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WORLD TRADE ORGANIZATION

WTO Members Sign off on Food Stocks, Trade Facilitation Decisions

WTO members signed off on Thursday on a set of decisions that together resolve a months-long impasse over the implementation of the "Bali Package," which was agreed last December.

The news, officials say, could also help re-energise talks at the global trade club, which have languished in the wake of the deadlock.

Negotiators have clarified that a deal not to challenge developing country food stockholding schemes under farm subsidy rules will not expire in 2017, while they work under an accelerated timetable to find a "permanent solution" to problems these countries face.

A separate decision also integrates the Trade Facilitation Agreement (TFA) into the WTO's legal framework – which supporters say could help lower customs barriers and ease red tape at borders.

Thirdly, a new July 2015 deadline was also set for completing a work programme on the remaining Doha Round issues, as officials acknowledged that the previous target of December this year was no longer realistic.

"Work shall resume immediately and all members shall engage constructively on the implementation of all the Bali Ministerial Decisions," the new agreement says.

Flurry of consultations

Over the last few days, WTO Director-General Roberto Azevêdo has organised a series of consultations with negotiators to test whether other WTO members would be willing to accept the conditions of an agreement made between the US and India in talks earlier this month (See Bridges Weekly, [13 November 2014](#)).

This included an informal meeting at the level of Heads of Delegation on Monday, where the WTO chief circulated draft decisions on the TFA protocol and public food stockholding, as well as a draft statement from the General Council chair.

The TFA and public food stockholding decisions floated on Monday were then approved, without changes, at Thursday's special meeting of the General Council – the WTO's highest decision-making body outside of the ministerial conference –

drawing applause from the room. After the decisions were gavelled, sources say at least 30 members took the floor to make a series of statements.

While the meeting had originally been slated for Wednesday this week, it was pushed back until today to ensure that all countries' capitals would have time to review a revised version of the texts, namely the addition of a third draft decision on the subject of post-Bali work and some changes to the draft chair's statement.

Trade sources told Bridges that Argentina and some developing countries had raised concerns about the extent to which the original proposed language managed to reflect an appropriate balance between the relative significance of the public stockholding issue and the broader trade policy agenda.

"Maybe it's a question of 'optics' – but optics are also important," one source observed.

TFA opens for ratification

The Protocol of Amendment adopted on Thursday integrates the new TFA into the overall WTO Agreement, now allowing governments to begin the ratification process domestically. Ratification by two-thirds of the membership is required for the deal to enter into force for those members.

The TFA was the pinnacle of the Bali deal, and is the first global trade agreement that has been reached since the WTO opened its doors in the mid-1990s.

Notably, the trade facilitation accord includes language saying that developing countries will not be required to implement the commitments they take unless they receive the technical assistance to do so.

The deal therefore allows developing countries and LDCs to categorise their commitments in one of three ways: Category A commitments, which take immediate effect once TFA enters into force; Category B commitments, which require a transition period; and Category C commitments, requiring both a transition period and technical assistance.

The General Council has now annexed to the agreement the Category A notifications received so far, which numbered 49 as Bridges went to press.

The Protocol itself also does not make any mention of paragraph 47 of the Doha Declaration, which at one point had been requested by the African Group – and later dropped – earlier this year. The associated General Council decision does "recall" it, however.

This Doha Declaration paragraph refers to the concept of the "single undertaking" - in other words, that the negotiations be concluded as a whole, with the possibility of reaching agreements at an earlier stage that "may be implemented on a provisional or definitive basis," to later be reviewed for balance with the other Doha agreements once these are completed.

Accelerated food stockholding timetable

The new decision on developing countries' public food stockholding schemes effectively ensures the "peace clause" agreed in Bali will not expire in 2017. Under this, members agreed to refrain from challenging these programmes under WTO farm subsidy rules, while a "permanent solution" is negotiated.

A number of developing countries had complained that their freedom to buy food at government-set prices under these schemes has been gradually reduced by price inflation over the two decades since the Agreement on Agriculture was originally agreed.

Other countries have called for more information on how these stockholding programmes operate, so as to ensure that producers in other countries should not be harmed by any revisions to the trade body's rules in this area.

As part of the G-33 coalition of developing countries, India has spearheaded the move to expand flexibility on these schemes, not least due to plans to increase the volume of subsidised food available to poor citizens as part of the country's new Food Security Act.

Meanwhile, Thursday's decision now commits WTO members to reaching agreement on this permanent solution by 31 December 2015, essentially bringing forward the previous target date.

Commitment for action

A previous deadline set by trade ministers last year had committed negotiators to doing so by the body's eleventh ministerial conference – which under normal circumstances would be held in 2017.

"This is a political commitment to deal with this expeditiously," one source told Bridges, referring to the combination of a modified timetable for the food stockholding discussions and the clarification on the peace clause's duration.

Related talks on subsidy and market access reforms under an eventual Doha Round accord will continue under a parallel but separate negotiating track, trade sources told Bridges.

Other aspects of the Bali accord remain unchanged, trade sources said. The extended peace clause deal still only applies to "traditional staple food crops," and relates only to programmes "existing as of the date of the Bali decision."

It would also still require countries to respect a number of other clauses under the original Bali deal.

These require countries to provide other WTO members with detailed information about their farm subsidy programmes, including their food stockholding schemes; to respect certain anti-circumvention and safeguard clauses, such as those ensuring that food purchases do not "distort trade or adversely affect the food security of other members"; and to hold consultations with other countries on their programmes.

Big decisions still remain

Trade officials this week expressed cautious optimism about the breakthrough, noting that it could provide a significant boost to the upcoming resumption of talks on the work programme.

Another meeting of the General Council is slated for 10-11 December, with the goal of restarting the post-Bali discussions quickly, especially given the limited time between now and the new July 2015 deadline for the work programme.

"People are talking about completing the Doha Development Agenda at the next ministerial conference," one negotiator told Bridges, adding that it will depend on how much progress can be achieved during the first half of next year.

Others have also noted that trust lost from the past few months of discord could be hard to restore quickly, even given this extended deadline.

Another questioned whether the new July deadline would be manageable if delegates were hoping by then to develop a clear draft text with agreed formulas and exceptions for tariff and subsidy cuts.

"There are some quite big decisions to be made," the source warned.

Talks earlier this year on a potential work programme had largely agreed that any scheme would need to revolve around agriculture, non-agricultural market access (NAMA), and services – the most contentious areas of the Doha Round.

Sources have acknowledged, however, that these preliminary discussions had not been very far along when the July impasse on TFA implementation and food stockholding occurred.

ICTSD reporting.

PREFERENTIAL AGREEMENTS

TTIP Political Meetings Resume in Wake of Leadership Transitions

New EU Trade Commissioner Cecilia Malmström held a first meeting with US Trade Representative Michael Froman in Brussels this past Friday, which both sides later deemed an early step toward re-energising their bilateral trade talks.

"We have an opportunity to work together for a fresh start to the negotiations and we are off to a good beginning," Froman [said](#) on Friday. The United States is committed to moving forward with TTIP as soon as we can and as fast as we're able," he added, referring to the acronym for the Transatlantic Trade and Investment Partnership.

When the talks were launched in June 2013, officials had indicated that they hoped to see a deal completed by the end of 2014. (See Bridges Weekly, [20 June 2013](#))

Since then, seven rounds have been held between the two sides, with the locations alternating between Brussels and the Washington metropolitan area. However, these talks have in recent months been focused primarily in making technical advances rather than political ones, with the reportedly slow pace largely being blamed on the political transitions that have been underway on both sides of the Atlantic.

With the new EU Commission having taken office this month and the US midterms in the rearview mirror, officials have said there is now a "window of opportunity" to revive the talks, particularly before the US gears up for its general election in 2016, which will see a new President elected to the White House.

The two trade chiefs are next set to meet in Washington on 8-9 December. Following that, the next round of negotiations will be in early February in Brussels, officials said.

Calenda pushes for quick resolution

Also on Friday, the EU Trade Council – which brings together trade ministers from the bloc's 28 member states, and like the rest of the Council is currently under the Italian Presidency – adopted a series of TTIP-related conclusions after hearing a report from Malmström on the talks.

These included a call for greater transparency in the talks and dialogue with stakeholders, along with reconfirming the Council's hope of "concluding a deep, ambitious, balanced, and mutually beneficial agreement on all three pillars of the negotiations as soon as possible, according to the Council mandate."

Carlo Calenda, who currently serves as the Italian Vice-Minister for Economic Development, stressed to reporters following the trade council meeting that, while TTIP is a "delicate negotiation," there is now a "window of opportunity" in 2015 or at latest early 2016 to clinch a deal, at least a political one.

Should that not happen, he warned, the negotiations could drag on for another few years – possibly even to 2018. By then, he said, the US "will most likely have concluded an agreement with Pacific Basin countries, with a stronger economy, and with a greater surplus in terms of energy," potentially leaving the EU in a weaker negotiating position.

Officials from both sides have also noted that the continued geopolitical uncertainty brought on from situations such as the Ukraine crisis – and the resulting deterioration in ties with Russia – have made it imperative for the EU and US to ramp up their negotiating efforts and forge deeper economic and diplomatic bonds.

Missing another deadline, Calenda told journalists, could also have repercussions in terms of image and reputation.

"If we are able to get some more commitments from the two sides of the Atlantic, then the deadline is feasible," he said. "Otherwise, I think we are missing another deadline, because you remember the first one was the end of 2014, and the consequences, in terms of reputation for both of us, and for the Western world as a whole, to miss deadlines, are serious ones."

ISDS

Another issue still to be resolved is when – and whether – the two sides will resume negotiations on investor protections and an investor-state dispute settlement (ISDS) mechanism.

Talks in that specific area have been on hold since early this year, after the European Commission announced it would be holding a public consultation on the subject. (See Bridges Weekly, [23 January 2014](#))

The results of the public consultation are still under review by the European Commission, and have not yet been published. Whether that portion of the TTIP talks will then resume has not been made clear.

Malmström, during her parliamentary confirmation hearing in September, had avoided committing to either including or excluding ISDS in the EU-US talks, in what was viewed by some analysts as a sign that the new Commission might be willing to reconsider pursuing the mechanism. (See Bridges Weekly, [2 October 2014](#))

European Commission President Jean-Claude Juncker later told the European Parliament that any ISDS mechanism would have to meet certain conditions, while noting that he would defer to the recommendation of Hans Timmermans, First Vice-President in charge of the Rule of Law and the Charter of Fundamental Rights, on the subject. (See Bridges Weekly, [23 October 2014](#))

The idea of including ISDS in TTIP has rankled some civil society groups, who question whether the mechanism could open up domestic public protections – such as those involving health and safety – to unfair challenge by foreign investors.

Officials from some member states, such as Germany and France, have also cautioned that having such a mechanism in TTIP could pose ratification problems in the European Parliament and some national legislatures down the road.

Proponents note, however, that these clauses have already become common in international agreements, and are being carefully designed in order to protect investors from unfair expropriation and other violations while not limiting governments' right to regulate in the public interest. The US has also insisted that ISDS is a key component of any future TTIP deal.

"For the time being, we don't see any need to change the mandate... to change the mandate in this moment would be the end of the negotiation," Calenda said on Friday, while noting that ISDS is in the current mandate that the Council has given the Commission for the talks.

Malmström announces new transparency efforts

This past Tuesday, the College of Commissioners – which includes all the European Commission heads – also [approved](#) a series of measures aimed at boosting the transparency of the talks, building on proposals submitted last week by the Trade Commission.

These include allowing all EU parliamentarians access to TTIP texts, rather than just the members of the parliamentary committee on international trade, and also making public more of the EU's negotiating texts that the Commission is already sharing with parliamentarians and member states.

The Commission will also make public on a regular basis a list of TTIP documents being shared with the other EU institutions.

The new EU trade chief will next present these proposals to the parliament's trade committee on 3 December, with the goal of implementing such measures by year's end.

ICTSD reporting; "For Trade Deal with U.S., E.U. Official Reinforces Plans to Press Ahead," THE NEW YORK TIMES, 21 November 2014; "Europe-US trade talks delay upsets Italy," FINANCIAL TIMES, 23 November 2014.

CLIMATE CHANGE

China Confirms 2016 National Carbon Market Plans

Just days before the kick-off of this year's UN climate talks in Lima, Peru, China has confirmed plans to establish the world's largest carbon market in 2016. Su Wei, a top climate change official, told journalists at a press conference in Beijing that the rules for a national carbon permit trading scheme would be finalised in the coming months and that the government hoped the market would reach full maturity by the end of the decade.

The Asian giant already has in place seven regional pilot programmes as part of an effort to lay the groundwork for the country-wide policy. China is responsible for some 30 percent of all global greenhouse gas emissions and is also the world's top carbon emitter.

The news comes hot on the heels a joint announcement earlier this month by Chinese President Xi Jinping and US President Barack Obama on post-2020 climate targets for both economies. For China this included a pledge to peak emissions by 2030 and scale up the share of non-fossil fuels in the energy mix to around 20 percent in the same period. The US will seek to reduce emissions by 26-28 percent below 2005 levels by 2025. (See BioRes, [13 November 2014](#))

The surprise move by two nations traditionally at loggerheads over emissions-cutting responsibility has boosted political momentum heading into the Lima talks, according to some experts. Others have questioned whether the two economic giants are going far enough in addressing climate-warming emissions.

China has previously pledged to reduce carbon emissions per unit of its gross domestic product (GDP) between 40 to 45 percent below 2005 levels by the end of the decade. Climate watchers had been waiting in anticipation, however, for Beijing to unveil an absolute limit on emissions.

The Chinese State Council has also recently announced a new energy strategy action plan for the period 2014-2020 that includes a cap on national coal consumption by 2020 at 4.2 billion tonnes, or no higher than 16 percent above the 2013 total. The government also aims to reduce coal's share in the country's energy mix to less than 62 percent by that year.

Coal is the most polluting fossil fuel and scientists have also pointed to this as a leading cause of Beijing's air pollution problems. The country is the world's largest producer and consumer of coal.

According to the energy strategy, the share of non-fossil fuels in the total primary energy mix will also rise to 15 percent by 2020, from 9.8 percent last year. Both moves are framed as part of a bid to come through on the country's 2030 climate pledges.

September hints

A preview of the recent national carbon market announcement was leaked to the press in September following a conference held in the north city of Tianjin by the National Development and Reform Commission (NDRC), the country's top economic planner, and the Asian Development Bank. (See BioRes, [12 September 2014](#))

According to reports at the time, the new carbon trading scheme will cover approximately 3-4 billion tonnes of carbon dioxide per year, with the market worth between 60-400 billion yuan (US\$11-72 billion) annually by 2020.

Officials also told journalists in September that the national scheme might be extended after 2020 to cover additional sectors and may be linked up with other carbon markets.

Yvo de Boer, head of the Global Green Growth Institute and former Executive Secretary of the UN Framework Convention on Climate Change (UNFCCC) has said that China's decision to use a national emissions trading scheme was "an absolute no-brainer" and would help iron out some of the economies' inefficiencies.

According to the World Bank, some 39 national and 23 sub-national jurisdictions have implemented or are set to put in place carbon pricing instruments, including emissions trading systems and taxes. Carbon markets around the world are currently valued at about US\$30 billion.

In a show of support of this mitigation tool, a high-level climate summit held in September at UN headquarters in New York saw some 74 countries, 23 regional governments, and more than 1000 business figures – collectively responsible for 54 percent of world greenhouse gas (GHG) emissions – [sign on](#) to support carbon pricing initiatives. (See BioRes, [30 September 2014](#))

Meanwhile delegates attending the upcoming UNFCCC talks in Lima will have their work cut out for them to make progress on draft decisions on international standards for market mechanisms geared towards tackling climate change.

A framework for various approaches and a new market mechanism will be discussed in a subsidiary scientific and technical body during the first week of the climate talks that begin next Monday. Delegates will also be racing to hammer out the draft outline for a post-2020 climate deal due to be sealed by next year's meet in Paris, France.

Ready in time?

China's carbon market news was welcomed by some stakeholders as a positive step forward for emissions trading and the country's climate strategy. Dirk Forrister, chief executive of the International Emissions Trading Association, told journalists that the news was "an encouraging sign of China's seriousness."

Forrister pointed out, however, that the timetable to put in place the market in 2016 was "tight" but "doable." The country has also reportedly been collaborating on relevant research with the World Bank.

Other experts have suggested that the positive development may be tied to an overly ambitious timeline. The seven pilot schemes already on-the-go – which cover a total of around 1.115 billion tonnes of carbon dioxide emissions – have been implemented in different regions meaning that China might not easily be able to merge and scale these up.

Some analysts have pointed to different methodologies in place in the schemes with no common implementation standard. The measuring, reporting, and verification of the current schemes has also allegedly not been a simply issue, with experts having raised questions around whether it has been objective in all cases.

ICTSD reporting; "China moves on carbon market as part of emissions plan," RTCC, 25 November 2014; "China official confirms 2016 ETS start," CLIMATE SPECTATOR, 26 November 2014; "China unveils energy strategy, targets for 2020," XINHUANET, 19 November 2014; "China sets a cap on coal by 2020," THE CLIMATE GROUP, 26 November 2014.

Pledges Made to Green Climate Fund Grow Ahead of Lima Talks

A multilateral fund geared towards helping developing countries tackle the negative impacts of climate change and transition to low-carbon growth models has received a flurry of financial pledges in the final weeks ahead of the annual UN climate talks.

A total of US\$9.3 billion was put forward last Thursday by 21 countries at a special funding conference convened in Berlin, Germany. The occasion unveiled US\$1.8 billion in additional contributions following earlier major funding announcements from the US and Japan. (See Bridges Weekly, [20 November 2014](#))

A further US\$265m was pledged late on Thursday after the conference by Canada, bringing the fund closer to the targeted US\$10 billion some climate officials have said will be critical to helping ensure success in talks on a global climate deal.

Resources pledged to the fund will be also be used to unlock finance from the private sector geared towards climate action.

"The Green Climate Fund is the epicentre that determines the direction of both public and private investment over the next decades," said Christiana Figueres, Executive Secretary of the UN Framework Convention on Climate Change (UNFCCC).

The fund's board will start reviewing funding proposals put forward by countries in the second half of 2015, according to officials familiar with the process.

Meanwhile, donor countries will have to come through on their pledges, which could be tricky for countries such as the US that need to get the climate aid passed through domestic legislatures. The fund currently has around US\$13 million in its coffers.

Trust building?

The next UNFCCC Conference of the Parties will kick off next week in Lima, Peru, where delegates are hoping to pin down some key draft decisions around the new climate deal. Parties have given themselves until next year's meet in Paris, France to secure a post-2020 climate regime capable of slashing global emissions.

Questions of climate financing have in the past proved a tricky issue to navigate in UNFCCC talks and have at times even threatened to derail them altogether.

A number of poor countries have warned that they will not be able to cope with the expected costs of mitigating and adapting to climate change. UN climate reports over the last year have also highlighted that those most affected by far-ranging climate consequences will be the world's most vulnerable populations. (See BioRes, [4 November 2014](#))

"The result of today's capitalisation of the Green Climate Fund is foremost an unmistakable sign of trust building," said Hela Cheikhrouhou, Executive Director of the newly capitalised fund.

A number of environmental groups welcomed Thursday's pledges although some [cautioned](#) that more ambition might be needed moving forward.

Set up at the 2010 climate talks in Cancún, Mexico the Green Climate Fund was partly designed to help developed countries fulfil a pledge to raise US\$100 billion a year by 2020.

Following decisions on its institutional structure, the fund is notable for the balanced representation on its board and that pledges have also been made by some so-called developing nations. This includes a US\$100 million pledge from South Korea, where the fund is based.

Adaptation, 2015 finance?

Thursday's pledges represented the largest single resource mobilisation for climate adaptation. In a notable shift from past norms, countries have decided that 50 percent of the fund's cash will be dedicated to adaptation.

Adaptation finance is set to be on the agenda in Lima, with some allegedly hoping for deliverables related to loss and damage compensation, as well as precision on how to finance countries' national adaptation programme of action (NAPAs).

Some UN officials have said that adaptation more generally has now gained political parity with mitigation and this will feed into negotiations around the draft 2015 text.

"This could be a signature outcome from the Lima conference," according to a source familiar with the process.

Delegates in Lima will consider a non-paper of parties' views on elements of the 2015 deal. However, while finance and adaptation both feature in the document, it is far from settled how these issues will be treated.

Decisions will need to be hammered out in the next year around the shape of existing UNFCCC mechanisms in the new climate agreement including, for example, whether the Green Climate Fund would be the main finance track or not.

A high-level ministerial dialogue on climate finance will take place on 9 December in Lima that could see further discussion around these issues.

ICTSD reporting; "Canada pledges \$265m to Green Climate Fund," RTCC, 21 November 2014; "Why is the Green Climate Fund's pledging meeting important?" RTCC, 18 November 2014.

MERCURY

Montreal Protocol Meet Stalls on Climate-warming Chemicals

Efforts to establish a "contact group" to address ways to phase out hydrofluorocarbons (HFCs) – a potent greenhouse gas – failed to advance at a meeting last week of the international instrument that deals with ozone-depleting substances (ODS). The news came just days before the start of this year's UN climate talks in the Peruvian city of Lima.

Last week's meet was the twenty-sixth of the parties to the Montreal Protocol, bringing together delegates from over 190 nations for a series of talks in Paris that – despite the stalemate on HFCs – did see progress on issues relating to exemptions, financial support, and compliance reporting on the substances regulated by the instrument.

Sealed in 1987, the Montreal Protocol sought to phase out chemical substances such as chlorofluorocarbons (CFCs), which were recognised as depleting the earth's stratospheric ozone layer. Scientists warned such damage could have negative impacts on ocean ecosystems, agricultural productivity, and raise health risks such as cancers and weakened immune systems.

However, while the Protocol has successfully tackled some 96 ODS in the past 27 years, HFCs have since come to the fore as an alternative replacement. Although these do not directly damage the ozone layer, HFCs are a greenhouse gas, with a warming potential over a thousand times greater than carbon dioxide.

"Because those markets are growing so fast, if the HFCs aren't nipped in the bud, they will undo all the positive effects of the Montreal Protocol by 2050," David Donger, head of climate programmes at US environmental group the Natural Resources Defense Council, told journalists last week.

As a result, the last five annual meetings of the Montreal Protocol have seen some discussion among the parties on whether and how to counter this risk, without being able to resolve their disagreements on the best way forward.

However, bilateral pledges between the US and China as well as India over the last 18 months had served to boost hopes that the Paris meet might witness a breakthrough.

Best approach?

At the beginning of the week, French environment minister Ségolène Royal urged delegates to form a contact group to discuss ways to address hydrofluorocarbons under the Montreal Protocol, saying that progress in this area could help to contribute to securing a global climate deal under the UN Framework Convention on Climate Change (UNFCCC) next year.

Among the issues up for consideration by the suggested contact group are whether safe, economic, and environmentally-friendly HFC alternatives exist; ways to act on HFCs before viable alternatives are available for all sectors; possible exemptions; technology transfer; and the principle of common but differentiated responsibilities.

An initial proposal on a contact group then put forward on Tuesday by Canada, representing the North American position, was quickly shot down by some countries,

which reiterated past arguments that HFCs as a greenhouse gas should be dealt with under the UNFCCC.

Following a suggestion from the US, parties then agreed to convene an informal group to discuss a possible mandate for the contact group, with discussion taking place in this format on Friday. Later that evening, the US introduced a new draft decision for a contact group on HFC management under the Protocol, building off the conversations from that day and during the week.

The document suggested considering how to reduce HFCs and establish synergies with the ongoing HFC reporting under the current climate regime, known as the Kyoto Protocol.

Although the proposal received a wide support, some opposition relating to process and substance remained and further consultations resulted in revisions to the US document, with a reference added to trade issues. Despite these amendments, parties were not able to reach consensus on the text, leaving it unclear how the Montreal Protocol will move forward with HFCs.

One option may come in the form of another proposal on behalf of the EU. During a ministerial roundtable on Friday morning, new European Commissioner for Climate and Energy Miguel Arias Cañete said that the 28-nation bloc was considering making such a move next year.

Meanwhile, countries are in the process of hammering out an emissions-cutting deal under the UNFCCC, with the hopes that next week's Lima meet can set the stage for finalising an accord in December 2015.

ICTSD reporting; "Summary of the Tenth meeting of the Conference of the Parties to the Vienna Convention and the Twenty-Sixth Meeting of the Parties to the Montreal Protocol," ENB, IISD REPORTING SERVICES, 24 November 2014; "HFCs breakthrough possible at Montreal Protocol meeting," RTCC, 18 November 2014.

BILATERAL TRADE TIES

US, India Pledge to Deepen Trade Cooperation after New Delhi Meet

The US and India have pledged to intensify their cooperation on a range of trade and investment issues, following a daylong meeting in New Delhi that marked their first formal Trade Policy Forum (TPF) since 2010.

The 25 November meeting between US Trade Representative Michael Froman and Indian Minister of Commerce and Industry Nirmala Sitharaman was expected to tackle a series of bilateral trade irritants and opportunities.

However, while the two sides touted a "readiness to enhance bilateral trade and investment ties," including the establishment of technical dialogues and information exchanges, no major breakthroughs were announced.

"It's very much in the United States' interests that India succeeds," US Trade Representative Michael Froman [said](#) on Monday ahead of the meeting. "The question is what we can do through our engagement on the trade and investment relationship to support these objectives."

WTO deal in the background

Notable, this year's meeting came just weeks following a deal between Washington and New Delhi that helped resolve a contentious impasse at the WTO over the implementation of two decisions reached at the global trade body's Ninth Ministerial Conference in Bali, Indonesia last December.

"Some have suggested that the India-US breakthroughs – in Bali and again two weeks ago – may well have saved the multilateral trading system," US Trade Representative Michael Froman [told](#) the Federation of Indian Chambers of Commerce and Industry on Monday, a day before the TPF.

"And that might be a bit of an exaggeration, but at a time of substantial economic uncertainty, our work together was certainly a welcomed boost to global confidence," he continued.

A late September meeting between US President Barack Obama and Indian Prime Minister Narendra Modi had been seen as key to providing some of the political momentum needed to help break the impasse between them. (See Bridges Weekly, [2 October 2014](#))

Obama is now set to return the visit, with a trip to India planned for this coming January, the White House [confirmed](#) last week, though trade officials have downplayed the potential for major "deliverables" from that meeting, according to Reuters.

Intellectual property

The protection of intellectual property rights (IPRs) has been a long-time source of tension between the two sides. In this year's USTR [Special 301 Report](#), where Washington rates the "adequacy and effectiveness of US trading partners' protection and enforcement" of IPRs, India was again included as one of ten countries on a Priority Watch List.

This category involves those trading partners with the “most significant concerns” involving IPR protection and enforcement. New Delhi has been on this list every year since the report was first published 25 years ago.

“It is... in India's interests to have and to enforce a world-class intellectual property rights regime,” Froman said on Monday ahead of the TPF, referring to issues ranging from patents, copyright, counterfeiting, and compulsory licencing. “These are challenging issues, but dealing with them directly is critical if India is to play a leadership role in the knowledge economy.”

The statement issued on Tuesday refers to an agreement to deepen cooperation when it comes to capacity and awareness regarding copyright. The two sides also said they acknowledged the “paramount goal” of ensuring the poorest people in both countries have access to quality healthcare and affordable medicines, with India raising the benefits that traditional medicine can provide in this area.

Among other commitments, the US confirmed that it will provide India with information on intellectual property rights to assist India as it works on developing a new IPR protection regime.

Agriculture, services, investment

One of the outcomes of Tuesday's meeting was an agreement to start a new technical dialogue focusing on cooperation on plant and animal health, as well as food safety. The goal, officials said, would be to boost bilateral farm trade, while establishing regulations that conform with international standards in these areas.

Regarding services, the contentious topic of services trade – where New Delhi has long asked for Washington to make it easier for Indian skilled professionals to attain visas to work in the US market – was also raised.

Also on trade watchers' minds was whether the two sides would announce any progress on resuming stalled talks for a planned bilateral investment treaty.

The final statement refers to investment in two sections, one relating to services and the other involving the promotion of investment in manufacturing. However, no specific reference to the bilateral pact is raised, though the two sides agreed to deepen engagement aimed at promoting bilateral investment across sectors.

ICTSD reporting; “India, U.S. hold first trade dialogue in four years,” REUTERS, 25 November 2014; “India, US seek to improve trade ties, but fail to spell out targets,” LIVEMINT, 25 November 2014.

JAPAN

“Abenomics” in the Spotlight as Japan's Snap Election Approaches

Preparations are well underway for next month's “snap elections” in Japan, which were announced by Prime Minister Shinzo Abe a week ago just two years into his four year term.

The polls have been billed as a referendum not just on the current government, but also on the implementation of the premier's “Abenomics” strategy, which has come increasingly under domestic and international scrutiny in recent months.

Critics, meanwhile, suggest that the vote will be less a reflection of public support than a reflection of voter apathy and disarray amongst the opposition.

If Abe succeeds at the polls, as expected, the premier would have an additional four years to implement his sometimes controversial agenda. While the now-delayed consumption tax hike and the hoped-for conclusion of the 12-country Trans-Pacific Partnership (TPP) talks would likely remain priorities of Abenomics during a new term, Abe has also indicated that he will push to re-start Japan's shuttered nuclear industry.

Change in fortunes?

In 2012, Abe returned to office touting his “three-arrow” plan of monetary stimulus, increased fiscal spending, and structural reforms, which together are targeted at increasing tax revenue and reversing decades of deflation and stagnant growth.

Early on, Abenomics seemed to be yielding dividends. After pledging to raise inflation rates to two percent by April 2015, Abe and the Bank of Japan instituted an aggressive fiscal stimulus package and a massive round of quantitative easing (QE.) In response, inflation rates jumped, and the island nation's economy performed better than expected in 2013.

In May of this year, Abe said in a speech at a ministerial-level meeting of the Organisation for Economic Co-operation and Development (OECD) that the “Japanese economy is back,” while pledging not to shy away from controversial reforms if those are deemed necessary (See Bridges Weekly, [8 May 2014](#)). But this optimistic pronouncement has looked increasingly premature in recent months, analysts say.

Consumption tax, more QE

After an April consumption tax hike from 5 percent to 8 percent was credited with contributing to the Japanese economy's dip by a 7.1 percent annualised rate during the second quarter, many openly questioned the Abe strategy and doubted the feasibility of raising the tax once more, this time to 10 percent.

“All the economic indicators are going south,” one source told the Financial Times in mid-October. “The first and second arrows of Abenomics have run their course and [structural reform] will take an enormous amount of time to materialise if it can.”

A Bank of Japan announcement of a massive new QE programme in late October initially seemed to right the market and put Abenomics back on track. In the weeks thereafter, the yen fell against the dollar and the Japanese stock exchange reached historic levels.

However, after the recent release of data suggesting that Japan had again entered into a recession, Abe announced the delay of the next tax hike until 2017 and the dissolution of parliament in order to “ask voters whether we should go ahead with Abenomics or stop.”

Post-election

To conclude a deal on TPP, it is likely that Japan will need to make painful cuts to subsidies and protections currently afforded certain “sacred” agricultural products. This suggestion has proven controversial even during better times, and trade negotiators would likely require a sustained push from the Prime Minister before giving additional ground in talks with the US (See Bridges Weekly, [9 October 2014](#)).

Meanwhile, Abe is set to face another uphill battle on nuclear power, where only one-third of the public supports bringing reactors back online, despite the Japanese leader's insistence that nuclear power is necessary to drive down imports of expensive liquefied natural gas.

While Abe is unlikely to win a sweeping mandate next month, analysts say that two additional years in office could allow him to consolidate power and avoid another vote in 2015-16 should he tackle tough issues such as TPP and nuclear power.

ICTSD reporting; “Abenomics at Stake in Dec. 14 General Election: Prem. Abe,” JIJI PRESS, 21 November; “Abe has no easy fix for Japan's economic woes,” FINANCIAL TIMES, 20 October 2014; “Testing times for Shinzo Abe as tax decision looms,” FINANCIAL TIMES, 2 November 2014; “Public scepticism could turn off the nuclear reactors,” FINANCIAL TIMES, 23 November 2014.

EVENTS & RESOURCES

Events

Coming Soon

28 November, London, UK. THE EUROPEAN UNION: AN ATTRACTIVE ECONOMIC PARTNER? This Chatham House event will focus on the various trade and economic partnership agreements that the EU has either signed or is currently negotiating with various partners. Participants will therefore review the motivations that non-EU countries may have in seeking additional market access to the EU – mainly, on whether these countries are interested in the markets of certain European member states or in the single market overall. This event is by invitation only, and is being co-hosted with the Konrad-Adenauer-Stiftung Office in Great Britain. For more information, please visit the event [webpage](#).

2 December, Washington, US. YTP: APEC AND ITS OUTCOMES. This event, hosted by Akin Gump Strauss Hauer & Feld, LLP, will focus on the results of this month's Asia-Pacific Economic Cooperation (APEC) leaders' meetings, which were held this year in China. The main speakers – Ambassador James Keith, Senior Director of McLarty Associates, and Ed Brzytwa, Director of APEC Affairs at the Office of the US Trade Representative – will discuss the various outcomes related to issues such as trade and investment liberalisation. The full agenda of the event is available [here](#).

2 December, Washington, US. CHINA OIL FORUM. This event, hosted by the Carnegie Endowment for International Peace, will feature a number of experts and policymakers who will together discuss questions regarding China's physical resources limitations, associated environmental concerns, and the geological realities surrounding oil. Discussions will also take note of the recent US-China climate announcement, as well as on the current challenges that the Chinese economy is facing. To register, or to see the full agenda, please click [here](#).

4 December, New Delhi. INNOVATION IN INDIAN AGRICULTURE: WAYS FORWARD. This conference, convened by the Institute of Economic Growth (IEG), New Delhi and the International Food Policy Research Institute (IFPRI), will address innovative ways to speed up the development of India's agriculture sector. Key topics will include productivity growth, higher returns to farming, poverty reduction, and the improvement of social and economic welfare in rural India. For more information, please visit IFPRI's [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.

28 November: 22nd Round of the Director General's Consultative Framework Mechanism on Cotton - Cotton Development Assistance

28 November: Committee on Trade in Financial Services

28 November: Dispute Settlement Body

28 November: Council for Trade in Services

28 November: Dedicated Discussion of the Relevant Trade-Related Developments on Cotton

2 December: Dedicated Discussion on Electronic Commerce

Other Upcoming Events

11 December, Lima, Peru. **TRADE AND CLIMATE CHANGE: EXPLORING A NEW AGENDA.** This event, hosted jointly by the International Centre for Trade and Sustainable Development (ICTSD) and the Economic Commission for Latin America and the Caribbean (ECLAC), will be held on the sidelines of the UN Framework Convention on Climate Change's annual Conference of the Parties in Lima, Peru. This particular session will focus on the recently launched Environmental Goods Agreement (EGA) negotiations – launched among a subset of the WTO's membership earlier this year – and the associated opportunities this may provide in enhanced technology diffusion and reduced trade barriers in this field. More information is available [here](#).

10-12 December, Geneva, Switzerland. **TRADE AND DEVELOPMENT BOARD, SIXTIETH EXECUTIVE SESSION (LEAST DEVELOPED COUNTRIES).** This UN Conference on Trade and Development meeting will discuss growth and structural transformation of least developed countries (LDCs) in the context of the planned post-2015 development agenda. The meeting will include an analysis of a recent report regarding the "least developed countries paradox" – in other words, the combination of strong economic growth seen in some of these countries over the past 14 years with slow poverty reduction and limited progress towards achieving the Millennium Development Goals. To learn more, please visit UNCTAD's [webpage](#).

16 December, Geneva, Switzerland. **THE INTERNATIONAL MONETARY SYSTEM.** This event, hosted by the Graduate Institute of International and Development Studies, will feature Atish Rex Ghosh, Assistant Director of the International Monetary Fund's (IMF) Research Department, as the main speaker. The meeting will focus on the development of the international monetary system, from the 1944 Bretton Woods Conference onward, and highlight potential future opportunities and solutions for today's challenges. A full event description, as well as a biography of the main speaker, can be accessed [here](#).

Resources

JOBS OR PRIVILEGES: UNLEASHING THE EMPLOYMENT POTENTIAL OF THE MIDDLE EAST AND NORTH AFRICA. Published by the World Bank Group (November 2014). Middle East and North Africa (MENA) countries face a critical choice as they strive to generate greater private sector and more jobs. This report discusses that policies that stifle competition and create uneven playing field abound in MENA and are a major constraint on private sector growth and job creation. To download the full report, please visit the World Bank's [website](#).

THE ECONOMIC IMPACT OF THE 2014 EBOLA EPIDEMIC: SHORT AND MEDIUM-TERM ESTIMATES FOR WEST AFRICA. Published by the World Bank Group (November 2014). This report highlights the need to contain the Ebola epidemic in West Africa through swift action by international partners and local governments, while also underlining the importance of providing support to mitigate the economic impacts – both in the region and in nearby economies, should the disease spread. The full report can be downloaded [here](#).

UNDERSTANDING DIFFERENCES IN GROWTH PERFORMANCE IN LATIN AMERICA AND DEVELOPING COUNTRIES BETWEEN THE ASIAN AND GLOBAL FINANCIAL CRISES. Published by Roberto Alvarez and José De Gregorio for the Peterson Institute for International Economics (November 2011). This working paper compares growth during the Asian and global financial crises and find that a looser monetary policy played an important role in mitigating these crises. The authors argue that economic performance suffered, however, from problems such as higher private credit, more financial openness, less trade openness, and greater exchange rate intervention. The authors also find that effective macroeconomic management helped ensure the good economic performance seen in Latin American countries. To read more, please visit the Peterson Institute's [website](#).

JOB CREATION AND LOCAL ECONOMIC DEVELOPMENT. Published by the Organisation for Economic Co-operation and Development (November 2014). This publication features new evidence around policies aimed at supporting job creation, and includes the latest research on labour markets, entrepreneurship, and local development policy in this area. This publication is designed for government officials, academics, practitioners, and civil society with an interest in local economic development and job creation. The book can be accessed via the OECD [website](#).

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