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UNITED STATES

"Fast Track," TPP Debate Set to Ramp Up as New US Congress Takes Office

The long-stalled debate over whether to renew "fast track" trade powers is set to gear up again after members of the 114th US Congress took office in Washington last week, with incoming congressional leaders in both chambers flagging the legislation as a priority item for the coming months.

This new session of Congress marks the first time in the Obama Administration that both legislative chambers are dominated by the Republican Party, while facing a Democratic White House.

Though the current make-up of the legislative branch means that political clashes are expected on a range of items – from the approval of the Keystone XL pipeline to immigration policy – trade has been cited repeatedly as one area where US President Barack Obama and opposition lawmakers may find common ground.

"Fast track" trade legislation, otherwise known as Trade Promotion Authority (TPA), expired in 2007. Along with establishing US negotiating objectives in international trade pacts, it also allows the executive branch to submit completed trade agreements to Congress for a straight up-or-down vote, without the possibility of lawmakers adding on amendments on the floor.

While draft TPA legislation was tabled last year in both the House and Senate and was raised by Obama in his annual State of the Union address, the initiative quickly floundered amid the contentious 2014 election climate. (See Bridges Weekly, [16 January 2014](#) and [30 January 2014](#))

However, Senator Orrin Hatch of Utah – incoming leader of his chamber's Finance Committee, which deals with trade issues – [named](#) TPA renewal as a priority last week for his committee, saying that it would "jumpstart a strong trade agenda that can help put America back to work."

In the House, new Ways and Means Committee chairman Paul Ryan told fellow lawmakers this Tuesday that passing TPA is "the first thing we have to do." The legislation, he said, "would empower Congress to set our negotiating objectives and hold the administration accountable," while ensuring the US gets the optimal deal from its trading partners.

TPP, TPA sequencing?

The need for a new version of TPA has lately taken on particular resonance, given a push by the US and 11 other country to conclude the Trans-Pacific Partnership (TPP) negotiations in the near-term. While Washington is also involved in another mega-regional trade negotiation with the EU, known as the Transatlantic Trade and Investment Partnership (TTIP), those talks are much less far along.

No formal target date for a concluded TPP has been announced for this year. However, Senator John Cornyn, a Republican from the state of Texas, said on Tuesday that US Trade Representative (USTR) Michael Froman had indicated the possibility of some sort of TPP deal within a "two month trajectory."

That timeline has not been formally confirmed by the USTR's office, and some analysts say that meeting such a schedule may be difficult, given the various issues that are still on the negotiating table, including the unresolved US-Japan talks on agricultural market access and automobiles.

Along with the US, the TPP members include Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam. The deal would encompass 40 percent of global GDP and cover a population of 800 million people.

In the past, the Obama Administration has suggested that an ambitious, completed TPP could provide the momentum for getting TPA renewal across the finish line. Lately, however, White House officials have indicated that they would like to see "fast track" first, which would give international negotiating partners the assurance that hard-won trade concessions are not unravelled in Congress.

Some top Democrats, for their part, have warned that shifting focus to "fast track" could mean that US lawmakers may not get a chance to weigh in on the substance of TPP before it is completed, particularly given how many major issues remain unresolved within the 12-country group.

"At this critical juncture, with all of these outstanding issues, the focus has to be right now on the substance of TPP and not passing a TPA," said US Congressman Sander Levin, the top-ranking Democrat on Ways and Means, in a [meeting](#) with reporters last month.

"If you put the focus on TPA when you have so many outstanding issues, essentially what it does is force or stimulate members to say 'yes' or 'no' to TPP before so many of the outstanding issues have been resolved," Levin added, warning that it would essentially "put the cart before the horse."

Other Democratic House members, such as Rosa DeLauro of Connecticut, have said more bluntly that "an up or down vote is simply not acceptable," and that since new deals such as the TPP go well beyond usual trade issues such as tariffs, they require careful scrutiny by lawmakers.

"End coming into focus" as TPP bilaterals continue

Concurrently, a series of meetings is being held this month aimed at advancing the TPP talks, on the heels of a Cabinet-level meeting between the US and Mexico, hosted in Washington by US Vice President Joe Biden. Mexican President Enrique Peña Nieto also met bilaterally with Obama that same week.

"With the end coming into focus, the United States, Mexico and the other 10 TPP countries are strongly committed to moving the negotiations forward to conclusion as soon as possible," the two sides said in a [joint statement](#) following the 6 January meeting, without referring to a specific date.

This week, US Trade Representative Michael Froman has met separately with Peruvian Trade and Tourism Minister Magali Silva and Mexican Economy Secretary Ildefonso Guajardo, according to a [schedule](#) released by his office, with both meetings focusing on the TPP negotiations.

Meanwhile, Acting Deputy USTR Wendy Cutler and Japanese Ambassadors Hiroshi Oe and Takeo Mori began a new set of meetings in Tokyo this week, with the discussions set to focus on TPP agricultural market access issues and automobile trade.

Their meeting marks the first since Japanese Prime Minister Shinzo Abe won a “snap election” in December that solidified his place in office for at least four more years, and was touted as a referendum on his “Abenomics” suite of reform policies. (See Bridges Weekly, [18 December 2014](#))

However, whether that renewed mandate – given that it resulted from one of the lowest voter turnouts in decades – will be enough to allow Tokyo to make difficult concessions in agriculture is expected to be one of the main deciding factors for when the overall TPP negotiations might conclude.

ICTSD reporting; “Japan, U.S. resume bilateral TPP talks in Tokyo,” KYODO NEWS, 14 January 2015; “Trade tops Ryan’s Ways and Means 2015 agenda,” THE HILL, 13 January 2015; “U.S. senator says Pacific trade deal on ‘two-month trajectory,’” REUTERS, 13 January 2015; “Dems rally opposition for fast-track trade,” THE HILL, 8 January 2015; “A Fight Obama Needs to Have With Democrats,” THE WALL STREET JOURNAL, 13 January 2015.

PREFERENTIAL AGREEMENTS

EU Commission Publishes Results of TTIP Public Consultation on ISDS, Investment Protections

The European Commission released on Tuesday the long-awaited results of its public consultation on investment protections in the EU-US trade talks, noting "huge scepticism" regarding investor-state dispute settlement (ISDS) and pledging to hold additional consultations in the coming months before deciding on any policy proposals.

The investment protection part of the EU-US trade talks, formally known as the Transatlantic Trade and Investment Partnership (TTIP), were suspended on Brussels' behalf a year ago, following "unprecedented public interest" in that aspect of the negotiations.

The Commission then opened the consultation from 27 March to 13 July of last year, publishing the questionnaire online in all of the EU languages. (See Bridges Weekly, [23 January 2014](#) and [3 April 2014](#), respectively)

EU Trade Commissioner Cecilia Malmström, who presented the [140-page report](#) on the consultation results in Strasbourg, said that the Commission will now be holding an "open and frank discussion" about both investment protection overall and specifically on ISDS as the "first immediate step" following the release of this report.

These upcoming discussions will involve EU member state governments, EU lawmakers, and civil society groups, with Malmström set to first present the results to the European Parliament's International Trade Committee (INTA) on 22 January.

INTA Committee chairman Bernd Lange has been among those to question whether ISDS is indeed necessary, saying in a [working paper](#) that domestic courts and government-to-government mechanisms are sufficient – a view that is likely to be supported by other members of his committee.

The document, which noted that any ISDS mechanism would require "further reforms to the current model," is meant to contribute to a draft report of EU parliamentary recommendations to the Commission.

Any sort of Commission proposal resulting from the public consultation and subsequent discussions is not expected until at least spring, Malmström told reporters on Tuesday. TTIP talks in other areas will continue in the meantime.

Current mandate

At the press conference presenting the ISDS consultation results, the EU trade chief noted that the current negotiating mandate given to the Commission by the Council does foresee the inclusion of ISDS in TTIP, subject to certain conditions.

Under the existing mandate, the final outcome of negotiations on ISDS and investment protection must be in line with EU interests. Therefore, whether to include ISDS would only be decided during the "final phase" of the TTIP talks. (See Bridges Weekly, [16 October 2014](#))

Furthermore, Washington has been pushing for such provisions to be included in a TTIP deal, though the subject is also controversial in the US.

"[The US has] said it is important so in some way we need to address it, though it is too early to say" what this may look like in practice, Malmström told reporters on Tuesday.

Results, areas of work

The consultation drew nearly 150,000 replies, the Commission said, with 97 percent of these being submitted collectively "through various online platforms containing pre-defined answers which respondents adhered to," along with 3000 individual answers and approximately 450 organisations that featured groups such as trade unions, NGOs, law firms, and academics.

Most trade unions, NGOs, government institutions, and consumer groups were among those questioning the reasons for including ISDS, either on grounds that it is a potential "threat to democracy and public finance or to public policies" or that the strong legal systems in both the EU and US make such a mechanism unnecessary in TTIP.

Meanwhile, the majority of business associations and large companies were in favour of having both investment protection and ISDS in the trade pact, though the same did not apply to small companies.

By member state, the bulk of the responses came from the UK, at just over one-third of the total. Austria and Germany followed, at 22.6 and 21.8 percent respectively. The remainder were mainly split across France, Belgium, the Netherlands, and Spain, with those percentages in the single digits.

The responses spanned across three main areas: concerns over or opposition to the US-EU trade pact; concerns specifically regarding ISDS and/or investment protection; and then those replies that focused primarily on Brussels' suggested approach in the investment protection area.

Within that third area, those comments indicated that "some respondents consider that the proposed EU approach is insufficient to address certain concerns related to the right to regulate, while others caution against not lowering too much the protection granted to investors."

The Commission therefore found that there are four areas where it should examine the possibility of further improvements, in order to address such concerns. These fell under the protection of the right to regulate; the establishment and functioning of arbitral tribunals; what the relationship is between domestic courts and ISDS; and reviewing ISDS rulings through an appeals system.

Canada, Singapore templates

Part of the reason behind including ISDS in TTIP, proponents say, is to ensure that past failings in investment protections and ISDS mechanisms under existing agreements are not repeated.

To date, EU member states are involved in over 1400 investment treaties that include ISDS, with many agreed decades ago.

Meanwhile, trade deals recently reached with Canada and Singapore included significant reforms to the mechanism, the Commission noted. Among those changes made in the Canadian version included, for instance, "an explicit reference to States' right to regulate in the public interest," along with better defined substantive provisions, as well as a code of conduct for choosing arbitrators. (See Bridges Weekly, [4 December 2014](#))

The inclusion of ISDS in the Canada-EU trade deal has itself been controversial, partly given the potential for that deal to serve as a template for TTIP. Germany had repeatedly said that it would be unable to back the Ottawa-Brussels deal in its current form as a result of ISDS, only to change tack on the subject late last year.

"With regard to the proposed approach on investment protection, many among trade unions, NGOs, business organisations or other types of respondents recognise the EU's efforts in bringing about improvements to the investment protection system," the Commission report said. Even so, various trade unions and NGOs termed such proposed changes "not sufficient to address their concerns with investment protection and ISDS," while others indicated that Brussels' suggested approach in this area may go "too far."

"Fresh start" underway

The report comes just weeks ahead of the next TTIP negotiating round, which is set for early February in Brussels. Meetings are also expected this month between officials from both sides.

Both US and EU officials have said that 2015 will be an opportunity to give the negotiations – launched in 2013 – a "fresh start," acknowledging that the pace of the talks has been slower than originally aimed for. (See Bridges Weekly, [4 December 2014](#))

Whether this proposed deal, which would deepen what is already the world's largest trading relationship, will be possible in 2015 or 2016 still remains a matter of debate. Speaking to reporters last month in Geneva, Malmstrom said that, while having a full deal to submit to member states by end-2015 "is not realistic," there might be the potential for seeing the framework of such an agreement by that time.

However, the European Council said following an [18 December meeting](#) that the EU and US "should make all efforts to conclude negotiations on an ambitious, comprehensive and mutually beneficial TTIP by the end of 2015," and many officials and analysts have warned that dragging the negotiations into 2016 runs the danger of conflicting with the US election calendar.

Part of this so-called 2015 fresh start, on the European side, has been aiming to address questions that have been raised by civil society groups and EU parliamentarians regarding the level of transparency in the trade talks. Malmström had promised late last year that her office would be undertaking a series of initiatives in this area. (See Bridges Weekly, [4 December 2014](#))

To that end, the Commission also issued publicly last week [a series of TTIP documents](#), including eight EU proposals for "legal text," with the latter marking an unprecedented move for Brussels given that the talks are still underway.

The textual proposals include areas such as technical barriers to trade (TBT); state-to-state dispute settlement; small-and-medium-sized enterprises; competition; sanitary and phytosanitary measures (SPS); and customs issues. The Commission has also published various new factsheets and position papers, in addition to those released previously.

"I'm delighted that we can start the New Year by clearly demonstrating through our actions the commitment we made to greater transparency just over a month ago," [said](#) Malmström in announcing the move. "It's important that everyone can see and understand what we're proposing in TTIP and – just as importantly – what we're not."

ICTSD reporting; "European Parliament committee signals opposition to ISDS," EURACTIV, 13 January 2015; "EU pushes back against TTIP trade agreement secrecy claims," FINANCIAL TIMES, 7 January 2015.

ENERGY

White House Warns of Veto as US Congress Pushes Keystone XL Decision

The US Senate on Monday agreed by 63-32 to proceed with debating legislation geared towards approving the controversial Keystone XL infrastructure project that would move oil extracted from the tar sands of Canada's Alberta province down to the US Gulf Coast. The Senate is now expected to vote on a final Keystone bill in the coming weeks after considering various amendments.

The move by the US' upper legislative chamber sets the stage for a potential showdown between President Barack Obama and the Republican-dominated Congress on a hot-button topic that touches climate, energy, and economic issues. A bill approving the project passed the House of Representatives last Friday.

Earlier this month, the White House said that Obama would veto any Keystone bill passed by the current Congress, citing continued uncertainty around the proposed pipeline's final route while also criticising US lawmakers' efforts to set a deadline on what is meant to be an executive branch decision.

Presidential veto?

After winning majorities in both the US House of Representatives and the Senate in the country's midterm elections last November, Republicans said that Keystone approval would be among their first legislative priorities for the coming year.

A number of Republicans have suggested that the final bill may be able to garner enough support to make it immune to Presidential veto power. This would require a two-thirds majority in both chambers, which in the Senate would be 67 votes of the 100-seat Senate, and in the House 290 votes out of 435.

Obama blocked an earlier incarnation of Keystone pipeline three years ago. On that occasion the President said that the rejection was not based on the merits of the project itself but rather on resistance to an "arbitrary" decision deadline set by Congress at the time. (See Bridges Weekly, [18 January 2012](#))

Shortly after Obama snuffed these initial plans, TransCanada, the Canadian company hoping to build the pipeline, submitted a revised route application. The new route has since been the subject of another environmental impact assessment by the US State Department, which is the government agency charged with recommending a decision on the pipeline.

Released last February, the report suggested that the pipeline would not necessarily alter greenhouse gas emissions on its own, but did highlight some environmental risks such as spills. (See BioRes, [5 February 2014](#))

However, while the threat of a Presidential veto was wielded earlier this month, the White House also indicated this did not represent the Obama Administration's final say on the Keystone project itself.

"It would be premature to try to evaluate the project before something as basic as the route of the pipeline has been established," said White House Press Secretary Josh Earnest.

At the time, current pipeline plans were also being examined in Nebraska's Supreme Court, following a challenge by landowners to the state governor's authority to approve the planned route.

However, while last Friday four of the court's seven judges found the state approval process unconstitutional, the court was unable to overturn the initial state law in the absence of a supermajority of five required for constitutional matters.

Some observers have said that the Nebraskan court ruling should now clear the way for a decision by the State Department on the subject. Lawyers representing Keystone XL opponents have warned that further legal challenges could still follow, pointing to continued legal uncertainty over land access along the route.

Climate, economy debate

The Keystone project has been the subject of heated policy debate in both Canada and the US for the last ten years. Proponents of the proposed oil-and-gas pipeline, which would transport up to 830,000 barrels of heavy crude oil per day, suggest it could move the US away from reliance on other oil import sources such as Venezuela and the Middle East, boost economic growth, and create new jobs.

Opponents contend that investing in such a large-scale fossil fuel infrastructure project could send the wrong signal at a time when UN climate scientists have warned of the disastrous consequences of unchecked manmade greenhouse gas emissions.

Some environmental groups have also argued that the extraction and refining of Canadian sand oil generates particularly high carbon emissions compared with other sources and that the pipeline infrastructure could run through environmentally sensitive areas.

The pipeline has in the past been held up as a litmus test of the Obama Administration's commitment to tackling climate change, particularly after the US President promised in June 2013 that the project would not go ahead unless it was evident that it would not increase net carbon emissions. (See Bridges Weekly, [27 June 2013](#))

Meanwhile the European Commission last October scrapped a proposed mandatory requirement to label oil derived from tar sands "highly polluting" as part of the 28-member state bloc's Fuel Quality Directive. The legislation was approved in December after the European Parliament failed to gain a qualified majority required to block the revised rules.

Changing energy landscape

The latest episode in the Keystone debate comes against the backdrop of tumbling oil prices as well as increasingly dire climate warnings.

Over the past year the oil price has moved from a high of around US\$115 to the current US\$48 a barrel, leaving economists scrambling to understand the ramifications for the global economy and the energy mix.

While some analysts suggest that a lower oil price makes tackling climate change more affordable, for example by making a carbon tax seem more viable, others suggest that a continued depressed price could make renewable sources of energy seem less competitive.

A sliding oil price could also serve to make certain types of fossil fuel extraction in some parts of the world unaffordable, including in the Albertan tar sands, because they require a higher price to turn a profit.

The US has also benefited in recent years from a boom in domestic production of shale oil and gas thanks to new hydraulic fracturing – also known as “fracking” – technology. Whether to lift a 1970s crude oil export ban and loosen restrictions on US government policies around liquefied natural gas exports will also likely be up for debate in Congress in coming months.

Liquefied natural gas (LNG) exports are usually subject to authorisation on a case-by-case basis by the US Department of Energy under the Natural Gas Act, although less restrictive conditions have been extended to certain countries under trade deals with the US.

Meanwhile research published in early January by the science journal Nature suggested that 30 percent of known oil and 50 percent of gas reserves must remain unburned if the world is to keep average temperature below a two degree rise on pre-industrial levels.

ICTSD reporting; “Senate to Debate Keystone XL, Setting the Stage for More Energy Battles,” THE NEW YORK TIMES, 12 January 2015; “Keystone XL passes key Senate test, setting up showdown with Obama,” THE GLOBE AND MAIL, 12 January 2015; “White House says Obama to veto Keystone,” THE FINANCIAL TIMES, 6 January 2015; “Keystone XL could face new lawsuit from Nebraska ranchers,” THE GUARDIAN, 12 January 2015; “Canada tar sands will not be labelled ‘dirty’ after all,” EURACTIV 17 December 2014.

NATURAL RESOURCES

Chinese Government Abolishes Rare Earth Export Quotas

China has done away with its strict export quotas on 17 rare earths elements as well as tungsten and molybdenum, the country's state media reported early in the new year, following a WTO ruling last August that such restrictions were largely inconsistent with the body's trade rules.

The change was initially signalled in the Ministry of Commerce's trade guidelines for 2015, released at the end of December, according to media reports. Chinese rare earth domestic producers exporting abroad will now require a license issued on the basis of an export contract but no restrictions will exist on volumes of rare earths sold abroad.

China is the world's leading producer of rare earths minerals, which are primarily used in the manufacturing of high-tech products, including clean energy technology goods such as wind turbines and energy-efficient lighting.

Natural resource trade, domestic conservation?

The EU, Japan, and the US first brought a case to the global trade arbiter in 2012 following a series of quotas and duties imposed by Beijing a few years prior. The complainants suggested that the restrictions artificially propped up prices to the benefit of Chinese producers.

The ensuing legal battle was closely watched by those in the trade and environment communities due to its links between manufacturing, competitiveness, natural resource trade, and conservation measures.

Defending the design of its rare earth policies, China argued that the restrictions were necessary in order to help limit the domestic environmental impact caused by the extraction and production process, a result of pumping sulphates, ammonia, and other chemicals into the ground that can leak into surrounding water supply.

As part of its defence, Beijing cited the WTO's General Agreement on Tariffs and Trade (GATT) Article XX(g) that affords the possibility of exceptions to the trade rules in relation to the conservation of exhaustible natural resources, assuming certain conditions are met.

The WTO's Appellate Body, the global trade body's highest court, nevertheless upheld last year an earlier ruling that China's rare earths export quotas could not be framed as measures that relate to conservation because equivalent restrictions were not placed on domestic production or consumption.

These were therefore found to be in violation of international trade rules, as were the export duties on these minerals, albeit for different reasons. (See Bridges Weekly, [10 September 2014](#))

A welcome change?

Following a communication in early December, the US and China reached agreement on a reasonable period of time for the Asian economy to amend its rare earths policies by no later than 2 May 2015.

While a number of trade watchers had been expecting some sort of change in order for Beijing to bring the country's trade policies in line, further formal steps have not yet been announced in the WTO's dispute settlement process in relation to January's news.

Some analysts have suggested that the removal of the rare earths export quotas will not prohibit China from exercising significant influence on the shape of the global market or from finding other ways to give preferential treatment to domestic producers.

"Without a licence, companies are banned from exporting," analyst Simon Moores told reporters, referring to the Ministry of Commerce's new rules. "Beijing still controls this vital bottleneck of the supply chain, therefore, whether it caps exports at the port or controls the number of export licenses issued, the result is the same; restricted supply of rare earths to the rest of the world."

Others have suggested that the rare earths quotas had not been used up for the last few years due to widespread illegal minerals trade out of China. Some contend that the new policies may help to tackle the smuggling problems.

While export duties on the minerals in question continue to remain in place, industry experts talking to media sources have said they do also expect reforms in this area, including in relation to a higher resource tax.

Bids to identify other viable rare earths sources – thus named because of the difficult extraction process rather than comparative scarcity – have also been ongoing for the past few years. Although China accounts for around 90 percent of rare earth global production, experts suggest it holds less than 25 percent of the world's total deposits.

For example, Japan has found nearly 100 billion tonnes of rare earths minerals in 78 locations on the Pacific seabed. Greenland has also been touted as a possible candidate with large known deposits in the south of the island. Snap elections in the Nordic island last November brought in the centre-left Siumut (Forward) party that has committed to creating a stable investment environment for resource extraction.

ICTSD reporting; "China abolishes rare earth export quotas: state media," REUTERS, 4 January 2015; "China abolishes export quotas for rare earths," XINHUA, 5 January 2015; "China expected to manipulate market despite lifting of ban," RARE EARTH, INVESTING NEWS, 12 January 2015; "Market Interpretation of Removal of China Rare Earth Export Quotas," 7 January 2015, SHANGAI METALS MARKET.

AGRICULTURE

US Trade-distorting Farm Support Nudges Close to Proposed Doha Ceiling

New [data](#) shows US trade-distorting farm subsidies reached US\$12 billion in the 2012 marketing year – close to the US\$14.5 billion ceiling that was proposed in the WTO's 2008 draft Doha deal.

The figures, which Washington reported to the WTO in December, also indicate that trade-distorting payments fell slightly from the previous year, when they were above US\$14 billion. (See Bridges Weekly, [16 January 2014](#))

However, with many US subsidy programmes tending to increase spending when prices fall, the 2012 data also reflects the impact of the relatively high prices prevailing in the last seven years.

Recent decreases in prices for farm goods – along with new rules for support payments under the Farm Bill legislation passed one year ago – could mean current subsidy spending levels will be higher than those described in the latest figures, sources said. (See Bridges Weekly, [6 February 2014](#))

Dairy, sugar, and wheat

Trade-distorting payments in 2012 were concentrated on dairy, sugar, and wheat, the new data shows.

Spending on these three products accounted for a significant share of US spending in the WTO's "amber box" category – which for Washington is capped at US\$19.1 billion under commitments it has made at the global trade body.

The government provided US\$3.4 billion in support to dairy, US\$1.5 billion in support to sugar, and US\$1.1 billion for wheat, the figures show.

Spending on cotton reportedly represented US\$636 million. Late last year, the US and Brazil reached an agreement which concluded a long-running trade dispute over Washington's farm subsidies for this product. (See Bridges Weekly, [2 October 2014](#))

Trade-distorting support for other products brought US "amber box" support to nearly US\$7 billion. Another US\$5 billion of trade-distorting "de minimis" payments were not counted towards the current WTO ceiling for US farm support, as they represent less than five percent of the value of production for specific products, or below five percent of total agricultural production in the case of non-product specific support.

However, both amber box and "de minimis" payments would be disciplined under a new category of overall trade-distorting support (OTDS) proposed in 2008 under the WTO's ongoing Doha Round negotiations.

The US has reported it made no payments under a third category of production-limiting support – known as "blue box" subsidies – which would also be included in the OTDS calculation under the proposed new rules.

In recent years Washington has nonetheless argued that the latest draft WTO text from six years ago ought not to serve as a basis for further talks. A decision last November saw WTO member governments set a deadline to conclude a work programme by July of this year on the remaining Doha Round issues. (See Bridges Weekly, [27 November 2014](#))

Mushrooming food aid

The US has also reported a massive growth in payments that are classified as causing no more than minimal trade distortion under WTO rules – dubbed “green box” support by trade officials.

At US\$127 billion, green box support is now ten times the amount reported as trade-distorting payments.

Domestic food aid, to help US citizens on low incomes purchase food, accounts for the lion's share of support reported to the global trade body.

Washington reported that US\$107 billion was spent in this category alone in 2012.

Another US\$10 billion was spent on “general services” – including extension and advisory services, animal and plant health inspection services, agricultural research, and also reimbursements for certain expenses incurred by insurance companies delivering federal crop insurance.

Environmental programmes accounted for US\$5 billion, as did decoupled income support programmes – which pay out subsidies to farmers irrespective of the volume or value of their production.

New Farm Bill, new market environment

The 2014 Farm Bill legislation eliminated the latter type of direct payments to farmers, and instead introduced new types of crop and revenue insurance schemes.

In a paper for ICTSD, Vincent Smith, an agricultural trade expert, nonetheless [cautioned](#) that the major new programmes are likely to be seen as “unambiguously amber box.” (*Editor's note: ICTSD is the publisher of Bridges.*)

A combination of lower international agricultural prices and higher “trigger prices” for payments under the new programmes could therefore mean that the US reports an increase in trade-distorting support in future farm subsidy notifications at the WTO.

“Lower prices could increase outlays for the price- and revenue-based programs in the new Farm Bill,” confirmed Joseph Glauber, Visiting Senior Policy Fellow at the International Food Policy Research Institute (IFPRI). Glauber told Bridges that these costs would nonetheless “be partially offset by smaller crop insurance outlays.”

ICTSD reporting.

RENEWABLE ENERGY

EU Commission Reopens Anti-Dumping Probe into Chinese-Made Solar Glass

The European Commission – the 28-nation bloc's executive arm – re-opened its previous anti-dumping investigation into imports of solar glass from China in December, in a move that could reignite past tensions between Brussels and Beijing on renewables trade.

The "absorption" investigation was re-opened on 19 December, according to a [filing](#) in the Official Journal of the European Union, in response to a request by EU ProSun Glass. The probe is set to conclude within nine months of the notice's publication.

EU ProSun Glass is a coalition which is said to represent over a quarter of the EU bloc's solar glass production, and had also pushed for the original investigation into allegedly unfair trade practices involving this product.

Solar glass is used primarily in making solar panels, though it can also be used in furniture and for horticultural purposes. EU data has put the value of the European solar glass market at under €200 million in 2012.

Five-year duties

Last year, the EU had [confirmed](#) that it would be imposing definitive anti-dumping and countervailing duties on Chinese solar glass for a five-year period, with the levies taking effect from May 2014. (See Bridges Weekly, [17 April 2014](#))

The anti-dumping duties range from 0.4 percent to 36.1 percent, depending on the company involved. The anti-subsidy duties, for their part, are between 3.2 to 17.1 percent.

However, the Commission's 19 December filing says that EU ProSun Glass "has submitted sufficient evidence" to indicate a decrease in export prices since the original investigation period, while noting that there has not been enough change in resale prices or subsequent selling prices within the 28-nation bloc, despite the imposition of the duties in May.

The solar glass investigations are separate from those that the European Commission conducted on imports of Chinese-made solar panels, and involves a significantly smaller market by comparison.

In the solar panel cases, Brussels investigators had looked into whether Chinese producers of such goods had received unfair state aid, and whether those solar panels had been sold at prices below their normal value in the EU bloc.

Brussels and Beijing ultimately reached a "price undertaking" agreement in 2013 that resolved the anti-subsidy and anti-subsidy probes in that case. (See Bridges Weekly, [5 September 2013](#))

Notably, one of the main producers who backed the solar panel probe, SolarWorld AG, has argued that re-opening the solar glass investigation is unnecessary and potentially counterproductive.

"The only beneficiary of new tariffs on solar glass are module manufacturers using it tariff-free in China," Milan Nitzschke, SolarWorld Vice President, told PV Tech, warning that these new duties will only increase costs for European manufacturers.

Nitzschke also heads the EU ProSun group, a separate coalition from EU ProSun Glass. EU ProSun argued last year that Chinese solar producers were not complying with the 2013 price undertaking deal reached in the solar panel trade remedy investigations, though those claims have not yet been proven. (See Bridges Weekly, [12 June 2014](#))

ICTSD reporting; "EU risks China solar power row flare-up," AGENCE FRANCE PRESSE, 8 January 2015; "SolarWorld against latest EU trade case on solar glass," PVTECH, 5 January 2015.

EVENTS & RESOURCES

Events

Coming Soon

16 January, 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](#).

16 January, London, UK. THE ROLE OF RESOURCE POLITICS IN CHINA-US RELATIONS. This Chatham House research event will feature Dr. David Zweig, Chair Professor of the Hong Kong University of Science and Technology's Division of Social Science, as its main speaker. The event will focus on global energy politics, with the speaker evaluating Chinese perceptions and claims regarding the US' current energy policies, particularly regarding oil. More information about the event can be found [here](#).

21-24 January, 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.

16 January: Dispute Settlement Body

Other Upcoming Events

29 January, London, UK. CHINA AND THE FUTURE OF GLOBAL GOVERNANCE. This Chatham House event will focus on the potential implications of China's rising international status on the future path for global governance. Featuring Dr. Katherine Morton, Senior Fellow in the Department of International Relations at the Australian National University, the meeting will address issues such as how Beijing is already shaping

the rules and institutions of global governance. To learn more, or to register interest, visit the event website.

29-30 January, Venice, Italy. THIRD ANNUAL CONFERENCE ON THE GREEN GROWTH KNOWLEDGE PLATFORM. This event, hosted in partnership with the Ca' Foscari University of Venice, The Energy and Resources Institute (TERI) and the United Nations Environment Programme (UNEP), aims to bring together the policy and academic communities for a discussion on the efficacy and implications of a range of fiscal policy instruments in transitioning to a green economy, keeping in mind variations in national contexts. The conference will feature both plenary and parallel sessions. More information 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

TRADE POLICY UNCERTAINTY AND THE WTO. By Valeria Groppo and Roberta Piermartini for the World Trade Organization (December 2014). This new working paper aims to address the question of whether WTO commitments decrease the risk of trade policy reversals. The authors find that such commitments lead to a significantly lower probability of a tariff increase, even in those instances where the "bound tariff" – or tariff ceiling – is above the most-favoured-nation (MFN) applied rate. The paper also notes the role of the global trade body's monitoring function in this area. The working paper can be downloaded [here](#).

LESSONS FROM DECADES LOST: ECONOMIC CHALLENGES AND OPPORTUNITIES FACING JAPAN AND THE UNITED STATES. By William R. Cline, Kyoji Fukao, Tokuo Iwaisako, Kenneth Kuttner, Adam S. Posen, and Jeffrey J. Schott for the Peterson Institute for International Economics (December 2014). This new briefing was released following Japanese Prime Minister Shinzo Abe's "snap election" win in December 2014, and urges Tokyo officials to take significant steps in the months ahead, including being aggressive in opening the country's agriculture in the Trans-Pacific Partnership (TPP) trade talks, among other recommendations. The publication can be downloaded [here](#).

GUARANTEES FOR GREEN MARKETS: POTENTIAL AND CHALLENGES. Published by the Inter-American Development Bank (December 2014). This publication highlights the various challenges involved in investing in low-carbon and climate-resilient technologies and activities in Latin America and the Caribbean. The authors examine how guarantees can be used to address such challenges, placing a particular emphasis on how national development banks can contribute in this area. The authors use both desk research and case studies, and provide a series of recommendations that national development banks can use in when designing guarantee instruments for green markets. The report can be downloaded [here](#).

ETS MARKET STABILITY RESERVE: COMPETITIVENESS VS. CLIMATE. Published by viEUws. This video includes coverage of a panel debate between Jos Delbeke, EU Director General for Climate Action; MEP Bas Eickhout, the shadow rapporteur for the Market Stability Reserve; and Anders Marvik, the VP of Statoil EU Affairs. The debate focused on the European Commission's proposed reform to the EU's Emissions Trading System by introducing a market stability reserve from 2021 onward. The video can be watched in full [here](#).

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