WTO Farm Talks: Paraguay Tariff Cut Paper Outlines Formula, Request-Offer Approach

A new informal paper from Paraguay to cut farm tariffs under the WTO’s Doha Round of trade talks could allow developed countries to maintain exceptionally high “tariff peaks,” but still help kick-start more detailed talks on tariff and subsidy cuts, trade sources have said.

The proposal, which was discussed at a small group consultation two weeks ago, is set out in an unofficial “non-paper” which has been seen by Bridges. It builds on a recent Argentinean proposal for countries to exchange concessions through a “request and offer process,” blending this with aspects of the tariff cut formula approach adopted in previous draft Doha negotiating texts. (See Bridges Weekly, 19 February 2015)

Because the new proposal would cut farm tariffs by an average figure, instead of applying steeper cuts to tariffs in a higher “band,” developed countries could continue to maintain exceptionally high market access barriers on a few “sensitive” products, trade sources told Bridges.

However, even delegates with misgivings about the specific details of the proposal said they felt that the paper could help move negotiators toward more detailed discussions and away from exchanging mutual recriminations.

“It got people to go beyond ‘We like Rev.4; we don’t like Rev.4,” one trade source said.

Developed countries: 54 percent average cut

Under the proposed approach, developed countries would cut farm tariffs by 54 percent on average, with a minimum cut of 20 percent for each tariff line.

This would then be supplemented with a demand-driven request and offer process over a two-month period.

Developed countries would also be able to shield a proposed maximum of five percent of particularly sensitive tariff lines from cuts greater than the required 10 percent reduction, Paraguay has proposed.
In contrast, high tariffs greater than 75 percent would have been cut by as much as 70 percent under proposed disciplines set out in the latest draft Doha “modalities” text – a blueprint for subsidy and tariff formula cuts and exceptions that was tabled by the then-chair of the agriculture negotiations in 2008.

“For higher tariffs, the difference is quite significant,” one delegate said.

The draft Doha deal would have allowed developed countries to shield up to four percent of tariff lines as “sensitive,” in exchange for expanded market access through import quotas. However, in developed countries these would still have been subject to a minimum 23 percent cut.

Paraguay proposes that members should have to open or expand import quotas on products shielded by tariffs above 100 percent in developed countries, or by tariffs above 130 percent in developing countries. The informal proposal does not specify the size of the quota opening that would be required, but the inclusion of square brackets suggests this could be determined in further negotiations.

However, the draft proposal would require in-quota tariffs to be cut by 50 percent or to a 10 percent threshold, depending on which resulted in a lower final tariff.

**Exemption for LDCs**

Least developed countries (LDCs) – the poorest members of the WTO – would not have to undertake any tariff cuts, the Paraguay document indicates.

Other flexibilities would also take into account developing country concerns. Developing countries would undertake a proposed average cut of 36 percent, while countries classed as “small, vulnerable economies” (SVEs) or “very recently acceded members” (VRAMs) would apply an average 24 percent cut.

The proposal does not suggest a specific rate of tariff cuts to be undertaken by recently acceded members (RAMs) – a group which included China, which joined the WTO in 2001, and was set to be accorded more flexible treatment under the 2008 draft modalities text.

Developing countries other than SVEs and VRAMs would still have to cut each tariff line by a minimum of 15 percent, Paraguay proposes.

Developing countries would also be allowed to shield a maximum of 12 percent of their tariff lines from any cuts greater than the required minimum cut of ten percent, the informal paper says.

The 2008 Doha text included specific provisions allowing developing countries to protect 12 percent of tariff lines as “special products,” which would be subject to gentler cuts or exempt altogether, on the basis of food security, livelihood security, and rural development criteria.

**Requests and offers**

After members have submitted offers that conform to these minimum disciplines, they would exchange requests for further market access concessions with other countries in a subsequent stage of negotiations, Paraguay says.

Members receiving a request will be able either to accept the offer, to decline it or instead make a counter-proposal.

When members make a request, they should also expect to have to make a suggested offer to their trading partner to match the proposed concession they seek.
Developed countries, along with developing countries in a position to do so, should give due consideration to requests to expand access to their markets for those products of particular interest to LDCs and SVEs, the proposal says.

At the end of the process, countries would submit a revised offer that takes into account the concessions made in the request and offer stage of the negotiations, and the resulting improvements in market access would be made available to all members on a multilateral basis.

**Basis for further talks?**

Trade sources familiar with the proposal told Bridges that it seeks to ensure "minimum market access achievements for all members." Countries with small markets have historically been wary of proposals to exchange concessions through bilateral requests and offers, fearing that they could lose out on market access gains as a result.

Developing countries in particular have also feared that strong-arm tactics from more powerful trading partners could place them under pressure to make concessions in areas which the government had sought to protect from trade opening.

The hybrid approach put forward by Paraguay could help "to guarantee transparency," sources said.

Several delegates welcomed Paraguay's initiative, with one saying that the proposal could become "a basis for market access moving forward."

Others cautioned that countries with highly-protected farm sectors, such as members of the G-10 negotiating coalition, had not reacted positively to the proposed new disciplines.

At the same time, some members of the Cairns Group of agricultural exporters – to which Paraguay also belongs – also expressed concern that the proposal could lead to substantially lower market access gains than those that would result from the disciplines set out in the 2008 draft text.

**Domestic support: tensions remain**

One trade official told Bridges that the US has said it is unwilling to accept the farm subsidy cuts set out in the 2008 draft Doha deal if China, India, and other large developing countries do not also reduce their levels of trade-distorting domestic support.

John Adank, the New Zealand ambassador chairing the farm trade negotiations, convened informal consultations on the subject among a small group of members last Friday. Officials familiar with the talks described them as "tense."

During the meeting, the US referred to a study by one private law firm claiming that subsidy programmes in five emerging economies violate their WTO commitments, sources said. (See Bridges Weekly, 26 February 2015). The Chinese negotiator disputed the numbers in the report, one delegate said.

China also underscored that its trade-distorting farm subsidies are substantially below US levels on a per capita basis, sources told Bridges.

Others argued that the difficult exchanges were a sign that countries were at last engaging with controversial issues that were likely to be at the heart of any eventual trade deal.

"People are having the conversations that need to be had, even if those are sometimes difficult," one trade source said.
The informal meeting came only two days after some members of the Cairns Group presented a revised document on domestic support levels at the regular meeting of the WTO Committee on Agriculture.

The paper updates data on domestic support for the top ten global agricultural trading powers, building on a similar document that was presented last year. (See Bridges Weekly, 27 March 2014)

**Adank to consult members**

Adank is now set to hold an informal meeting of the agriculture negotiating committee, which will be open to all members, on Friday 20 March. The talks will focus on both market access and domestic support, ahead of a July deadline for reaching agreement on a work programme on the remaining Doha Round negotiating issues.

That same day, the chair is convening a dedicated session on the question of public stockholding for food security. The meeting is aimed at moving forward discussions on an eventual "permanent solution" to concerns that developing countries have raised over the impact of price inflation on their ability to purchase food at administered prices as part of these schemes.

One delegate told Bridges that the organisation’s credibility depended on making progress soon on the long-running Doha Round talks.

"To use a cricketing metaphor, the organisation needs to get some runs on the board," the source said.

ICTSD reporting.
China Eyes December Outcome for Asia Trade Deal

Beijing aims to see the conclusion of a 16-country Asia-Pacific trade deal by the end of this year, Chinese Commerce Minister Gao Hucheng said this past weekend, while watching closely the development of a separate Pacific Rim trade deal – the Trans-Pacific Partnership (TPP), which does not include China.

The commerce chief was speaking at a press conference on the sidelines of the National People’s Congress, the annual meeting of the Chinese parliamentary body and one of the most high-profile events on the Beijing political calendar.

The Regional Comprehensive Economic Partnership (RCEP), as the proposed 16-country deal is known, includes as members Australia, China, India, Japan, New Zealand, South Korea, and all ten members of the Association of Southeast Asian Nations (ASEAN).

The RCEP negotiation was formally launched in November 2012, with the goal of inking a “modern, comprehensive, high-quality, and mutually beneficial economic partnership,” according to a statement leaders issued in 2012 when announcing the talks.

Since then, negotiators have held seven official rounds, with the latest being held in Thailand in February. The group’s 16 members account for 28 percent of the global economy, and the deal – if completed – would be one of the largest existing trade pacts. (See Bridges Weekly, 21 November 2012)

Regional trade deals

China plans to “continue to unswervingly push forward and quicken the pace of China’s free trade agreement strategy,” Gao told reporters this past weekend, according to comments reported by the Reuters news agency.

Along with working to conclude the RCEP, the Chinese official also said that Beijing hopes to ramp up separate trilateral trade talks with Seoul and Tokyo. (See Bridges Weekly, 16 May 2012)

Those negotiations date back to May 2012, though these have since slowed in light of territorial disputes between China and Japan, among other political tensions.

South Korean Deputy Foreign Minister Lee Kyung Soo said this week that foreign ministers of the three Asian economic giants will be meeting this month in Seoul to discuss the possibility of a leaders’ summit – the first in three years.

Separately, China and South Korea initialled a bilateral trade deal of their own last month, with the two sides now preparing the deal for signature. (See Bridges Weekly, 26 February 2015)

Other regional trade initiatives involving Beijing have also progressed in recent months, with China clinching a bilateral trade deal with Australia last November. The two sides are now undergoing the necessary “legal scrubbing” in order to open the deal for signature. (See Bridges Weekly, 20 November 2014)
Eyes on TPP

Gao’s remarks came just ahead of this week’s meeting of TPP chief negotiators, who are holding talks from 9-15 March in Hawaii in an effort to bring these 12-country trade talks closer to conclusion.

The Chinese commerce official has said that his government is watching the TPP deal, as well as the ongoing Transatlantic Trade and Investment Partnership (TTIP) talks between the US and EU, closely to understand the potential impacts these could have on trade.

TPP negotiators are said to be trying to close as many gaps as possible during this week’s Hawaii meeting, ahead of a potential ministerial gathering that could follow shortly thereafter. Several members from TPP member countries, particularly the US, have said that they aim to reach a deal this year. (See Bridges Weekly, 5 March 2015)

With 2015 now the target date for concluding both the TPP and RCEP, trade analysts have repeatedly questioned how the two trade deals will relate to one another, once finalised.

The two groups have significant overlap in their membership, with Australia, Brunei, Japan, Malaysia, New Zealand, Singapore, and Vietnam involved in both negotiations.

However, they also have notable omissions: the US is not an RCEP member, and China is not involved in the TPP talks.

While Washington had long held that the TPP was not designed to “contain” Beijing, as some analysts have speculated, lately US President Barack Obama has said that finalising the 12-country negotiation is key to ensuring that China does not write the “rules of the road” for trade in the region. (See Bridges Weekly, 5 March 2015)

Slower growth

Among the various other announcements at the high-level event was Chinese Premier Li Keqiang’s assertion that Beijing is reducing its economic growth target for 2015 to around seven percent, while targeting total trade growth at six percent for this year.

This “new normal,” analysts says, appears to acknowledge the recent slowing in growth seen in China, while trying to temper expectations. Last year, the country reached a level of 7.4 percent GDP growth, the lowest in decades, and just under the 7.5 percent target the government had aimed for.

This year's approximately seven percent target, Li said, “takes into consideration what is needed and what is possible,” citing a range of difficulties that the Asian nation is facing, such as deflationary pressure and limited investment growth.

"All of this is a sensible recognition that investment is slowing in the face of excess capacity in many sectors, that the external environment remains soft, and that the slowdown in investment and trade inevitably affects gross domestic product (GDP) growth," said David Dollar, a senior fellow at the Washington-based Brookings Institution, in a blog post.

ICTSD reporting; “China says aims to finish Asian free-trade talks by December,” REUTERS, 7 March 2015; “China says to ‘accelerate’ three-way trade talks with S. Korea, Japan,” KOREA HERALD, 7 March 2015; “China Open to All Free Trade Arrangements: Commerce Minister,” XINHUA, 7 March 2015; “China’s National People’s Congress annual session,” REUTERS, 4 March 2015; “China Lowers Growth Target to About 7%,” WALL STREET JOURNAL, 4 March 2015; “China, Japan, South Korea to Discuss First Summit in Three Years,” BLOOMBERG, 11 March 2015.
AGRICULTURE

India's Food Minister Backs Subsidy Reform Plans

India is taking steps to improve the purchasing, stocking, and release of grains, food minister Ram Vilas Paswan has said, in response to proposals to reform the country's complex food subsidy system.

Paswan told reporters last Thursday that the ministry had reviewed the recommendations of a high-level committee on the role and structure of the Food Corporation of India (FCI) and submitted its opinions to Prime Minister Narendra Modi.

Proposals to replace in-kind grain distribution with direct cash transfers to poor citizens could soon be rolled out under a pilot programme in large cities, Paswan indicated.

"We are initiating the cash transfer programme in Chandigarh and Pondicherry soon," the minister said, in comments reported by Indian news publication LiveMint.

However, Paswan rejected a committee proposal to reduce the share of the population that would benefit from food aid under the National Food Security Act. (See Bridges Weekly, 6 November 2014)

The high-level committee had called for aid to be delivered directly to poor consumers as part of a suite of reforms aimed at improving efficiency and cutting waste, in a report submitted to Modi in January.

Sources told Bridges that other relevant ministries such as finance and agriculture would also have to submit their responses to the prime minister before any decisions on further action could be taken.

Procurement: few farmers benefit

The committee estimates that less than six percent of farmers actually benefit from subsidised food procurement schemes – a share the report describes as "miniscule."

The vast majority of India's 90 million farm households did not report sales of either wheat or paddy, also known as unmilled rice, the committee found, with those that did often unaware of the existence of the government's procurement agency.

In addition, those farmers that did know about the agency often did not sell their produce at the minimum support price established by the government, the report says.

"What they're saying is basically true," confirmed Ajay Jakhar, a farmer working with the farmers' organisation Bharat Krishak Samaj, in comments to Bridges.

However, he warned that the existing system should not be reformed until effective alternatives had been introduced.

At the international level, India has spearheaded a push to ensure that developing countries are shielded from challenge under WTO farm subsidy rules when purchasing
food at subsidised prices as part of their public stockholding schemes. (See Bridges Weekly, 27 November 2014)

Focus on small farmers

Paswan, the food minister, said that some of the high-level committee's proposals are already being implemented, according to comments reported in the Economic Times. The FCI is planning to cease procurement in some major grain-producing states such as Haryana and Punjab.

“FCI should focus more on the eastern belt, where prices often fall below the minimum support price,” said Ashok Gulati, a member of the high-level committee, in remarks to Bridges.

The committee’s report recommends that government procurement operations should shift towards states such as Eastern Uttar Pradesh, Bihar, West Bengal, and Assam, where small holdings are predominant and farmers often have to make “distress sales.”

The recommendations have already provoked a critical response from four major grain-producing states – Madhya Pradesh, Odisha, Tamil Nadu, and Punjab – according to reports by India’s Business Standard news agency.

Two of these are mentioned in the committee’s report as being among those states in which government agencies may be procuring 70 to 90 percent of marketed surplus, crowding out private sector procurement and creating a “highly skewed incentive system in favour of larger farmers.”

However, farm group leader Jakhar cautioned that “large” farmers in India were still small by international standards.

“You need to increase competition in FCI, not reduce the work of FCI,” he told Bridges.

Public Distribution System beset by “leakage”

“Leakage” of food grains – due to factors ranging from outright corruption to wasteful management of stocks – meant that about 40 to 50 percent of grains are being lost at the national level, the committee has said. The members’ report finds that 70 to 90 percent of grains are lost in many states.

“Grains do not reach [beneficiary] families and instead end up in the black market,” acknowledged Paswan, in comments reported by LiveMint.

“There is connivance at several levels, breeding corruption,” the committee warns.

However, other experts have questioned the figures cited in the report.

“There is strong evidence of declining leakages in recent years,” argue Jean Drèze and Reetika Khera in an article in Economic and Political Weekly. Drèze is an economics professor at Ranchi University, while Khera is an economics professor at IIT Delhi.

Problem of plenty

Starting in April, no food stocks in government storage will be over a year old, a government statement said.

The high-level committee had found that burgeoning buffer stocks have left India with a “problem of plenty,” with stock levels in the last three years “consistently more than double the buffer stock norms.”
The excess stocks had persisted despite the country also exporting 42 million metric tonnes of wheat in 2012-13 and 2013-14.

In Geneva, the high-level committee’s report has already prompted questions from trading partners. At a 4 March meeting of the WTO’s Committee on Agriculture, the EU asked the Indian government how grain exports squared with New Delhi’s export subsidy commitments at the global trade body.

But Gulati told Bridges that any surpluses would be sold domestically on the open market, with exports being affected only indirectly, if at all.

Sources familiar with the system added that the bulk of grain exports during that period would have been made by private traders, who would also have had to commit not to export the grain when purchasing the surplus stocks from the government.

The high-level committee found that both export bans and the lack of a clear liquidation policy had contributed to the build-up of excessive surpluses, imposing unnecessary costs and pushing up food prices at a time when food price inflation was hovering around ten percent.

Towards direct subsidies?

Gulati told Bridges that the committee’s recommendations on fertiliser subsidy reform were compatible with the government’s focus on reducing costs by cutting waste rather than cutting subsidies themselves.

The committee’s report suggested replacing the existing fertiliser subsidy with a direct payment to farmers, on a per hectare basis.

In notifications to the WTO, the government has reported that support for fertilisers and other farm inputs has mushroomed in recent years. (See Bridges Weekly, 18 September 2014). A clause in the trade body’s Agreement on Agriculture currently allows developing countries to exempt certain input and investment subsidies from any ceiling or cuts.

The high-level committee found that current policies were leading to “highly imbalanced” use of nitrogen, phosphorus, and potassium.

“I am in favour of direct subsidies to farmers: that way the farmer has a choice,” said Jakhar. However, he warned that proper records on landholding and tenancy arrangements would have to be established first in order for the system to work properly.

He also told Bridges that the government would need to be legally required to release the subsidy to farmers on time, as delays could force poor producers to take out loans from money-lenders at punitive interest rates.

A three-year plan for fertiliser subsidy reform was currently in preparation, Gulati said.

ICTSD reporting; “Govt accepts FCI panel’s suggestion on cash transfers,” LIVEMINT, 6 March 2015; “Shanta Kumar panel’s views opposed by major grain producing states,” BUSINESS STANDARD, 25 February 2015; “Food Ministry suggests cash transfer of food subsidy on pilot basis,” ECONOMIC TIMES, 5 March 2015.
Japanese Prime Minister Shinzo Abe’s signature economic strategy came under scrutiny this week at the WTO, as members held a two-day review of Tokyo’s trade policies, institutions, and macroeconomic conditions.

As one of the WTO’s four largest traders, Japan must undergo a review of its trade policies every two years. The EU, US, and China must similarly undergo biennial reviews, while smaller traders are reviewed at less frequent intervals.

The review involves the release of a report by the WTO secretariat, as well as the preparation of a report by the trader under scrutiny. Fellow WTO members can submit questions for the member under review beforehand, as well as during the meeting itself, which is held at the global trade body’s Geneva headquarters.

Abenomics

This year’s review comes just a few months after Abe won a snap election that confirmed he would remain in office for at least four more years, unless he chooses to call an election sooner. (See Bridges Weekly, 18 December 2014)

Since taking office in late 2012, the Japanese premier has undertaken an aggressive three-pronged economic strategy, dubbed “Abenomics,” that included monetary easing, fiscal stimulus, and structural reforms.

Last December’s polls were touted as a referendum on this suite of policies, which had come under criticism in light of data that the Asian country had briefly slipped into recession, though it has since shown a slight rebound.

“The expansionary monetary and fiscal policy measures adopted since the last review have supported Japan’s economy but have been insufficient to achieve strong economic growth,” the secretariat report said, referring to the first two “arrows” of Abenomics.

The February 2013 WTO review had been held just a few months into Abe’s term and had highlighted the importance of structural reforms to bolster Japan’s efforts at economic recovery, with Tokyo then in the process of rebuilding after the March 2011 earthquake and tsunami. (See Bridges Weekly, 20 February 2013)

At the time, only the first two of the Abenomics “arrows” had been launched. Later that same year, the third arrow was launched under Japan’s Revitalisation Strategy, which was revised in 2014.

This year’s secretariat document noted that the structural reforms promised under the third “arrow” in Abe’s strategy remain vital for ensuring long-term sustainable growth in Japan, with the report calling specifically for additional trade and investment liberalisation measures.

Under Abenomics’ third arrow, the focus of Japan’s trade policy involves building upon and expanding its existing network of trade deals, along with promoting foreign direct
investment into the country and adopting “strategic approaches” in Tokyo’s relationships with emerging economies.

Summarising the discussions held in Geneva this week, Bulgarian Ambassador Atanas Atanassov Paparizov, who chairs the WTO’s Trade Policy Review Body (TPRB), noted that members generally urged Japan “to pursue these structural reforms without delay, including trade and investment liberalisation measures.”

“Furthermore, as several delegations and the discussant noted, the first two [Abenomics] arrows are short term stimuli, but it is the third arrow which will provide the basis for long-term sustainable growth,” the TPRB chair said on Wednesday.

**Agriculture**

The highly-protected nature of Japan’s farm sector has long been the subject of international scrutiny and debate, despite agriculture only making up a small portion of the island nation’s economy. In 2012, the WTO report noted, agriculture only contributed 1.02 percent to Japan’s GDP.

The report acknowledged, however, that agriculture is important in Japan “for historical and cultural reasons and, according to the authorities, for food security.”

The WTO report noted that Japan has a trade deficit in agricultural products, with imports reaching over US$61.4 billion in 2013, while exports hit just US$3.4 billion that same year. Though those imports range across several tariff lines, with many involving cereal and oilseeds, agricultural exports were focused primarily on processed products.

“A high degree of government support and protection for farming has... meant that small-scale farming remains profitable, particularly when supplemented by non-farm incomes,” the WTO review said. ”However, the result has been a steadily aging farming population and an inefficient agricultural sector."

Various WTO members reportedly raised questions this week over Japan’s agricultural policies, particularly given that agriculture-related support and protection is still high compared to other members of the Organisation for Economic Co-operation and Development (OECD).

Abe has already made clear in recent weeks that he will not shy away from difficult policy initiatives, including those deemed necessary for Japan’s economic revitalisation.

In a major policy speech last month, the Japanese premier called on his country’s lawmakers to approve “the most dramatic reforms since the end of World War II,” focusing particularly on plans to overhaul key sectors such as agriculture. (See Bridges Weekly, 19 February 2015)

The premier outlined a series of reforms to the way the country’s system of agricultural cooperatives are run, with the goal of boosting farmer income and improving the competitiveness and efficiency of the sector.

Trading partners such as the US, which is currently involved in intense bilateral negotiations with Japan on agriculture in the context of the Trans-Pacific Partnership (TPP) Agreement, welcomed these reform plans this week, while noting that implementation will be key.

“The United States commends Prime Minister Abe’s efforts to reform the Japanese agriculture sector,” said US Ambassador Michael Punke at this week’s WTO meeting, referring to the potential reforms of agriculture cooperatives as “historic.”
“These long-awaited domestic reforms coupled with agriculture market liberalisation steps taken through the Trans-Pacific Partnership create the prospect of a new era for Japanese agriculture,” the US official said.

**Proliferation of trade deals**

The WTO report noted that the 2013 Japan Revitalization Strategy has committed the Tokyo government to increasing its FTA ratio – in other words, the percentage of trade volume subject to FTAs compared to Japan's total trade volume – “from current 19 percent to 70 percent by 2018, by promoting economic partnership as a basis of global economic activities.”

Along with being one of the 12 TPP countries, Tokyo is also involved in a series of other regional and bilateral trade negotiations, including with the EU.

Other negotiations that have been completed, or have advanced significantly, include Japan's deal with Australia, which went into force this past January. The WTO report also cited the deal in principle that Japan recently reached with Mongolia.

Tokyo is also in bilateral talks with Canada, Colombia, China, the Gulf Cooperation Council, South Korea, and Turkey, while being one of 16 members negotiating a Regional Comprehensive Economic Partnership (RCEP). Japan is also negotiating a trilateral deal with China and South Korea. (For more on the RCEP and the Japan-China-South Korea negotiations, see related story, this edition)

**SPS, TBT, fisheries policies draw scrutiny**

Among the various areas that were raised during this week’s review, members reportedly questioned the high number of sanitary and phytosanitary (SPS) measures and technical barriers to trade (TBT) that appear to go beyond international norms.

As of 31 March 2014, the secretariat report said, approximately half of the 10,525 Japanese Industrial Standards (JIS) corresponded with international norms, with 97 percent being harmonised “with identical or modified identical standards.”

The TPRB chair also noted the various questions raised about Japan's fisheries subsidies and programmes during this week's review, given that the Asian economy is one of the world's largest producers and consumers of such products. Budget support also increased in the wake of the 2011 tsunami, which left the fisheries sector – which had already been seeing a production decline – “severely damaged.”

Other issues that drew notice during the review included customs procedures for certain agricultural products, as well a push by some members for Japan to open up certain services sectors to additional competition.

The next trade policy reviews on the WTO docket include Pakistan on 24 and 26 March; Australia on 21 and 23 April, and India on 2 and 4 June.

ICTSD reporting.
Brazil, Mexico Extend Automobile Trade Deal

Brazil and Mexico have agreed to extend their automobile trade pact, officials announced this week. The two sides have decided to extend their quotas on these imports for an additional four years, with a few modifications.

The new agreement, reached this past weekend, will allow up to US$1.56 billion worth of automobiles to be imported duty-free on either side, officials confirmed at a press conference on Monday in Rio de Janeiro. Any imports in excess of that value will be subject to tariffs.

This limit will increase to US$1.606 billion in March 2016; then to US$1.655 billion in March 2017; and finally to US$1.705 billion in March 2018. From 19 March 2019 onward, the two sides will resume free trade in automobiles, unless a new agreement is reached.

Other provisions of the deal reached this week include maintaining the 35 percent rule-of-origin requirement in automobile parts and light vehicles, increasing to 40 percent in 2019; as well as validating the postponement until end-2018 for according the modalities, quotas, and duration for free trade in heavy vehicles.

The two sides were racing to reach an understanding by 18 March, the deadline for renewal. Otherwise, the existing quota system from 2012 – which is a modification of the Economic Complementation Agreement of 2002 (ACE-55) between Mexico and the Mercosur countries – would have expired, forcing the countries to resume duty-free trade on all automobile imports.

Under the previous 2012 framework, Brazil and Mexico were allowed to export up to US$1.64 billion in automotive exports duty-free.

Difficult negotiations

The deal came following a series of meetings held in both countries over the past month, as they worked to bridge their disagreement over whether to move back to a free trade regime or to modify the existing quotas.

Mexican undersecretary of foreign trade Francisco de Rosenzweig told reporters last month that it was “fundamental to return to free trade in March as agreed;” however, his counterparts in Brazil had expressed a different viewpoint.

Brazil has been facing a widening trade deficit with Mexico, a strengthening of its currency, and a major decline in manufacturing output, factors that its officials said made it difficult for its automobiles to be competitive overseas.

A few weeks before the deal was announced, Brazilian Trade Minister Armando Monteiro told Reuters that he did not “see [any] chance of increasing the quotas,” and instead that Brasilia was considering seeking lower quotas.

Industry leaders such as Luiz Moan, president of Brazilian automakers association Anfavea, have also suggested the possibility for more integration in the future.
“The two countries have demonstrated that they are completely interested in promoting greater integration,” he told Reuters last month, adding that an extension of the quotas would help provide “stability” and allow car companies to plan ahead.

Argentina question

Whether an agreement will be possible with Buenos Aires, however, remains an open question. Argentina also faces the same deadline with Mexico, and comments made from officials on both sides have indicated that the parties remain far apart.

Like Brazil, Argentina faces its own difficulties in remaining competitive compared to the Mexican automobile sector, and has also been pushing to keep the quotas in place.

Speaking to Mexican press last month, Mexico’s Economy Secretary, Ildefonso Guajardo Villarreal said that current Argentine proposals to resolve the issue were “rather poor for Mexico,” and fell below what his government is aiming for.

In the meantime, the Mexican trade chief promised that Mexico City would “insist on the fulfillment of the terms of the [ACE-55] agreement,” by Argentina after 19 March.

Argentina and Brazil are both Mercosur members, together with Paraguay, Uruguay, and Venezuela, though Caracas was not part of the Southern cone grouping when the original automobile trade deal was negotiated.

After Brazil and Mexico renegotiated ACE-55 in 2012, Argentina announced it would withdraw from the agreement for three years, arguing that the individual Brazil-Mexico renegotiation violated a provision of the larger Mexico-Mercosur pact. (See Bridges Weekly, 11 July 2012).

Buenos Aires and Mexico City later resolved their automobile disagreement in December of that same year, reinstating their quota system with some additional modifications. (See Bridges Weekly, 19 December 2012).

Disputes Roundup: Two WTO Panels Established in Trade Remedy Cases

The past week has marked a particularly busy one for the global trade arbiter, with two new WTO panels being established during a meeting of the Dispute Settlement Body (DSB) on Tuesday. The disputes both involve the use of anti-dumping duties – those imposed by Canada on certain imported steel pipes from Chinese Taipei, as well as those applied by China on a type of Canadian cellulose pulp used in textiles.

Meanwhile, two other requests for the establishment of panels were rejected by the respondents. These involved a case related to anti-dumping measures imposed by the US on certain oil country tubular goods from Korea, and Russia’s tariff treatment of certain agricultural and manufacturing products from the EU.

Panel to hear Chinese Taipei-Canada case on steel duties

Last June, Chinese Taipei filed a complaint (DS482) against Canada over provisional and definitive anti-dumping measures the latter had imposed on imports of certain carbon steel welded pipe, following investigations launched by Ottawa in May 2012.

The practice of dumping involves companies selling their products abroad at prices below normal market values, causing harm to the domestic industry of the importing country. Duties to counter the material injury caused by the dumping are permitted under global trade rules, subject to the domestic investigation meeting certain conditions.

Chinese Taipei has argued that Canada’s measures in this case are inconsistent with WTO rules, “seriously” affecting trade in this product.

For instance, Chinese Taipei claims that Canada had mistakenly failed to exclude in its injury and causation analysis the imports of exporters with a de minimis margin of dumping, and should have examined in its investigation other factors that were harming domestic industry.

Furthermore, Chinese Taipei says, Canada improperly applied facts available in determining the dumping margin and duty rate applicable to all other exporters, among other errors.

Chinese Taipei also argues that Canadian anti-dumping laws do not conform to the relevant provisions of the WTO’s General Agreement on Tariffs and Trade (GATT) 1994 and the Antidumping Agreement. This, in turn, led to the collection of duties from sources that were not involved in dumping or were causing injury, while exceeding the limits imposed by these rules.

This was the second time that Chinese Taipei had requested the establishment of a panel to hear this complaint, with Canada rejecting the first request last January.

On Tuesday, Chinese Taipei said that it had no option other than to resubmit its request, given that Canada has shown no indication of planning to revise the measures, sources familiar with the DSB meeting confirmed. Canada, for its part, maintains that its measures are consistent with global trade rules.
Canada-China dispute advances to panel stage

Separately, Canada has challenged China’s anti-dumping duties on imports of cellulose pulp, which were imposed following investigations conducted by Beijing two years ago. (DS483)

In its request, Ottawa claims that the preliminary and final duty measures imposed by China violate provisions of both the WTO’s Anti-Dumping Agreement and the General Agreement on Tariffs and Trade (GATT) 1994.

Canada has faulted the probe, which resulted in the imposition of antidumping duties up to 23.7 percent, on both substantive and procedural grounds. (See Bridges Weekly, 23 October 2014)

For instance, Ottawa has challenged a series of aspects in the underlying trade remedy investigation, such as Beijing’s determination of dumping margins and injury, as well as calculation of costs and comparison between export price and normal value.

Furthermore, Canada argues that China’s determination of injury was not based on positive evidence and did not involve an objective examination. Ottawa has also questioned whether there was enough evidence for Beijing to determine individual dumping margins and whether China duly updated the interested parties and provided public notice of all relevant information.

This was the second time that Canada requested the establishment of a panel to hear its complaint, after consultations launched last October failed to resolve the row. The first panel request, filed last month, had been rejected by Beijing, who said that the measure is consistent with its WTO obligations and claimed that the dumping of such Canadian-made goods had hurt Chinese domestic industry.

Korea panel request in US duties case rejected

Meanwhile, Korea’s first request for the establishment of a panel to hear its complaint (DS488) against US anti-dumping measures on imported oil country tubular goods (OCTG) was rejected on Tuesday.

OCTG generally refers to pipe and tube products used in the petroleum industry, such as drill pipes, pipe casings, and oil pipes.

As a result of those investigations, mandatory respondents, Hyundai HYSCO and NEXTEEL Co., Ltd., received final dumping margins of 15.75 percent and 9.89 percent, respectively. All other producers/exporters in Korea received a final dumping margin of 12.82 percent, according to a factsheet issued by the US Commerce Department.

Korea claims that US laws and administrative procedures related to the 2014 anti-dumping investigations violate Washington’s obligations under the relevant provisions of WTO Agreements, in particular the Antidumping Agreement and GATT 1994.

For example, Korea claims that the US erred in determining normal value by disregarding a mandatory respondent’s actual sales prices to any third country market. Moreover, in calculating constructed value profit, the US relied on wrong information, ignored some evidence, and disregarded actual data.

Seoul has also cited a series of procedural flaws in Washington’s trade probe that, in its view, violated due process rights of Korean exporters. The US rejected all of these claims at Tuesday’s DSB meeting.
The case has drawn the attention of several other WTO members, with Turkey, Russia, and Ukraine all asking to join the consultations. These three members have not launched formal dispute settlement proceedings of their own, however.

Turkey has said that it has “serious concerns that the measures at issue have adverse effects on Turkish exports.” Ukraine, a significant producer and exporter of those goods, has cited a “systemic interest” in the application and interpretation of the relevant WTO Agreements, which was also shared by Russia.

**EU panel request in Russia duties case rejected**

Brussels’ request for the establishment of a panel to hear its complaint against alleged violations of Moscow’s tariff commitments was also rejected this week. ([DS485](#))

The EU says that Russia has applied duty rates on products such as paper, palm oil, and refrigerators that exceed its bound rates, which are the maximum tariff ceilings that Moscow agreed to respect when joining the WTO in August 2012. (See Bridges Weekly, 5 March 2015)

The measures described by the EU include the application of duty rates of 10 or 15 percent, depending on the tariff line, in excess of the five percent bound rate, and duties being levied above those provided in Russia’s schedule when the customs value is below a certain level.

Brussels says that these measures violate the WTO Agreements, in particular Articles II: 1 (a) and II:1 (b) of the GATT 1994, while hurting European exports of those products, which are worth approximately €600 million a year.

The EU said on Tuesday that the case raises both commercial and systemic concerns, while Russia responded that the issue could still be resolved with additional consultations.

**Next steps**

Under WTO rules, those panels that have now been established should be composed within 20 days following the DSB meeting, with reports then released within the following six months.

In those cases where the panel requests were rejected, the complainants have the option of filing second requests, in which case panels would automatically be established.

ICTSD reporting.
**Events**

**Coming Soon**

13 March, Stockholm, Sweden. CONFERENCE ON EU-JAPAN TRADE. This high-level event, hosted by the Stockholm School of Economics, will focus on the ongoing negotiations between the EU and Japan for a bilateral trade deal. Speakers will include EU Trade Commission Cecilia Malmström, Swedish Minister of Enterprise and Innovation Mikael Damberg, and chief negotiators from both sides, together with representatives from academia and the private sector. For more information, including an event programme, visit the event [website](#).

14-18 March, Sendai City, Japan. THIRD UN WORLD CONFERENCE ON DISASTER RISK REDUCTION. This high-level UN conference will review the implementation of the Hyogo Framework for Action 2005-2015, a plan adopted a decade ago at the Second World Conference on Disaster Reduction. The event will feature participation of governments, civil society, NGOs, private sector professionals, and other relevant stakeholders, who will work toward establishing a post-2015 framework for disaster risk reduction, among other goals. For more information, please visit the event [website](#).

16 March, Paris, France. CONFERENCE ON INVESTMENT TREATIES: POLICY GOALS AND PUBLIC SUPPORT. This conference on investment treaties, hosted by the Organisation for Economic Co-operation and Development (OECD), will focus on shareholder protection, the purpose of these accords, options for strengthening public confidence, and ways to modernise the treaty system. Participants will include senior policymakers and investment treaty negotiators from OECD and non-OECD countries. For more information, click here.

16-17 March, London, UK. EXTRACTIVE INDUSTRIES IN AFRICA: NEW APPROACHES TO OVERCOME ENDURING CHALLENGES. This event, held by Chatham House, will address ways in which Africa's extractive industries can use technological changes, legal frameworks, and financial tools to limit environmental impacts and lead to sustainable and inclusive growth. Sessions will cover sector accountability, low-carbon development, and ways to attract investment, among various other topics. For more information about the event, please visit this [website](#).

17 March, Geneva, Switzerland. THE CONTRIBUTION OF STRUCTURAL TRANSFORMATION TO MEETING SUSTAINABLE DEVELOPMENT GOALS. Hosted by the United Nations Conference on Trade and Development (UNCTAD), this course will examine factors influencing progress towards the planned Sustainable Development Goals (SDGs), including the relationship between economic and human development; the need to help economies progress to producing higher value-added goods; and the importance of progress in agriculture and rural areas for economic progress. For more information about the event, please visit this [website](#).

17 March, Washington, US. DOES MICROFINANCE STILL HOLD PROMISE FOR REACHING THE POOR? FACTS AND (A LITTLE) SPECULATION. This policy research talk, hosted by the World Bank, will discuss the successes and failures of microfinance as a method of improving economic opportunities for low-income people. World Bank economists will discuss how the benefits of microfinance depend on how institutions fund themselves, target markets, and price products. Given the importance of subsidies in reaching the poorest clients, the event speakers will also address possible ways to improve the allocation of these funds. For more information about the event, please visit this [website](#).
17-18 March, Accra, Ghana. FINANCING THE FUTURE: FRESH PERSPECTIVES ON GLOBAL DEVELOPMENT. The Overseas Development Institute (ODI) is hosting this event in preparation for the Third Financing for Development (FFD) Conference in July. This event, which involves the collaboration of various organising partners, will discuss how public finance can aid development from 2015 onward and what contributions can be made to the FFD process, among various related topics. For more information about the event, please visit this website.

18 March, London, UK. AFRICA'S CHANGING POLICY CONTEXT: TOWARDS ECONOMIC TRANSFORMATION. During this Chatham House-hosted event, Donald Kaberuka, president of the African Development Bank (AfDB), will discuss the bank’s policies for promoting economic transformation in Africa, such as through infrastructure development programmes, supporting regional integration, and emphasising the private sector’s role. For more information about the event, please visit this website.

19 March, Paris, France. (DI)INTEGRATING ASIA? COMPETING VISIONS, PRACTICAL SOLUTIONS FOR REGIONAL INTEGRATION. This debate, hosted by the Institut Français des Relations Internationales, will discuss the key actors within Asia and how their actions will shape future regional integration, including through trade. For more information about the event, please visit this 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.

13 March: Working Group on Trade and Transfer of Technology
16 March: Committee on Trade and Development
17 March: Committee on Trade in Financial Services
17 March: Working Party on Domestic Regulations
18-19 March: Committee on Technical Barriers to Trade
18 March: Working Party on GATS Rules
18 March: Council for Trade in Services
18 March: Committee on Specific Commitments

Other Upcoming Events

23-27 March, New York, US. THIRD INTERGOVERNMENTAL NEGOTIATION ON THE POST-2015 DEVELOPMENT AGENDA. This meeting, hosted at the UN Headquarters in New York, is the third in a series of negotiations aimed at elaborating a post-2015 development agenda at a UN Summit to be held in September. The conference will focus on reviewing the current draft of Sustainable Development Goals (SDGs) and targets, both of which are key elements of the proposed global agenda. For more information about the event, please visit this website.
24 March, Beijing, China. POST-BALI WORK PROGRAMME AND ROAD TO NAIROBI: COMMEMORATING THE 20TH ANNIVERSARY OF THE WTO. This workshop, organised by ICTSD’s China office and co-sponsored by the UIBE China Institute for WTO Studies and the UK Embassy in Beijing, will focus on the ongoing negotiations at the WTO to elaborate a Doha Round work programme. Participants will also discuss the long-term future of the WTO and the global trading system through 2025, with experts providing their views on China’s role in this context. Please note that attendance to this event is by invitation only. More information can be found at the ICTSD website.

30 March, Geneva, Switzerland. FROM CRISIS MANAGEMENT TO VISION AND LEADERSHIP? THE G-20 AND THE EVOLUTION OF THE GLOBAL TRADE AND INVESTMENT REGIME. This event, hosted by ICTSD in partnership with the Graduate Institute, will focus on the role of the G-20 within the global trade and investment regime, with a specific focus on how the group can contribute in the coming years. Among the discussion topics for the event are the G-20's leadership role and the potential tensions posed by the various mega-regional trade deals under negotiation. Attendance to this event is by invitation only. More information is available at the ICTSD website.

1 April, Paris, France. GLOBAL FORUM ON DEVELOPMENT: POST-2015 FINANCING FOR SUSTAINABLE DEVELOPMENT. The Organisation for Economic Co-operation and Development (OECD) will host the 2015 Global Forum on Development at its headquarters in Paris. The forum will provide a platform to discuss how developing countries put the global policy agenda into practice, how financing behind sustainable development goals (SDGs) can be monitored, and how development finance policy relates to its practice on the ground. The meeting will bring together experts, practitioners, non-state actors and policy makers to rally ideas in preparation for the third International Conference on Financing for Development (FfD3) in Addis Ababa, Ethiopia in July 2015. For more information on the forum, please visit the event website.

7-11 June, Toronto, Canada. THIRD INTERNATIONAL SYMPOSIUM ON CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT. The symposium, themed “Exploring the Nexus of Responsibility for Sustainable Development,” will be held at Ryerson University in Toronto, Canada. The event aims to explore the ways in which differing interests of business, government, and multilateral organisations intersect to shape and affect socio-economic development. Proposals, either conceptual or research based, should be sent to ccrsd.org@gmail.com by 30 April at the latest; if accepted, the participant will be invited to register as a presenter in the symposium. For more information on deadlines for submitting proposals, please visit this website.

30 June – 2 July, Geneva, Switzerland. FIFTH GLOBAL REVIEW OF AID FOR TRADE: REDUCING TRADE COSTS FOR INCLUSIVE, SUSTAINABLE GROWTH. This event, hosted at WTO headquarters, will focus on the various actions underway to reduce trade costs, at levels ranging from the national, bilateral, regional, and multilateral, as well as the private sector and non-governmental. Participants will be asked to consider which actors are involved in what; how the issue of trade costs is being addressed by national governments and regional organisations in their planning; and whether sufficient progress has been made, and if not, how to improve it. To learn more, visit the WTO website.

24-28 August, The Hague, Netherlands. SUMMER PROGRAMME ON INTERNATIONAL AND EUROPEAN ENVIRONMENTAL LAW. Organised by the T.M.C. Asser Instituut in cooperation with the European Environmental Law (EEL) Network and The Hague Environmental Law Facility (HELF), the second Summer Programme on International and European Environmental Law consists of a five-day programme of interactive lectures and a study visit to the International Court of Justice. This year’s programme aims to enhance practical knowledge about climate change in the context of the legal aspects regarding sustainable energy, the current state of sustainable finance, the role of trade agreements in promoting sustainability, and other related topics. For more information about the programme, please visit this website.
Resources

TRADE DIMENSIONS OF FOOD SECURITY. By Jonathan Brooks and Alan Matthew. Published by the Organisation for Economic Co-operation and Development (OECD) (February 2015). This paper reviews the ways that trade openness, and related reforms, can have an impact on a given country’s food security. The authors highlight the importance of designing “flanking policies” – such as social protection and risk management tools, together with productivity investments – that help countries make aggregate gains while limiting specific losses. To learn more, or to access the paper, click here.

FROM SUNSHINE TO A COMMON AGENT: THE EVOLVING UNDERSTANDING OF TRANSPARENCY IN THE WTO. By Peter C. Mavroidis and Robert Wolfe. Published by the European University Institute’s Robert Schuman Centre for Advance Studies (2015). This paper reviews the evolution of transparency obligations in the original General Agreement on Tariffs and Trade (1994) framework, through to the current-day WTO. While commending the system for what has been accomplished to date, the authors outline additional changes that could improve and build upon the existing transparency obligations, keeping in mind the concept of agency in trade policy. The paper can be accessed here.

STRUCTURAL TRANSFORMATION – HOW DOES THAILAND COMPARE? By Vladimir Klyuev for the International Monetary Fund (IMF) (4 March 2015). In this working paper, the author notes that Thailand shows a wide range of productivity across sectors, with the variation due to a skill-gap between rural workers and those required for modern sectors; government support of several agricultural commodities; and the uniform minimum wage. The author then makes a series of recommendations aimed at advancing Thailand’s efforts at structural transformation. The full paper may be accessed here.

A GLOBAL PROJECTION MODEL FOR EURO AREA LARGE ECONOMIES. By Zoltan Jakab, Pavel Lukyantsau, and Shengzu Wang for the International Monetary Fund (IMF) (2 March 2015). This working paper expands upon the IMF’s global projection model by adding the four largest Euro Area countries – Germany, France, Italy, and Spain – in order to examine country-specific shocks in a more robust framework. The study finds that Euro Area countries are more susceptible to demand shocks than other regions due to gradual adjustments in the real exchange rate. The paper may be downloaded here.

GEO-5 FOR BUSINESS: IMPACTS OF A CHANGING ENVIRONMENT ON THE CORPORATE SECTOR. Published by the United Nations Environment Programme (February 2015). This text examines the state of the global environment, expanding on the findings of UNEP’s fifth Global Environment Outlook (GEO-5) report. The authors find that there has only been substantial progress in four of the 90 goals outlined in the GEO-5 report. For more information on the publication, please visit this website.

SAFETY NETS IN AFRICA: EFFECTIVE MECHANISMS TO REACH THE POOR AND MOST VULNERABLE. By Carlo del Ninno and Bradford Mills for the World Bank (29 January 2015). This paper argues that targeted safety nets and redistribution are crucial to fighting poverty in Sub-Saharan Africa, using case studies to demonstrate that these programmes help the poorest people in these societies. The full publication may be accessed here.