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WORLD TRADE ORGANIZATION

Crunch Time in Geneva as Trade Negotiators Prepare for WTO Ministerial

Less than two weeks remain before trade ministers begin their biennial conference in Nairobi, Kenya, with WTO members still deeply divided on specific deliverables and how to address the organisation's future negotiating work, including the Doha Round.

The Nairobi ministerial conference is scheduled for 15-18 December, leaving little time remaining to sort out remaining differences in Geneva before officials board planes for the Kenyan capital.

With that timing in mind, members have spent the past six weeks putting forward a raft of textual proposals for the meeting's outcome document, which they aim to make a ministerial declaration. The vast variety and competing priorities of such proposals has, however, reportedly proven extremely difficult to navigate, particularly as the ministerial draws ever nearer. (See Bridges Weekly, [26 November 2015](#) and [12 November 2015](#))

Various delegates say that the week ahead is set to be crucial in the negotiations, with meetings of the agriculture, rules, and development negotiating groups all scheduled between now and Friday.

Discussions at the WTO General Council this Monday, 30 November on the agenda item relating to the Doha negotiations – specifically, the report by Director-General Roberto Azevêdo in his capacity as chairman of the Trade Negotiations Committee – were suspended, with [a report](#) from the meeting indicating that members would revert to it “in due course” without specifying a date, though some sources suggested this could resume late this week.

Meanwhile, the WTO has released an overall programme outlining generally the timeline for the ministerial, which will formally kick off on the afternoon of 15 December and feature various plenary sessions and two accession ceremonies – for Afghanistan and Liberia – as well as the opening and closing events.

The chair of the conference is set to be Amina Mohamed, Kenyan Cabinet Secretary of the Ministry of Foreign Affairs and International Trade. The vice-chairs have also recently been named, with these set to be Alexander Mora, Costa Rica's Minister for Foreign Trade; Carlo Calenda, Italy's Vice Minister for Economic Development; and Gregory Domingo, Philippine Secretary of Trade and Industry.

Draft declaration

On Friday 27 November, the three WTO ambassadors acting as "facilitators" in drafting the ministerial declaration – Gabriel Duque of Colombia, Harald Neple of Norway, and Stephen Karau of Kenya – released a [draft consolidated document](#) for members to review.

The document was prepared under the facilitators' own responsibility, with a clarification in the beginning that it is without prejudice to either the final outcome document or individual member stances. Speaking at the 27 November meeting, Azevêdo reportedly told members to take time to consider the content of the document, with a view to reporting back on Wednesday 2 December.

Members were set to meet on Wednesday afternoon in the "Room W" format – heads of delegation plus one – to continue work on the draft declaration, sources said, with many noting that the next stage of discussions on the ministerial declaration are set to be difficult.

Twenty years in

Split into a preamble and three main parts, the 5-page consolidated draft document's sections address the multilateral trading system in the context of the global trade body's 20th anniversary, any specific Nairobi deliverables, and the WTO's future work, respectively. The document has been compiled following various submissions tabled in recent weeks by members both individually and jointly, addressing a wide range of issues.

The preamble section includes reaffirmations of both the "centrality of development" in the global trade body's work, as well as the organisation's role in global trade governance and commitment to the objective of sustainable development.

The preamble also features a pledge to "make the multilateral trading system responsive to existing challenges so as to provide a strong impetus to inclusive prosperity, welfare, and development, especially in view of the needs of our weaker and vulnerable members, in particular least developed countries (LDCs)."

Given that the Nairobi ministerial coincides with the organisation's 20-year anniversary, the document notes under the first section a series of "achievements and challenges" that have been seen to date.

Regarding achievements, the document refers to both the importance of the organisation's regular bodies in advancing its work, particularly trade monitoring, as well as its achievements in dispute settlement, while acknowledging in the latter some of the strains that system has faced in terms of caseload number and complexity. (See Bridges Weekly, [5 November 2015](#) and [9 September 2015](#))

However, when referring to the negotiating pillar of the WTO's work, the draft document is less optimistic, noting "some progress" in areas such as the adoption of the Protocol Amending the TRIPS Agreement and the Trade Facilitation Agreement. However, "we note with regret that much less progress has been made in central elements of the WTO's negotiating agenda, in particular in agriculture," the document says in its 11th paragraph.

Deliverables for Nairobi

Under Part 2, the document includes bracketed text for whichever decisions may be adopted at the ministerial, referring specifically to non-violation and situation complaints under the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement, the WTO's work programme on e-commerce, and the work programme on small economies.

In italics and in brackets is a placeholder for any other decision to be inserted into that section of the document.

These may include a possible deal on export competition in agriculture, as well as select issues of relevance to developing and least developed countries, as well as some outcomes from the "rules" negotiations.

However, sources say that divisions still remain on various key components within these areas, leaving it unclear what their outcome may be.

Regarding agriculture, for example, the chair of those negotiations – New Zealand Ambassador Vangelis Vitalis – convened small group consultations this week on both public stockholding and the special safeguard mechanism (SSM), with those meetings held on Monday and Tuesday respectively.

These meetings brought together around 30 or so countries from a cross-section of WTO members.

"The discussion was pretty pragmatic," one developing country delegate commented. "Time is short," the official continued, expressing confidence that there will be an outcome at the ministerial. Others noted again the divergence in positions and the major decisions members will need to take if they wish to ensure a substantive outcome.

Other agriculture developments this week include a new Tunisian proposal on agricultural export competition, as well as a verbal proposal by the US on export credits. Sources indicated that additional meetings on agriculture over the coming weekend are a possibility.

Doha, future work

Given the difficult nature of how exactly to address the future of the Doha Round and how to address new issues, the consolidated facilitators' draft makes clear that it does not aim to tackle these "most contentious issues identified by members." Another area that they specifically did not aim to address in the document, they said, involved "security exceptions," given the deep divides in that area.

Rather, the third and final section of the facilitators' consolidated draft includes a reference to the advances made in the Doha talks so far, together with regret that agreements in all negotiating areas have not been reached. Addressing agriculture reform will be addressed as a priority, it says.

Other paragraphs in that section feature a mention of "principles of Special and Differential Treatment and Less Than Full Reciprocity for developing and least-developed country members," saying that these must play "integral parts" in the organisation's future work, as well as referring to the importance of addressing the needs of LDCs, small, vulnerable economies, and the particular issues for recently acceded members.

Lastly, it includes language regarding regional trade deals, reaffirming that these should "remain complementary to, not a substitute for, the multilateral trading system." The document also refers to building on the WTO's relevant committee in this area as well as plans to conduct a study on the systemic implications of such agreements.

Proposed insertions

Since the release of the facilitators' document on 27 November, some members have already tabled proposals for potential insertions or modifications to the text, particularly regarding the language on Doha and new issues.

One of these proposals was made jointly by China, Ecuador, India, Indonesia, South Africa, and Venezuela, who asked for the insertion of a paragraph in the preamble reaffirming the Doha Development Agenda (DDA) and decisions and declarations adopted both in the Qatari capital 14 years ago and at subsequent ministerial meetings.

These members have also asked that the same paragraph be inserted in Part 3, on future work. Should these paragraphs be added in brackets, they said, the 23rd paragraph in the facilitators' document – which welcomes any Doha-related advances and expresses regret at the failure to reach outcomes in all negotiating areas – should also be bracketed.

Paragraph 23 specifically reads as follows: "We welcome the advances made in the Doha Development Agenda. We regret that it has not been possible to reach agreement on all areas of the negotiations, including Agriculture, NAMA, Services, Rules, including fisheries subsidies, and TRIPS. In particular, we note the importance of agriculture to many WTO Members, including LDCs. We will therefore address all aspects of agriculture reform as a matter of priority."

The African Group, for its part, has also tabled its own suggested addition to the preamble and Part 3, which like the proposal by China and others includes reaffirming the DDA and all ministerial decisions and declarations since the launch of the Round. It also refers to the decision adopted by the General Council on 1 August 2004, [which relates to](#) the Doha agenda work programme.

Alternatives to paragraph 23 of the facilitators' text have also been suggested by Korea, which features three paragraphs which would instead note the difficulties in reconciling members' disagreements on Doha. These paragraphs also would instruct officials "to continue deliberations" on next steps in addressing the unresolved issues from the Round, in order to decide on a "way forward" by the end of next year.

It also features language on addressing "any trade-related issues deemed necessary in order to stay relevant and in keeping with the evolution of the global economy," while noting that these could be pursued "at least on an exploratory basis," so long as they do not get in the way of addressing current, unresolved issues.

Questions of time

Whether and how these various issues may resolve themselves remains an open question, with delegates again referring to the limited time remaining and the nature of the current disagreements.

"Anything could happen at the moment," said one developing country negotiator, noting the seriousness of the situation. "There's still huge divergence," the trade source said.

"I wouldn't be so worried if we had more time," a developed country delegate said.

ICTSD reporting.

CLIMATE CHANGE

World Leaders Buoy Start of Difficult UN Climate Talks

Over 150 heads of state and government voiced support for a global effort to tackle climate change during the opening of a pivotal UN climate conference in Paris, France, on Monday 30 November, providing a significant wave of political momentum for talks designed to hammer out a new emissions-cutting regime.

The day also saw several billion-dollar pledges unveiled through both public and private initiatives designed to shift the world towards a low carbon economy.

An explosion of support from a broad range of stakeholders accompanied the leaders' event on Monday, with widespread reporting dominating news channels and social media outlets, pre-empted by the participation of thousands in so-called climate marches in cities around the world from London to Johannesburg.

Negotiators from nearly 200 nations have now buckled down to the extremely complex task of crafting a document of over 50 pages – containing a maze of brackets and options on every aspect of multilateral climate governance – into a streamlined deal to be gavelled at the close of the Twenty-first Conference of the Parties to the UN Framework Convention on Climate Change (UNFCCC COP21) in just over a week's time.

Set to come into effect at the end of the decade, the new deal will require all nations to cut climate-warming emissions, and over 180 nations have already published a national climate action plan in preparation for the conference. This represents a significant break from the current Kyoto Protocol that sets emissions-reductions targets for a list of developed countries only. (See BioRes, [30 November 2015](#))

Reports from Paris on negotiations in the Ad-Hoc Working Group on the Durban Platform for Enhanced Action (ADP) – the body charged with developing the new deal – indicate that an initial target date for securing an updated version of the draft regime text reflecting areas of convergence in time for Thursday will be missed, though a moderately revised [version](#) was released early Thursday morning that was a few pages shorter than the previous 54-page text.

A new "deadline" for an updated draft text is now set for Saturday, due to limited progress faced with the persistence of well-established divisions on key issues.

What they said

"You have the opportunity, in fact the responsibility to finalise an agreement that enables the achievement of national climate change goals, that delivers the necessary support for the developing world, and that catalyses continuously increasing ambition and action by all," UNFCCC Executive Secretary Christiana Figueres [told](#) the largest-ever gathering of world leaders, safely cocooned in a heavily-guarded specially-built venue on an airfield just to the north of Paris.

"Nearly 200 nations have assembled here this week – a declaration that for all the challenges we face, the growing threat of climate change could define the contours of this century more dramatically than any other," said US President Barack Obama on the occasion, while echoing many other interventions in offering condolences to the French

nation for the violent terrorist attacks that shocked Paris in mid-November, leaving 130 dead and many more injured.

"What should give us hope that this is a turning point, that this is the moment we finally determined we would save our planet, is the fact that our nations share a sense of urgency about this challenge and a growing realisation that it is within our power to do something about it," Obama continued.

Calling for concerted climate action, French President François Hollande drew links between the terror threats facing his nation and the consequences of climate change, stressing that efforts to build a more sustainable future should be on par with those to eradicate terror.

China's President Xi Jinping said that, although addressing climate change was a shared mission for mankind, any eventual deal should allow nations to develop their own solutions to the climate challenge.

"Let us join hands to contribute to the establishment of an equitable and effective global mechanism on climate change, work for the global sustainable development at a high level and bring about new international relations featuring win-win cooperation," the Chinese leader said.

Indian Prime Minister Narendra Modi recalled his nation's pledge to add some 175 Gigawatts of renewable energy generation by 2022 to the grid among other actions, but also stressed the importance of more industrialised nations making cuts.

"The principles of equity and common but differentiated responsibilities must remain the bedrock of our collective enterprise across all areas – mitigation, adaptation, and means for implementation. Anything else would be morally wrong," Modi added, referring to a principle embedded in the 1992 founding UNFCCC text which recognises that countries have different responsibilities and capacity for responding to climate change.

Among the sticking points on the application of this principle nearly two decades later is the extent to which emission cuts led by older industrialised nations should be supported by efforts from fast-growing emerging economies and poorer nations.

Speeches from Canada and Australia were closely watched by stakeholders for signals in policy shifts following recent changes in leadership in both nations.

"Canada is back, my good friends. And we're here to help," freshly-elected Prime Minister Justin Trudeau said on Monday, after the previous government pulled the nation out of the Kyoto Protocol in 2011 and stalled progress on future arrangements. Ottawa said that it would also revise its national climate contribution to the new deal and expressed support for carbon markets.

Australian Prime Minister Malcolm Turnbull, meanwhile, declared that he would overturn his predecessors' opposition to the Kyoto Protocol and ratify its second commitment period that runs from 2013-2020. Australia, however, later snubbed an invitation to a call for an end to fossil fuel subsidies and was absent from an event held by many of the world's other major economies underlining support for carbon pricing.

While the atmosphere was largely positive on the first day focusing on the importance of international cooperation on climate change, observers in Paris say that many of the practical details still need to be hashed out, with key stumbling blocks such as financing climate action and the division of emissions-cutting responsibility over time rearing up as among the more difficult issues as in past talks.

Monday also allowed for several bilateral meetings between key world leaders. The results of these exchanges, however, remain to be seen over the next week.

What they pledged

While speeches from key players were quickly scrutinised by a global audience for clues on the talks ahead, the launch of a series of initiatives was warmly welcomed by some observers looking for actions to complement the powerful rhetoric. Projects relating to three areas in particular – removing fossil fuel subsidies, carbon pricing, and clean energy technology innovation – also have significant potential market and economic impacts.

Joined by a host of think tanks, organisations, and business, a [group](#) of 40 nations endorsed a communique repeating previous international pledges for the elimination of fossil fuel subsidies as a way to help limit global average temperatures from rising more than two degrees Celsius above pre-industrial levels.

In order to convert this commitment into action, signatories pledge to follow principles of communication and transparency around the merits of subsidy policies and reform timetables, ambition in the scope and timeframe for implementing reforms; and targeted support to ensure reforms are implemented in a way that safeguards the needs of the poorest.

Separately, 19 governments and nearly 90 business leaders on Monday launched a global body designed to help strengthen carbon pricing across the globe, dubbed the Carbon Pricing Leadership Coalition.

"The goal is to gradually set a sufficiently high carbon price around the world to encourage better behaviour," said France's Hollande at the event. "Let's be very clear, the idea is not to impose it on everyone. It's not one size fits all. But what we want to promote is the setting or development of instruments that will little-by-little modify the behaviour of the economic players," he continued.

Also on Monday, Germany, Norway, Sweden, and Switzerland committed to fund a new World Bank facility, dubbed "The Transformative Carbon Asset Facility" (TCAF), which will build an international carbon market through large-scale economic transformation policies in developing nations.

This might include, for example, helping to boost energy sector reforms and investments. A number of uncertainties remain, however, as to how the programme will work in practice.

The following day, African heads of state announced a continent-wide plan for boosting electrical installed capacity, dubbed the Africa Renewable Energy Initiative, or AREI.

In another interesting move, Hollande and Modi joined together to [unveil](#) an "International Solar Alliance" among 120 countries to boost solar energy in developing economies. The group will make a joint effort through policies, projects, programmes, capacity-building measures, and financial instruments to mobilise over US\$1 trillion worth of investments to ensure a "massive deployment of affordable solar energy" by 2030.

Another project dubbed "[Mission Innovation](#)" with 20 participating countries, including the US, Saudi Arabia, Brazil, India, Japan, and China, committed to accelerating public global clean energy innovation by doubling their current investments in the sector.

The group represents around 80 percent of existing global clean energy research and development (R&D) budgets and the pledge should see available funds hit US\$20 billion by the end of the decade.

The effort is complemented by a private sector-led "Breakthrough Energy Coalition," spearheaded by 28 major investors including technology billionaire Bill Gates, pledging to

funnel patient capital to earlier-stage clean energy companies, often dubbed “the valley of death” for the industry.

Buckling down

According to reports from Paris, work on the draft regime has been divvied up into numerous parallel spin-off, “informal informal” and contact group meetings designed to tackle different aspects of the talks ranging from mitigation, adaptation and loss and damage, climate finance, and so on.

Some sources, however, have confirmed that the talks have progressed slowly.

“What we’re finding frustrating is we are not making anywhere near the progress we need to at this point,” said Daniel Reifsnyder of the US, one of the two ADP co-chairs, on Wednesday.

In a press briefing the same day, French foreign minister Laurent Fabius – president of the COP21 talks – along with UNFCCC chief Figueres said that no country would be left behind and that existing differences were a healthy aspect of varying national circumstances. The two officials nevertheless stressed that countries would need to speed up work on bringing everyone on board and move towards agreement.

Fabius added that there were three key drivers behind the talks so far, including a sense of urgency and responsibility to reach a mandate as well as the need to ensure a just outcome.

US Special Envoy for Climate Change Todd Stern on Wednesday also said that there was broad consensus on the need to have several rounds of national climate action contributions over time and that a core part of the agreement would need to build confidence that the so-called “intended nationally determined contributions” (INDCs) will be carried out through a system of inventories, reporting, and review.

“We need one system that covers everybody with all appropriate flexibility for countries who need it, at all development stages and capacity levels, with the kind of capacity building support to be able to do the right type of inventories, reporting,” Stern added, contrasting this with the old “bifurcated system” under the Kyoto Protocol.

A joint statement from the Organisation for Economic Co-operation and Development (OECD), the International Energy Agency, the International Transport Forum, and the Nuclear Energy Agency on Wednesday indicated that a successful COP21 deal would be defined by its ability to lock in a low carbon future through a mechanism for reviewing INDCs every five years; enhance financial and technical support to help the world’s most vulnerable to climate impacts; provide transparency on climate action; create mutual accountability; and transmit a strong signal to commercial actors, regional governments, cities, and the financial sector.

ICTSD reporting; “Sticking points remain over climate talks in Paris,” THE FINANCIAL TIMES, 1 December 2015; “World leaders open Paris climate change talks,” REUTERS, 30 November 2015; “Governments, companies launch coalition to strengthen global carbon pricing,” CARBON PULSE, 30 November 2015; “New \$500 World Bank facility to explore policy-based carbon market,” CARBON PULSE, 30 November 2015; “Slow progress ‘frustrating’ says UN climate official,” CLIMATE HOME, 2 December 2015; “Africa sets off toward a sustainable energy future,” THOMSON REUTERS FOUNDATION, 2 December 2015.

CHINA

China Invited to Join IMF Currency Basket

The Executive Board of the International Monetary Fund (IMF) confirmed on Monday 30 November that it would be inviting China to join the other four currencies included in its Special Drawing Rights (SDR) basket, in what has been heralded as a landmark move for Beijing.

"The Executive Board's decision to include the [renminbi] in the SDR basket is an important milestone in the integration of the Chinese economy," said IMF Managing Director Christine Lagarde said on Monday.

"It is also a recognition of the progress that the Chinese authorities have made in the past years in reforming China's monetary and financial systems," the IMF chief continued, noting the potential benefits this could yield both for the Chinese economy as well as globally.

The Chinese renminbi now joins the pound sterling, the euro, the Japanese yen, and the US dollar in the basket, which serves as the Fund's international reserve asset, as well as its "unit of account." Among other things, the basket allows IMF members who hold SDRs to exchange them for one of these "freely usable" currencies. This can either be done voluntarily between IMF members or by the Fund directing those purchases.

Another important aspect of the SDR is that the Fund uses it in its financing arrangements with individual countries, such as when a country requests assistance from the IMF.

Being a freely usable currency is one of two criteria that must be met in order to qualify for the SDR basket. Under the Fund's [Articles of Agreement](#), a freely usable currency is defined as "a member's currency that the Fund determines (i) is, in fact, widely used to make payments for international transactions, and (ii) is widely traded in the principal exchange markets."

The other criterion involves the country's status as an exporter, with the requirement that SDR currencies be from countries or monetary unions whose exports over the past five years have been the greatest by value.

Adjustment period

The revised basket, while agreed this week, will not take effect until 1 October 2016. The IMF had confirmed that decision this past August, on the grounds that doing so would ensure the smooth operation of the system, including if another currency was added. (See Bridges Weekly, [22 October 2015](#))

The value of the SDR is determined based on the currencies within that same basket, using a weighted average. Starting in October 2016, the renminbi will be the third largest within the overall basket, with the weights designated as follows: 41.73 percent for the US dollar, 30.93 percent for the euro, 10.92 percent for the Chinese renminbi, 8.33 percent for the Japanese yen, and 8.09 percent for the pound sterling.

This weighting is partly as the [result](#) of a new formula that was also approved by the Fund's Executive Board this week, taking into account export values, foreign exchange turnover, the level of reserves held in other IMF members' currencies, and international bank liabilities and debt securities. That basket will then be in place until the next SDR review, which is currently [scheduled](#) for 30 September 2021.

Earlier signals

Despite the various hurdles to overcome over the years, the move had become widely expected over the past few months, particularly after Lagarde [gave her backing](#) in November to the renminbi's inclusion, following the release of a paper by IMF staff to the Executive Board regarding the SDR review.

The International Monetary Fund had already shown signs of shifting its position on the renminbi earlier this year, when officials deemed that the currency was "no longer undervalued" following an annual review. (See Bridges Weekly, [28 May 2015](#))

Support had also come from other key quarters, including from the US, which confirmed following a meeting of US President Barack Obama and Chinese President Xi Jinping that Washington supported the renminbi's inclusion in the SDR basket so long as it met the Fund's criteria. (See Bridges Weekly, [1 October 2015](#))

Potential implications, lingering questions

The implications that SDR inclusion – which had been strongly pushed for by those in China advocating for economic reforms – could have for future policy changes in Beijing is a persistent question, with some analysts drawing parallels to the result of China's entry into the WTO in 2001.

While some analysts have characterised the decision as symbolic, others have noted that it is one more indication of the currency's significantly growing use in trade finance, particularly as China has advanced to become the [top exporter](#) in world merchandise trade and among the largest importers.

Proponents of the move say that the renminbi's inclusion could make the Fund's international reserve asset more attractive, with the IMF [noting](#) that the change will make the SDR "more representative of the world's major currencies."

However, some critics have questioned whether the SDR review, which occurs once every five years, may have relaxed some of its criteria in order to bring the Chinese renminbi into the fold, a suggestion that IMF officials have countered.

According to the IMF, the renminbi warranted inclusion for various reasons, such as the notable increase of the currency's use in international payments as well as in international trading. Other reasons, the Fund explained, were the indications that SDR users, IMF members, and the Fund itself will likely have few hurdles in using the currency in their operations, due to various reforms that have been implemented by Beijing.

However, other concerns that have been raised in some quarters are whether more unexpected changes might be made involving the currency, given the devaluation last August that surprised markets, though was ultimately acknowledged by the IMF and others as a step toward letting market forces play a greater role.

The vice governor of the People's Bank of China, Yi Gang, told reporters on Tuesday that the inclusion in the SDR basket will actually help ensure the currency's stability, and that additional devaluation is not likely. The central bank chief also indicated that more reforms are on the horizon.

ICTSD reporting; "Renminbi growing in stature despite residual concerns," FINANCIAL TIMES, 30 November 2015; "IMF's yuan inclusion signals less risk taking in China," REUTERS, 29 November 2015; "China's Renminbi Is Approved by I.M.F. as a Main World Currency," NEW YORK TIMES, 30 November 2015; "China says no basis for the yuan to continue to devalue – PBOC," REUTERS, 1 December 2015.

EUROPEAN UNION

UK Reform Discussions Continue, With Eye on December Meet

Negotiations on potential reforms to the UK's membership in the 28-nation EU continue, with officials eyeing a December leaders' summit for possible indications on the way forward.

During a meeting on Sunday 29 November in Brussels, Belgium, UK Prime Minister David Cameron and European Council President Donald Tusk reportedly discussed the upcoming leaders' meet and how to proceed in order to ensure a "substantive discussion," a statement from the UK premier's office said.

"While some areas are more difficult than others, discussions are ongoing with member states to find solutions and agree reforms in all four areas outlined in the PM's letter to the European Council President," the [statement](#) confirmed.

What exactly the upcoming leaders' meeting may aim to achieve, however, remains an open question at this stage. Despite earlier hopes of reaching a deal on the reform negotiations, officials now predict that the December meet may instead be more of an initial debate, with an agreement more likely next year.

According to a separate [statement](#) from 10 Downing Street, the UK premier has since held bilateral meetings on the subject with some of this EU counterparts in Paris, France, where a host of world leaders gathered on Monday for the kick-off of the UN Framework Convention on Climate Change's Twenty-first Conference of the Parties (UNFCCC COP 21). (For more on the UN climate talks, see related story, this edition)

This included meetings with Italian Prime Minister Matteo Renzi, Portuguese Prime Minister Antonio Costa, and European Commission President Jean-Claude Juncker, said a Downing Street spokesperson.

The current UK government under Cameron tabled a series of requests in November for EU reform. The premier has committed to holding a domestic referendum on the UK's membership of the European Union before the end of 2017, with the negotiated reforms in place.

Proposals for negotiation

The reforms Cameron is currently seeking fall under the categories of economic governance, competitiveness, sovereignty, and immigration, according to a [letter](#) he sent to Tusk last month. Regarding economic governance, Cameron has said that any changes to the functioning of the Eurozone must "respect the integrity of the Single Market, and the legitimate interests of non-Euro members."

The UK premier added in his letter that London neither aims to have veto power over Eurozone decisions nor a new "opt-out" from being a member of the Eurozone, but rather "legally binding principles" to ensure that the EU functions well, with appropriate safeguards to enforce such principles.

Regarding competitiveness, Cameron has confirmed that his country backs the new European Commission trade and investment strategy, which was released in October. (See Bridges Weekly, [15 October 2015](#))

In this area, however, he says that existing regulations within the EU bloc have become unwieldy and excessive, making it increasingly difficult for businesses to operate to their full potential. Improving the free flow of goods, services, and capital within the 28-nation group has also been raised.

"The United Kingdom believes we should bring together all the different proposals, promises and agreements on the Single Market, on trade, and on cutting regulation into a clear long-term commitment to boost the competitiveness and productivity of the European Union and to drive growth and jobs for all," he said in the letter.

The last two areas would involve a formal, legally-binding obligation "to end Britain's obligation to work toward an ever closer union" with the rest of the EU, as currently required by the bloc's treaty, while strengthening the role of national parliaments, as well as various steps to limit the numbers of people from the rest of the EU entering to the UK, including through limiting benefit access to such migrants.

"We can reduce the flow of people coming from within the EU by reducing the draw that our welfare system can exert across Europe. So we have proposed that people coming to Britain from the EU must live here and contribute for four years before they qualify for in-work benefits or social housing," Cameron said at the time.

Another, related request includes making sure any new EU members do not have access to "freedom of movement" until their economies reach a stage where they are more in line with those of existing members.

Potential difficulties

Whether fellow EU leaders will be willing to agree to the reforms outlined by Cameron remains an open question, with the requests relating to immigration being among those likely to be the most contentious, particularly with Central and Eastern European member states.

An [analysis](#) by UK-based think tank Open Europe indicated that another difficult, but potentially doable, demand would be the one involving the Eurozone. According to their research, major countries such as Germany, France, and Italy may be willing to back it, depending on how it is structured.

An overarching concern throughout this process is what economic ramifications there would be for both the UK and the other 27 members of the EU should the planned domestic referendum in the United Kingdom find that citizens wish to leave the bloc.

US officials, for example, have warned that the move could have damaging effects on the UK's trading relationships, both in terms of negotiating power and on attractiveness, with US Trade Representative Michael Froman noting recently that his country prefers negotiating deals with groups of countries rather than with individual ones. (See Bridges Weekly, [5 November 2015](#))

The US and EU are currently negotiating a Transatlantic Trade and Investment Partnership (TTIP) agreement, aiming to reach a pact before US President Barack Obama leaves office in 2017. (See Bridges Weekly, [29 October 2015](#))

A separate [report](#) from OpenEurope issued this past March reviewed what economic effect a "Brexit" could have on the UK, finding that in a "worst-case" scenario the country's GDP could drop 2.2 percent by 2030, and in a "best-case" situation it could increase by 1.6

percent, with the latter depending on whether the UK reaches a free trade deal with the EU and massively increases its openness to trade globally. The more likely outcome, however, would be somewhere in between, largely depending on how the UK addresses trade and migration.

ICTSD reporting; "Cameron, Tusk Weigh EU Reform Timing After Brussels Summit," BLOOMBERG, 29 November 2015; "Cameron sees EU talks on Britain next month," REUTERS, 29 November 2015; "Deal with UK to avoid Brexit not likely this year," POLITICO, 29 November 2015; "David Cameron demands EU fixes – or Britain bolts," POLITICO, 10 November 2015.

DISPUTES

WTO Panel Grants Victory to Panama in Colombia Textiles Case

A WTO dispute panel granted a victory last Friday to Panama in finding that a Colombian compound tariff on imports of textiles, apparel, and footwear is inconsistent with global trade rules.

The compound tariff in the case has been imposed by Colombia on certain imports since 2013, with the tariff made up of a combination of 10 percent of the import price as well as a "specific component," the latter of which varies according to the import price and customs classification.

Exempted from these tariffs, which were imposed by presidential decrees, include imports from countries with trade deals with Colombia under certain conditions; imports serving as production inputs; or imports entering certain regions of Colombia to improve local development, among others.

These decrees are set to remain in force for a limited time, with the Colombian Customs Tariff in 2011 and related amendments set to take effect again once those decrees expire.

Panama first requested consultations with Colombia in June 2013, later asking a WTO panel to hear the case ([DS461](#)). Panama argued that the compound tariff results in duties greater than those outlined in Colombia's WTO tariff schedule – thus violating Article II of the General Agreement on Tariffs and Trade (GATT) 1994.

Tariff commitments

According to GATT Article II, WTO members must grant the commerce of fellow members with treatment no less favourable than what has been agreed under its goods schedule. This requires, among other provisions, the application of ordinary customs duties not greater than those provided in such schedules.

Colombia had argued that Article II does not apply to "illicit trade," which it claimed the tariff aimed to address. However, the panel said that a finding in this regard was neither necessary nor of practical use in satisfactorily resolving the dispute.

The panel found that the compound tariff exceeds the "bound" level, or ceiling, which Colombia has agreed to in its goods schedules, which is either 35 percent or 40 percent of the import price, depending on the products' classifications – thus violating Bogotá's WTO obligations.

Public morals, law compliance

Colombia claimed that the compound tariff is needed to protect public morals or to secure compliance with laws or regulations which are not inconsistent with GATT provisions, and therefore permissible under Article XX.

The GATT Article XX exceptions outline a set of justifications under which WTO members may enact measures that would otherwise be illegal under international trade rules so long as these are used to fulfil certain greater public policy objectives.

The panel disagreed with this claim for a range of reasons. For one, the panel found that even though the objective of combating money laundering in Colombia reflects social interests that can be described as vital and important in the highest degree, Bogotá failed to demonstrate that the compound tariff was either “designed” or “necessary” to fight money laundering.

The panel also found that even though Colombia has identified Article 323 of its Criminal Code, which is not in itself inconsistent with GATT provisions, as the anti-money laundering provision it aims to enforce through the compound tariff, Colombia failed to demonstrate that the compound tariff was “designed” or “necessary” to secure compliance with this law.

Moreover, the panel found that, given the different exemptions to its application, the compound tariff is applied in a manner that constitutes a means of arbitrary or unjustifiable discrimination and, in light of the circumstances of the present case, a disguised restriction on international trade.

Next steps

Both sides have 60 days from when the report was circulated to appeal the panel's findings. Under WTO rules, the Appellate Body can review aspects of law, such as legal interpretation, but generally will not interfere with the factual findings of the original panel.

ICTSD reporting.

EVENTS & RESOURCES

Events

Coming Soon

30 November – 11 December, Paris, France. ICTSD AT THE TWENTY-FIRST CONFERENCE OF THE PARTIES TO THE UNFCCC. During this year's UN Framework Convention on Climate Change's (UNFCCC) Annual Conference of the Parties (COP), the International Centre for Trade and Sustainable Development (ICTSD) will be hosting a series of side events addressing a wide range of issues at the intersection of trade and climate change, such as on carbon markets, the climate contribution of the planned Environmental Goods Agreement (EGA), consumption-based accounting and policies, and many more. For additional details on ICTSD's activities at the Paris meet, visit the event [webpage](#).

4 December, Sydney, Australia. PRAXIS DISCUSSION: RENEWABLE ENERGY IN THE PACIFIC. This World Bank event will examine the actions underway toward increasing the use of renewable energy sources in the Pacific region, along with reviewing what role there is for development partners to get involved, as well as which new technologies merit potential investment. The meeting will feature both a panel discussion and time for audience questions. More information on the event is available at the World Bank [website](#).

7 December, Washington, US. A DISCUSSION OF THE KEY ECONOMIC ISSUES IN ELECTION 2016. This event, organised by the Economic Studies programme at the Brookings Institution, will feature a panel discussion on the economic issues being raised in the context of the US general election, scheduled for November 2016. Speakers on the panel include some of the advisers to current presidential candidates from both parties. More information on this event, which will be webcast, can be found on the Brookings [website](#).

9 December, Washington, US. WITA TPP SERIES: ARMCHAIR DISCUSSION WITH BARBARA WEISEL & PANEL DISCUSSION ON TPP: THE IMPACT ON CONSUMERS. This event, organised by the Washington International Trade Association (WITA), will feature Assistant US Trade Representative Barbara Weisel for a discussion on the Trans-Pacific Partnership (TPP) Agreement, as well as an expert panel discussion reviewing various key aspects of the trade pact. To learn more or to register, visit the WITA [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.

9 December: Trade Policy Review Body – Overview of Developments in the International Trading Environment

15-18 December: Tenth Ministerial Conference

Other Upcoming Events

11 December, Beijing, China. ECONOMIC OUTLOOK FOR SUB-SAHARAN AFRICA. This public lecture is being hosted by the Brookings-Tsinghua Center, with a focus on the latest developments in Sub-Saharan Africa and what ramifications these may entail for the region's economic policies. Discussants will also address possible policy approaches to addressing challenges faced by countries in the region, with the talk followed by a question-and-answer session. More information is available [here](#).

11 December, Paris, France. OIL AND CLIMATE CHANGE IN THE TWENTY-FIRST CENTURY. This event, co-hosted by the Carnegie Endowment for International Peace and Bloomberg Intelligence, will focus on what's in store for both oil and climate change in this century. Held on the sidelines of the UN climate conference, the talk will draw on recent forecasts by the International Energy Agency regarding oil's continued prospects as the world's biggest source of energy. More information, including a list of speakers, is available [here](#).

14-15 December, Paris, France. OECD GREEN GROWTH AND SUSTAINABLE DEVELOPMENT FORUM. The Organisation for Economic Co-operation and Development (OECD) is hosting this year's forum, with the theme of "Enabling the Next Industrial Revolution: The role of systems thinking and innovation policy in promoting green growth." Topics for discussion include, among others, how to facilitate and encourage the "next industrial innovation," building upon the work conducted by the organisation's various committees. More information is available on the OECD [website](#).

14-17 December, Nairobi, Kenya. TRADE AND DEVELOPMENT SYMPOSIUM. This biennial event, regularly organised by the International Centre for Trade and Sustainable Development (ICTSD), is being held this year in partnership with the government of Kenya. The event will be held in parallel with the WTO's Tenth Ministerial Conference. The four-day event will include various high-level plenaries, press events, and private roundtables, among other features. Further details can be found on the official event [website](#).

15-18 December, Nairobi, Kenya. WORLD TRADE ORGANIZATION – TENTH MINISTERIAL CONFERENCE. The World Trade Organization will be holding its Tenth Ministerial Conference (MC10) at year's end, with Kenya serving as this year's host. These ministerial gatherings are the highest-level meeting of the global trade body, with members able to take decisions on any matters relating to any of the multilateral trade agreements. These meetings are usually held biennially. More information will be made available through both the WTO [website](#), as well as the Kenyan government's dedicated MC10 [website](#).

Resources

RETHINKING INTERNATIONAL INTELLECTUAL PROPERTY LAW: WHAT INSTITUTIONAL ENVIRONMENT FOR THE DEVELOPMENT AND ENFORCEMENT OF IP LAW? Published by the International Centre for Trade and Sustainable Development (ICTSD) and the Center for International Intellectual Property Studies (CEIPI) (November 2015). This publication is the inaugural issue of a new series, bringing together papers which address the institutional environment for intellectual property law development and enforcement. This edition highlights various developments and trends in this field, noting four key themes: forum shifting, the changing role of multilateral organisations, the nature of the North-South divide, and the role of the judiciary regarding patent questions. The publication is available [here](#).

TRADE AND SUSTAINABLE DEVELOPMENT: OPTIONS FOR FOLLOW-UP AND REVIEW OF THE TRADE-RELATED ELEMENTS OF THE POST-2015 AGENDA AND FINANCING FOR DEVELOPMENT. By Alice Tipping and Robert Wolfe for the International Centre for Trade and Sustainable Development (ICTSD) and the International Institute for Sustainable Development (IISD) (November 2015). This paper reviews the trade-related elements of the newly-adopted Sustainable Development Goals (SDGs) and outcome document from the Financing for Development (FfD3) conference. The authors then examine how these outcomes and goals can be supported through the trade system, looking at both existing elements of this architecture as well as areas where this can be developed further. The document is designed as a working draft, with future updates planned building in the final results of both the SDG and FfD3 processes. The paper is available [here](#).

WORLD ON THE MOVE: THE CHANGING GLOBAL INCOME DISTRIBUTION AND ITS IMPLICATIONS FOR CONSUMPTION PATTERNS AND PUBLIC POLICIES. By Tomáš Hellebrandt and Paolo Mauro for the Peterson Institute for International Economics (November 2015). In this policy brief, the authors explore how the increasing income levels in various emerging economies, as well as the changes to purchasing power worldwide, will likely drive increased spending toward transportation. This, in turn, could add pressure to infrastructure, with the authors arguing that such a result could have adverse climate change impacts. The report is available [here](#).

THE LEAST DEVELOPED COUNTRIES REPORT 2015: TRANSFORMING RURAL ECONOMIES. Published by the UN Conference on Trade and Development (November 2015). This publication addresses what changes will be necessary for least developed countries (LDCs) to meet the recently-adopted Sustainable Development Goals (SDGs). The authors place a particular emphasis on rural areas, including an analysis of how rural infrastructure projects, better agricultural production, and improved infrastructure access can yield benefits in terms of more economic and employment opportunities. The publication can be downloaded [here](#).

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