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ASEAN+3 Trade Reporter is a monthly round-up of trade developments in the Southeast Asia and East Asian regions. It is published by ITS Global, Australia's leading consultancy on international trade and environmental policy developments in the Asia-Pacific region. Alan Oxley is the Principal of ITS Global. He is a former Ambassador of Australia to the GATT (predecessor to WTO) and is Chairman of the Australian APEC Study Centre at RMIT University. Further information on ITS Global activities and current projects is available at www.itsglobal.net.

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Major global trade deficits set to grow

The emerging threat of green protectionism

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Commentary by ITS Global

The emerging threat of Green protectionism

The strong expansion of world trade in the second quarter of 2010 is a normal step in recovery from deep global slumps. In national economies, strong trade growth frequently precedes strong economic growth. Will this follow in the global economy? There are still reasons to reserve judgment on that. There is fear of a new slump in growth in the US economy, concern about overstimulation of the Chinese economy and expansion of debt there, as well as apprehension about sovereign debt in Europe.

Major global trade deficits set to grow

Most analysts are forecasting that the trade deficit between the US and China will continue to grow. While China has loosened controls on the Yuan a little, the effect of that will be well offset by the expansion of debt in the US and the boosting of production in China. The financial imbalances will remain. The US/China trade imbalance will not start to wind back until public debt is reduced in the US and production eases in China. Both Beijing and Washington will find that politically unpalatable in domestic circumstances. Expect the deficit to continue to expand for another three years.

The emerging threat of green protectionism

In the US, protectionist groups – particularly organized labour in the Steel and basic commodity processing industries - continue to press for border controls to limit imports. Calls for anti-dumping and/or countervailing duties on products such as pulp and paper, steel, chemicals and cement will continue.

Increasingly the companies and unions in these industries are making common cause

with environmental groups for imposition of new trade barriers. Environmental NGOs made submissions to the US International Trade Commission in support of the case to impose anti-dumping duties on paper from China and Indonesia.

The same groups are now lobbying for controls on imports of illegal timber and the EU has instituted environmental trade restrictions on imports of Palm Oil. These restrictions represent yet another effort by the EU to argue that imports can be restricted if environmental standards followed in the processing and production of products do not match European standards.

In the United States, the United Steelworkers Union, now the largest industrial union in the US, is arguing that the Administration has to provide financial support to build a new Green economy to create new Green jobs for industrial workers and that import controls have to be established to protect these new Green industries.

This is the standard argument for protection, simply refurbished with a new justification – protecting the environment.

Global Developments

Trade value rises in the first half of 2010

[Press Release](#), WTO, 1 September

According to the latest WTO figures, the value of world merchandise trade rose by around 25 per cent in the first six months of 2010 compared to the same period in 2009. An overview of regional trade flows show Asian exports and imports both rose by more than 35 per cent in the second quarter of 2010. More information is available [here](#).

World Bank: Rising global demand for farmland

[Press Release](#), WB, 7 September

A new World Bank report, 'Rising Global Interest in Farmland', discusses the rising trend of large scale farmland purchases in the developing world. It highlights their benefits purchases, but calls for more transparency and monitoring of such purchases and better management of social and environmental risks. More information is available [here](#).

WTO Developments

EU asked to lift tariffs on high-tech products

[News Item](#), WSJ, 17 August

On 16 August 2010, the WTO arbitration panel issued a report that examined complaints by the US, Japan and Taiwan against the EU over its tariff treatment of certain information technology products. The dispute concerns the 1996 Information Technology Agreement, a trade treaty signed by 70 countries that sets zero per cent tariffs on a wide category of electronic goods. The WTO ruled that the EU remove its import tariffs. If the EU does not comply, the US, Japan and Taiwan have the right to impose tariffs on goods made in Europe—including cars, pharmaceuticals and cheese—valued at an amount equal to the tariffs that the WTO has now ruled illegal. More information is available [here](#).

Trade Agreements

South Korea and EU likely to finalise free trade accord in October

[News Item](#), XINHUA, 18 August

According to South Korea's Trade Ministry, South Korea and the European Union (EU) are expected to finalise their bilateral free trade agreement (FTA) in October. The EU must seek approval from all 27 member states before the deal comes into effect. However, Italy might veto the agreement unless certain demands, particularly in the auto sector, are met. More information is available [here](#).

Japan and India FTA likely by year end

[News Item](#), The Japan Times, 18 August

Japan and India are expected to reach a free-trade agreement (The Comprehensive Economic Partnership Agreement), by the end of this year. India is also negotiating a bilateral services and investment agreement with ASEAN. A bilateral agreement on goods between the two economies has already been signed and implemented early this year.

Asia-Pacific

US economic growth revised down, but hope emerges

[News Item](#), BBC, 27 August

US economic growth for the second quarter (April to June) has been revised to 1.6% per cent (annualised), down from an earlier estimate of 2.4 per cent, raising concerns about the possibility of a double-dip recession. The revised figure was mostly due to a surge in imports, and a slower build-up of stocks by companies. However, there is some optimism. The US private sector created 235,000 new jobs in the past quarter (ref. Labour Department's latest [report](#)) while new claims for unemployment benefits have fallen for the second month in a row. The US President recently announced a US\$55 billion stimulus plan for infrastructure. More information is available [here](#).

Australian trade surplus falls short of expectations

[News Item](#), Bloomberg, 2 September

Australia's monthly trade surplus of \$1.9 billion in July fell well short of the expected \$3.1 billion and the record \$3.4 billion posted in June. A four per cent fall in exports, triggered mainly by a drop in coal and iron ore exports, as well as a two per cent rise in imports due in part to Department of Defence expenditure contributed to the result.

Obama administration to step-up enforcement of US trade laws

[News Item](#), Bloomberg, 27 August

In support of President Obama's National Export Initiative, the US Commerce Department has announced new measures to strengthen trade enforcement and increase the competitiveness of US companies. The measures focus on illegal importing practices from so called "non-market" economies such as China, and could potentially lead to higher anti-dumping or countervailing duties on Chinese goods. This has been the most frequent subject of US complaints about unfair trade in recent years. More information is available [here](#).

US seeks to strengthen presence in Asia

[News Item](#), WSJ, 15 August

The US is looking to boost its presence in Asia by stepping up engagement in a range of commercial and security initiatives in the region. There are plans for US President Barack Obama to attend the Asia-Pacific Economic Cooperation (APEC) forum in Japan in November and a meeting of the Group of 20 industrial and developing nations in South Korea. The US Administration is pressing the Congress to

approve the pending free-trade pact with South Korea. It has also stepped up efforts to negotiate trade agreements with seven other countries, including Australia and Vietnam, through the Trans-Pacific Partnership Agreement.

China promises fair treatment of foreign business

[News Item](#), Financial Times, 2 September

In its recent annual position paper the European Chamber of Commerce in China has voiced a number of complaints from companies about the difficulty of doing business in China. Many claim China has failed to open up its market as promised when it joined the WTO in 2001. Speaking at an investment forum, the Chinese Vice-President reassured companies that regulations have been revised to treat foreign companies fairly and that China remains committed to becoming the world's most attractive destination for foreign investment. More information is available [here](#).

Japan elections and the economy

[News Item](#), Financial Times, 5 September

Japan is facing one of its toughest economic challenges - GDP for the June quarter grew by a mere 0.1 per cent, well below the expected rate. The yen is riding on a fifteen-year high against the dollar, acting as a set-back for the country's export-led growth. The government is considering another round of stimulus, a difficult choice given Japan's government debt is approaching nearly twice the size of the country's GDP. More information is available [here](#).

APEC formulates new Growth Strategy for region

[News Release](#), APEC, 8 August

APEC has committed to formulating its first ever Growth Strategy at the High-Level Policy Roundtable held in Beppu, Japan from 7 to 8 August, 2010. Five attributes of quality growth have been selected for action, namely; balanced, inclusive, sustainable, innovative and secure growth.

ASEAN economic ministers keen on single market by 2015

[News Release](#), ASEAN Sec, 25 August

The 42nd annual meeting of the Association of Southeast Asian Nations (ASEAN) Economic Ministers was held on August 25 in Da Nang, Vietnam. The Ministers reaffirmed their will and determination to reach the goal of establishing an ASEAN Economic Community (AEC) by 2015. Under the ASEAN Free Trade Area (AFTA) ASEAN nations have eliminated duties on 99.65 per cent of all tariff lines according to the Common Effective Preferential Tariff Scheme. Significant progress however remains in furthering more open services and investment to bring ASEAN closer to achieving this goal.

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ASEAN+3 Trade Reporter is published by [ITS Global](#).

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