



# ASEAN+3 Trade Reporter

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ITS Trade Reporter is a monthly round-up of trade developments from around the world. It is published by ITS Global, Australia's leading consultancy on international trade and environmental policy developments in the Asia-Pacific region. Information on ITS Global activities and current projects is available at [www.itsglobal.net](http://www.itsglobal.net)

## Latest Issues

**Searching for a way out of the Doha Round impasse**  
**Making the Trans Pacific Partnership (TPP) a 21<sup>st</sup> century trade agreement**

## Commentary by ITS Global

### Searching for a way out of the Doha Round impasse

APEC Ministers have been frank that the prospects for concluding the Doha Round are slim and talk now is over how to proceed. There are reports that Trade Ministers meeting in Paris in May have proposed that some interim outcomes should favour least developed countries. There is merit to this approach. The interests of least developed countries have not been served so far by politicization of trade. Responsibility for this lies not only with advanced economies. The failure of many developing countries to use the Doha Round to reduce their own high trade barriers is a leading cause of its failure. It has suited China and India to hide behind European and American recalcitrance about cutting agricultural trade barriers. They have no desire to do so either. This was supposed to be one of the leading outcomes of the Doha Round.

General tariffs are much higher among developing than developed countries, including in trade among developing countries, yet in the so-called NAMA negotiations where reductions in tariffs were to be negotiated, developing countries worked not to cut tariffs, but to create new reasons why they should not have to.

The Doha Round should be put on ice and WTO members should be challenged to announce what measures they will take to unilaterally reduce their trade barriers. It is open to any WTO member to do this and to bind the reductions under WTO rules. No new rules are needed for this. The old ones are fine.

WTO members who want to liberalize services could club together and negotiate a plurilateral agreement. Many of them are accepting commitments to liberalize services in regional and bilateral trade agreements. Evidently such countries would join a plurilateral agreement among other WTO members who want to liberalize services. This can be done in ways that would not harm the

economic interests of WTO members who chose not to do so. The failure to liberalize services is probably the greatest economic cost of inaction in the Doha Round.

### **Making the Trans Pacific Partnership (TPP) a 21<sup>st</sup> century trade agreement**

This is the stated ambition of the Obama Administration. The idea is that as well as covering areas standard in the WTO (goods & services, intellectual property, government procurement) and in Asian Pacific FTAs (investment) and US FTAs (environment, labor and competition policy), the TPP will also cover supply chain management, regulatory coherence and participation of small and medium sized enterprises.

The benefit of a TPP is that it could lay down the foundations for a liberalizing APEC-wide agreement.

Yet if the agreement goes in the direction proposed by the Obama Administration, there would be some cause for worry. There has been a marked inclination among governments to dress up issues which do not fundamentally free up markets – because removing the barriers that need to be eliminated is too hard and instead focus on issues which may please constituents but have little impact. For example, there are no specific barriers to the capacity of small and medium sized enterprises (SMEs) to trade or invest that have a place in a regional trade agreement. When APEC was established, governments all declared that SMEs had to be given priority. No meaningful way to do this has been developed in the 20 years in which APEC has functioned.

An effective TPP is one that will support continuing structural adjustment of Asia Pacific economies, not contain window dressing to please constituents.

## **Global Developments**

### **APEC ministers: WTO success unlikely in near term**

21 May, The Australian, [News Item](#)

APEC trade ministers have for the first time acknowledged that the Doha Round may fail. Ministers expressed "collective deep concern" over the future of the Doha round in their joint statement at an APEC ministerial meeting in the US state of Montana. Following this, options for what might be salvaged from the Doha round were discussed at an Australian-chaired meeting in Paris where ministers agreed to prioritise addressing the concerns of least-developed countries.

### **New IMF Managing Director**

24 May, Reuters, [News Item](#)

Following the resignation of International Monetary Fund (IMF) Managing Director Dominique Strauss-Kahn, there have been widespread calls for Europe to stick to a previous G20 proposal to discard the long-standing convention that a European head the IMF. Asian economies cite their role in the vanguard of global growth as a reason to select an Asian IMF chief. Singapore's Finance Minister is amongst those receiving early ASEAN backing for the job. Meanwhile, French Finance Minister Christine Lagarde has announced her candidacy. She appears to have the support of the

European Union (EU) as the IMF continues efforts to bail out EU countries Greece, Ireland and Portugal.

## Asia-Pacific

### **Australian cigarette packaging law**

7 June, the Australian, [News Item](#)

Australia's proposed plain packaging law for cigarettes has been the subject of debate at a meeting of the WTO's intellectual property rights group (TRIPS) in Geneva. Developing countries, notably cigarette producing Dominican Republic, voiced their opposition to the bill claiming it would breach WTO rules protecting the use of trademarks.

### **Green energy trade disputes**

18 May, AFP, [News Item](#), Voice of America, [News Item](#),

The United States is pushing for APEC countries to cut trade barriers for green technologies. As an illustration of the problem, the US is holding consultations with China through the WTO to address a complaint that Beijing discriminates against foreign companies wanting to sell green energy equipment in China. It is argued the Chinese government provides domestic manufacturers with low interest loans and requires government agencies to buy domestic products, both of which might fall within the WTO definition of a prohibited subsidy. In a similar case, Japan is accusing the Canadian province of Ontario of treating foreign green energy companies unfairly by providing favourable treatment to firms that use a certain percentage of locally made products.

### **Japanese exports tumble**

25 May, Wall Street Journal, [News Item](#)

Japan recorded a trade deficit in April as exports fell at the fastest pace in 18 months, following the March 11 earthquake and tsunami. In the automobile industry exports fell by 67% as production and shipment were disrupted by the damage to the factories. Overall, the economy contracted by an annualised 3.7% in the quarter of 2011. As a consequence, the EU has overtaken Japan as the largest exporter to China based on trade figures for the first four months of 2011 from China's Ministry of Commerce.

### **Tokyo summit raises FTA prospect**

22 May, Wall Street Journal, [News Item](#), Reuters, [News Item](#)

The leaders of China, South Korea and Japan met in Tokyo at a joint summit aimed at deepening trilateral cooperation and to signal support for Japan as it continues post-quake reconstruction. The leaders agreed to undertake a joint study this year on the merits of a possible three-way trade deal. Chinese Premier Wen Jiabao expressed his support for a possible launch of negotiations on an agreement next year. He also stated that China will ease import restrictions on banned Japanese food imports from certain regions and by removing the requirement for radiation inspection certificates for some products.

### **Austrade reform**

17 May, Minister for Trade, [Press Release](#), Austrade Review, [Report](#)

Australia's Trade Minister, Craig Emerson, has announced the outcome of a review of the Australian Trade Commission (Austrade). Austrade provides information and support to Australian businesses looking to export, and

promotes Australia as an investment destination for foreign companies. Proposed reforms include reducing the agency's export assistance role in established export markets in Europe and North America to focus more on attracting inward FDI from these regions. Austrade's export assistance function will in future focus more on fast-growing markets in Central Asia, Latin America and Africa.

#### **Possible China rare earths WTO dispute**

20 May, Wall Street Journal, [News Item](#),

China faces possible arbitration at the WTO over its policies controlling production and export of global rare earth minerals (REM). China has about half of the world's REM reserves – REM are used in automotive and electronics manufacturing – and at present accounts for over 90% of global production. Japan, the United States and the European Union may challenge China under WTO rules prohibiting the use of quantitative restrictions unless they are applied temporarily. No country has yet sought arbitration against China on this issue, however, as China's policies continue to keep prices inflated, a WTO case appears inevitable.

### **Trade Agreements**

#### **Australia and India launch FTA talks**

11 May, AFP, [News Item](#)

Australia and India have launched FTA negotiations at a meeting between Australian Trade Minister Craig Emerson and his Indian counterpart, Anand Sharma, in Canberra. The negotiations follow on from a joint feasibility study concluded in 2010. India is Australia's third largest and fastest growing export market for goods and services, worth A\$19.8 billion in 2009-10. Services exports exceeded \$3 billion in 2010.

#### **Trans Pacific FTA negotiations**

19 May, Reuters, [News Item](#), 18 May, The Australian, [News Item](#)

The nine countries negotiating a Trans-Pacific Partnership (TPP) trade agreement are unlikely to have reached a deal by November, a nominal target date set last year because it is when President Obama hosts the countries' leaders in Honolulu as part of APEC. Negotiators now aim to provide a well advanced text then but are expected to continue working into next year to finalise the FTA. In an effort to achieve a "gold standard" agreement, Australia has offered to remove all tariffs if other negotiating countries do the same.

#### **Latest on the Korea-US FTA**

16 June, Washington Post, [News Item](#), 27 May, Bloomberg, [News Item](#)

The Obama administration is withholding pending FTAs with South Korea, Panama and Colombia from Congress until Republicans agree to renew funding for retraining US workers who lose their jobs because of overseas competition. A previous Trade Adjustment Assistance program introduced in 2009 expired in February. The new program is said to be valued at \$7.2 billion. The delay in agreement on renewing assistance is likely to mean Congress will not sign off on the Korea FTA in June.

## World Trade Organisation

### *WTO Dispute Settlement*

**DS399** – On 24 May 2011, China notified the Dispute Settlement Body of its decision to appeal the panel report on Measures Affecting Imports of Certain Passenger Vehicle and Light Truck Tyres from China.

**DS316** – On 18 May 2011, WTO Appellate Body issued a report 'European Communities and Certain Member States — Measures Affecting Trade in Large Civil Aircraft' regarding an Airbus dispute.

No new disputes. For a complete list of the WTO's disputes [click here](#).

### Australia's current involvement in WTO dispute settlement system

For a complete guide to Australia's disputes, [click here](#).

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