

BRIDGES WEEKLY

Global trade news from a sustainable development perspective

VOLUME 18, ISSUE 43, 18 DECEMBER 2014

RENEWABLE ENERGY

US Confirms Final Duties on Imports of China, Taiwan Solar Products 1

PREFERENTIAL AGREEMENTS

Officials Express Optimism as Trans-Pacific Trade Talks Head into 2015 4

INFORMATION TECHNOLOGY AGREEMENT

ITA Expansion Talks Hit Roadblock 7

CLIMATE CHANGE

UN Climate Meet Clinches Decision, Paris Deal up for Negotiation 10

UNITED STATES

US Trade Policy Review Highlights New Farm Bill, Economic Recovery 15

EVENTS & RESOURCES

Events 18
Resources 20

RENEWABLE ENERGY

US Confirms Final Duties on Imports of China, Taiwan Solar Products

The US Commerce Department announced on Tuesday final anti-dumping and anti-subsidy duties on imported solar products from China and Taiwan, in a move expected to bring back to the fore long-standing tensions between Beijing and Washington on renewable energy trade.

The anti-dumping probe focused specifically on whether imports of certain crystalline silicon photovoltaic products – including cells, modules, laminates and/or panels – from China and Taiwan have been sold in the US at prices below their normal value, a practice known as “dumping.”

The final dumping margins in this investigation, the US agency said, range between 26.71 to 165.04 percent for products made in China – a significantly wider range than the preliminary duties announced back in July – while finding dumping margins from 11.45 percent to 27.55 percent for Taiwanese-produced goods.

Meanwhile, the countervailing probe focused on whether Chinese producers of those same imports also received unfair state aid. In this case, US investigators deemed that these producers were receiving countervailable subsidies ranging from 27.64 to 49.79 percent – also marking an increase from the preliminary duties announced earlier this year. (See Bridges Weekly, [31 July 2014](#))

Questions of scope

The investigations were both launched in January in response to petitions filed by SolarWorld Industries America Inc., which had claimed that Chinese producers were avoiding existing duties on these goods by using cells made abroad, primarily from Taiwan, in their production processes.

Those products already facing US duties as the result of a 2012 investigation are excluded from the scope of these new probes. (See Bridges Weekly, [30 January 2014](#))

Back in October, the US Commerce Department proposed expanding the new investigations' scope to cover all products assembled in China, even if most of the manufacturing process occurred abroad.

Analysts, such as Paula Stern of the Washington-based advisory firm The Stern Group – which represents Hanwha Q CELLS, an American solar producer – have warned that this move could create substantial uncertainty for producers, and potentially be inconsistent with some of the US' trade commitments at the WTO.

"If the Commerce Department scope expansion is finalised... it means punitive tariffs on Malaysian imports, which have nothing to do with the scope of this investigation," Stern said, noting that much of the cells used in Hanwha Q CELLS' production are made in Malaysia and later assembled in China.

Malaysia has become the world's third-largest producer of solar equipment, and analysts say that the Southeast Asian nation could well boost its standing in the market as a result of the new US duties – though the expansion of the Commerce probe's scope could complicate matters.

"Under WTO rules, member countries have the right to be secure in the knowledge that their products won't be the target of penalties intended to be imposed on another country," said Stern [in an op-ed](#) published by The Hill. Stern previously chaired the US International Trade Commission (ITC) and also served as an ITC commissioner.

Trade tensions brewing

Trade spats about renewable energy products have become increasingly common between the US and China in recent years, and the Asian economy's practices in this area have been subject to high-profile investigations by other major trading partners, such as the EU.

US statistics placed the value of imports of certain crystalline silicon photovoltaic products from China and Taiwan at an estimated US\$1.5 billion and US\$656.8 million, respectively.

While the EU case ultimately led to a negotiated settlement through a "price undertaking" mechanism, involving a combination of minimum prices and import quotas, repeated efforts to reach a similar deal between Washington and Beijing have so far failed to bear fruit.

Concurrently, the US, EU, and China are all involved in negotiations for an Environmental Goods Agreement that would liberalise trade on various green goods. Those talks, which would focus on the reduction of import tariffs and do not currently address issues such as trade remedies, are currently in the early stages, having been launched earlier this year. The various members are currently working on putting together a broad "wish list" of products for tariff reduction, which would eventually be whittled down to a final list. (See Bridges Weekly, [11 December 2014](#))

US solar industry rift deepens

The US trade remedy investigations on these products have also fuelled a rift within the American solar industry, pitting solar cell makers against downstream producers that use these cells in their solar projects.

"These remedies come just in time to enable the domestic industry to return to conditions of fair trade," said Mukesh Dulani, US president of SolarWorld, in a [statement](#) on Tuesday. "The tariffs and scope set the stage for companies to create new jobs and build or expand factories on US soil."

However, the Coalition for Affordable Solar Energy (CASE), a group that represents various companies ranging from local installers to project developers, has long been among the most vocal opponents of these trade investigations, warning of their potential to actually undermine the competitiveness of the US solar industry.

Calling the investigation's scope "unprecedented" in its reach, the new duties "will undercut the growth of American solar jobs, hurt the American solar industry and make it more difficult for solar technology to compete against fossil fuels," [said](#) CASE President Jigar Shah in response to the news.

Earlier this month, various US solar companies that use these imported cells in their projects reportedly told the US International Trade Commission – another agency involved in these trade probes, which focuses on whether injury has been caused to US producers as a result of dumping or countervailable subsidies – that the duties could hurt their own production efforts, given that US-made alternatives are not equivalent.

"US suppliers cannot supply the high efficiency cells and high wattage modules that we use for our projects," said Polly Shaw, SunEdison vice president of government affairs, in comments reported by Reuters. Shaw added that US solar products are "not interchangeable" with imported versions.

Injury determinations set for January

The long-running saga is not over, however, with another US government agency now set to review whether these imports materially injure, or threaten to injure, American industry.

The deadline for the latter probe, conducted by the International Trade Commission, is 29 January 2015. If injury is found by USITC, then final anti-dumping and countervailing duty orders will be issued from early February onward. Otherwise, no duties will be applied.

ICTSD reporting; "Taiwan, China solar producers no threat to U.S., commission hears," REUTERS, 8 December 2014; "Obama Proposes Expanding China Solar-Cell Levy to New Suppliers," BLOOMBERG, 8 December 2014.

PREFERENTIAL AGREEMENTS

Officials Express Optimism as Trans-Pacific Trade Talks Head into 2015

Negotiations for a trade deal among 12 Pacific Rim countries that would cover over 40 percent of global GDP are set to continue into 2015, despite prior hopes that an agreement – even “in principle” – might be announced before this year draws to a close.

However, officials involved in the Trans-Pacific Partnership (TPP) talks have indicated in recent weeks that a final deal is close, and analysts suggest that the recent election victory in Japan of incumbent Prime Minister Shinzo Abe could pave the way for Tokyo to make some difficult concessions in areas such as agricultural trade.

Meanwhile, the new year is also expected to see a potentially more favourable political climate in Washington for passing trade-related legislation, including bills seen as key to advancing TPP.

Reports following informal TPP negotiating meetings in Washington from 7-12 December highlighted progress across various areas of the text, while not announcing any official breakthroughs. The dates and venue for the next TPP meeting have not yet been confirmed, though media reports indicate that the talks are expected to continue in January.

A [brief update](#) on the officials' meeting posted on the Canadian trade ministry website noted that the Washington talks addressed legal and institutional issues, textiles, rules of origin, state-owned enterprises, and the environment, among other subjects.

Japan election gives "Abenomics" fresh boost

Japanese Prime Minister Shinzo Abe won a “snap election” on Sunday 14 December that was touted by many as a referendum on his broader economic policy agenda, termed “Abenomics.” The win ensures that Abe can, unless he chooses to call an election sooner, continue in office for another four years. (See Bridges Weekly, [27 November 2014](#))

Abe's eponymous economic policy involves a “three-arrow” plan of monetary stimulus, increased fiscal spending, and structural reforms aimed at boosting the Japanese economy.

However, following signs in recent months that the Japanese economy had dipped back into recession, the Japanese premier confirmed in November that he would be calling a “snap election,” aimed at confirming his mandate in this area. The polls came just two years into his initial four year term, and were already widely expected to be in his favour.

In the lower house of Parliament, Abe's Liberal Democratic Party won 291 of 475 seats, leaving the premier with a comfortable margin. Following the result, the Japanese premier said that “Abenomics is still unfinished,” adding that there were many people in the Asian island country that “haven't felt the benefits yet.”

“We need to make sure that the benefits reach them,” he said.

However, observers were quick to note that voter turnout was among the lowest in several decades, with just 52 percent of eligible voters participating. This, analysts say, appear to indicate that the landslide victory was less a result of the public's warmth

toward the premier's policies, but rather due to lack of confidence in the opposition parties.

Even so, the potential of the election result to give Abe more wiggle room in advancing farm sector and trade reforms – under the “third arrow” of his economic strategy dealing with structural reforms – has been highlighted by many analysts, who say it could help him make difficult decisions in the TPP talks.

The US and Japan have repeatedly locked horns throughout the year in bilateral TPP discussions on agricultural trade, with Washington pushing Tokyo to slash tariffs in traditionally sensitive farm products. Despite repeated efforts in both this area and in separate talks on automobile trade, the two sides have yet to reach an agreement, which has been partly blamed for the negotiation's inability to conclude this year.

“The United States looks forward to deepening our close alliance cooperation with the government and people of Japan to promote global and regional security and prosperity, and bilateral cooperation on defense guidelines revision, TPP, and maritime security,” said the White House Press Secretary in a [statement](#) on Sunday, while congratulating the Japanese premier on his win.

Obama “optimistic” about TPP chances

Over in Washington, which is also adjusting to a post-election dynamic following the November midterm polls, signs are also emerging that trade-related legislation could be facing a more favourable climate than it has in recent years.

US President Barack Obama had earlier raised the prospect of a potential TPP outcome in 2014, and whether this would actually be possible was the subject of significant speculation in the months following, with Australian Trade Minister Andrew Robb among those suggesting as recently as October that the “basic elements” of a deal could be concluded by year's end. (See Bridges Weekly, [26 June 2014](#) and [9 October 2014](#), respectively)

With 2014 now largely in the rearview mirror, the US President has since indicated that he is increasingly confident in the prospects for the trans-Pacific pact, while not publicly placing any new timeframes on it. Analysts have suggested, however, that officials are likely to push for a final result in 2015, given the upcoming 2016 general election in the US.

“I'm much more optimistic about us being able to close out an agreement with our TPP partners than I was last year,” Obama [said last week](#) at a meeting of the Export Council.

“Doesn't mean that it's a done deal, but I think the odds of us being able to get a strong agreement are significantly higher than 50-50, whereas last year I think it was still sort of up for grabs,” the US leader said.

While various Obama-backed initiatives are expected to struggle with the new Republican Congress that will take office in January, trade is one area that lawmakers of the opposing party have flagged as having potential for common ground with the Democratic White House. This appears particularly likely for the renewal of Trade Promotion Authority – an expired piece of legislation seen as key in advancing US trade deals. (See Bridges Weekly, [13 November 2014](#))

Trade Promotion Authority sets the priorities for the US executive branch in negotiating international trade deals, while ensuring that any completed pact submitted to Congress can only face a straight up-or-down vote, without amendments. Without it, analysts say, Washington's trading partners are unlikely to make major concessions in negotiations, out of concern that a final deal could then be unravelled in the US legislature.

The previous version of the legislation expired in 2007, though it was applied in the ratification of the US' trade pacts with Colombia, Panama, and South Korea in 2011 given that those deals were negotiated beforehand.

Draft bills for renewing Trade Promotion Authority, otherwise known as "fast track," were introduced in Congress early in the year, only to stall in both chambers, which analysts says was due partly to the contentious midterm election climate. Obama had similarly called in his annual State of the Union address for the passage of new "fast track" trade powers. (See Bridges Weekly, [16 January 2014](#) and [30 January 2014](#))

"Unless we renew Trade Promotion Authority, or TPA, these efforts to expand market access will not succeed," said Republican Senator Orrin Hatch of Utah this week. The lawmaker is currently the ranking member of the Senate Finance Committee, which deals with trade in that chamber, and Hatch is expected to chair the panel under the new Congress.

"Renewing TPA and advancing other parts of our trade agenda also represents an opportunity for a fully Republican Congress to work with the administration. So, trade will almost certainly take up much of the Finance Committee's agenda as next year gets underway," the Utah senator [said on Monday](#).

ICTSD reporting; "Pacific free trade negotiators wrap up talks on contentious issues," KYODO NEWS, 12 December 2014; "In Japan, a Landslide Victory for Shinzo Abe's Party, Despite Scant Enthusiasm," THE NEW YORK TIMES, 14 December 2014; "Unlocking Japan Growth Potential Looms as Task for Abenomics 2.0," BLOOMBERG BUSINESSWEEK, 15 December 2014; "Abenomics' success hinges on a tricky balance," FINANCIAL TIMES, 14 December 2014.

INFORMATION TECHNOLOGY AGREEMENT

ITA Expansion Talks Hit Roadblock

Efforts to finalise negotiations on expanding the product coverage of the WTO's Information Technology Agreement (ITA) were unable to lead to an agreement last Friday, leaving the next steps for the tech trade talks uncertain.

Participants in the expansion initiative had originally hoped to be able to announce a deal on these new products, which would number approximately 200, at last week's meeting of the WTO's General Council from 10-11 December.

However, on the second day of that meeting, EU Ambassador Angelos Pangratis told fellow members that the talks would need to go on for another day, amid reports of a persistent disagreement among some participants over the final product list. (See Bridges Weekly, [11 December 2014](#))

"While the finalisation of the negotiations appears certainly within reach, there is still some distance – small, compared with the long way we have already gone – which needs to be bridged," he explained at the time, according to a [transcript](#) of his remarks.

The EU was hosting the latest round of negotiations in Geneva, which aimed to build upon an understanding reached between China and the US back in November that was meant to resolve a year-long stalemate in the talks. (See Bridges Weekly, [13 November 2014](#))

WTO Director-General Roberto Azevêdo had also been called upon to help facilitate the negotiations last week, sources confirmed. ITA ambassadors reportedly held another meeting this week in which they asked the WTO chief to step in and conduct his own consultations in the New Year.

Flat-panel displays

At issue in the latest breakdown was a disagreement between South Korea and China over whether to include items such as flat-panel displays in the final deal, with Beijing insisting on their exclusion. Taiwan had also reportedly raised concerns over these products, sources said, as well as machine tools.

Such items were not part of the US-China deal reached last month, sources confirmed, and Chinese officials had reportedly told their counterparts in Geneva that they did not have a mandate to include them.

Some officials noted that these flat-panel displays were actually already included in a separate preliminary South Korea-China trade pact reached on the sidelines of the Asia-Pacific Economic Cooperation (APEC) Leaders' Week; however, in that bilateral deal Beijing had agreed to a staging period of ten years.

In evaluating potential alternative packages last week that could help resolve the impasse, accumulator batteries were an item reportedly raised as one possible concession Beijing could give in exchange for South Korea dropping its request to include flat-panel displays – a suggestion that China was unable to accept.

Officials familiar with the talks suggested that these flat-panel displays, also known as LCD displays, are now unlikely to return to the negotiating table, given that these are a clear red line for Beijing.

While those officials note that South Korea seems to have accepted this, Seoul will still require Beijing to make some concessions in return in order to move forward in the ITA expansion effort.

Fine-tuning US-China deal

Officials familiar with the talks concurred that while the US-China bilateral deal provided a useful starting point for resuming the negotiations, some adjustments were necessary to fully address the interests of the various other participants in the ITA expansion talks.

"Through the consultations over the last few weeks, it became clear that certain members had important interests that were not fully captured by the bilateral agreement," [said](#) US Ambassador to the WTO Michael Punke on Friday following the breakdown in the talks.

"Those members came a long way toward accepting 99 percent of that agreement, but asked that small adjustments be made in order to be able to accept the deal," he noted.

Costa Rica, Malaysia, Israel, Guatemala, and South Korea were among those that reportedly showed additional flexibility during last week's discussions in an effort to reach a final deal, Punke said, in a claim that industry sources also confirmed.

"The inability to conclude boiled down to the fact that the Beijing breakthrough achieved on the margins of the Asia-Pacific Economic Cooperation leaders' summit last month included a good package, but many economies felt it needed further tweaking," said John Neuffer, a long-time follower of the ITA talks, in a [blog post](#) for the Information Technology Industry Council.

Sources familiar with the negotiations also noted that it was natural to expect some changes to the US-China bilateral deal, with some expressing surprise that Beijing was not able to grant any additional flexibility when the pact was brought to the other ITA participants involved in the expansion effort.

The recent US-India deal that helped resolve a separate impasse on the implementation of the WTO decisions reached at last December's ministerial conference in Bali, Indonesia, had similarly required revisions in order to meet the needs of the broader membership, various sources noted.

Next steps unclear

Another push for wrapping up the tech trade talks is not planned this month, sources say, with 2015 providing a more likely opening.

While sources noted that the 10-11 December General Council was a self-imposed deadline, rather than a mandated one, officials had warned that missing that opportunity could mean losing some of the momentum gained in recent weeks, particularly following the US-China breakthrough in November.

"Later it will not be easier, rather the contrary. Now is the moment," the EU's Pangratis had said on Thursday prior to the breakdown in the negotiations.

His US counterpart echoed similar sentiments at a Friday night meeting of fellow ambassadors to discuss the state of play.

"Like everyone in the room, we are disappointed not to be celebrating a deal this week. We missed a big opportunity," Punke said at the time.

WTO chief Azevêdo has, for his part, urged participants to continue their efforts toward reaching a deal, noting [in a statement](#) on Friday that they "have significantly reduced the gaps on expanding the coverage of the ITA in recent days."

"I urge members to remain actively and constructively engaged as we try to bridge the gaps in these negotiations," the Director-General said.

Sources expected the WTO chief to begin his consultations in mid-to-late January, while noting that there is "no precise timeline" for formally resuming the talks, given that political decisions are what is now needed to resolve the impasse rather than technical work.

Estimates say US\$1 trillion in annual trade at stake

This latest effort among a group of the ITA's participants to update the deal's product coverage began over two years ago, with the goal of addressing the various changes that the information technology landscape has seen since the original ITA entered into force in 1997. These talks had already broken down twice before the current impasse.

Many of the products featured in the original pact have become obsolete in recent years, while new technologies have been developed that are not covered by the ITA's scope – raising fears that leaving the deal in its current state would eventually lead to its losing commercial relevance. [Estimates](#) place the potential gains from an expanded ITA at between US\$0.8 trillion and US\$1.4 trillion in annual trade, according to figures cited by the WTO.

The ITA is one of the few WTO agreements that does not include the entire membership of the global trade body. Rather, only those participants that sign onto the pact are bound by its commitments, though the benefits are extended across all WTO members. The group negotiating the expansion is itself a subset of the ITA's 52 participants, counting the EU and its 28 member states as one participant.

ICTSD reporting.

CLIMATE CHANGE

UN Climate Meet Clinches Decision, Paris Deal up for Negotiation

Delegates from over 190 nations meeting in Lima, Peru have agreed to a text framed as a key stepping stone towards building a new climate regime to come into force at the end of the decade. The deal, secured early Sunday morning, will see all nations come forward with self-determined plans for emissions-cutting contributions and reiterates support for poor countries in preparing these.

Developed countries are also urged to provide financial support to developing countries for ambitious mitigation and adaptation actions, and the Lima text provides recognition to complementary support by other parties. The latter tones down language from earlier drafts that invited other parties willing to do so to complement developed country finance, in other words suggesting room for some developing country finance responsibilities, which prompted backlash from some parties.

Consensus was reached after the Twentieth Conference of the Parties (COP) to the UN Framework Convention on Climate Change (UNFCCC) laboured into extra time, some 30 hours beyond the initial scheduled closing session.

Late night consultations between the COP20 President and party negotiating groups helped bring the talks back from the brink after an impasse emerged during the day on Saturday around a draft text discussed in the Ad Hoc Working Group on the Durban Platform (ADP), the body tasked with negotiating the new deal.

The COP20 President, Peruvian environment minister Manuel Pulgar-Vidal, gavelled the decision through in a record thirty seconds, after a final hour of informal consultations within party delegations revealed no objections to his proposed decision, publicly released just before midnight.

"Even if it seems the world is on opposite sides, there is just one planet," said Pulgar-Vidal in welcoming the ADP decision.

Some civil society and environmental groups reacted strongly against the final text, however, suggesting that it represented a lowest common denominator outcome.

Lima climate action

The new [seven-page text](#), dubbed the Lima Call for Climate Action, confirms parties' intention to develop and adopt a global climate deal by next December's climate meet in Paris, France. The new agreement will apply to all parties and address in a balanced manner mitigation, adaptation, finance, technology development and transfer, capacity-building, and transparency of action and support.

Sunday's decision acknowledges progress made in Lima towards elaborating elements of a draft negotiating text for the 2015 deal, which now sits in an annex. This move helps [formalise](#) a 37-page non-paper on Paris deal options issued by the ADP co-chairs on Wednesday based on views previously expressed by the parties.

Agreement was also reached on the type of information parties may include when communicating their intended nationally determined contributions (INDCs) – the building blocks of the eventual Paris deal.

However, options for more detailed complementary information for parties' INDCs have been scrapped. One paragraph now suggests that the information to be provided would include a reference point against which emissions cuts would be made; timeframes in which this would happen; scope and coverage; methodological approaches; and how each party considers its submission to be fair and ambitious.

While the INDCs are framed in the context of Article 2 of the Convention – in other words, the ultimate objective of stabilising harmful emissions– parties are also invited to consider including an adaptation component.

The final ADP decision requires that INDCs be posted on the UNFCCC website and that the Secretariat prepare a technical paper by early November 2015 on their aggregate nature. This section cuts text from previous drafts that would have seen an *ex-ante* or review process framed around a dialogue on the contributions – an apparent concession to the Like-Minded Developing Countries group.

In a bid to assuage expressed concerns by the African group and others, one paragraph specifies that the INDC arrangements are made without prejudice to the shape or legal nature of the Paris deal.

Some paragraphs refer to scaling up climate action before 2020, such as through technical expert meetings on actions with high mitigation potential, including those with adaptation, as well as health and sustainable development co-benefits.

A UN [emissions gap report](#) ahead of the Lima meet had warned that carbon emissions will need to peak by 2030 to avoid disastrous climate impacts and that the world was not currently on track to achieve this.

The final text also adds language recalling past decisions on the Warsaw International Mechanism for Loss and Damage associated with Climate Change Impacts, a compensation instrument held dear by countries particularly vulnerable to climate change.

Emissions cutting responsibility?

In a victory for some developing countries, the agreed ADP text underscores a commitment to reaching a Paris deal that reflects the UN principle of “common but differentiated responsibilities” (CBDR).

In the final negotiating stretch, the African group and others had insisted on a clear delineation between climate efforts undertaken by developed and developing countries. Other parties said that while no one wished to deny the importance of CBDR, they would not accept a bifurcated approach to differentiation.

The UNFCCC annexes with lists of countries were established in 1992 as a means to operationalise CBDR through assignment of differing level of commitments according to relative degrees of industrialisation. This so-called firewall between countries has since proved a major source of contention in the UN climate talks.

Moreover, ever since the commitment to a universal climate regime at the 2011 meet held in Durban, South Africa, debate has been ongoing as to whether the ADP strays too far from the principles of the Convention and CBDR.

Non-state actors

A penultimate paragraph in the decision also welcomes a high-level climate action meeting held last Thursday geared towards a formal recognition of the engagement of non-state actors in the efforts of the intergovernmental UNFCCC and encourages future COP presidencies to continue to convene such occasions.

At a joint press conference early Sunday morning COP President Pulgar-Vidal and next year's COP President Laurent Fabius, French minister of foreign affairs, announced a new Lima-Paris Action Agenda to this end.

Thursday's event saw the launch of a new web portal showcasing climate efforts undertaken by cities, regions, companies, and investors. Dubbed the [Nazca Climate Action Portal](#), after Peru's UNESCO World Heritage listed site of ancient lines depicting wildlife and geometric forms, the tool highlights a range of undertakings to action from increased energy efficiency to carbon pricing policies.

"It is clear the governments are finally bringing the non-state actors into the process," [wrote](#) James Cameron, a non-executive Chairman of green asset management group Climate Change Capital, underlining the role played by non-state actors in implementing governments' climate pledges.

A house divided

A strain in the ADP began to show during the middle of the COP's second week as line-by-line negotiations on a revised text released on Monday 8 December resulted in 58 pages' worth of tracked changes and alternative paragraph proposals.

Some observers said that the textual disagreements demonstrated the extent to which parties were starting to grapple with the dynamics of a new, universal climate regime.

The ADP co-chairs were also criticised at various intervals last week for allegedly failing to listen to developing countries' views and for not building these into two new iterations of a draft decision issued on Thursday evening and Saturday dawn, respectively. Fears were expressed that Lima would end the same way as the 2009 Copenhagen meet, where backroom deals announced at the plenary at the last minute helped derail the talks.

Sources report extensive dialogue throughout Friday 12 December – the last scheduled day of the COP – between COP President Pulgar-Vidal and various heads of delegations, after Norway's climate and environment minister Tine Sundtoft and Singapore's environment and water resources minister Vivian Balakrishna had also helped to reach out to fellow ministers in an effort to bridge divisions.

As various party consultations with the President dragged on into Saturday evening, one Peruvian official told BioRes that the COP Presidency was carefully weighing the risks and calculating the best way to introduce a new ADP decision text based on these talks.

Once agreement was eventually reached, US lead negotiator and special envoy for climate change Todd Stern praised the COP Presidency's dedication to completing the task.

"It wasn't always easy guiding this decision to a safe landing. Even this morning things looked somewhat uncertain," Stern told the COP closing plenary.

Climate finance

While much of the attention at the end of the week focused on the ADP, the UK's energy and climate minister Ed Davey and South Africa's environmental affairs minister Edna Molewa were helping to facilitate talks regarding a COP agenda item on climate finance.

Observers had warned these negotiations would need to be resolved before being brought to the meet's closing plenary.

A draft text on long-term climate finance, focusing on how developed countries will mobilise funds to the end of the decade, was ultimately reached by Saturday afternoon.

The hard-fought [text](#) recognises previous commitments by developed country parties to jointly mobilise US\$100 billion annually by 2020 to help poor countries cope with their climate-driven needs. A call is made for a substantial share of public climate funds to be channelled into adaptation activities.

Parties also reached consensus on other tricky finance sub-items on Saturday afternoon, namely on the UNFCCC's Standing Committee on Finance; a report on and guidance for the Green Climate Fund; the report on and guidance to the Global Environment Facility; and a fifth review of the financial mechanism.

Notably, pledges of US\$6 million each were made by host nation Peru as well as Colombia last Wednesday, after Australia and Belgium also made pledges earlier in the week tipping the fund over its targeted US\$10 billion mark.

Héla Cheikhrouhou, the Green Climate Fund's Executive Director, told journalists in Lima that so far around 70 parties have set in motion processes to work with the new fund and that cash could start to flow as soon as 2016, pending project approvals next year.

Some parties expressed concern in Lima that Washington's US\$3 billion GCF pledge made in November may be blocked by Congress, which would have to sign off on appropriating those funds. Both legislative chambers will have Republican majorities as of January, while facing off against a Democratic White House.

No agreement on technology, finance linkages

Talks under the COP on linkages between the UNFCCC's Technology Mechanism – tasked with boosting action on climate technology development and transfer – and the operating entities of its Financial Mechanism also continued last week based on a mandate granted in 2012.

On Wednesday, a [draft text](#) on this item was proposed by the co-facilitators, but some key paragraphs remained divisive. These involved the delivery of climate finance for technology projects and actions in developing countries as well as collaboration between the Technology Mechanism and the Green Climate Fund as it develops its operational modalities. The meeting closed with no text forwarded to the COP.

Disagreement on the degree of formalisation in linking these two Convention bodies reportedly proved to be the key source of contention, according to observers of the process.

The need to secure financial support to ensure the effective operation of the Technology Mechanism was among the key messages [identified](#) during the COP's first week in the adoption of the joint annual report of the Technology Executive Committee (TEC) and the Climate Technology Centre and Network (CTCN), which together make up the Technology Mechanism.

Intellectual property rights (IPRs), which have traditionally been among the more contentious issues in UNFCCC technology negotiations, are likely to surface in ADP talks next year.

Response measures

Haggling on some unresolved issues under other UNFCCC work streams, the Subsidiary Body for Implementation (SBI) and Subsidiary Body for Scientific and Technological Advice (SBSTA), continued into the second week.

Parties remained divided by the COP's end on how to continue work in a forum on the impact of the implementation of response measures, whose mandate expired last year.

Past disagreements on whether to establish a mechanism for enhanced action on response measures resurfaced in Lima, proposed by the G77/China, various sources confirmed. Proponents of the so-called mechanism have said it could exist in addition to the forum to facilitate the implementation of actions to address the negative social and economic consequences in third countries by measures taken to tackle climate change.

After attempts failed to find common ground throughout the week, parties [agreed](#) to continue work next June in Bonn, Germany at the subsidiary bodies' forty-second session with a view to recommending a decision for adoption in Paris.

On that occasion, parties will continue working on a bracketed [draft text](#) with various options for the way forward, which was the outcome of the Lima talks' first week. (See BioRes Lima Update #2, [7 December 2014](#))

"Loss and damage" mechanism set up

After extended talks, SBSTA-SBI delegates also eventually [signed off](#) on criteria for membership of an executive committee and two-year work plan for the Warsaw International Mechanism for Loss and Damage, established at last year's COP.

Georgia, however, expressed a reservation based on some disagreement on the rules governing the composition of the executive committee regarding two rotating non-Annex I seats.

The COP Presidency suggested non-Annex I regional groups continue talks on coming to a "gentleman's agreement" on these arrangements, with the meet adopting the Warsaw Mechanism Provisions based on this understanding.

Next steps

The next session of the ADP is scheduled for 8-13 February in Geneva, Switzerland. Algeria's Ahmed Djoghla and the US' Daniel Reifsnyder will become the ADP's new co-chairs and will focus on steering the group's discussions through the conclusion of their mandate next year.

According to Sunday's decision, parties in a position to do so should submit their INDCs by next March, with other parties doing so well in advance of the Paris meet and by 1 October according to various sections in the ADP decision.

A COP decision also confirmed that the November 2016 climate meet will be hosted by Morocco, with the country's environment minister Hakima El Haiti suggesting that the meet would focus on a review of climate action based on the hoped-for Paris deal.

ICTSD reporting.

UNITED STATES

US Trade Policy Review Highlights New Farm Bill, Economic Recovery

The rebound in the US economy, along with the enactment of the February 2014 Farm Bill and the recent rise in American trade remedy investigations were in the spotlight this week as WTO members began their two-day biennial review of Washington's trade policies on Tuesday.

Under WTO rules, the global trade body conducts a review of the four largest traders – currently the US, EU, Japan, and China – every two years. Smaller traders are reviewed on a less regular basis. In addition to a report issued by the WTO secretariat, the document also includes a report provided by the trader being discussed.

This year's US Trade Policy Review, or TPR, drew over 1600 questions, said the country's WTO Ambassador, Michael Punke on Tuesday, in what set a new record for Washington.

Economy making a comeback

The secretariat-produced report notes that the US economy has "largely recovered" from the recession seen in 2007-2009, with nominal GDP hitting US\$16.8 trillion last year. The report cited factors such as well-developed infrastructure and a sound business environment as part of what continues to make the US a "growing and diversified economy."

The country's US\$2.1 trillion manufacturing sector is credited with playing a significant role in the US recovery, with over 700,000 jobs created since 2010. Part of the success of the manufacturing sector, the WTO report notes, comes from lower energy prices that have resulted from a "boom" in the production of shale oil and gas.

The rapid increase in the production of these energy products has largely been credited to practices such as "hydraulic fracturing," known also as fracking, a controversial method that has been criticised by some for its potential environmental impacts.

Meanwhile, US export growth has seen a slowdown, which the WTO report notes is largely as a result of weak global economic growth and the continued slowdown and reduced import demand in Europe, with whom the US shares the world's largest trading relationship.

The WTO's previous review of Washington's trade policies in 2012 had come during a very different climate, one that featured more tentative recovery signs amid warnings of the US potentially going over a "fiscal cliff." At the time, various trading partners had expressed concern over what repeated domestic political fights over spending and national debt levels could mean for the growth of other economies. (See Bridges Weekly, [19 December 2012](#))

2014 Farm Bill

The WTO report released on 16 December noted that the new US Farm Bill enacted in February 2014 – essentially outlining the level and composition of American agricultural spending policies for the next five years – was "one of the most significant trade policy developments" during the period under review.

The US legislation, clinched after a nearly two-year effort, continued a trend toward shifting away from traditional commodity and disaster payments – and the elimination of “direct payments” to farmers, which fall under the WTO’s “green box” of non-trade-distorting support – toward subsidised crop insurance schemes, such as the Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) programmes.

Approximately 80 percent of Farm Bill spending is geared toward nutrition programmes, such as the Supplemental Nutrition Assistance Program (SNAP), known otherwise as food stamps. (See Bridges Weekly, [30 January 2014](#))

“The EU notes that under the new Farm Bill some subsidies provided to the agricultural sector depend on the evolution of world prices,” [said](#) EU Ambassador Angelos Pangratis on Tuesday, noting that the 28-member bloc is studying the legislation “with interest” to see how it fits with broader agricultural trade reform.

Trade remedies

At the end of last year, the US had in place 294 anti-dumping and countervailing measures, an 18 percent increase from 2010 levels. These, the report noted, were particularly concentrated on emerging markets, with China making up 40 percent of all duty orders in 2013.

Of the 294 measures in place last year, 123 were on China, with the EU’s then-27 members tied with India for second, at 23 measures each. Chinese Taipei and South Korea followed at 18 and 15 measures each, respectively.

The report also notes some changes in the way that the US conducts its trade remedy investigations, such as a final rule on using market economy input prices when dealing with non-market economies.

Role of services

According to the WTO report, commercial services are the main contributors to the US’ output, accounting for 65 percent of GDP. The US is also the world’s top services exporter, with the EU being the main recipient of such exports. Other large export markets include Canada, Japan, China, and Mexico.

Various services sectors underwent reforms during the review period, including establishing new standards in the realm of financial services aimed at strengthening financial institution regulation and supervision.

“US financial firms in general have strengthened their position over the last few years,” the report noted, while calling for more progress in areas such as “too big to fail” banks.

The entry into force of various provisions of the 2010 Patient Protection and Affordable Care Act, known colloquially as Obamacare, are expected to “affect supply and demand of healthcare and health insurance services, and hence have an effect on trade,” the WTO report said, particularly given how many health services-related commitments the US has made under the General Agreement on Trade in Services (GATS).

The US healthcare legislation has been one of the more controversial elements of US President Barack Obama’s tenure, facing both domestic legal challenges and continued threats of repeal by opposition lawmakers.

Bilateral, regional deals

The US' push in recent years to reach bilateral and regional trade deals with select groups of partners – such as the 12-country Trans-Pacific Partnership (TPP) Agreement or the Transatlantic Trade and Investment Partnership (TTIP) negotiation with the EU – has long been a subject of scrutiny by some of its trading partners.

Washington's last TPR was held just as three other major trade deals – those with South Korea, Colombia, and Panama – were entering into force.

While some have expressed concern that third countries could suffer from being excluded from such deals, others have asked whether these major negotiating initiatives could distract from the US' participation in talks at the global trade body.

The WTO report notes that no new reciprocal trade pacts have been concluded since the 2012 TPR. However, it does acknowledge both the US' leadership efforts at the WTO, as well as the ongoing TPP and TTIP negotiating efforts. The study finds that the share of US imports under its reciprocal arrangements grew from 16.4 to 18.3 percent of total imports between 2011 and 2013.

"Let us reassure members – we are deeply committed to producing outcomes through these efforts that will reinforce and complement the multilateral trading system," the US' Punke [told](#) fellow WTO members on Tuesday.

The bilateral and regional deals, the US Ambassador explained, "offer the opportunity to contribute to a more dynamic and open global trading system and the possibility of building on them to pursue future ambitious trade and investment liberalisation in the WTO."

ICTSD reporting; "Fracking Gives U.S. Energy Boom Plenty of Room to Run," WALL STREET JOURNAL, 14 September 2014.

EVENTS & RESOURCES

Events

Coming Soon

16 January 2015, New York, US. STAKEHOLDER PREPARATORY FORUM ON POST-2015 DEVELOPMENT AGENDA. This forum, organised by the UN Department of Economic and Social Affairs (DESA) and the UN Non-Governmental Liaison Service (UN-NGLS), will bring together Major Groups and civil society stakeholders so they can examine ways to participate in the upcoming negotiations on a post-2015 development agenda, as well as give these participants a chance to outline their positions and priorities in this area. More information on the event can be found [here](#).

16 January 2015, Tokyo, Japan. SYMPOSIUM ON SUSTAINABLE DEVELOPMENT GOALS AND THE POST-2015 DEVELOPMENT AGENDA – CURRENT INTERNATIONAL DISCUSSIONS AND CHALLENGES FOR IMPLEMENTATION. This event is being co-organised by the Ministry of the Environment of Japan; Beyond MDGs Japan; The University of Tokyo's Graduate School of Education (TBC); Tokohu University's Graduate School of Environmental Studies; and the Institute for Global Environmental Strategies, with support from the United Nations Information Centre. The goal of this event is to provide an update on the discussions to date regarding the planned post-2015 development agenda, while giving participants the opportunity to consider potential goals and targets for 2030, and discuss challenges relating to implementation at the national and international levels. More information can be found [here](#).

20 January 2015, Tokyo, Japan. SEMINAR BY CHIEDU OSAKWE: EURASIA: THE LAST OR NEW FRONTIER FOR THE WTO? This event, part of the Asian Development Bank Institute's (ADBI) seminar series, will feature WTO Accessions Division Director Chiedu Osakwe as its main speaker. The event will focus on the new members that the WTO has received since being established in 1995, and how these accessions – both past and forthcoming – have had a transformational effect on the development of economic and trade policies of various countries, including through spurring domestic reforms. The event is geared toward policymakers, academics, outside researchers, and members of the general public. More information can be found at the ADBI [website](#).

21-24 January 2015, Davos-Klosters, Switzerland. WORLD ECONOMIC FORUM ANNUAL MEETING 2015: THE NEW GLOBAL CONTEXT. This annual conference by the World Economic Forum (WEF) will bring together global leaders from business, government, international organisations, civil society, and academia, for the goal of engaging in strategic dialogues mapping the various transformations underway in the world in 2015. Topics for discussion are expected to range from the deepening of geopolitical fault lines, the expected normalisation of monetary policy in advanced economies, and the various repercussions of allowing climate change to proceed unabated. To learn more about the event, visit the [WEF website](#).

WTO Events

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

19 December: Dispute Settlement Body

Other Upcoming Events

29-30 January 2015, Venice, Italy. THIRD ANNUAL CONFERENCE OF THE GREEN GROWTH KNOWLEDGE PLATFORM: FISCAL POLICIES AND THE GREEN ECONOMY TRANSITION. This annual conference is being hosted by the Green Growth Knowledge Platform in partnership with the Ca' Foscari University of Venice, The Energy and Resources Institute (TERI) and the United Nations Environment Programme (UNEP). The goal of the event is to stimulate discussion and debate on how various fiscal instruments – such as environmental taxes and subsidies for green technologies – can help in promoting a green economy. Topics to be addressed will include questions on ensuring successful implementation and the use of effective complementary measures. For more information and to register, please visit the following [website](#).

3 February 2015, London, UK. IN OR OUT? FINANCIAL IMPLICATIONS OF A BREXIT. This Chatham House event will feature Hugo Dixon, Editor-at-large for Breakingviews, Thomson Reuters, will focus on the potential economic implications should the UK indeed decide to exit the European Union. Further speakers will be announced shortly; additional information about the event is available [here](#).

25-27 February 2015, Geneva, Switzerland. THE TRANSFORMATION OF THE INTERNATIONAL INVESTMENT AGREEMENT REGIME. This expert meeting, convened by the UN Conference on Trade and Development, will bring together a range of stakeholders from the investment and development community in order to identify concrete strategies and action points that will help shape a sustainable development-friendly framework for international investment and foster improved global investment governance. The meeting's overall objective is to develop a roadmap for reform through an open and inclusive multi-stakeholder approach, building on the work of past events. More information is available [here](#).

Resources

THE NEW SERVICES ERA – IS GATS UP TO THE TASK? By Emilie Anér and Magnus Rentzhog for the E15 Initiative (November 2014). This think piece, prepared as part of the E15 Initiative being jointly led by the International Centre for Trade and Sustainable Development (ICTSD) and the World Economic Forum (WEF), reviews the transformation that the services landscape has been undergoing in recent years, while analysing trends in services trade and the fundamental structural changes behind such trends. The authors also look at the WTO's General Agreement on Trade in Services (GATS) in relation to the changing landscape of services trade, and examine whether and how the deal should be updated. To learn more, or to download the publication, visit the E15 Initiative [website](#).

CLIMATE FINANCE: IS IT MAKING A DIFFERENCE? A REVIEW OF THE EFFECTIVENESS OF MULTILATERAL CLIMATE FUNDS. By Smita Nakhooda, Marigold Norman, Sam Barnard, Charlene Watson, Romilly Greenhill, Alice Caravani, Nella Canales Trujillo and Graham Banton for the Overseas Development Institute (ODI) (December 2014). This new report analyses a decade's worth of contributions and spending to nine major international and two national funds established to tackle climate change. The paper has been prepared in the context of the ongoing efforts to establish a new international agreement by 2015 on climate change, which would enter into force at the end of this decade. For more information, or to download the ODI report, please click [here](#).

TRADE IN ILLEGAL TIMBER: THE RESPONSE IN CHINA. By Laura Wellesley for Chatham House (December 2014). This new research paper reviews the efforts taken in China – both by the government and by the private sector – to tackle illegal logging and the associated trade. The author finds that illegal trade in timber continues to be a significant problem, despite these efforts, and makes a series of recommendations for both the public and private sectors. More information, as well as the full report, is available at the Chatham House [website](#).

LATIN AMERICAN ECONOMIC OUTLOOK 2015. Published by the Organisation for Economic Co-operation and Development (OECD) (December 2014). This annual report, prepared by the OECD's Development Centre, focuses on the role of education, skills, and innovation as inputs for inclusive growth in Latin America in the coming year. The full edition, which was published with support from the UN Economic Commission for Latin America and the Caribbean, can be accessed [here](#).

DEEP PROVISIONS IN REGIONAL TRADE AGREEMENTS: HOW MULTILATERAL-FRIENDLY? Published by the Organisation for Economic Co-operation and Development (OECD) (December 2014). This paper reviews how and whether selected elements of regional trade agreements (RTAs) can be used as a "stepping stone" for future multilateralisation, keeping in mind the current context of rapid RTA proliferation. The paper is available for download [here](#).

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

BIORES

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

BRIDGES AFRICA

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

PUENTES

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

МОСТЫ

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

PONTES

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

桥

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

PASSERELLES

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

PUBLISHED BY



International Centre for Trade
and Sustainable Development
Chemin de Balexert 7-9
1219 Geneva, Switzerland
+41-22-917-8492
www.ictsd.org

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

DFID - UK Department for
International Development

SIDA - Swedish International
Development Agency

DGIS - Ministry of Foreign Affairs
Netherlands

Ministry of Foreign Affairs, Denmark

Ministry of Foreign Affairs, Finland

Ministry of Foreign Affairs, Norway

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



This work is licensed under the Creative
Commons Attribution-NonCommercial-No-
Derivative Works 4.0 International [License](https://creativecommons.org/licenses/by-nc-nd/4.0/).

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

Contributors to this issue are Sofia Alicia Baliño
and Kimberley Botwright. This edition of Bridges
Weekly Trade News Digest is edited by Sofia
Alicia Baliño.

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

Price: €10.00

ISSN 1563-0

