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GLOBAL ECONOMY

Countdown to "Brexit" Vote Stokes Fears of Economic Backlash

As next week's referendum on the UK's future in the European Union fast approaches, the debate over the economic implications of a "Brexit" has reached even greater heights, with polls indicating mixed feelings among its citizens on whether to leave or stay.

The UK referendum is scheduled for Thursday 23 June, capping a process that began in early 2013 when Prime Minister David Cameron confirmed that, should he be re-elected in 2015, he would ask citizens to vote on whether they wished to remain members of the European Union. (See Bridges Weekly, [16 May 2013](#))

The referendum comes months after Cameron secured a revised deal with fellow EU members over the UK's relationship and membership within the bloc, in an effort to avert a "Brexit" by convincing his country's citizens that his nation has far more influence and better terms inside the 28-nation group rather than outside it. (See Bridges Weekly, [28 February 2016](#))

However, polling data in the months since has shown a range of results regarding the "Leave/Stay" split, with some putting the campaigns nearly even, while others have recently indicated that more UK citizens are leaning in favour of an EU exit – fuelling speculation and creating worrisome conditions for markets.

Tusk: Brexit threat to "western civilization"

Several European leaders in recent days have ramped up their warnings about the possible geopolitical and economic implications of the UK leaving the EU, with European Council President Donald Tusk telling German newspaper Bild this week that such a move could pave the way for "the beginning of the destruction of not only the EU but also of western political civilisation in its entirety."

European Commission President Jean-Claude Juncker has similarly warned of the potential "catastrophic" results, also questioning why the UK-EU deal reached earlier this year has not played a more prominent role in the pre-referendum debate.

Other top officials from the European institutions have similarly cautioned against a "Brexit," with European Commissioner for Financial Services Jonathan Hill – a UK member of the EU executive arm – telling Politico that such a decision could have severe ramifications for financial stability, including a single financial services market.

"Even if you think that over a period of time Paris could become a new London for some aspects of capital markets, all these things are going to take time," he told the news agency. Meanwhile, he warned, investment would suffer and uncertainty would hurt the ongoing effort at economic recovery.

Trade implications under scrutiny

Government officials from the "Leave" campaign have said that they would aim to complete the process of exiting the 28-nation bloc by the end of 2019, including the negotiation of a new trading arrangement with the rest of the EU.

While "Leave" campaigners have downplayed the fears of an economic backlash that "Stay" proponents have raised, top international trade officials have suggested that the road ahead for London could be extremely difficult.

[Speaking in London](#) last week, WTO Director-General Roberto Azevêdo warned that a vote in favour of "Brexit" could have implications for the UK's goods and services trade, and would require a series of negotiations to confirm its new terms within the global trade body.

"The UK would also need to re-establish its terms of trade within the WTO. The UK, as an individual country, would of course remain a WTO member, but it would not have defined terms in the WTO for its trade in goods and services," said Azevêdo.

Arguing that the UK would have to negotiate key elements of its relationship with the global trade body, the WTO chief suggested that such a situation would be unprecedented, in terms of both substance and process.

"No WTO member can unilaterally decide what its rights and obligations are," he said, highlighting the complexity of trade negotiations and suggesting that such a process could take several years.

Regarding the UK's involvement in other EU trade deals, Azevêdo suggested that this would similarly prove complicated, and that during the negotiation process of new arrangements, London would likely face greater costs in dealing with the same markets.

"The UK currently has preferential trade relationships with the EU, and with the 58 countries with which the EU currently has free trade agreements. In the event of a British exit, all of these relationships would need to be re-established to maintain the same preferential access the UK currently enjoys via the EU," he said.

OECD: State of EU single market not complete

Meanwhile, international agencies have also warned this month that much work remains to advance the [EU single market](#), one of the key creations of the 28-nation group which aims to ensure the free movement of goods, labour, capital, and services.

What could happen if the UK leaves the single market has also been raised repeatedly, including in recent analysis by the Organisation for Economic Co-operation and Development (OECD).

"The outcome of the upcoming referendum in the United Kingdom could have important implications for economic performance in both the United Kingdom and the rest of Europe," said the OECD [in a report](#) issued this month.

Ángel Gurría, OECD Secretary-General, has [previously warned](#) against a Brexit, citing research by the Paris-based organisation which indicated that UK citizens would be left paying the equivalent of a hefty "Brexit tax" worth £2200 per household by 2020 (€2776 at today's exchange rate).

Regarding trade, Gurría said at the time, "supporters of Brexit argue that the UK would actually achieve a more liberal trade regime outside the EU than it enjoys now. But this is a delusion."

Furthermore, losing access to the single market could also make the UK less attractive for foreign direct investment, along with significantly lowering flows of goods and people. Meanwhile, in this month's economic survey of the European Union, the OECD noted that the EU single market itself still has much room for improvement, aside from the Brexit risks.

"The EU Single Market remains far from completed and the progress in goods and services markets integration has been limited since the crisis," the report continued, stressing that the single market is key for boosting the well-being of the bloc's citizens.

The organisation suggested, among other areas for improvement, developing further the "cross-border potential" for the digital economy and improving the mobility of both capital and labour.

ICTSD reporting; "Tusk and Juncker see Brexit as threat to Western civilisation," EURACTIV, 13 June 2016; "Sterling Selloff Resumes as Brexit Polls Show Leave and Remain Neck and Neck," WALL STREET JOURNAL, 13 June 2016; "Leave camp eyes completion of Brexit by 2019," FINANCIAL TIMES, 14 June 2016; "Polls show increasing support for Brexit; Murdoch's Sun backs 'Leave'," REUTERS, 14 June 2016; "Brexit fears fuel market rush for safety," FINANCIAL TIMES, 14 June 2016.

TRADE AGREEMENTS

Southern African Countries, EU Sign Trade Deal

On 10 June, six countries from the Southern African Development Community (SADC) – specifically, Botswana, Lesotho, Mozambique, Namibia, South Africa, and Swaziland – signed an Economic Partnership Agreement (EPA) with the EU in Kasane, Botswana.

Those SADC countries, also referred to as the SADC EPA group, will now have to ratify the regional agreement before it can enter into force. On the EU side, the EPA will be forwarded to both the European Parliament and the national parliaments of individual member states for their sign-off.

The other six members of the Southern African Development Community region – the Democratic Republic of the Congo, Madagascar, Malawi, Mauritius, Zambia, and Zimbabwe – are engaged with the EU through the EPA process as part of other regional groupings, namely Central Africa or Eastern and Southern Africa.

The signature of the EU trade pact comes almost two years after the SADC EPA group concluded negotiations with Brussels in July 2014, making the deal the first of its kind between the 28-nation European bloc and an African regional economic community in its EPA configuration.

"With the Economic Partnership Agreement that we are signing today, we want to base our trade relations with our partners in the Southern African region on commonly agreed, stable rules," [said](#) EU Trade Commissioner Cecilia Malmström.

Earlier this month, the EU Council authorised the signature and provisional application of the EPA between the two sides.

The process to establish EPAs between the EU and various regional groupings of African, Caribbean, and Pacific (ACP) countries began over a decade ago, with the goal of ensuring trade reciprocity, promoting sustainable development, and advancing integration between the parties involved.

Expected benefits

The trade deal secures access to the EU market without any duties or quotas for all members of the SADC EPA group, removing customs duties on 98.7 percent of imports from South Africa and eliminating them entirely for the other five countries.

South Africa will benefit from an extension of the current market access under the [Trade, Development, and Cooperation Agreement](#) with the EU, which has been in place since 2000. The new access includes better trading terms mainly in agriculture and fisheries, including for wine, fruit, ethanol, sugar, and dairy products as well as protections for geographical indications on Karoo meat and Rooibos tea being sold to the EU market.

Additionally, the agreement contains flexible rules of origin, which should enable a better sourcing of components from neighbouring countries and beyond. These terms should also allow for regional cumulation, which in turn could spur the development of regional value chains, explained Malmström.

In turn, all members of the SADC EPA group, except Mozambique, will remove duties on 86.2 percent of imports. These five countries together form the Southern African Customs Union (SACU). Mozambique, meanwhile, will lift duties on 74 percent of imports.

According to the EU, the regional pact comes at a time when SADC countries are diversifying their production base; as such, the facilitated imports of certain manufactured goods should support the industrial diversification of the region.

The EPA also contains various social and environmental standards aimed at fostering sustainable development in the region.

Status of other signature processes

To date, only the Caribbean region has signed and ratified a comprehensive regional agreement with the EU, which is currently being implemented.

Two other regional groupings – West Africa and the East African Community – have also concluded their negotiations with the EU, but those EPAs are still awaiting signature and ratification. (See Bridges Africa, [4 May 2016](#))

Cameroon is the only country from Central Africa which has ratified an EPA since 2014. Economic partnership agreements are being provisionally applied within the Eastern and Southern African region, which include Mauritius, Seychelles, Zimbabwe, and Madagascar.

Although West African leaders formally endorsed their EPA with the EU on 10 July 2014, the signature process has not yet been completed. After protracted negotiations, the final deal was briefly put in doubt after several African trade ministers openly sided with Nigeria against the EPA.

The latter had expressed concern over the deal's potentially adverse economic impacts, arguing that the EPA could cause harm to its infant industries and jeopardise its development. (See Bridges Africa, [15 May 2014](#))

Consultations on the EPA with Nigeria, particularly with the Manufacturing Association of Nigeria, are still ongoing, said the country's Vice President Yemi Osinbajo in an [interview](#) with the Premium Times news outlet earlier this month.

As the only two non-least developed countries (LDC) in the region besides Nigeria, some stakeholders in Côte d'Ivoire and Ghana have raised concerns about the negative consequences that could arise from the lack of implementation of an ECOWAS-wide EPA. ECOWAS stands for the Economic Community of West African States.

In addition to Nigeria, the Gambia and Mauritania have reportedly not yet signed the agreement.

According to the [EurActiv](#) media outlet, the EU has reportedly undertaken the necessary legal preparations to eliminate the preferential access enjoyed by Ghana, Côte d'Ivoire, Kenya, Botswana, Namibia, and Swaziland by October 2016 should an EPA not be in place in the coming months.

ICTSD reporting, "Brussels to end preferential trade access for uncooperative African countries," EURACTIV, 10 June 2016; "Three countries hold back West African regional EPAs with Europe," NEWSGHANA, 11 June 2016; "West Africa: Nigeria Explains Why It Has Not Signed EU-Ecowas Trade Agreement," PREMIUMTIMES, 5 June 2016.

INTELLECTUAL PROPERTY

E-Commerce Returns to WTO TRIPS Council Agenda

The WTO's Trade Related Aspects of Intellectual Property Rights (TRIPS) Council discussed the topic of e-commerce last week for the first time since 2003, sources said, during a 7-8 June meeting in Geneva.

Other topics on the meeting's agenda included sustainable resources and low emission technology strategies, and the perennial issues of non-violation complaints and the relationship between the TRIPS agreement and the Convention on Biological Diversity (CBD).

In addition, the EU presented its new Trade Mark Directive and Trade Mark Regulation, which raised concerns with some members over possible restrictions on the transport of generic medicines through the 28-nation bloc's borders.

This TRIPS Council meeting was the second of the year, and took place under the direction of a new Chair, Ambassador Modest Jonathan Mero of Tanzania. In an attempt to move the Council away from simply restating positions, Mero reportedly suggested a greater use of informal discussions of issues, a methodology favoured in many other WTO venues.

Sources said this suggestion reportedly drew support, with both formal and informal discussions held on all topics. One delegate commented to Bridges that the approach proposed by the Chair is promising, and that they hope it will lead to progress in the work of the Council.

Canada tables e-commerce "communication"

At the WTO's Tenth Ministerial Conference in December 2015, ministers agreed to continue the work programme on e-commerce, which was first adopted under the General Council in September 1998. (See Bridges Weekly, [26 November 2016](#) and Bridges Daily Update #1, [14 December 2015](#))

Discussions on this work programme are conducted under four WTO bodies – the Council for Trade in Services, the Council for Trade in Goods, the TRIPS Council, and the Committee on Trade and Development – with these then reporting back to the General Council.

Along with directing members to continue their work, ministers in Nairobi instructed the WTO General Council to hold periodic reviews of the work programme's progress based on the updates from these bodies, with such reviews scheduled for July and December of this year, as well as July 2017.

In this context, Canada circulated a communication in May proposing that members be allowed "an opportunity to share national experiences and practices on intellectual property and e-commerce issues."

These discussions, Canada indicated, could help at the national level as members develop policies in such areas, along with tracking broader global trends on the subject.

Pursuant to this idea, Canada reportedly described its experience implementing its "Project Chargeback" initiative, which fights the online sale of counterfeit goods by closing counterfeiters' retail accounts in collaboration with credit card companies and banks.

Sources said many members spoke in favour of Canada's suggestion, with Switzerland, the US, Chinese Taipei, and Brazil emphasising the importance of regulating e-commerce, especially given its growth since it was last considered by the TRIPS Council in 2003.

In particular, the intersection of intellectual property and e-commerce has greatly increased, with many goods and services – such as books, music, pictures, and software – protected by intellectual property rights now traded online. Furthermore, the mechanisms through which e-commerce takes place are often protected by intellectual property rights, such as patents, integrated circuit designs, and trade secrets, among others.

Brazil suggested that one key guideline underlies the overall policy discussion in this area – namely that rights usually protected outside the digital arena should also be protected within it. It was underscored by Brazil "that the territoriality of copyright and related rights, consumer protection, data protection, and the right to privacy must be incorporated in the digital environment."

However, some members reportedly preferred that e-commerce be included on an ad hoc basis, rather than as a standing item, with India reportedly suggesting that the sharing of best practices in e-commerce be done on an exploratory basis.

According to one source, the EU stated that it had a great deal of information to share on the topic of e-commerce and that its own E-Commerce Directive, which was implemented in 2000, has many intellectual property provisions. The EU reportedly also said that it will make a number of proposals this year regarding online infringements of intellectual property rights.

Debate over EU Trade Mark Package's impact on generics

During last week's meeting, the EU also presented its new Trade Mark Directive and Trade Mark Regulation to WTO members.

"The main objectives of the trademark reform were to foster innovation and economic growth by making the trademark systems all over Europe more accessible, efficient, and effective for businesses and to ensure and develop coexistence and complementarity between the EU and national trademark systems," the EU said, according to comments reported by [IP-WATCH](#).

However, some members reportedly questioned the potential impact of the policy on the transit of generic medicines through EU borders. The provisions allow for the seizure of any counterfeit goods within the EU, even if they are merely in transit and not destined to be placed on the market within the 28-nation bloc.

Sources said that the spectre of the 2008 incident in which the Netherlands detained generic medicines on the way from India to Brazil loomed large over the discussion, with some members concerned that the EU Trade Mark Package would lead to similar seizures.

While the EU Trade Mark Package was praised for updating and clarifying existing laws regarding trademark rights, Brazil reportedly argued that WTO rules consider freedom of transit to be a "basic tenet," and said that such goods should not face "unnecessary delays or restrictions" even when some members are trying to ensure that other rules are met.

Sources said that the EU emphasised that its policy only allows for the seizure of goods if they bear a trademark which is identical to an EU one, and that it was important not to confuse counterfeit and generic medicines. The purpose of the legislation is to prevent the

trade in illegal counterfeit goods, and many members have similar legislation, including Brazil, the EU reportedly claimed.

Relationship between TRIPS, CBD

As at the previous session of the TRIPS Council, the discussion of the relationship between the TRIPS Agreement and the CBD reportedly consisted of members mainly repeating their long-established positions (See Bridges Weekly, [10 March 2016](#)).

According to a source, many members reiterated their support of a 2011 proposal to amend the TRIPS agreement to include a mandatory requirement of the disclosure of the origin of genetic resources utilised in a patent application.

This suggestion once again failed to draw consensus among members, some of whom repeated that the World Intellectual Property Organisation (WIPO) Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore (IGC) was a more appropriate venue for this discussion. However, the delegation from Peru reportedly expressed concern that given the lack of significant progress in the WIPO IGC negotiations, this would be an impractical alternative. (See Bridges Weekly, [9 June 2016](#))

Non-violation complaints

Similarly, the long-running stalemate on whether to end the moratorium on "non-violation and situation complaints" continued at last week's meeting, according to a source.

Under the existing moratorium, WTO members are only allowed to file a complaint about an intellectual property issue if the letter of the TRIPS Agreement has allegedly been breached – basically preventing complaints that come from claims that the "spirit" of the organisation's intellectual property rules has been violated.

The moratorium was initially set to last until the year 2000, but has been renewed regularly since, despite some members arguing that it is time to reconsider this policy.

In an attempt to break the deadlock, the US, which along with Switzerland supports the end of the moratorium, reportedly proposed considering what the effect in practice would be, and emphasised that only a small fraction of complaints under other WTO agreements – which do not have similar moratoriums – do not involve a violation.

However, most members reportedly held their positions, reiterating concerns that non-violation complaints would reduce the transparency, predictability, and flexibility of the TRIPS Agreement, as well as potentially harm access to medicine.

Sustainable resources, low emission technology

Also on the agenda was the relationship of intellectual property with sustainable resources and low emission technology, following a proposal from the EU, Japan, Switzerland, and the US which was co-sponsored by members such as Canada, Singapore, and Chinese Taipei. Many members emphasised the importance of innovation and intellectual property in addressing issues such as climate change, food security, and improvement of health.

The EU reportedly described various initiatives, such as its Science Policy Dialogue project and the 2020 Horizon Program, which increase collaboration with developing countries and open access to research. The EU also described its involvement in several projects aimed at improving water management and water and sanitation technologies.

The US noted that there has been an increase of 20 percent in the rate of patent applications for clean technologies since the TRIPS Agreement entered into force, sources said. In

particular, Africa has made progress in clean technology innovation, with a significant increase in patent applications for green technology according to a study by the United Nations Environment Programme (UNEP) and the European Patent Office (EPO).

The US reportedly also described the “patent for humanity” programme of its Patent and Trademark Office, which awards accelerated patent-granting procedures to innovators of game-changing technology. One such innovator included a private firm that created a powder which made dirty water safe to drink, which was distributed in partnership with NGOs and provided five billion litres of clean drinking water.

Other members, including Australia, Canada, Chinese Taipei, South Korea, and Switzerland, also reportedly shared their intellectual property initiatives relating to sustainable resources and low emission technology. However, India said that protecting intellectual property is only one aspect of promoting innovation, and that a broad and balanced approach is necessary, according to sources familiar with the meeting.

“In over twenty years of work, the TRIPS Council has built a unique role as a multilateral forum for WTO member governments to explore current issues, to map the evolution of diverse national law and policy across the globe, and to promote cooperation and capacity building so IP systems can serve development goals,” said Antony Taubman, Director of the WTO’s Intellectual Property Division, in e-mailed comments to Bridges.

“Yet several major unresolved issues remain on its agenda. This latest session of the Council showed a willingness to look ahead, to consider how to resolve the established issues, but also to discuss emerging challenges, notably in the digital environment and in the innovation and dissemination of green technologies,” he continued.

ICTSD reporting; “New Ideas Coming For WTO TRIPS Council; But Also Old Debate Over EU Drug Seizures,” IP-WATCH, 9 June 2016; “Chair seeks to “revitalize” TRIPS Council discussions on intellectual property,” WTO, 7 June 2016.

DISPUTES

WTO Appellate Body: Colombian Textiles Tariff in Violation of Trade Rules

The WTO's highest court has said that a Colombian compound tariff on imports of textiles, apparel, and footwear is inconsistent with global trade rules, despite reversing some of an earlier panel's ([DS461](#)) findings.

The Colombian compound tariff has been in place 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.

The dispute began three years ago, when Panama filed its consultations request at the WTO in June 2013. At the time, Panama argued that the compound tariff violated Article II of the General Agreement on Tariffs and Trade (GATT) and Colombia's goods schedule.

A panel was established in September 2013 to hear the case, and last November ruled largely in favour of Panama's claims. Two months later, Colombia appealed certain legal aspects of the panel report. (See Bridges Weekly, [3 December 2015](#))

Tackling money laundering, crime

The case had brought forward the issue of illicit financial flows and how to design measures aimed at reducing them without running afoul of WTO rules, given that Colombia has argued throughout the proceedings that this compound tariff was meant to address the problem of money laundering.

Specifically, Bogotá suggested that the affected imports can be the product of "illicit trade," brought across its borders at "artificially low prices" as part of a scheme to launder money which, in turn, helps fuel drug trafficking and armed conflict domestically.

Various international agencies, including the Organisation for Economic Co-operation and Development (OECD) and the [World Bank](#), have warned that "illicit financial flows" – including through money laundering – can have devastating implications for developing countries, such as by diverting resources from essential public services toward private consumption.

"While such practices occur in all countries – and are damaging everywhere – the social and economic impact on developing countries is more severe given their smaller resource base and markets," said the OECD in a [2014 report](#) devoted to the problem.

Such illegal financial flows are also blamed for hurting efforts at eradicating poverty, with the recently-adopted Sustainable Development Goals (SDGs) including [a target](#) for "significantly" tackling them.

GATT Article II and illicit trade

When defending its compound tariff to the earlier dispute panel, Colombia claimed that GATT Article II does not apply to "illicit trade," which its compound tariff purportedly meant to address.

According to GATT Article II, WTO members must grant the trade 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.

Last November, the panel found it unnecessary to decide whether GATT Article II applies to “illicit trade,” concluding that the compound tariff is still greater than the ceilings Colombia agreed to under its goods schedule.

The Appellate Body said that “illicit trade” should indeed be covered by that GATT provision. According to their ruling, the earlier panel’s finding that the compound tariff did not solely cover the alleged illicit trade implied that the measure could still apply to “illicit trade,” and therefore a legal interpretation on the relationship between Article II and “illicit trade” should have been made by the panel.

The Appellate Body nonetheless rejected Colombia’s argument, finding that the scope of that GATT provision is not “qualified in respect of the nature or type of imports, or the reason or function of the transaction, in a manner that excludes what Colombia considers to be illicit trade” from the requirements to fulfil the bound tariff commitment.

The WTO judges added that legitimate policy objectives – including those aimed at tackling money laundering – should be considered through the GATT’s “general exceptions.”

Ultimately, the Appellate Body sided with the panel and found that the compound tariff exceeds Colombia’s tariff ceilings.

Public morals, domestic laws

Colombia had claimed that the compound tariff is needed to protect public morals and to secure compliance with domestic money-laundering laws which do not violate GATT provisions, and therefore can be justified under the relevant Article XX exceptions.

These GATT exceptions outline a set of scenarios 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 goals. These include public morals and complying with domestic laws and regulations that are not otherwise in violation of the GATT.

Last November, the panel rejected Colombia’s defence, finding that the country did not show that the compound tariff was either “designed” or “necessary” to fight money laundering, or to secure compliance with domestic laws on the subject.

The Appellate Body found, however, that the panel “had recognised that at least some goods priced at or below the thresholds could be imported into Colombia at artificially low prices for money laundering purposes, and would thus be subject to the disincentive created by the higher specific duties that apply to these goods.”

The WTO’s highest court therefore disagreed with the panel’s finding that the compound tariff was not “designed” to meet objectives such as protecting public morals or complying with Colombian law, instead finding that there is indeed a relationship between the measure and these policy goals.

The Appellate Body added that Colombia had proved that the laundering problem is “of real and present concern” which has fuelled, in turn, a broad spectrum of criminal activities, including the armed conflict which has plagued the country. The WTO judges therefore deemed that combating money laundering reflects “societal interests” that can be characterised as “vital and important in the highest degree.”

Nonetheless, the Appellate Body said that Colombia failed to show clearly enough how the compound tariff helped meet the above-mentioned public policy goals, along with how trade-restrictive it is – thus not showing that the measure is “necessary” under the Article XX general exceptions.

Officials respond

Officials from both sides have spoken publicly about the Appellate Body ruling, with Colombian officials claiming that the outcome validates their goal of tackling the money laundering issue, while Panamanian officials have stressed the points of the ruling in their favour.

“While the WTO’s Appellate Body upheld an earlier panel decision... it also allows for establishing that the measure’s design can help meet the objective of fighting money laundering,” said a [statement](#) issued by Colombia’s Ministry of Commerce, Industry, and Tourism, referring to the interpretation made by their minister, Maria Claudia Lacouture.

The Colombian government also said that it was analysing the Appellate Body findings with a view to their implementation, “without ending its government policy in preventing and ending crime.”

Augusto Arosemena, Panama’s Minister of Trade and Industry, has [called](#) for Colombia to bring its measures into compliance with the ruling’s terms, without delay.

Next steps

Under WTO dispute settlement practices, if immediate compliance cannot be achieved, a reasonable period of time will be established for bringing the WTO-illegal measures in line with global trade rules.

Should the parties later disagree as to whether Colombia has complied with the recommendations and rulings, WTO rules allow for compliance-related reviews, among other processes.

ICTSD reporting; “OMC reconoce que arancel mixto puede luchar contra lavado activos,” AGENCIA EFE, 7 June 2016.

ARGENTINA

Argentina Welcomed as Pacific Alliance Observer

Argentina is now an official observer to the Pacific Alliance, the South American bloc that includes Chile, Colombia, Mexico, and Peru as full members.

As a result of the 9 June move, which will see President Mauricio Macri attend the group's upcoming meeting in Santiago, Chile, on 1 July, Argentina has joined a list of over 45 observer countries, which also includes economies such as Australia, Canada, China, Germany, India, Thailand, and the United States.

While observer countries have [speaking rights](#), they cannot vote on Pacific Alliance decisions, and are allowed to attend the group's meetings so long as they have been invited. Along with sharing the same motives and principles under the framework agreement of the group, another precondition for being an observer includes being party to trade deals with at least half of the Pacific Alliance's full members.

"Argentina has a special interest in having closer ties with the Pacific Alliance and filed the request to be a member country," Chilean Foreign Affairs Minister Hernando Muñoz [told](#) the Buenos Aires Herald.

Another observer country, Costa Rica, may also send its president to the July gathering. Costa Rica and Panama are both seeking to become full Pacific Alliance members.

Formally launched in 2012, the Pacific Alliance group accounts for 35 percent of the region's GDP, receiving 41 percent of all foreign direct investment in the region and producing 55 percent of the region's total exports. (See Bridges Weekly, [13 June 2012](#))

In 2014, the Alliance confirmed it would slash tariffs on 92 percent of products, with the aim of eliminating the remaining eight percent in the coming years. (See Bridges Weekly, [13 February 2014](#))

Revising policy trends?

Macri was elected in November 2015, after he ran on a pro-business platform that promised to bring sweeping economic change to Argentina following over a decade under the leadership of two Justicialist presidents – Néstor Kirchner from 2003 to 2007, and his wife Cristina Fernández de Kirchner from 2007 to 2015.

Many analysts suggest that Macri's decision to seek observer status for Argentina in the Pacific Alliance could be a positive step towards reviving the country's faltering economy.

"Argentina is the third largest economy of the region so we are capable of establishing a positive dialogue with the Pacific Alliance, which has been successful in its growth," PRO lawmaker Eduardo Amadeo said, in comments reported by the Buenos Aires Herald. "We want to widen markets for our exports. Being isolated [can] lead to failure."

In an interview with Forbes, Jason Marczak, the Director of the Latin America Economic Growth Initiative at the Atlantic Council's Adrienne Arsht Latin America Center, attributed the Pacific Alliance's success to "an unmatched consensus among member states regarding

the importance of free trade," which he said has given the space "for quick and efficient decision making" on behalf of those nations.

Macri's push for observer status has also been interpreted as a sharp departure from Argentina's past economic practices, which have been criticised by some in recent years for their allegedly protectionist nature, fostering trade tensions between countries in the region and further afield. (See Bridges Weekly, [13 June 2012](#))

Another question going forward will be how and to what extent the Pacific Alliance will deepen its connection with the five-country Mercosur group.

Mercosur, the customs bloc that also includes Brazil, Paraguay, Uruguay, and Venezuela, has a much longer history than the Pacific Alliance regional grouping, and has in recent years grappled with internal tensions, as well as the effects of major changes in domestic leadership.

Still, some analysts suggest Argentina's new status is a sign that closer ties between the Alliance and Mercosur could be on the horizon, especially given that fellow Mercosur members Uruguay and Paraguay are already observers to the Pacific Alliance.

ICTSD reporting; "Country granted observer status at Pacific bloc," BUENOS AIRES HERALD, 10 June, 2016; "Gov't seeks closer ties with Pacific trade bloc," BUENOS AIRES HERALD, 1 June, 2016; "Argentina closer to the Alliance of the Pacific; Macri expected at the summit in Chile," MERCOPRESS, 10 June, 2016; "Argentina seeks closer ties to Latin America's Pacific trade bloc," REUTERS, 31 May, 2016; "What Should Investors Know About Latin America's Pacific Alliance?" FORBES, 30 May, 2016; "Argentina's New President Wants to Change the Way Latin America Does Business," FOREIGN POLICY, 10 December, 2015.

TRADE FACILITATION

WTO Members Eye Preparations for Enacting Trade Facilitation Deal

WTO members are preparing to put in place the first new global trade deal in decades – the Trade Facilitation Agreement (TFA) – given that three-quarters of the ratifications needed for entry into force have now been submitted to the Geneva-based organisation.

The multilateral accord was adopted over two years ago at the WTO's Ninth Ministerial Conference in Bali, Indonesia, marking the first new global trade pact since the organisation was founded in 1995. (See Bridges Daily Update, [7 December 2013](#))

In late 2014, the pact then opened up for ratification, though it no longer had a set deadline for doing so. Despite [a push](#) by some trade officials for reaching the necessary threshold – two-thirds of the WTO's 162 members – in time for last December's Tenth Ministerial Conference in Nairobi, Kenya, the process remains ongoing. (See Bridges Daily Update 1, [14 December 2015](#))

Meanwhile, various political leaders have called in recent months for implementing the TFA this year, arguing that it could yield significant gains for economic and trade growth, especially given the otherwise sluggish global recovery. (See Bridges Weekly, [9 June 2016](#))

Notifications in focus

At a meeting last week of the WTO's Preparatory Committee on Trade Facilitation, which is tasked with shepherding the trade deal through these final stages before entry into force, sources say that discussions largely focused on domestic ratification processes, along with the need for more developing country members to indicate which provisions of the TFA would require extra time or additional support to implement.

At press time on Thursday, the number of WTO members who have submitted their "instruments of acceptance" for the Trade Facilitation Agreement was at 81. Sources familiar with last week's preparatory committee meeting confirmed that Mexico and Peru are both close to submitting their own "instruments," while Nigeria also hopes to do so in the short-term.

Along with TFA ratification itself, another key component of its implementation is the notification of the different "Category" commitments. Under the terms of the trade deal, developing and least developed countries can designate which provisions will be in place by the time TFA enters into force, classified under Category A.

These countries can also notify provisions under Category B, which are those that will be implemented following a transition period, or under Category C, which will require both a transition period and support through technical assistance or capacity-building.

Ambassador Esteban Conejos of the Philippines, who chairs the committee, reportedly noted that while various Category A notifications have come in – currently numbering 87 – only five have been submitted for the other two categories.

National trade facilitation committees

As the ratification process continues, other efforts are underway to help prepare for the TFA's entry into force, including attempts at better understanding how the different elements of the deal can work in practice and what help is needed.

Under the TFA's terms, all WTO members must "establish and/or maintain a national committee on trade facilitation or designate an existing mechanism to facilitate both domestic coordination and implementation of the provisions of this Agreement" – a requirement that has since prompted several questions and was the subject of an experience-sharing session held at the WTO on 8 June.

[Preliminary data](#) of a voluntary, online survey conducted by the WTO secretariat indicated that the main challenges many members have seen so far is in getting the right membership in such panels, as well as coordination, lack of resources and/or political support, and lack of awareness on the subject.

"We have been registering a significant amount of attention on the issue of national TF committees – and demand for related guidance – for a considerable amount of time," [said](#) Conejos during the session, highlighting the various questions raised on how to implement this component of the trade deal.

"Article 23.2 seems to give rise to misinterpretations – and, as a result, inaccurate expectations and unfounded concerns," he said, according to a copy of his prepared remarks. "Today, we have an opportunity to discuss the actual obligations arising from the Agreement and the best ways of complying with them."

Along with discussing how the private sector could support such efforts, participants reportedly raised how to improve coordination at the governmental level, along with the institutional setup and priorities for these committees, with the meeting overall reportedly well-received by many members.

ICTSD reporting.

AGRICULTURE

US Announces US\$300 Million in Payments for Cotton Producers

US cotton producers will receive one-off payments totalling US\$300 million, the US Department of Agriculture [announced](#) last week.

The payments will be made under the Cotton Ginning Cost Share Program. Cotton "ginning" is the process by which cotton fiber is separated from the seed.

Farmers will receive a one-time payment based on their 2015 cotton acreage, multiplied by 40 percent of the average ginning cost for each production region. The payments will be made to producers who meet certain requirements, including an adjusted gross income limit of US\$900,000 and a requirement to be actively farming. The payments will be capped at US\$40,000 per producer.

The support provided will also be 60 percent higher than the amount farmers received through the Cotton Transition Assistance Program, a scheme that was meant to provide limited support to producers while direct payments were being phased out under the 2014 US Farm Bill.

"The Cotton Ginning Cost Share program will offer meaningful, timely, and targeted assistance to cotton growers to help with their anticipated ginning costs and to facilitate marketing," said US Agriculture Secretary Tom Vilsack.

Cotton prices down from 2011 peak

US cotton farmers benefit from subsidised insurance under the Stacked Income Protection Plan (STAX), which has provided such insurance to producers of upland cotton from 2015 onwards.

Cotton producers are also eligible for marketing assistance loans and crop insurance coverage under the 2014 Farm Bill, even though they were excluded from two new schemes that were introduced for other agricultural producers at that time, the Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC).

Cotton producers have this year urged Vilsack to reclassify cottonseed as an oilseed under the Farm Bill in a bid to increase the level of support they receive – although the Agriculture Secretary has argued he does not have the authority to do so.

The industry nonetheless extended a cautious welcome to the announcement of the new one-off scheme.

Mike Tate, the chairman of the American Cotton Producers, [said](#) that producers "appreciate Secretary Vilsack's efforts in providing marketing assistance to a commodity that is suffering a serious decline in market revenue." Heavily-subsidised foreign competition was among the factors suppressing prices, Tate said.

Although cotton prices have fallen dramatically since peaking at US\$2 per pound in 2011, they have returned to levels that are close to historical averages for the previous decade, with prices today back at around 63 cents per pound.

The decline in prices since 2011 has been linked to several factors, including global oversupply of cotton as a result of government stockpiling, increased market competition with polyester, and falling oil prices, which have decreased the price for oil-based raw materials used in making polyester.

Trade-distorting effects?

Since the announcement was made, some US trading partners have been more critical of the new payments.

Brazil questioned the impact of the payments on the cotton market during a meeting of the WTO's Committee on Agriculture last week. Trade officials [said](#) that Brasilia's first assessment of the new payment scheme "seems to indicate that this is a new trade distortive domestic support measure with potential impacts to international cotton prices."

In 2014, the US and Brazil reached an agreement over a dispute filed by Brazil in 2002 over cotton subsidies in the US. (See [Bridges Weekly](#), 2 October 2014) The WTO's Appellate Body confirmed in 2005 that certain US cotton support payments, including direct payments and export credit programmes, were trade-distorting and prohibited under global trade rules.

Some experts also warned that the new programme could have implications for farmers' planting decisions by altering their expectations of government support in years ahead.

"Every farmer will expect that this supposedly one-time payment will be continued," said Terry Townsend, an international cotton industry consultant, in comments emailed to Bridges.

The US recently submitted a report to the WTO indicating that the country's farm subsidies overall increased to US\$14 billion in 2013, including US\$573 million in support for cotton, which was reported as highly trade-distorting "amber box" support. (See [Bridges Weekly](#), 2 June 2016)

Trade negotiations continue

At the global trade body's tenth ministerial conference last December in Nairobi, Kenya, ministers adopted a decision on cotton which acknowledged efforts made by some countries to reform their policies, and restated the objective of reducing trade-distorting support, but without taking any concrete steps to do so.

The outcome fell short of long-standing demands from West African cotton exporting countries Benin, Burkina Faso, Chad, and Mali – collectively known as the Cotton Four (C-4) – for restrictions on permitted levels of trade-distorting domestic support.

Trade negotiators from the majority of WTO member countries see domestic agricultural support overall as a priority for the trade body's next ministerial conference, in December 2017, while officials have noted that large data gaps in reporting their farm subsidies are hampering efforts to do so. (See [Bridges Weekly](#), [10 March 2016](#))

ICTSD reporting; "Brief - USDA secretary denies Congress request for cottonseed subsidies," REUTERS, 4 February 2016.

EVENTS & RESOURCES

Events

Coming Soon

20-24 June, Washington, US. TRADE AND ENVIRONMENT SEMINAR. Held at American University's Washington College of Law, this seminar is designed to provide participants with the skills to negotiate and implement international trade agreements with sustainable development provisions, particularly in light of the 2030 Agenda for Sustainable Development. Information on how to register for this course is available [here](#).

20-21 June, Washington, US. ANNUAL BANK CONFERENCE ON DEVELOPMENT ECONOMICS 2016: DATA AND DEVELOPMENT ECONOMICS. Organised by the World Bank Development Economics (DEC) Vice Presidency, the Annual Bank Conference on Development will address a range of issues relating to data's role in development, which is this year's theme. Other topics include the adoption of agricultural technologies, ethnic diversity and genes, machine learning, and trade and e-commerce, among various others. A copy of the agenda and details on how to register can be found on the World Bank's [website](#).

21 June, London, UK. TOWARDS A CIRCULAR ECONOMY. This Chatham House event will feature as its speaker Felix Preston, a Senior Research Fellow and the Deputy Research Director of Energy, Environment, and Resources. The speaker will review ongoing efforts by the organisation to analyse economic developments and discuss ways for boosting innovation efforts. The discussion will also tie into the ongoing global efforts to advance the Paris Agreement on climate change and the implementation of the Sustainable Development Goals (SDGs) More information about the event is available [here](#).

21 June, Washington, US. TAIWAN, TRADE, AND THE TPP. This event will be hosted by the Carnegie Endowment for International Peace and will focus on the bilateral business and trade ties between the US and Taiwan, including in the context of Taiwan's potential interest in joining the 12-country Trans-Pacific Partnership (TPP) Agreement, of which the US is a member. Additional event information, including a speakers' list and registration details, is available at the Carnegie Endowment's [website](#).

22-23 June, New York, US. UN GLOBAL COMPACT LEADERS SUMMIT. The objective of this Summit is to foster private sector involvement toward implementing the Sustainable Development Goals, giving participants the chance to share their experiences to date and explore possible opportunities that lie ahead. Expected participants include chief executives, along with leaders from civil society, governments, and intergovernmental organisations. More information about this event is available [here](#).

23 June, London, UK. GLOBALIZATION OF COMPETITION POLICY. An annual event, this Chatham House Competition Policy conference will review the current state of play in the field, evaluating best practices, discussing antitrust measures, and reviewing the direction of competition policy trends, including in the context of the growing use of e-commerce. More information can be found on Chatham House's [website](#).

23 June, Brussels, Belgium. DIGITAL TRADE: OPPORTUNITIES OF THE INTERNET FOR INTERNATIONAL TRADE. This event, organised jointly by the International Centre for Trade and Sustainable Development (ICTSD) and DIGITALEUROPE, will focus on the potential difficulties and progress that the digital economy provides both for the European Union and for international trade more broadly. A list of participants and additional practical information is available at the ICTSD [website](#).

23-24 June, Hanoi, Vietnam. WORKSHOP ON THE IDENTIFICATION OF BARRIERS TO THE TRADE OF BIODIVERSITY AND BIOTRADE PRODUCTS FROM VIETNAM. Organised by the UN Conference on Trade and Development (UNCTAD), this workshop focuses on the lessons learned in exporting various types of products from Vietnam to China, the EU, Japan, Switzerland, and the US. Discussions will focus specifically on the non-tariff measures (NTMs) dealt with in the process, with training and information provided on the subject. For more information, please visit UNCTAD's [website](#).

WTO Events

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

15 + 17 June: Trade Policy Review Body – The Democratic Republic of the Congo

21 + 23 June: Trade Policy Review Body – Zambia

22 June: Dispute Settlement Body

Other Upcoming Events

29 June, Geneva, Switzerland. WTO ADVANCED COURSE ON TRADE AND ENVIRONMENT 2016: UNLOCKING TRADE FOR CLEAN ENERGY TECHNOLOGIES. This expert panel discussion, organised jointly by the WTO Secretariat and the Grantham Institute of Imperial College London, aims to examine how current low-carbon technology solutions can help in meeting climate change goals, along with the role that the multilateral trading system can play. To register, please click [here](#).

30 June, Tokyo, Japan. INCLUSIVE GROWTH: GLOBAL FORCES AND NATIONAL POLICIES. Ravi Kanbur, a former World Bank Chief Economist for Africa, will be speaking on the topic of global patterns of inequality as part of the Asian Development Bank Institute's Distinguished Speaker Seminar Series. This seminar aims to give attendees a better understanding of the evolution in global patterns of inequality, using a framework to help understand common traits and differences in such patterns. To register for this event, please visit the Asian Development Bank Institute's [website](#).

26-27 July, Tokyo, Japan. SOURCES OF INCOME INEQUALITY IN ASIA. This event, hosted by the Asian Development Bank Institute, aims to examine factors that contribute to income inequality in Asia, looking at a range of different economies in the region. Topics for discussion will include, among others, housing prices, financial inclusion, and urbanisation. More information is available [here](#).

29 September, Brussels, Belgium. EUROPE LEADING ON SOLAR ENERGY: CELEBRATING 100 GW OF SOLARPOWER. SolarPower Europe is holding this event to mark Europe's recent solar milestone: the installation of 100 gigawatts of grid-connected photovoltaic power. The event will show the advances made in the solar sector across Europe in recent years. To learn more about this event, visit SolarPower Europe's [website](#).

Resources

EVALUATING NAIROBI: WHAT DOES THE OUTCOME MEAN FOR TRADE IN FOOD AND FARM GOODS? Published by the International Centre for Trade and Sustainable Development (ICTSD) (May 2016). This study reviews the outcome of the WTO's Tenth Ministerial Conference in Nairobi, Kenya, as it relates to agricultural trade, along with evaluating the potential implications for future negotiations. The compilation of essays is available for download [here](#).

INVESTOR-STATE DISPUTE SETTLEMENT: REVIEW OF DEVELOPMENTS IN 2015. Published by the UN Conference on Trade and Development (June 2016). This annual review outlines developments seen last year in treaty-based investor-state dispute settlement (ISDS). The report features updated statistics, case studies, and information on some of the recent trends. The full document is available [here](#).

THE IMPACT OF TRADE AGREEMENTS: NEW APPROACH, NEW INSIGHTS. By Swarnali Ahmed Hannan for the International Monetary Fund (IMF) (June 2016). This working paper examines the potential impact of trade agreements in the period 1983–1995 for 104 country pairs. The author suggests that trade deals can yield benefits, including when dealing with agreements between emerging and advanced economies. The author also reviews the gains seen from the North American Free Trade Agreement (NAFTA) for the parties involved. The paper can be downloaded in full [here](#).

GLOBAL ECONOMIC PROSPECTS: DIVERGENCES AND RISKS. Published by the World Bank (June 2016). The latest update of the World Bank's Global Economic Prospects report features updated growth statistics, along with explanations for the recent downward revisions for the year. These include, among others, weak trade growth and capital flows, along with the ramifications of the continued low commodity prices on markets. The authors also note a series of risks that lie ahead. The full report can be downloaded [here](#).

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