaining challenges

The TFTA negotiations are being conducted through the Tripartite Trade Negotiation Forum, with specific technical areas being dealt with by Technical Working Groups (TWGs).

The liberalisation exercise was initially divided into two negotiation sequences.

In the first phase, discussions focused mainly on the issues of tariff liberalisation, rules of origin (RoO), trade remedies, and customs and transit procedures, among other elements. It was originally agreed that trade officials needed to clear these agenda items before entering the second phase, which addresses trade in services and other issues such as intellectual property, competition policy, and trade competitiveness.

Phase one will be officially concluded in December 2014 after the 3rd Summit of Heads of State and Government, which will see the signing of the Declaration on the Conclusion of Negotiations on Phase One – Trade in Goods. It is envisaged that phase two will begin immediately after phase one, while negotiations on outstanding areas will also work towards conclusion based on an agreed timeframe.

Notwithstanding this ambitious integration agenda and the announced launch of the Grand FTA by the end of this year, concerns have been raised over the arduous nature of current TFTA negotiations.

Specifically, in phase one, the COMESA-EAC-SADC troika faces notable challenges in harmonising differential RoO, which have so far impeded inter-regional trade and the creation of regional value chains.

Apart from Rules of Origin, the other difficult negotiating areas involve trade remedies and a dispute settlement mechanism.

Observers familiar with the talks have said that one of the key challenges consists in finding an acceptable framework for RoO, as the EAC and COMESA regimes in this area are significantly different from the one used by SADC.

Experts such as Eckart Naumann from the Trade Law Centre in South Africa have pointed out that 56 percent of the RoO are dissimilar across the three regional economic

communities. In these instances, the TFTA TWG on RoO has decided to adopt a line-by-line negotiation approach.

"Indications are that... [this] process could begin in earnest later in 2014 at the next TWG meetings," Naumann told Bridges Africa, which is also published by ICTSD. (See Bridges Africa Volume 3 Issue 9, forthcoming)

Regarding the prospects for harmonisation, Naumann says that "since individual dissimilarities can potentially involve lengthy consultation and negotiation, the outstanding task of achieving a harmonised RoO outcome is one not to be underestimated."

The agreement reached in Burundi last week allows for a provisional application of rules where they are the same, while noting that further work will continue in all situations where product-specific rules are dissimilar. The latter make up the majority of cases.

According to the Chairperson of the Ministerial Meeting, Chiratidzo Iris Mabuwa, negotiators will now need to expedite phase two of the talks.

Industrial programme to follow

"Africa has now joined the league of emerging economies and the Grand FTA will play a pivotal and catalytic role in the transformation of the continent," said Mabuwa, while hailing the projected TFTA launch as a milestone in African regional and continental integration.

COMESA Secretary General Ngwenya concurred, declaring that the December launch will be the beginning of a phase of "implementing a developmental regional integration strategy that places high priority on infrastructure development, industrialisation, and free movement of business persons."

Concerning industrialisation, Ngwenya said that the TFTA will need to be complemented with a regional industrial programme to ensure an "inclusive and equitable growth" process in Eastern and Southern Africa.

The TFTA will include Libya, Djibouti, Eritrea, Sudan, Egypt, Ethiopia, Kenya, Uganda, Burundi, Rwanda, Tanzania, Malawi, Zambia, Zimbabwe, Angola, the Democratic Republic of the Congo, Mauritius, Madagascar, Comoros, Seychelles, Mozambique, Botswana, Lesotho, Namibia, South Africa, and Swaziland.

ICTSD reporting; "Three blocs finalise plan for Africa's biggest free trade area," THE STAR, 27 October 2014; "East Africa: EAC, COMESA and SADC to Launch Free Trade Zone," ALLAFRICA, 27 October 2014; "COMESA, EAC, SADC Ministers Agree to Launch Africa's Largest Free Trade Area," COMESA, 25 October 2014.

CLIMATE AND ENERGY

EU Leaders Reach Deal on Proposed 2030 Climate, Energy Goals

EU heads of state and government reached a political agreement late last week on a new climate and energy policy framework for 2030.

After some reportedly late night haggling, the 28 political leaders endorsed a binding 40 percent greenhouse gas (GHG) emissions reduction target by 2030 from 1990 levels, an EU-wide binding renewable energy target of at least 27 percent, and an EU-wide indicative energy efficiency target of at least 27 percent.

The new package will take over from the bloc's current "20-20-20" goals – which set emissions reduction, renewables usage, and energy efficiency targets for the end of this decade.

"It was not easy, not at all, but we managed to reach a fair decision. It sets Europe on an ambitious yet cost-effective climate and energy path," [said](#) Herman van Rompuy, President of the EU Council, the bloc's highest decision-making body.

Rompuy's remarks point towards deep divisions that emerged between member states in the past months over the shape of the framework. Poland, whose economy relies on emissions-intensive coal for much of its electricity, was said to have galvanised a group of eastern European states to protest against the level of ambition. Meanwhile, Portugal and Spain also allegedly threw up red flags, calling for the strong language on building an interconnected EU energy market.

Road to Paris

The move has been closely watched by the international community due to its potential significance for the ongoing multilateral climate talks.

Conducted under the umbrella of the UN Framework Convention on Climate Change (UNFCCC), nearly 200 nations are working to seal a universal, binding emissions-cutting deal, in time for a meeting in Paris, France next year.

The EU has traditionally been characterised as a leader in this area following comparatively strong efforts to tackle climate change and engagement in past UN climate talks.

Furthermore, any mitigation action by the group is considered significant in economic terms, given that it accounts for 24 percent of global GDP and represents the world's largest single market. One objection voiced by various participants in the UN climate process over the years is the fear that unilateral climate action could hamper growth and the competitiveness of exports on world markets.

Last week's conclusions on the 2030 framework open with a reference to the UNFCCC process, underlining that the EU will revisit its new targets after the Paris conference. Earlier this year, some EU countries had pushed to delay agreement on the proposed framework until after other major economies such as China and the US outlined their climate ambition.

Speaking with journalists on Thursday, however, van Rompuy stressed that the so-called review clause was primarily geared towards ramping up climate efforts.

"The [review clause] is not in order to water down the objectives on which we agreed," he confirmed.

Cutting emissions

According to the Council conclusions, all EU member states will participate in the target, balanced by calls for solidarity and equity.

The emissions-cutting target agreed on Thursday follows a proposal put forward by the EU's executive branch in January. (See BioRes, [23 January 2014](#))

José Manuel Durão Barroso, President of the out-going European Commission, welcomed the development.

"When we tabled our strategy back in January, many said it was the wrong thing to do at the wrong moment. Tonight we proved those doubters wrong," Barroso [said](#) in a press conference on Friday, referring to some critics' suggestion that the EU's sluggish economy would not be able to cope with the proposed 40 percent reduction.

Carbon market

Leaders agreed on Thursday that 43 percent of the emissions reduction target would be met using the EU's Emissions Trading System (ETS).

According to media reports, free carbon allowances were offered to countries such as Poland in order to sweeten the overall deal. The Council conclusions on the proposed framework grant member states with a GDP per capita below 60 percent of the EU average the flexibility to hand out free ETS allowances to the energy sector.

However, last Thursday's document notes that the maximum free hand out should be no more than 40 percent of a member state's auctionable allowances. A call is made for an improvement on transparency from the current modalities of free allocation.

The conclusions also endorse the channelling of funds from two percent of the total EU ETS allowances for the period to address some of the structural energy transition challenges facing poorer EU nations.

Proceeds from the new reserve will be used to improve energy efficiency and modernise energy systems in member states with a GDP per capita below 60 percent of the EU average.

The document calls for an eventual fund set up by the reserve to be managed by beneficiary member states with input from the European Investment Bank (EIB). This allegedly follows concerns by some member states that structural funds in the current climate and energy legislation are being misappropriated to prop up the fossil fuel industry.

Back in January, the Commission had also put forward a legislative proposal for a market stability reserve for the EU's ETS, which has faced major pricing difficulties in recent years. The proposal included an "automatic stabiliser" to be put in place from 2021.

The instrument would adjust the supply of allowances on the EU carbon market, operating independently under pre-defined parameters.

Mention of this proposal is not, however, included in last week's document.

Energy connectivity, security

In a win for countries such as Spain and Portugal, Thursday's document makes a bid to bolster energy connectivity between member states.

The conclusions renew commitments to take urgent measures to achieve a minimum target of ten percent of existing electricity interconnections. The Commission is also mandated to report regularly on the process and technical needs of this planned integration in order to arrive at a target of 15 percent intra-EU export of generation capacity by 2030.

This ambition would see the bloc invest in new pipeline and grid infrastructure across EU borders. Lisbon and Madrid reportedly pushed hard in the final stages to ensure the inclusion of such language in order to export the region's excess wind and solar power across the Pyrenees. Both countries, and the Baltic states, are referred to in the document.

Over the past 10 months, the situation in Ukraine has also put considerable pressure on the shape of the new framework, with the EU's eastern European members raising specific concerns around energy security. A third of the region's gas is imported from Russia, with almost half passing through Ukraine.

Thursday's conclusions reaffirm statements made by the European Council in June around the Commission's proposed European Energy Security Strategy (EESS). Leaders agreed to implement infrastructure projects related to the gas sector such as the "North-South corridor" pipeline and others, improve arrangements for gas storage capacity, as well as wield foreign policy instruments to achieve energy security.

The two targets on energy efficiency and renewable energy are also pitted as key instruments in shoring up energy access. According to Commission modelling estimates, a 25 percent energy efficiency target would reduce EU gas imports by nine percent, while a 35 percent target would slash these by 33 percent by 2030.

Will it be enough?

Both the renewables and energy efficiency targets will be non-binding on individual member states and the energy efficiency target is voluntary, a decision that has been criticised by some environmental groups. The Commission had initially proposed a 30 percent binding EU-wide energy savings target. (See BioRes, [4 August 2014](#))

"Insufficient action like this from the world's richest countries places yet more burden on the poorest people most affected by climate change, but least responsible for causing this crisis," said Natalia Alonso, deputy advocacy and campaigns director for Oxfam.

Meanwhile consultancy [Ecofys](#) has cautioned that a 40 percent reduction would not be enough to keep the EU on track towards its stated ambition of reducing emissions by 80 to 95 percent by 2050.

The European Council has invited the Commission to table a legislative proposal to translate the agreement into formal legislation, a task that will fall to the new EU executive body headed up by Jean-Claude Juncker, due to take office next month.

ICTSD reporting; "EU agrees target to cut gas emissions," FINANCIAL TIMES, 24 October 2014; "German industry issues stark warning ahead of EU climate summit," EURACTIV, 22 October 2014; "EU leaders adopt 'flexible' energy and climate targets for 2030," EURACTIV, 24 October 2014; "EU nations threaten to block green energy rules at summit talks," REUTERS, 22 October 2014; "Analysis: Who wants what from the EU 2030 climate framework," THE CARBON BRIEF, 17 October 2014.

AGRICULTURE

US, Mexico Announce Draft Deal on Sugar Trade Probes

US and Mexican officials announced on Monday that they had reached draft deals that could – if finalised – resolve a contentious row between Washington and Mexico City over sugar trade.

The draft "suspension agreements," which have been initialled but not formally adopted, would halt two ongoing US investigations into whether Mexican producers have been selling sugar onto the US market at prices below their normal value – a practice known in trade jargon as dumping – and whether these producers have also received unfair state aid.

"The agreements should provide critical stability in a market that is important to both countries, while also ensuring that farmers and sugar refiners in the United States have an opportunity to compete on a level playing field," [said](#) Stefan Selig, US Under Secretary of Commerce for International Trade.

Mexico's Secretariat of the Economy similarly [welcomed](#) the move, noting that the deal will bring "certainty and stability" to its country's sugar and sweeteners market via ensuring continued preferential access for Mexican exports.

The US Commerce Department began its anti-dumping and countervailing duty investigations in April, in response to a late March request by the American Sugar Alliance, a US-based coalition of sugarcane and sugar beet producers. The industry group has suggested that these alleged practices have cost American producers over US\$1 billion this year alone.

Under the North American Free Trade Agreement (NAFTA) – a 20-year-old deal that includes the US, Canada, and Mexico – sugar from Mexico benefits from duty-free, tariff-free export to the US. Exports of Mexican-produced sugar were worth US\$1.1 billion last year, according to Commerce Department statistics.

"We believe that US sugar producers and consumers alike will benefit if an agreement is finalised," [said Phillip Haynes](#), a spokesperson for the coalition. "Like our counterparts in Mexico, we want NAFTA to operate as intended and to foster free and fair trade in sugar between the countries."

Suspension agreements

The draft suspension agreement for the countervailing duties, Commerce says, features provisions that "ensure there is not an oversupply of Mexican sugar that could cause price declines that threaten the US industry and farmers."

What these provisions themselves would involve was not outlined in detail in their press statement, though US officials have said that there will be mechanisms put in place aimed at preventing imports from being concentrated at certain points during the year. There will also be limits on how much refined sugar can enter the US market.

In a [statement](#) of their own, Mexican officials explained that the quota established in the deal is based on a formula that guarantees that Mexico will continue to have preferential access to the US sugar market.

There will also be a minimum reference price mechanism put in place for Mexican exports of raw and refined sugar to the country's northern neighbour, which US officials say is meant to protect against "undercutting or suppression" of prices in the latter's market.

Preliminary determinations

News of the potential agreements came the same day as the US Commerce Department, which is the government agency tasked with Washington's trade remedy investigations, confirmed that it was ready to impose hefty duties on Mexican-produced sugar, given the preliminary results of its anti-dumping investigation.

According to the preliminary determinations [released on 27 October](#), the US agency found that Mexican-produced sugar has been dumped at margins between 39.54 to 47.26 percent, depending on the producer involved.

The actual cash deposits that US customs officials will collect will be slightly lower, however, in order to account for any export subsidies.

Meanwhile, preliminary results of the countervailing duty probe, which were released in August, had led to duties of 2.99 to 17.01 percent.

Final deals pending

The months-long saga is not formally over, however, with interested parties now being given until 10 November to provide their comments on the two proposed deals.

Should final versions of these suspension agreements then be signed – which must occur by 26 November at latest – any cash deposits that have been collected by US customs officials in the time since the preliminary determinations were issued must be refunded to importers.

If final deals are not signed, however, then the Commerce investigations will proceed, as will those under the US International Trade Commission (ITC). While Commerce focuses on whether there is evidence of illegal subsidies or dumping, the US ITC is tasked with determining whether such practices – if found – have caused material injury to domestic injury.

Affirmative determinations under both the Commerce Department and US ITC are required to impose final duties.

ICTSD reporting.

CLIMATE CHANGE

Bonn Climate Talks Aim to Set Stage for Lima Meet

Following a week of discussions, UN climate negotiators meeting in Bonn, Germany were able to reach two updated draft decisions on national climate action contributions and pre-2020 climate ambition, respectively, for delegates to consider when they meet this December in Lima, Peru.

The talks are part of an ongoing effort by nearly 200 nations under the umbrella of the UN Framework Convention on Climate Change (UNFCCC) to seal a new multilateral agreement on climate change by December 2015, which would replace the current regime, known as the Kyoto Protocol, when it expires at the end of this decade.

During their 2011 meet in Durban, South Africa, governments gave themselves until the 2015 Conference of the Parties (COP), scheduled to be held in Paris, France, to complete the task.

Discussions have since been undertaken in a formal negotiating track known as the Ad Hoc Working Group on the Durban Platform for Enhanced Action (ADP).

"Governments are keeping the negotiations on track towards Paris 2015 and doing so with an increasing level of engagement, clarity, and creativity on how that agreement is likely to look," [said](#) Christiana Figueres, Executive Secretary of the UNFCCC Secretariat after last week's ADP session.

"All eyes will now be on [this December's COP in] Lima where the key litmus test of that engagement and ambition will be the emergence of a concise and credible draft agreement to be further refined in 2015," the UN climate chief continued.

On track?

At last year's COP in Warsaw, Poland, negotiators were [instructed](#) to hammer out three key areas in time for the Lima conference. These include a decision on the information parties should be expected to include in their national contributions; progress on elements of a draft 2015 agreement; and a decision on accelerating pre-2020 climate ambition.

While some sources indicated satisfactory progress in Bonn, namely on clarifying possible areas of convergence and divergence within a potential 2015 deal, others suggested that not enough initial textual negotiation took place, with delegates instead reading out long position statements.

Rather than finalising the two draft decisions, as ADP Co-Chair Kishan Kumarsingh had called for at the opening of the meeting, delegates will instead re-visit updated drafts in Lima.

In an information note released earlier this month, the co-chairs stressed that the ADP will need to deliver a negotiating text of the 2015 deal by next April at the latest, in order for it to be translated into all UN languages by May in time to meet the December Paris deadline.

Additional ADP sessions are thus slated for next year, with the first taking place in February in Geneva, Switzerland.

National contributions

Differences also reportedly emerged last week around the scope of the intended nationally determined contributions (INDCs), as the deal's building blocks are formally known. These will outline various actions countries will take to address climate change for the period beyond 2020. (See BioRes, [24 November 2013](#))

Parties reportedly disagreed on whether the INDCs should focus on mitigation only – a position held by a number of developed countries – or whether these should also detail areas such as adaptation, finance, and technology, a view more common among some developing countries.

The revised [draft INDC](#) text issued on Friday afternoon says specifically that all parties should include a mitigation component, which would represent a break from the current regime where only developed countries are required to cut emissions.

The text reiterates past decisions that the INDCs should be submitted to the UNFCCC Secretariat by next March for countries that can, while requesting that parties able to do so provide support to developing countries as they prepare their national contributions.

At this stage, the text invites countries to communicate in their INDCs the type of contribution they will make, time frames and periods, scope and coverage, expected outcomes, as well as any references and accounting approaches used.

Pre-2020 ambition

In addition to securing climate action beyond the end of this decade, the post-2015 agreement is also set to ramp up ambition for the remaining years of the Kyoto Protocol. Co-chairs released a revised [draft text](#) in this area on Friday.

Among other things, the text calls on parties to ratify and implement the Doha Amendment to the Kyoto Protocol, which puts in place commitments for the second part of the current climate regime, and calls on parties to provide resources to the Green Climate Fund (GCF), the Global Environment Facility, and the Technology Mechanism.

At their 2009 climate meet, developed countries agreed to provide US\$100 billion per year by 2020 to help poor countries cope with the effects of climate change.

The GCF, set up a year later, has been slated as the institutional home for this pledge, but the fund currently only boasts US\$3 billion worth of commitments – well shy of the US\$10 billion which many developing countries say is essential to enabling talks in Lima.

Draft elements, legal form

Some discussion took place last week on a [non-paper](#) on parties' views and proposals on elements of the draft 2015 agreement. Co-chairs will provide a new version in time for the Lima COP.

Ahead of the meeting, the UNFCCC Secretariat published an information [document](#) addressing questions on the 2015 deal's legal and institutional aspects. Governments have said that the new climate deal should be a "protocol, another legal instrument or an agreed outcome with legal force under the Convention."

During last week's discussions, the LDC group and a group of Latin American countries called for a legally-binding protocol, while China reportedly said this should depend on the agreement's substance.

Meanwhile, comments made by US State Department climate change special envoy Todd Stern in a [speech](#) delivered at Yale University earlier this month suggest the US will seek an agreement that is legally binding in some areas, but not others.

Climate reports

As the UN talks closed in Bonn, scientists and delegates converged in Copenhagen, Denmark to edit a summary of reports released over the last year on latest climate trends. The series has warned of the expected far-ranging impacts of climate change and need to scale up mitigation ambition. (See BioRes, [14 April 2014](#))

While the clock continues to tick down for climate negotiators, engagement from stakeholders and civil society is picking up speed. A high-level UN climate summit held in September saw an unprecedented level of engagement from the private sector, in particular, including a number of fossil fuel divestment and clean energy finance pledges. (See BioRes, [30 September 2014](#))

"We are seeing a groundswell of climate action building at all levels of society which can encourage governments to make bolder commitments as part of the 2015 global climate agreement," Figueres said on Saturday.

ICTSD reporting; "Summary of the Bonn Climate change Conference: 20-25 October 2014," ENB, IISD REPORTING SERVICES, 28 October 2014; "Global climate deal should be legally binding in parts: U.S.," REUTERS, 14 October 2014; "Inconclusive Bonn climate talks leave a heavy Lima workload," RTCC, 24 October 2014; "U.N. climate change draft sees risks of irreversible damage," REUTERS, 26 October 2014.

AGRICULTURE

EU: Farm Support Remains Minimally Trade-Distorting

EU farm support remains dominated by payments that are classified as only minimally trade-distorting, according to [new data](#) for the 2011-12 marketing year that the bloc has just submitted to the WTO.

"Green box" payments – which WTO rules require to have no more than minimal effects on trade or production – accounted for €70 billion out of a total of €81 billion that were reported to the global trade body last week. There are no caps or reduction commitments on these payments under current rules.

The most heavily trade-distorting subsidies, classified under the WTO's "amber box," hovered at just under €7 billion – a fraction of the €72 billion ceiling that Brussels has agreed to respect.

Another €1 billion of trade-distorting support was exempt from disciplines under the "de minimis" clause. This allows developed countries to provide trade-distorting payments up to 5 percent of the value of production in both product-specific and non product-specific support.

Wheat, skimmed milk powder, butter, and wine were among the products that have continued to receive relatively higher levels of support. Over the years, successive reforms aimed at improving farmers' ability to respond to market signals have substantially reduced the levels of product-specific farm subsidies that EU producers receive.

"Blue box" support, for production-limiting farm payments, accounted for €3 billion, according to the notification. This support is still seen as trade-distorting, but as less damaging than amber box payments – where subsidies are directly linked to inputs or output levels, or provided as market price support.

Decoupled support still dominates

Decoupled income support payments continue to account for about half of all subsidies within the "green box" category, the new data from Brussels suggests.

The EU spent some €33 billion supporting farm incomes in this way, the report shows.

Within the green box, another €9 billion was allocated to general services, such as infrastructure spending, marketing services, pest and disease control, and research.

Other green box categories were also significant, however. Environmental programmes accounted for €8 billion, while another €7 billion was spent on investment aid.

Overall, support levels remained practically unchanged from the notification for spending in the previous year, the new data suggests. (See Bridges Weekly, [27 February 2014](#))

ICTSD reporting.

US Farm Bill: New Initiative Aims to Provide Farmer Relief from Severe Weather Risks

The US Department of Agriculture [announced](#) a new initiative last week that will provide relief to farmers affected by severe weather hazards, including droughts, as part of the broader US Farm Bill. The move, which takes effect in spring 2015, has sparked questions among some trade watchers on what this might mean for overall US subsidy levels.

The new Actual Production History (APH) Yield Exclusion will be available for farmers of select crops such as corn, soybean, wheat, cotton, grain sorghum, and rice, among others.

Those producers who have suffered the effects of severe weather "in exceptionally bad years" will essentially be able to exclude those years from their calculations of their yields. This would, in turn, ensure that their risk coverage under the US federal crop insurance programmes will not go down as the result of a natural disaster.

US officials claimed that the initiative has been made possible given the speed at which staff in the Department of Agriculture has been able to implement new or extended programmes under the 2014 Farm Bill, which became law early this year after prolonged congressional negotiations. (See Bridges Weekly, [30 January 2014](#))

"Key programmes launched or extended as part of the 2014 Farm Bill are essential to USDA's commitment to help rural communities grow," said US Agriculture Secretary Tom Vilsack in announcing the move.

"By getting other 2014 Farm Bill programmes implemented efficiently, we are now able to offer yield exclusion for spring 2015 crops, providing relief to farmers impacted by severe weather," he added.

Implications?

This type of device, agriculture trade expert Vincent Smith of Montana State University told Bridges, has been a goal of farm groups "for over fifteen years."

"The implication is larger subsidies through the federal crop insurance programme that are tied to current production decisions and increased incentives for the production of crops that are typically insured such as corn, wheat, soybeans, cotton, etc.," Smith said.

Another agriculture trade analyst commented to Bridges that the new initiative appears to allow farmers to choose which were the good years, which payouts would then be based on – suggesting that the move, depending on its implementation, may have the potential to bring the US closer to breaching its WTO subsidy limits.

Crop insurance in focus

Compared with the previous legislation, the new Farm Bill - which was enacted for a five-year period – has eliminated or phased out direct payments to farmers and has expanded crop insurance subsidy programmes.

US farmers are now allowed to choose from a suite of subsidised farm safety-net programmes that help protect them financially from the vagaries of the weather and market volatility, thus reducing some of the financial risk related to farming.

The new legislation ties financial support to recent and current production and market conditions – meaning that Washington is likely to notify most of the new policy instruments as the most heavily trade-distorting form of farm subsidy in the WTO's "amber box."

ICTSD reporting; "Multiple Peril Crop Insurance," CHOICES, 3rd Quarter 2014; "Theme Overview: The 2014 Farm Bill - An Economic Welfare Disaster or Triumph?" CHOICES, 3rd Quarter 2014.

EVENTS & RESOURCES

Events

Coming Soon

30-31 October, Geneva, Switzerland. **TRIPS AT 20 AND BEYOND**. This event, organised by the International Centre for Trade and Sustainable Development (ICTSD), will focus on the WTO's Agreement on Trade-Related Aspects of Intellectual Property (TRIPS) and the associated TRIPS Council in the 20 years since the Uruguay Round was concluded. Participants will examine the implementation of the TRIPS Agreement, and how the effectiveness of the TRIPS Council could be improved, particularly in light of the Doha Round stalemate and the emergence of new trade issues. More information about the event is available [here](#).

31 October, Tokyo, Japan. **WORLD BANK SEMINAR – "SOUTH ASIA ECONOMIC FOCUS (SAEF): THE EXPORT OPPORTUNITY."** This World Bank event will feature a presentation of a recent report entitled "South Asian Economic Focus (SAEF): The Export Opportunity." The report had found that economic growth in South Asia is expected to accelerate in 2016, due particularly to a rise in activity in India. Martin Rama, the World Bank's Chief Economist for South Asia Region, will present the report's findings via videoconference with the World Bank Delhi Office. To learn more about the event, or to register, please visit the event [website](#).

3 November, Paris, France. **CONFERENCE ON TRADE IN RAW MATERIALS**. The objective of this conference, hosted by the Organization for Economic Co-operation and Development (OECD) is to discuss issues surrounding trade in industrial raw materials and to share experiences in regulating the mining sector, with the aim of positively impacting sector development and economy-wide growth. The event aims to provide a platform for governments from exporting and importing countries, along with other stakeholders affected by policy developments in the mining sector, to assess the current situation of trade and other policies in this area, and to better understand their economic impacts. Stakeholders will have the opportunity to compare national practices and elaborate on possible cooperative solutions to challenges faced in policy design in the industrial raw materials sector. Participation is by invitation only, and will include trade officials, mining sector policymakers, and private sector representatives from OECD and non-OECD countries. A link to the conference website is available [here](#).

3-5 November, Vienna, Austria. **SECOND UN CONFERENCE ON LANDLOCKED DEVELOPING COUNTRIES (LLDCS)**. During this event, participants will aim to help shape the development agenda for land-locked developing countries over the next decade. The three-day conference aims to bring together participants from LLDC governments, as well as from donor countries and transit developing countries, together with representatives from the private sector, UN, and international organisations. Discussions will build off of a review of the implementation of the Almaty Programme of Action (APoA). For more information, please visit the event [website](#).

4-6 November, Hammamet, Tunisia. **FIFTH INTERNATIONAL FORUM ON ENERGY FOR SUSTAINABLE DEVELOPMENT**. This event is being organised by the Tunisian government and the United Nations Economic Commission for Europe (UNECE), the Economic and Social Commission for Western Asia (ESCWA), the Economic and Social Commission for Asia and the Pacific (ESCAP), the Economic Commission for Latin America and the Caribbean (ECLAC), and the Economic Commission for Africa (ECA). This year's forum will focus on fulfilling the three Sustainable Energy for All (SE4All) objectives – universal

access to modern energy services, doubling the rate of energy efficiency improvements, and doubling the share of renewables in the global energy mix by 2030 – through a regional agenda. More information about the forum is available [online](#).

5 November, Washington, US. OBAMA IN CHINA: PRESERVING THE REBALANCE. The John L Thornton China Center at the Brookings Institution will be hosting this conference, which will feature two keynote addresses and four panels about the economic, environmental, political, and security implications of US President Barack Obama's trip to Beijing, China next month for the annual Asia-Pacific Economic Cooperation summit. The Obama trip is expected to provide a key opportunity to shape the Washington-Beijing relationship, particularly given the US' planned "pivot to Asia." More information is available [online](#).

5 November, Geneva, Switzerland. THE POLITICS OF TRADE INVESTMENT AMONG THE POWERS OF ASIA: CHINA, JAPAN AND INDIA. This panel discussion, organised by the Graduate Institute of International and Development Studies in Geneva, will focus on ways to strengthen the economic partnership between China, India, and Japan. Some of the main issues on the docket include China and Japan's interests in South Asia, as well as how improved economic ties – including through investment – can help in preventing or mitigating conflict in the region. More information can be found at the IHEID [website](#).

6 November, Washington, US and online. GLOBAL FINANCIAL OUTLOOK: CHALLENGES FOR BANKS AND RISKS FROM SHADOW BANKS. This event, hosted by the Peterson Institute for International Economics, will feature Dr. José Viñals, financial counsellor of the International Monetary Fund (IMF) and director of its Monetary and Capital Markets Department, as the main speaker. Viñals will focus primarily on the challenges faced by banks – and the potential risks posed by shadow banks – in the context of the global financial outlook. The event will be webcast live. For more information, please visit the event [website](#).

WTO Events

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

31 October: Committee of Participants on the Expansion of Trade in Information Technology Products

4 November: Committee on Trade in Civil Aircraft

4 November: Working Group on Trade and Transfer of Technology

5-6 November: Committee on Technical Barriers to Trade

6 November: Sub-Committee on Least-Developed Countries

Other Upcoming Events

7 November, Washington, US. CUBA'S ECONOMY IN COMPARATIVE PERSPECTIVE. Foreign Policy's Latin America Initiative at the Brookings Institution will host the launch of a new report, "Cuba's Economic Change in Comparative Perspective," featuring co-editor Richard Feinberg. The featured publication examines the advances that have been seen in the island nation in recent years, while outlining the likely economic challenges ahead. The

authors also provide a series of recommendations, building on examples of economic restructuring abroad. To learn more, or to register, please click [here](#).

12 November, London, UK and online. THE 2014 CAPE CONFERENCE: DOES MONEY MATTER? THE ROLE OF FINANCE IN ACHIEVING THE SUSTAINABLE DEVELOPMENT GOALS. This year's CAPE conference, hosted by the Overseas Development Institute (ODI), will focus on the lessons learned from the Millennium Development Goals (MDGs) and examine how the planned Sustainable Development Goals (SDGs) will affect development finance and public financial management. Participants will also reviews ways that finance can be channelled to help meet these new goals, which are currently under negotiation at the UN. To view the full list of speakers and agenda, please click [here](#).

24-26 November, Geneva, Switzerland. MULTI-YEAR EXPERT MEETING ON TRANSPORT, TRADE LOGISTICS AND TRADE FACILITATION, THIRD SESSION (SMALL ISLAND DEVELOPING STATES). This expert meeting, convened by the UN Conference on Trade and Development (UNCTAD), will address trade logistics issues in developing countries, particularly least developed countries, landlocked developing countries, small island developing states (SIDS), and some countries with economies in transition. In this context, participants will consider topics ranging from the impacts of climate change on transport infrastructure in SIDS to financing as a cross-cutting enabling factor. To register online for this meeting, please visit the UNCTAD [website](#).

Resources

DEEPENING INDIA'S ENGAGEMENT WITH LDCS: AN IN-DEPTH ANALYSIS OF INDIA'S DUTY-FREE TARIFF PREFERENCE SCHEME. By Vinaye Dey Ancharaz and Paolo Ghisu for the International Centre for Trade and Sustainable Development (ICTSD) (October 2014). This paper explores how trade ties between India and African countries could be strengthened so as to maximise the developmental impact on the latter. The authors undertake a critical assessment of the impact of New Delhi's preferential market access scheme on least developed country (LDC) exports to India, along with noting potential barriers. The study takes into account the April 2014 revisions to the preference scheme, and makes recommendations for further improvements, including in terms of market access. To read more, please visit the ICTSD [website](#).

INTERNATIONAL TRADE STATISTICS 2014. Published by the World Trade Organization (October 2014). The report provides a detailed overview of world trade up to the end of last year, including both merchandise and services trade, together with trade measured in value-added terms. The report also examines global trade trends during that time. The publication is currently available online in English. Versions in French and Spanish will be published soon, as will a print version. To download the full report in PDF format, please click [here](#).

TRADE PROFILES 2014. Published by the World Trade Organization (October 2014). This publication provides a summary of the most relevant indicators of growth, trade, and trade policy measures, reviewed on a country-by-country basis. The data provided include basic economic and trade policy indicators, such as GDP, tariffs, trade disputes, and notifications, along with information on merchandise and services trade flows. An electronic version of the report can be downloaded from the WTO [website](#).

SERVICES PROFILES 2014. Published by the World Trade Organization (October 2014). The report provides statistics on "infrastructure services," such as transportation, telecommunications, finance, and insurance, for approximately 150 economies. The data have been pulled from a range of sources, including national accounts, employment statistics, balance of payments statistics, and quantitative indicators largely sourced from international/regional organisations and specialised bodies. The full report can be accessed by clicking this [link](#).

OFFICIAL FINANCIAL FLOWS, CAPITAL MOBILITY, AND GLOBAL IMBALANCES. By Tamim Bayoumi, Joseph Gagnon, and Christian Saborowski for the Peterson Institute for International Economics (October 2014). In this working paper, the authors analyse the effect of net official flows – namely foreign exchange intervention – on current account balances. The authors also find that impacts of net official flows are larger when international capital flows are restricted and smaller when capital is highly mobile. Furthermore, they note a significant positive effect of lagged net official flows on current accounts that operates through the portfolio balance channel. To read the full working paper, please click [here](#).

WTO APPELLATE BODY REPERTORY OF REPORTS AND AWARDS 1995-2013 – FIFTH EDITION. Published by the World Trade Organization (October 2014). This updated report covers all dispute rulings by the WTO Appellate Body since the global trade body was established in 1995. This edition features extensive new material covering over a dozen Appellate Body reports and two arbitration awards issued from 2010 to 2013. More information is available [here](#).

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