



# ITS Trade Reporter

[April 2011 Edition](#)

Edited by Tom Westcott  
Level 1, 34 Queen Street  
Melbourne VIC 3000  
Australia  
Tel + 613 9620 34 00  
Fax + 613 9614 83 22  
ACN 007 307 342

<http://www.itsglobal.net/>

## Topics (links)

[Global Developments](#)

[Asia-Pacific](#)

[Australia](#)

[World Trade Organisation](#)  
[- WTO Dispute Settlement](#)

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

### Singapore's bid for ASX rebuffed

### Commentary by ITS Global

### Singapore's bid for ASX rebuffed

The most interesting factor reported about the FIRB's reservations to the Singaporean bid was the indication the Singaporeans had not focussed on how to handle those functions of the ASX which had regulatory impact in the Australian market. This is not surprising. It is a reflection of the core problem with the bid. Singapore Inc is a reality. Ask anyone who has operated a foreign invested business or a publically-listed company there.

A remarkably high share of Singapore's major publically listed companies are owned by Temasek, Singapore's national sovereign wealth fund and the Government Investment Corporation. Singapore is friendly to foreign investment, but it is not a free market in the accepted sense. Few Asian economies have full effective separation between Government process and the legal system. Singapore is not different.

When US officials began negotiation with Singapore on the bilateral free trade agreement they were surprised to discover how dirigiste was Singapore's economy. That agreement secured a commitment by Singapore to introduce competition policy and provided a right for US foreign investors to appeal to the Agreement's dispute mechanism in case investor rights created in the agreement were not respected. Most companies would not trigger those rights. It is important to stay on the right side of authorities when operating in Singapore.

One thing would have been certain about a Singapore owned ASX. It would have given priority to Singapore national interests, however defined.

## Global Developments

### Record growth in world trade in 2010 forecast to slow in 2011

7 April, WTO, [Press Release](#)

There was a record 14.5 per cent growth in the volume of world exports in 2010 as the world economy rebounded from a slump in trade volumes, down

12 per cent in 2009. This saw the value of global merchandise trade rise 17 per cent in the fourth quarter of 2010 compared to the same period in 2009. Asian exports rose by about 23 per cent and imports by around 22 per cent on a year-on-year basis. Growth in world trade volumes is expected to slow in 2011 to 6.5 per cent.

#### **World trade talks struggling to achieve break-through by Easter deadline**

5 April, The Australian, [News Item](#), 29 March, WTO, [News Item](#)

Efforts to reach agreement on key outstanding issues in the WTO Doha Round by Easter are in danger of falling short. Positions remain divided a week from Easter. Director-General Pascal Lamy is meeting individually with senior officials to form an assessment of what is yet to be agreed and is expected to convene a meeting of the WTO's highest negotiating body involving heads of delegation on 29 April. The US, China and India have held talks but remain divided over market access for manufactured goods and for agricultural products.

#### **Japan's slowdown temporary: World Bank**

21 March, World Bank, [Press Release](#)

The World Bank's recent report, '*Securing the Present, Shaping the Future*', predicts the impact of the recent earthquake and tsunami on Japan's economy will be temporary. Exports from developing East Asia region are anticipated to slow by 0.75 to 1.5 per cent, assuming Japanese growth in real terms slows by 0.25 to 0.5 percentage points by mid-2011. Growth is expected to pick up thereafter as reconstruction efforts already underway begin to take effect. The World Bank expects that disruption to production networks, especially in the automotive and electronics industries, will continue to pose problems for the region. It also identified potential short to medium-term benefits in the form of higher energy prices for energy-producing countries, including Indonesia, Malaysia, and Vietnam, as Japan begins to rebuild and tries to close the energy gap caused by the loss of nuclear capacity.

## **Asia-Pacific**

#### **Japan crisis sparks supply chain woes**

18 March, WSJ, [News Item](#)

Global manufacturing is facing supply chain problems as manufacturers around the world slow or cease production of merchandise reliant on components for which Japan dominates the market. For instance, Japan accounts for roughly one-fifth of the world's supply of a key material for manufacturing semiconductors, and produces about 90 per cent of the world's supply of a chemical used in telephone circuit boards. Taiwan and Thailand are most exposed, with more than 20 per cent of their imports coming from Japan, including significant volumes of electrical and mechanical parts. Economists predict the problem to dissipate as manufacturers switch sourcing of some components to other suppliers and as Japan's economic recovery gathers pace.

#### **EU import controls on Japanese food products**

24 March, EUROPA, [Press Release](#)

The European Union (EU) has imposed special import conditions from 28 March on food and feed from 12 prefectures in Japan where production could be affected by the accident at the Fukushima Daiichi nuclear power plant. All products from these prefectures harvested or processed after 11 March will be tested before leaving Japan and will be subject to random testing in the EU.

Feed and food products from the remaining 35 prefectures will have to be accompanied by a declaration stating the prefecture of origin and will be randomly tested upon arrival in the EU. The import conditions will be reviewed by the EU every month.

#### **TPP negotiations continue; Japan delays announcement on joining**

30 March, AFP, [News Item](#)

The sixth round of Trans-Pacific Partnership Agreement (TPP) negotiations took place in Singapore in late March. The United States tabled legal text on the issue of 'regulatory coherence', something not previously included in a trade agreement that the US says aims to address so-called "behind the border" barriers faced by business in foreign markets. In the lead up to the negotiations, the Japanese Government said it will delay a decision on whether to join the negotiations beyond the June deadline while it prioritises its earthquake and tsunami response. The delay suggests the parties may struggle to conclude negotiations for an announcement at the Hawaii APEC Leaders Meeting in November.

#### **China's SOEs not subsidising production: WTO Appellate Body**

11 March, WTO, [News Item](#)

The WTO Appellate Body has issued its report in the United States Anti-dumping and Countervailing Duties case against China. In January, ITS Trade Reporter noted the WTO Panel's finding that China's SOEs are public bodies potentially producing subsidised products. However, the Appellate Body has overturned the Panel's finding. The ruling has found that US anti-dumping and anti-subsidy measures against Chinese-made steel pipe, tubing, pneumatic off-road tires and laminated woven sacks are inconsistent with the WTO rules.

## **Australia**

#### **Trade Minister's new policy statement a welcome re-declaration**

12 April, DFAT, [Press Release](#)

Australia's trade minister, Craig Emerson, has released a new trade policy statement which offers a welcome re-declaration that the Gillard Government will continue to follow a free trade philosophy in its trade policy. The policy statement sets out the fundamental position that trade controls should not be advanced for any non-trade purpose. It emphasises five guiding principles for Australia's trade policy emphasising the role of unilateral trade reform and the principal of non-discrimination that stands at the centre of the multilateral World Trade Organization trading rules.

#### **Singapore Exchange ends ASX bid after Australia rebuff**

8 April, Reuters, [News Item](#)

Singapore Exchange Limited (SGX) has terminated its A\$8.4 billion (US\$8.9 billion) bid for Australia's ASX Limited after Treasurer Wayne Swan blocked the proposed takeover. Swan stated that the deal would have diminished Australia's economic and regulatory sovereignty, presented material risks and supervisory issues due to ASX's dominance over clearing and settlement and failed to boost access to capital for Australian businesses. He noted the merger did not support the objective of building Australia's standing as a global financial services centre in Asia. It is the first time the Australian government has rejected a major takeover on grounds of national interest since Royal Dutch Shell's failed bid for Woodside Petroleum in 2001.

### **Natural disasters take their toll on Australian exports**

5 April, DFAT, [Media Release](#)

Australia has recorded its first monthly trade deficit in 11 months. According to figures released by the Australian Bureau of Statistics, Australia recorded a trade deficit of \$205 million in February, ending a run of ten consecutive trade surpluses. The deficit, led by a decline in iron ore, is a turnaround of the revised \$1.6 billion surplus in January. Coal exports increased by \$2.7 billion, while total exports fell by 2 per cent from January to February, to \$22.8 billion, and imports increased by 5 per cent to \$23 billion. Australia's trade minister, Craig Emerson warned that Queensland floods which interrupted coal productions and shipments along with the Japanese tsunami will continue to affect Australia's trade performance.

### **Trade Minister Emerson rejects 'carbon tariffs'**

11 March, The Australian, [News Item](#)

Despite the continued push from the unions, Australia's trade minister, Craig Emerson has roundly rejected calls for 'border tax adjustments', or carbon tariffs, on goods imported from nations that did not put a price on carbon. He warned that such tariffs would lead to banning trade with most of Australia's trading partners. He highlighted that tariffs reduce competition and are open to misuse. He argued instead for the use of 'free permits' to help heavy carbon emitters insulate themselves from the cost imposed by a carbon price while retaining the incentive to reduce carbon emissions. The Australian Chamber of Commerce and Industry also rejected the idea saying tariffs are not a way to address trade competitiveness.

### **Differences emerge over assistance to export industries under carbon plan**

9 March, AFR, [News Item](#)

As the federal government mulls over its carbon pricing plan and how to compensate trade exposed sectors, differences have emerged between the mining industry and the Liquefied Natural Gas export sector. While the Minerals Council of Australia is pushing for a system whereby the government allocates permits based on the emissions intensity of the industry (the EU model), the LNG export sector is arguing for a total exemption from any form of carbon pricing, highlighting the absence of any global agreement on pricing emissions and the benefit of LNG as a cleaner alternative to coal in power generation.

### **China now Australia's largest market for 'cross-border' services exports**

15 March, DFAT, [Media Release](#)

China has overtaken the United States to be Australia's largest services export market in the last financial year. According to the latest publication of Trade in Services, Australia 2009-10, Australian services consumed by China grew by 13.4 per cent to \$5.8 billion in 2009-10. The US consumed around \$5.3 billion in the same period. Education-related travel services, valued at \$4.4 billion, were the largest category of services exports to China. In addition to services exports captured by official statistics (that is, services exports originating in Australia that are consumed overseas or by foreigners whilst in Australia). ITS Global research shows that Australia's services exports are considerably larger: Australia's services inputs ('embodied services') are estimated to be around \$35 billion in 2008-09.

## World Trade Organization

### *WTO Dispute Settlement*

#### **EU-Canada reach beef dispute agreement**

17 March 2011, EU Trade Commission, [Press Release](#)

The EU and Canada have signed a Memorandum of Understanding in relation to the long-running beef hormones dispute. Under the agreement, Canada would suspend all sanctions on European products to a value of over 11 million Canadian dollars, while the EU would extend its duty-free tariff-rate quota of high quality beef by an additional 1,500 tons until August 2012 which could be potentially increased to 3,200 tons for 2013. Canada and the EU would then decide whether to reach a permanent settlement of the case.

**[DS397](#)** – On 30 March 2011, China notified the WTO Dispute Settlement body of its decision to cross-appeal the panel report on Definitive Anti-Dumping Measures on Certain Iron or Steel Fasteners from China. The European Union appealed the on 25 March 2011.

**[DS353](#)** – On 31 March 2011, the WTO issued a panel report examining the European Union's complaint regarding "United States – Measures Affecting Trade in Large Civil Aircraft". The European Union notified the WTO Dispute Settlement Body of its decision to appeal the panel report.

**[DS424](#)** – On 1 April 2011, the European Union requested consultations with the United States under the dispute settlement system concerning US's anti-dumping measures on imports of stainless steel sheet and strip in coils from Italy.

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](#).

If you do not wish to receive the ITS Global Trade Reporter click [here](#) and unsubscribe. You have permission to forward this email newsletter to other interested persons provided it is passed on in its entirety.

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

Level 1, 34 Queen St, Melbourne 3000 Victoria, Australia ACN 007 307 342

Telephone: 61 3 9620 34 00 Fax: 61 3 9614 83 22

Email: [a.ilchenko@itsglobal.net](mailto:a.ilchenko@itsglobal.net)

Comments are welcome by  
visiting us at our [website](#).

© 2011. All rights reserved