



ITS Trade Reporter

June-July 2011 Edition

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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

Latest Issues

Australia's failing global competitiveness – Carbon tax? How about the rest?

Irritating our regional trading partners

Commentary by ITS Global

Australia's failing global competitiveness – Carbon tax? How about the rest?

While much is being rightly made of the adverse impact on our competitiveness and thereby capacity to export of the carbon tax package, regrettably not enough is being made of the need to tackle the drop in competitiveness which the high dollar has underlined. Manufacturing and our biggest services exports – tourism and education – are taking a hiding.

Costs for these industries (inputs, labor, taxes) should be reduced, not hiked. Instead of talking about funding new carbon-friendly industries to be competitive, we should be concentrating on ensuring industries that were competitive, remain competitive.

New South Wales is in a slump and migration to Victoria, its leading source of economic growth, is slumping. Domestic demand is a much greater generator of economic activity than exports, but with low productivity and rising costs slowing non-resource and farm exports, coupled with failing public confidence in the economy in Australia's southeast, trouble is brewing.

Irritating our regional trading partners

Fringe groups and even the Opposition are generating bilateral problems for the Gillard Government with Australia's neighbours by supporting measures which will have Australia using trade coercion to advance Green and minority interests.

Laws to require labelling of products containing palm oil, extra territorial control of supposedly illegal timber products and the temporary ban on live cattle exports are aggravating industries and officials in Indonesia, Malaysia and Papua New Guinea. The Gillard Government finally recognized that cattle producers in the Northern Territory, WA and Queensland are a bigger political force than the one per cent of the population who subscribed to GetUP's eblast at Green and Labor politicians over slaughter practices in Indonesia. The only people who want or care about a bill to require products containing palm oil to be labelled are the Greens, activists

at the zoos and Senator Xenophon, who tabled it.

A Senate Committee found the official Malaysian critique of the Xenophon/Green bill convincing and concluded the measure was not warranted, but unexpectedly the Opposition decided to back it – speculation was that this was in return for support from Senators Xenophon and Fielding for a bill for a plebiscite on the Carbon Tax or to aggravate Government negotiations with Malaysia over asylum seekers. The Government opposed the bill, recognizing it was a ploy to misuse health and safety regulatory rules to push a Green hobby horse, purportedly to save Orang-utans and forests which are not as nearly endangered as Greenpeace literature makes out. The real purpose of the Bill is to make Greenmail targets of the companies who label products with the ubiquitous palm oil.

Either way the Malaysians are irritated and Indonesians doubly so.

Finally, the illegal logging bill lumbers on with proposals to require imports to meet Australian standards of legality (yet to be defined) for a tiny amount of product that cannot be easily identified, egged on by the CFMEU, Greenpeace, Kimberley Clark Australia and IKEA, an unwholesome conclave of Green protectionists. The rising dollar of course makes imports cheaper, something which this group are determined to keep out of the hands of consumers. This one will irritate PNG as well as Indonesia and Malaysia.

Both bills will put Australia in contravention of its WTO obligations, but we have a record in Australia of letting ugly trade balls (like restrictions on New Zealand apples) go through to the keeper in Geneva, and then backing off when we are declared out.

Global Developments

WTO: Interim package for LDCs

22 June, WTO, [News Item](#), 19 July, VOA News, [News Item](#)

Reaching consensus over what might be included in an 'interim package' of trade benefits for least-developed countries (LDCs) is proving difficult. Priority issues include cutting cotton subsidies and "duty-free quota-free" trade access for the LDCs. World Bank President, Robert Zoellick, a former Bush Administration trade negotiator, does not favour a mini-deal, which he says will be as hard to achieve as an overall conclusion to the Round.

IMF: Lagarde elected successor to DSK

28 June, IMF, [Press Release](#)

France's Finance Minister, Christine Lagarde, has been elected the new IMF Managing Director. She faces an immediate task of dealing with the EU debt crisis and addressing demands of emerging countries including China, and Brazil for greater representation within the IMF.

TPP: Seventh round of trade talks held

24 June, Office of the US Trade Representative, [Press Release](#)

The latest round of the Trans Pacific Partnership (TPP) negotiations has been held in Vietnam. The US is still officially aiming for a November conclusion, however, negotiators have advised stakeholders the more likely outcome is that leaders will be presented a negotiating text in November with market access negotiations continuing into 2012.

Three US FTAs stalled in Congress

14 July, WSJ, [News Item](#), 8 July, WSJ, [News Item](#),
Progress on three pending US free trade agreements – with Colombia, South Korea and Panama – is stalled as Democrats and Republicans continued to disagree over the Obama Administration's condition to send the FTAs to a vote in Congress being linked to an assistance package for US workers.

EU-MERCOSUR trade talks making slow progress

13 July, ICTSD, [News Item](#)

The EU and the Southern Common Market (Mercosur) have held six rounds of FTA talks but are making slow progress. There are major sticking points on a range of agricultural issues and access to Europe for South American manufactures.

Russia lifts grain export ban

27 June, Financial Times, [News Item](#)

Russia has lifted its ban on grain exports after an 11-month absence from world grain markets, but has not ruled out export duties later in the year. Previously the world's third-largest grain exporter, Russia introduced embargos on wheat, barley and rye last August to stabilise domestic prices after its worst drought in over a century. The resulting poor harvest together with export controls caused global wheat prices to rise to their highest level for two years.

Asia-Pacific

Australia resumes live cattle exports to Indonesia

6 July, Minister for Agriculture, Fisheries and Forestry, [Press Release](#), 7 July, AFP, [News Item](#)

The Australian government lifted a four-week ban on live cattle exports to Indonesia and introduced additional safeguards to address animal cruelty concerns. The trade with Indonesia, Australia's largest live cattle export market, was suspended in June following public outcry over the ill-treatment of cattle prior to slaughter in Indonesian abattoirs. Farmers affected by the ban have received A\$35 million in compensation.

Concern over foreign land acquisition

2 July, The Australian, [News Item](#)

A private member's bill in the Australian Senate has sought changes to foreign investment laws relating to agricultural land. A Senate Committee has recommended the bill not be passed but that further analysis of the ownership of rural land across Australia be undertaken.

AusAID: Independent Review of Aid Effectiveness released

6 July, AusAID, [Press Release](#)

Foreign Minister, Kevin Rudd, has announced the outcome of the Independent Review of Aid Effectiveness. The review assesses the efficiency and strategic direction of Australia's \$4.3 billion aid program, which is set to increase to \$8 billion (0.5 per cent Gross National Income) by 2015-16. Key recommendations include the introduction of a multilateral rating system to determine donor funding; an increased emphasis on South Pacific Microstates, Indonesia and Sub-Saharan Africa; and a gradual withdrawal of donor activity in India and China.

Australia consolidates return to trade surplus in 2010

22 June, DFAT, [Press Release](#)

Australia recorded a \$16.8 billion trade surplus for 2010, following a \$4 billion deficit in 2009. Exports rose 13.9 per cent year-on-year to \$284.6 billion, while imports also rose 5.4 per cent to \$267.8 billion.

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World Trade Organization

TRIPS Council debates cigarette plain-packaging legislation

7 June, WTO, [News Item](#)

The EU and a group of developing countries led by the Dominican Republic have questioned in the WTO Council on Trade-Related Aspects of Intellectual Property Rights (TRIPS) whether Australia's proposed cigarette plain packaging legislation would violate trademark rights listed in the TRIPS Agreement. Under the proposed law, cigarettes will be sold in plain packages with brands identified in small generic font. Tobacco giant Phillip Morris has stated its intention to pursue arbitration (outside the WTO) against the Australian Government.

WTO Dispute Settlement

China ends wind power equipment subsidies

7 June, Office of the United States Trade Representative, [Press Release](#)

China has agreed to end subsidies paid to local wind power manufacturers following a complaint made by the US to the WTO. The US claimed that China's Special Fund for Wind Power Manufacturing provided illegal subsidies in the form of grants to Chinese wind turbine producers who agreed to use locally-made parts and materials. More information on the dispute can be found [here](#).

[DS394](#), [DS395](#), and [DS398](#) – On 5 July, a WTO Panel issued its report for 'China – Measures Related to the Exportation of Various Raw Materials' examining complaints of the US, the EU and Mexico. China's export duties were found to be inconsistent with its commitments contained in its Protocol of Accession, and export quotas on some raw materials were found to be inconsistent with WTO rules.

[DS404](#) – On 11 July 2011, the WTO panel issued a report 'United States – Anti-dumping Measures on Certain Shrimp from Viet Nam'.

[DS371](#) – On 17 June 2011, the WTO Appellate Body issued a report in the case 'Thailand – Customs and Fiscal Measures on Cigarettes from Philippines.'

[DS316](#) – On 1 June 2011, the Dispute Settlement Body adopted the Panel and Appellate Body reports which examined the EU's subsidies to the civil aircraft industry. The Appellate Body cleared the EU of providing prohibited export subsidies, but found that certain subsidies provided by the EU to Airbus, a European aircraft manufacturer, harmed the interests of the US.

New Disputes

There were no new disputes for this month. 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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