



**ITS Global**

Consultants on Global Issues

# ITS 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

***"ITS Global wishes all Trade Reporter readers a very happy holiday season".***

### The Emerson Trade Policy

### Economic integration in APEC

### Illegal logging bans back on the table

## Commentary by ITS Global

### The Emerson Trade Policy

Craig Emerson, Australia's Trade Minister, has laid down principles to keep trade policy focused on its primary purpose – to buttress an open economy and foster open market integration among other economies. This has been welcomed in the economic community against the backdrop of some confusing messages from the Rudd and Gillard Governments, not specifically on trade policy, but on attitudes to open markets, most specifically in the areas of climate change and telecommunications.

Emerson wants full separation between foreign and trade policy. He's right about that. How about creating an independent bureau for trade in the Foreign Affairs and Trade portfolio with a direct reporting line through the Trade Minister to Cabinet? In today's globalized world trade policy cannot be entirely divorced from foreign policy because integration of trade policy is now deemed an important goal. But tight principles like those Emerson has proposed to guide trade policy can ensure that the measure of success of a trade agreement is the right economic result, not just a tick on a foreign policy scoresheet.

### Economic integration in APEC

Emerson has also rightly connected trade policy to domestic economic reform. An initial, positive result for the Gillard Government was to secure agreement at the APEC Summit in Japan last month to expand a strategy to advance structural adjustment among APEC economies. Just as well. Given the nervousness about the political impact of the global financial crisis, a number of APEC Governments (the Obama Administration, as well as those in Japan, Korea and Singapore) proposed goals for APEC next year more in keeping with an EU rather than an APEC meeting. They urged inclusive growth, balanced growth, secure growth, and green growth.

The Gillard Government deserves congratulation for keeping an APEC focus on expanding growth. None of the other forms of 'growth' are possible unless there is increased economic growth.

### **Illegal logging bans back on the table**

One of Emerson's criteria for successful trade policy – non-discrimination – has just been challenged by Joe Ludwig, Australian Minister for Agriculture, Forests and Fisheries. He has announced his intention to proceed with the policy Tony Burke found unimplementable – Labor's three year old commitment to ban illegal timber imports. This has been pushed by Greenpeace and WWF for over 5 years.

Now that Ludwig's Department has secured revisions of or replacements for earlier commissioned work which inconveniently pointed out the Labor Policy would harm Australian consumers and that the level of imports of illegal timber was minor, Joe Ludwig has announced Labor will introduce legislation to ban illegal timber imports, after the new Senate (with its Green/Labor/independent majority) sits next year.

This policy is discriminatory and contravenes WTO rules. Mr Burk was coy when asked about that. It's not clear if Mr Ludwig has been taken through all the ins and outs.

A key one is the difficulty that adoption of a discriminatory trade measure, justified on environmental grounds, creates for Australian farmers trying to export to the EU. That is exactly the sort of measure EU farmers will seek to further restrict Australian agricultural imports. The EU is currently engaged in a periodic and historic review of the Common Agricultural Policy. Already EU farmers are eyeing environmental grounds to restrict more competitively priced imports.

## **Australia**

### **Minister Emerson claims return to Hawke-Keating trade policy**

[Publication](#), Lowy Institute, 10 December

In a speech to the Lowy Institute, Minister for Trade Dr. Craig Emerson outlined a new approach to trade policy, advocating a return to the policies of the Hawke-Keating Government of the 1980's. Emerson stated that Australia should not wait for other countries to reduce their barriers but should do so itself, and that increased competition in domestic markets will promote productivity increases. Emerson also noted that trade and foreign policy interests should be kept separate, and that tariff reductions not be used as a 'bargaining chip'. Key trade policy ambitions for the government in 2011 include the conclusion of the WTO Doha Round, conclusion of FTAs with Korea, China and India, and establishing the Trans-Pacific Partnership Agreement.

### **Productivity Commission releases report on Australia's FTAs**

[Press Release](#), Department of Foreign Affairs and Trade, 13 December

The Australian Productivity Commission has released a final review of Australia's FTA, commissioned by the government last year. The report finds that Australia's FTA's have been 'oversold' and that current evaluation processes for determining whether an FTA is worth pursuing should be 'improved'. The report heavily emphasized the benefits of domestic reform, reaffirming by Dr. Craig Emerson's comments at the Lowy Institute, reported above. For the full report, see [here](#).

### **ITS Global report reveals importance of services trade**

[Media Release](#), Department of Foreign Affairs and Trade, 10 December

DFAT has launched an ITS Global report entitled 'Services International Linkages' on the

importance of services to the Australian export industry, and in particular of intermediate services inputs ('embodied services'). The report shows that Australian service companies have sales worth over \$100bn a year from their international operations alone. Embodied services are estimated to contribute around \$35 billion per year, set to increase to over \$50 billion by 2014-15. For the full report, see [here](#).

### **Australia and Japan to re-start FTA negotiations**

[Media Release](#), Minister for Trade, 23 November

Japan's Foreign Minister Seiji Maehara visited Australia in November to resume negotiations on the Australia/Japan FTA. The negotiations which began three years ago had stalled following 12 rounds of talks and were in need of re-energising. The trip was the first after the release of the new Japanese economic policy framework – the Basic Policy on Comprehensive Economic Partnerships – which aims at opening up Japan's foreign economic policy to increased international engagement. Australia and Japan currently share merchandise trade flows of almost \$55 billion per annum.

### **Japan and Australia sign rare earths deal**

[Article](#), Financial Times, 24 November

After suffering supply difficulties following a ban on rare earth exports from China, Japanese trading company Sojitz has signed a deal with Australian rare earth supplier Lynas. The agreement will help Japan to diversify its suppliers and reduce its reliance on China. The agreement, with funding assistance from Japanese state-affiliated bodies, will help fund an expansion of Lynas' operations in Australia. The deal is for the supply of 9,000 tonnes of rare earths over 10 years.

### **China's ban on Lobsters hurts Australian producers**

[Article](#), ABC news, 30 November

China has cracked down on rock lobster imports from Australia bypassing tariffs by travelling through Hong Kong. Lobster prices on the Australian market fell by half as a result – right in the middle of the lobster fishing season. Lobster farmers have attacked the Gillard government for failing to secure less costly access to the Chinese market through a preferential trading deal, ahead of competitors such as New Zealand. A large quantity of Australia's lobster trade (80%) reaches China, an even higher percentage from fisheries in Victoria, South Australia and Tasmania.

### **Australia to broaden ties with India**

[Article](#), The Economic Times, 13 December

Australia's High Commissioner to India, Peter Varghese, has said that he would like Australia to broaden its exports to India, which are currently dominated by coal, gold and copper. There may be significant opportunities in infrastructure investment for Australian corporations in the Kerala region. Recent investment agreements including a \$20bn energy deal with Petronet have been signed between Australian and Indian companies, and an agreement between Australian firm Leighton with Kochi Refinery for the funding of a pipeline. Varghese says that bilateral relations have increased significantly over the past 5 years.

### **Australia continues trade surplus**

[Media Release](#), Department of Foreign Affairs and Trade, 2 December

Despite the rising Australian Dollar, Australia has had its 7th successive trade surplus during the month of October. This follows continual deficits between April 2002 and July 2008. The surplus comes after a 1 per cent increase in exports and a fall in imports by 3 per cent. Trade Minister Emerson was cautious in response however, mindful that industries including agriculture and services have been impacted by local weather conditions and the rising dollar which have harmed their international competitiveness.

## Asia-Pacific

### **NZ and India FTA coming to a close**

[Article](#), Indian Express, 29 November

New Zealand and India look set to conclude a Free Trade Agreement in 2011. This would mean a very swift conclusion as negotiations began only in March this year. The countries have been able to reach agreement on several important issues including India's priorities of agriculture and education, and New Zealand's regarding wine.

### **China's inflation grows**

[Article](#), Xinhua News, 13 December

China's inflation reached 5.1% in November, the highest in over 2 years. The Chinese National Bureau of Statistics also reported that around three quarters of the CPI came from increases in food prices (which increased almost 12% on 2009). The increase in inflation has prompted the government to take steps to rein in spending. China has once again raised the cash reserve requirements for banks, increased welfare payments and supplies of essential goods. Authorities have also introduced new measures to counter collusive pricing. For more information, see [here](#).

### **TPP negotiations continue, unions exert pressure over investment provisions**

[Press Release](#), United States Trade Representative, December

The fourth round of negotiations on the Trans Pacific Partnership Agreement (TPP) held in New Zealand this month, have concluded. USTR reports that talks were a great success, with discussions continuing around key areas including regulatory alignment, business integration and development. Each country also began preparations for an initial goods market offer. Australia's and New Zealand's Prime Ministers are facing pressure from their respective unions to reject an investor-state dispute settlement mechanism in any TPP agreement after receiving a letter signed by 43 union heads. Such provisions have been commonly included in FTAs concluded by parties to TPP negotiations, with the notable exception of the Australia-United States FTA. For more information, see [here](#).

### **India – ASEAN Services deal hits roadblock**

[Article](#), Business Daily, 15 December

Negotiations between India and ASEAN for a Services and Investment deal have stalled. India is looking for greater access to the ASEAN employment market for its workers in professional sectors. ASEAN nations have been demanding the same market access that India has provided in its bilateral agreements with other nations. The two competing concerns have led to a standstill on an agreement that was originally intended to conclude before 2011.

### **India and EU Trade Agreement to conclude in 2011**

[Article](#), China Daily, 10 December

After meeting for the first time under the Lisbon Treaty, Indian and EU officials have agreed to conclude an FTA by spring of 2011. The EU is India's biggest export destination, and together they share a population of over 1.5 billion people. The agreement known as the Broad-based Trade and Investment Agreement (BTIA) aims to be operational in 2010. Commerce officials within India have maintained that their sensitive sectors, including agriculture and auto-industry, will be protected under the agreement. For more information, see [here](#).

### **US - Korea FTA concludes following US Visa concessions**

[Article](#), Korea Times, 5 December

The United States and Korea have finalized details of their newly formed Free Trade Agreement. The agreement is still to be approved by Congress. As part of the final deal, the US allowed increased access to certain Korean professionals. Koreans would be granted an

extension of access to the US as intra-company transferees under an 'L-Visa'. For access to existing Korean subsidiary firms, the visas were extended from three to five years. Visas for establishing new firms were extended from one to five years. Concessions were also made on patents and on access to the US pork market.

### **Korea, Malaysia strengthen ties**

[Article](#), Korea Times, 15 December

The President of Korea and Prime Minister of Malaysia this month issued a joint statement to strengthen bilateral relations. This includes general trade and economic relations, and specifically a free trade pact. Korea and Malaysia will seek to cooperate in energy exploration and penetration of foreign markets including the Middle East and Central Asia.

### **US releases report on Chinese trade practices**

[Article](#), Financial Times, 14 December

The United States International Trade Commission has released a report entitled '*China: Intellectual Property Infringement, Indigenous Innovation Policies*'. It focuses largely on the enforcement of Intellectual property law in China, and its affect on US firms operating in the Chinese Market. The report finds that 'significant structural and institutional impediments' as well as lack of punishment and deterrence as the principle reasons for ineffective enforcement. The full report is available [here](#).

## **World Trade Organisation**

### **WTO upholds US tariffs on Chinese tires**

[Article](#), The Australian, 14 December

The WTO has ruled that tariffs imposed in 2009 by the United States against Chinese tires being imported in the country are valid. The tariffs ranged in size up to 35%, and led to retaliatory action against US goods exported to China. The decision came a day before US Trade Representative Ron Kirk was due to meet with Chinese officials for annual trade talks.

### **Russia makes progress on WTO accession bid**

[Article](#), Sydney Morning Herald, 8 December

Russia is now one step closer to WTO accession after reaching a deal with the European Union. Russia and the EU signed a memorandum of understanding, gaining the trading bloc's support for accession. Areas of past conflict included Russia's export duties on timber and railway fees. Trade between the two nations largely consists of natural gas from Russia, and machinery, food and transport equipment from the EU. Russia currently accounts for 6% of the EU's exports and 10% of imports. For more information, see [here](#), and for Russia's current WTO accession status, see [here](#)

### **Chinese WTO victory against EU**

[Article](#), The Financial Times, 5 December

The WTO has found that EU anti-dumping duties on steel exports from China are in contravention of WTO trading rules and regulations. The EU imposed over 575 million euro worth of tariffs on Chinese screws and bolts over 5 years. The WTO held that the EU had incorrectly calculated the pricing of Chinese goods in the EU market. China's Ministry of Commerce has added that the EU was imposing a 'heavy burden' in terms of requiring Chinese exporters to prove that they complied with single tariff regulations. Both sides now have 60 days to appeal the decision. For more information, see [here](#).

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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