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GLOBAL ECONOMY

UK Prime Minister Theresa May Outlines Brexit Negotiating Goals

UK Prime Minister Theresa May [outlined](#) her government's objectives for the expected "Brexit" negotiations on Tuesday 16 January, making clear that she plans to take the United Kingdom out of the EU's single market and instead craft a free trade agreement (FTA) with the bloc's remaining 27 members.

"We are leaving the European Union, but we are not leaving Europe. And that is why we seek a new and equal partnership – between an independent, self-governing, global Britain and our friends and allies in the EU," she said as she prepared to outline a 12-point list of negotiating goals.

"Not partial membership of the European Union, associate membership of the European Union, or anything that leaves us half-in, half-out. We do not seek to adopt a model already enjoyed by other countries. We do not seek to hold on to bits of membership as we leave," said the UK leader.

European Council President Donald Tusk responded to the speech on social media site [Twitter](#), saying that this marks a "sad process, surrealistic times but at least more realistic announcement on Brexit."

Tusk further stated that the other EU member states – referred to as the "EU27" – are "united and ready to negotiate after Art.50," referring to the formal article under the Lisbon Treaty under which the UK will need to notify formally its intent to leave and begin exit talks.

May's highly anticipated speech also clarified several other issues that had been cause for speculation and debate in recent months: that a final Brexit deal will face votes in both the UK House of Commons and House of Lords and that the UK is aiming to complete the talks within a two-year timeframe.

Regarding the latter, May warned against reaching a "cliff-edge for business or a threat to stability" in the exit process, while noting that she is not advocating for "some form of unlimited transitional status."

"Instead, I want us to have reached an agreement about our future partnership by the time the two-year Article 50 process has concluded," followed by a period where implementation will be gradually enacted to allow all players to adjust to the new system.

The EU's chief negotiator for Brexit, Michel Barnier, has said that the process of negotiating a new deal would take 18 months in practice, rather than two years, given the time needed to then secure legislative approval of the final outcome. He has, however, suggested that some period of transition could be possible. (See Bridges Weekly, [15 December 2016](#))

May: EU success "in Britain's national interest"

While US President-elect Donald Trump suggested this week that other EU member states should follow suit in leaving the bloc – deriding the current structure of the 28-nation grouping as a "vehicle for Germany" – May said repeatedly on Tuesday that it is not in her country's interest for the bloc to unravel.

"We want the EU to be a success and we want its remaining member states to prosper. And of course we want the same for Britain," she said on Tuesday.

In the days leading up to May's speech, other officials from her government have similarly sought to counter the suggestion that the move towards Brexit is an endorsement of inward-looking policy approaches. Both May in her speech on Tuesday and others have suggested that the process to leave the EU is meant to make the UK a better player on the international stage while also responding to domestic needs.

"In my judgement it would be a mistake to read the Brexit vote as being part of the same strand of thinking that has formed in the US," said UK Chancellor of the Exchequer Philip Hammond in an [interview](#) with German newspaper Welt am Sonntag on 15 January. "If you look at the media and the reporting during the Brexit referendum campaign, there was no anti-trade rhetoric. It was the exact opposite."

Models of integration

The weeks leading up to Tuesday's speech already saw heightened expectations that the UK government would be deciding against trying to keep membership in the EU's single market.

The UK leader made clear that, in light of the "four freedoms" required by the EU's single market – free flow of goods, services, capital, and people – her country's government will not be pursuing continued membership in that configuration.

Leaders of the other 27 EU member states have [repeatedly stressed](#) in recent months that these four freedoms are an essential tenet of the single market, and that the UK will not be able to pick which of these it would like to keep or lose.

Within that context, May called for obtaining the "greatest possible access" to the single market under a new free trade deal, "on a fully reciprocal basis."

Foreign trading partners

The UK prime minister also indicated that her government has a keen interest in reaching new trade agreements with non-EU countries, including both advanced and emerging economies.

Currently as an EU member, the UK cannot conclude individual trade agreements with non-EU countries. One of the questions raised by experts will be how the UK will navigate its future relationship with the EU's customs union, of which it is currently a member, in a way that allows the island nation to negotiate new accords after leaving the EU.

"Now, I want Britain to be able to negotiate its own trade agreements. But I also want tariff-free trade with Europe and cross-border trade there to be as frictionless as possible," said May on Tuesday, acknowledging that customs union requirements such as a common commercial policy and external tariff would prevent the UK from "full membership" in that structure.

She suggested instead coming together with a new customs arrangement with the existing EU customs union, while affirming that she remains open as to the setup of such a scheme. The UK leader also listed a series of countries that could be on the agenda for future UK-led trade deals.

"We want to get out into the wider world, to trade and do business all around the globe," said May, listing early interest or preliminary discussions with Australia, Brazil, China, India, New Zealand, and countries in the Persian Gulf.

Earlier this week, May met with New Zealand Prime Minister Bill English, who took over from John Key in December. Both leaders referred to their shared interest in increased trade ties, both now and following the UK's exit from the European Union.

"We are here to work with both the UK and the EU and we're ready to negotiate a high quality free trade agreement with the UK when it is in a position to do so," [said](#) English at the time. New Zealand is also [expected](#) to start negotiations with the EU on a future FTA later this year.

On Tuesday, Theresa May also referred to the interest expressed by US President-elect Donald Trump in reaching a bilateral trade deal.

During the lead-up to the "Brexit" vote, outgoing US President Barack Obama had warned that the UK could find itself at the back of the line should it move forward with leaving the EU, given his administration's preference for concluding trade deals with country groupings rather than individually, though officials afterward said they would be open to further discussions on the subject. (See Bridges Weekly, [28 April 2016](#))

The EU and the US have spent the past three and a half years negotiating a bilateral trade agreement known as the Transatlantic Trade and Investment Partnership (TTIP); however, those talks are for the moment on hold pending additional clarity on the approach of the incoming Trump administration. The two trading partners did release on Tuesday 17 January a [four-page summary](#) of the negotiations so far in, both in terms of market access, regulatory issues, and rules.

ICTSD reporting; "Donald Trump takes swipe at EU as 'vehicle for Germany'," FINANCIAL TIMES, 16 January 2017; "Philip Hammond issues threat to EU partners," WELT, 15 January 2017; "Michel Barnier: UK will have 18 months to negotiate Brexit deal," POLITICO, 6 December 2016.

WASHINGTON

US Gears Up For New Leadership As Trump Prepares to Take Office

Washington is preparing itself for a major shift in leadership this week, with Donald Trump due to be inaugurated as the 45th US President on 20 January and confirmation hearings already underway for various cabinet positions, including some related to trade.

After Trump swears the oath of office on Friday, the entire US government will officially be under Republican leadership, with the Senate and House of Representatives now already in session.

However, what this will mean for the trade agenda that has been backed under the outgoing Obama Administration remains unclear for the time being, even as policy and political fights are already brewing in Washington across a host of other issues, such as healthcare reform and the vetting process for various cabinet positions.

Trade-related nominations, hearings

In the weeks leading up to the inauguration, President-elect Trump has given some initial signals as to the possible directions of his administration's trade policy once in office, announcing plans to set up a new "National Trade Council" within the White House.

This new White House group would have the role of advising Trump on "innovative strategies in trade negotiations, coordinate with other agencies to assess US manufacturing capabilities and the defence industrial base, and help match unemployed workers with new opportunities in the skilled manufacturing sector."

Peter Navarro has been named to head this new council. Navarro is an academic whose work has been known for taking a harsh position on some Chinese trade practices and for criticising the North American Free Trade Agreement (NAFTA).

The National Trade Council would work with the Office of the US Trade Representative (USTR), which is the specialised government agency that deals with the negotiation of international trade deals, the tabling of disputes, and other related duties. Trump has also indicated that the US Department of Commerce would play a significant role in crafting trade policy, larger than that seen under previous administrations.

For the post of USTR, the president-elect has nominated Robert Lighthizer, an international trade lawyer who was previously a deputy USTR under the administration of President Ronald Reagan.

Lighthizer was also a board vice chairman for the Overseas Private Investment Corporation (OPIC) and has a long history of working on trade remedy cases, according to a [personnel bio](#) published by Skadden, Arps, Slate, Meagher, & Flom LLP and Affiliates, which lists him as a partner.

The date of Lighthizer's Senate confirmation hearing has not yet been announced. Before his nomination faces a vote on the full Senate floor, he will first have to undergo a hearing in the Senate Committee on Finance. The billionaire investor Wilbur Ross has been nominated to serve as Secretary of Commerce, with his confirmation hearing held on

Wednesday 18 January. Both the posts of USTR and Commerce Secretary are Senate-confirmable roles.

According to [prepared testimony](#) submitted ahead of the hearing, Ross argued that his background in the steel, textiles, and automobile sectors have given him additional insights relative to past nominees on the particular challenges facing US manufacturers on trade.

"I also understand that at the end of the day, each of our trading partners want access to our market. The United States should provide that access to nations who agree to play by our standards of fair trade. We should not put up with malicious trading activities, state owned enterprises, or subsidised production," said Ross in his statement, adding that he is in favour of "sensible" trade.

Testifying on Tuesday, the business magnate told senators upon questioning that he does not approve of the Trans-Pacific Partnership (TPP) Agreement in its final form, raising issues such as automobile rules-of-origin as problematic. He also noted the potential that tariffs can have as an enforcement tool, including the use of duties to address allegedly unfair practices by China or others in the steel and aluminium sector, as well as to spur trade negotiations forward.

While Trump has pledged to notify TPP partners of his intent to withdraw the US from the accord as soon as he takes office, some of his other cabinet nominees have shown a broader range of views over the deal's merits.

For example, Rex Tillerson, who as Secretary of State-designate would become the US' top diplomat if confirmed, [told senators](#) in his hearing last week that "I do not oppose TPP, I share some of [Trump's] views regarding whether the agreement that was negotiated serves all of America's interests the best."

Tillerson is the former chairman and chief executive officer of ExxonMobil, the oil and gas giant, having joined the company over four decades ago.

Froman's parting words

Despite the political landscape on trade, the United States still needs to assure its continued role as a "Pacific power," said outgoing USTR Michael Froman [in a speech](#) to the Washington International Trade Association (WITA) on 10 January.

Froman has served as Washington's trade chief since June 2013, having [previously held](#) other administration posts involving international economic relations, including as Deputy National Advisor for International Economic Affairs. (See Bridges Weekly, [2 May 2013](#))

During his tenure, the US completed trade negotiations with 11 other countries for the TPP along with kicking off talks for a trade deal with the EU; a services trade liberalisation deal with 22 other WTO members; an environmental goods accord with 17 other WTO members; and an initiative aimed at disciplining harmful fisheries subsidies.

These agreements are in different stages of negotiation, with the fish subsidies one the most recent initiative.

The TPP brings together 12 Pacific Rim nations who together make up 40 percent of global GDP for an ambitious deal whose 30 chapters cover topics ranging from environmental and labour protections to intellectual property rights and digital trade.

In Washington, the accord has been billed by the administration and other proponents as an essential component in advancing US foreign policy interests within the region, along with taking a proactive role in crafting new trade disciplines. Furthermore, some advocates

warn, backing away from the hard-fought deal could cede the role of trade rule-maker in the region to other major players such as China.

"There simply is no way to reconcile a get-tough-on-China policy with withdrawing from TPP. That would be the biggest gift any US President could give China, one with broad and deep consequences, economic and strategic. It would be huge for China," said Froman.

The outgoing US trade chief also called for making a better public case for trade, as well as getting the public more engaged in the process, particularly in the wake of the difficult trade politics seen throughout the past year.

"We collectively need to do more to convey the importance of trade broadly – not just around a specific vote or even a single agreement. I have zero doubt that we have the facts on our side, but it's easy to blame foreign trade for all our ills – even though in our hearts we know that just isn't true," he said.

ICTSD reporting; "Trump Forms Trade Council Led by China Critic Peter Navarro," BLOOMBERG, 21 December 2016; "In Trump cabinet, Commerce Secretary will run trade policy," REUTERS, 20 December 2016; "Tillerson breaks with Trump on TPP trade deal," CNN, 11 January 2017; "Wilbur Ross Confirmation Hearing: Live Coverage," WALL STREET JOURNAL, 18 January 2017.

GLOBAL ECONOMY

Annual Davos Meet Kicks Off With Globalisation in the Spotlight

The World Economic Forum's (WEF) Annual Meeting in the Swiss ski resort town of Davos-Klosters got underway on Tuesday 17 January, bringing together leaders from international organisations, national governments, industry, academia, and the media for several days of high-level discussions.

The 17-20 January gathering is being held under the theme "Responsive and Responsible Leadership," with a [description](#) of the event's objectives referring to the need to address the growing "frustration and discontent" for those who are not benefiting from improved economic or social conditions.

"The emergence of a multipolar world cannot become an excuse for indecision and inaction, which is why it is imperative that leaders respond collectively with credible actions to improve the state of the world," the WEF document says.

Indeed, this year's meet comes at a time of major political uncertainty, with the impending leadership transition in the US, the expected launch of Brexit negotiations in early spring, and elections in various major EU member states, among various other factors. (See Bridges Weekly, [15 December 2016](#))

The rise of populism across these countries, paired with growing concerns over the merits and pitfalls of globalisation, has also loomed over the Davos gathering, analysts say. (For more on the US or Brexit, see related articles, this edition)

On the economic front, global economic growth for 2017 and 2018 is expected to hit 3.4 and 3.6 percent, respectively, according to updated [projections](#) released by the International Monetary Fund (IMF) earlier this week.

However, the Washington-based institution cautioned, "notable negative risks to activity include a possible shift toward inward-looking policy platforms and protectionism." The Fund also warned of the adverse implications should China experience a harsher "slowdown," among other potential challenges.

Xi, Biden, Kerry take stage in Davos

Among the various high-level participants in Davos is Chinese President Xi Jinping. Notably, he is the first sitting Chinese president [to address](#) the annual gathering, and gave a keynote speech on Tuesday.

The speech comes just days before US President-elect Donald Trump is due to be inaugurated on Friday 20 January – a change in leadership that has indicated a potentially landmark shift in principles underlying the global economic order, given the incoming official's comments on topics ranging from the value of European integration to immigration and trade policy.

Speaking during the opening plenary, Xi [defended globalisation](#), arguing that it is not the source of the world's problems. He also cautioned against protectionism, stating that "no one will emerge as a winner from a trade war."

"We should recognise that economic globalisation is a double-edged sword. The pitfalls of economic globalisation have been laid bare and we need to take these seriously," he added.

Xi also chronicled some of Beijing's own paths towards economic reform and liberalisation, while pledging that more such changes are on the way for the Asian economic giant.

"There was a time when China also had doubts about economic globalisation, and was not sure whether it should join the World Trade Organization. But we came to the conclusion that integration into the global economy is a historical trend," said Xi.

The Chinese president also defended the UN's Paris Agreement on climate change, which entered into force this past November. While the United States has already ratified the accord, Trump pledged on the campaign trail that he would "cancel" Washington's participation in the landmark climate deal, though has since suggested that he will have an "open mind" going forward. (See Bridges Special Update, [20 November 2016](#))

Outgoing US Vice-President Joe Biden and Secretary of State John Kerry both took the stage in Davos this week, with each of them praising the Obama Administration's achievements and calling for its international legacy on climate change and other issues to be continued.

Biden, for his part, urged other countries to continue playing an active role in ensuring and advocating for the "liberal international order," while arguing that future US leadership on the international stage will be contingent on doing the same.

"There will be a new president in the US, but the challenges and choices we make as an international community do not hinge exclusively on Washington's leadership. Whether we reinforce the ties that bind us or they unravel, these choices will be made by every single nation," [said](#) Biden.

Trade ministers' meeting coming up

With many more events still to come as the WEF meeting continues, one of the key trade items on the docket will be an informal meeting on Friday of various trade ministers, as in previous years. The group is expected to focus on the possible direction of WTO negotiations in the coming months, particularly in light of the upcoming ministerial conference.

The 20 January meeting will be hosted by Johann Schneider-Ammann, who serves as the head of the Swiss Federal Department of Economic Affairs, Education, and Research. WTO Director-General Roberto Azevêdo will also be in attendance.

The ministerial conference marks the global trade body's highest-level meeting and will be held in Buenos Aires, Argentina, from 11-14 December 2017. Over the past year, WTO members have been engaged in a "process of reflection" in an effort to determine where to take the organisation's negotiating agenda next, particularly in light of the unresolved issues resulting from the outcomes from the December 2015 ministerial conference in Nairobi, Kenya. (See Bridges Daily Update, [19 December 2015](#))

A wrap-up of the WEF Annual Meeting, including the informal trade ministers' gathering, will be included in next week's edition of Bridges on 26 January.

ICTSD reporting; "In Era of Trump, China's President Champions Economic Globalization," THE NEW YORK TIMES, 17 January 2017; "Xi Jinping delivers robust defence of globalisation at Davos," FINANCIAL TIMES, 17 January 2017; "Xi warns Trump against quitting UN climate deal," CLIMATE HOME, 17 January 2017.

TRADE AGREEMENTS

Eyes on CETA Ratification Ahead of EU Trade Committee Vote

Efforts to ratify an EU-Canada trade deal have seen progress in Europe, with the agreement receiving the backing of the European Parliament's environment, public health, and food safety (ENVI) committee last week.

The 12 January vote featured 40 lawmakers in favour, 24 against, and one abstaining. While the ENVI committee's vote is non-binding, its opinion is meant to help inform the process going forward. Another European Parliament committee which focuses on employment and social affairs (EMPL) voted against CETA in early December, reportedly citing concerns over potentially negative implications for jobs, though that vote was similarly non-binding.

The European Parliament's international trade committee (INTA) is due to meet from 23-24 January, with a vote on the subject [due](#) on the second day of those discussions. The accord must make its way through INTA before reaching the full European Parliament plenary, with the 751-member legislative body then expected to vote on CETA next month.

Meanwhile, Germany's constitutional court issued a ruling last week which confirmed that the country's government has taken the necessary steps to allow for CETA's signing and provisional application – countering claims raised by some domestic opponents of the deal.

Across the Atlantic, the trade deal and its implementing legislation have been submitted for Canadian parliamentary consideration. It has passed two readings in the House of Commons and has been referred to the Standing Committee on International Trade, which held [a meeting](#) on the subject on 14 December.

Should the trade agreement be ratified successfully in both the European and Canadian parliaments, it will be applied provisionally until it secures the ratification of individual member state parliaments in the EU. (See Bridges Weekly, [7 July 2016](#))

The trade deal was negotiated over several years, with formal talks kicking off in 2009. The final version is set to eliminate 99 percent of tariffs, with the bulk of these to be removed once the deal is in force. It also adopts a series of provisions aimed at facilitating foreign investment and improving services market access.

CETA also features improved public procurement market access, and includes a new investment court system, the latter of which has drawn intense public scrutiny. The new court, proponents say, is meant to be a significant improvement over the previous investor-state dispute settlement (ISDS) system, which has become a common feature in international trade and investment deals.

EU and Canadian leaders signed CETA this past October, following several weeks of protracted negotiations aimed at bringing the Belgian regional authorities of Wallonia on board. (See Bridges Weekly, [3 November 2016](#))

ECJ advocate general circulates opinion on EU-Singapore FTA

In late December, an advocate general for the European Court of Justice (ECJ) circulated her final opinion on whether a separate trade and investment deal between the European Union

and Singapore falls within the EU's "competence," which affects how the accord will move forward in the future signature and ratification stages.

The EU-Singapore FTA negotiations were concluded in October 2014. That same year, the European Commission asked the EU's highest court to rule on its competence on this issue, stating in a [decision](#) that "it is uncertain whether the Union has the necessary competence (whether exclusive or shared) to conclude alone the Free Trade Agreement with Singapore or whether the participation of the member states is necessary, or at least possible, in respect of certain matters."

The specific question put forward by the Commission was whether the EU has "the requisite competence" to sign and conclude the EU-Singapore FTA fully on its own, along with questioning whether provisions might fall under exclusive or shared competence, and if any sections of the deal are solely the competence of individual EU countries.

While the results of the final ECJ ruling will focus on the implications for the EU-Singapore deal, they are also expected to be [useful](#) in clarifying the roles of the European Commission and member states in trade negotiations going forward, which has already been a source of controversy in the CETA situation and others.

The opinion issued by Advocate General Eleanor Sharpston on 21 December deemed that the EU-Singapore accord "can only be concluded by the EU and the member states acting jointly." She also listed which areas of the FTA should fall under the EU's exclusive external competence and which ones fall under shared competence with EU countries.

"While the Advocate General notes that difficulties may arise from a ratification process involving all of the member states alongside the EU, she considers that that cannot affect the question of who has the competence to conclude the agreement," says a [media release](#) summarising the Advocate General's official opinion.

The ECJ has yet to deliver its final opinion, though the same media release confirms that it is due this year.

ICTSD reporting; "Parliament gives boost to EU-Canada CETA trade deal," NEW EUROPE, 13 January 2017; "European Parliament committee says reject EU-Canada trade deal," REUTERS, 8 December 2016; "Protracted EU-Canada trade deal clears hurdles in Europe," THE GLOBE AND MAIL, 12 January 2017.

ASIA-PACIFIC

Abe, Turnbull Highlight Commitment to TPP, Trade Ties in Bilateral Talks

Australian Prime Minister Malcolm Turnbull and Japanese Prime Minister Shinzo Abe met in Sydney last weekend to discuss a host of trade issues, including their plans to move forward with the Trans-Pacific Partnership (TPP) Agreement.

Meeting on Saturday 14 January, the leaders also affirmed their continued commitment to deepening bilateral trade ties. Abe's visit to Australia represented part of a [four-country tour](#) in the Asia-Pacific, including the Philippines, Indonesia, and Vietnam, aimed at strengthening trade and security relations in the region.

The TPP, a planned pact between 12 nations in the Asia-Pacific, covers 37 percent of global GDP and a population of over 819 million. The agreement promises to eliminate over 98 percent of tariffs in the region and provide transparent and stable conditions for investors.

With negotiations completed in late 2015 and the deal signed in February 2016, the accord has since been pending ratification by the signatories' domestic legislatures, with Japan being the latest to ratify in December. (See Bridges Weekly, [15 December 2016](#)) As the second-largest economy in the region, the enactment of the deal hinges in large part on Japan, though ratification by the US is also one of the pre-conditions for its entry into force.

US President-elect Donald Trump, set to take office on 20 January, reaffirmed in November his plan to submit "a notification of intent to withdraw" from the agreement. Trump has referred to the deal as "a potential disaster" for US interests, pledging instead to "negotiate fair bilateral trade deals that bring jobs and industry back." (See Bridges Weekly, [24 November 2016](#))

Next chapter for TPP

The leaders of Japan and Australia both reaffirmed their commitments to maintaining strong cooperation with the US and the incoming administration. Speaking at a press briefing at Kirribilli House in Sydney, Abe said that his country affirms "the importance of the role of the US-Japan and US-Australia alliance in the Asia-Pacific region."

"Our respective alliances with the United States are as relevant and important today as they have ever been," Turnbull [said](#), adding that Canberra plans to "work closely with the incoming administration as we have been to advance the region's interests and our shared goals."

The change of leadership in the US from Barack Obama, who had ardently supported the TPP's negotiation and ratification, has meant that trading partners in the Asia-Pacific must assess how this transition will affect plans for closer trade ties in the region. (See Bridges Weekly, [24 November 2016](#))

Both leaders publicly stood behind the 12-country accord in Saturday's press briefing, pledging to "coordinate toward the early entry into force of the TPP" according to Abe's comments.

Earlier this week, Australian Trade Minister Stephen Ciobo expressed optimism about the deal's future [in an interview](#) with ABC Radio.

"There are quite a number of very senior Republican congressional leaders who recognise that the TPP is a good deal, not only for the US but for all 12 countries. That is certainly the view of Australia, it's the view of Japan, and that's why we're continuing to pursue our domestic processes to ensure the TPP comes into effect," he said.

"If in 24 months' time the United States still maintains the position that they do not want to be part of the TPP, well there are other options that can be pursued," said the Australian official.

Free trade upheld

The leaders also expressed their commitment to free trade based on their commonly held values. "It is more necessary than ever before for Japan and Australia, as special strategic partners, to play a leading role for regional peace and prosperity, as we both share common values such as freedom, rule of law, and democracy," Abe said.

The Japanese leader also stressed the value of supporting and protecting "the robustness of the free, open, and rules-based international order."

Turnbull added that both leaders were "thoroughly committed to free trade and the open markets" and "to bringing into force the TPP."

"We know that protectionism is not a ladder to get an economy out of a low growth trap, it is a shovel to dig it deeper," said Turnbull.

As part of their push for deeper trade ties, Abe and Turnbull also pledged a prompt conclusion to the Regional Comprehensive Economic Partnership (RCEP), the 16-country negotiations involving both Canberra and Tokyo. The planned agreement, covering almost 30 percent of world GDP, includes ASEAN and its six FTA partners, but does not include the US. Those six FTA partners are Australia, China, India, Japan, New Zealand, and South Korea. (See Bridges Weekly, [10 November 2016](#))

Japan-Australia deal: two years in

Traveling with Abe was a cohort of Japanese business leaders, including the executive team of INPEX, the oil company. Japan is Australia's [second largest source](#) of foreign direct investment, where INPEX was responsible for the largest single overseas direct investment.

The meeting also marked the two-year anniversary of the [entry into force](#) of the Japan-Australia [Economic Partnership Agreement](#) (JAEPA), a bilateral free trade deal aimed at facilitating trade and investment between the two nations and promoting mutual economic growth, including provisions on e-commerce, intellectual property, government procurement, dispute settlement, competition. (See Bridges Weekly, [10 April 2014](#))

"We are seeing smooth implementation of the Japan-Australia EPA which will start its second year tomorrow after coming into force," [said](#) Abe last weekend. "I hope that the business mission accompanying me this time will provide the impetus for a further deepening of cooperation in the economic sphere which provides the foundation for our bilateral ties."

ICTSD reporting; "Australia, Japan to fast-track TPP vote to pressure US," IANS, 16 January 2017; "Australia, Japan boost defense ties amid instability in Asia," ASSOCIATED PRESS, 14 January 2017; "Japan, Australia Vow to Work With Trump on Regional Security," BLOOMBERG, 14 January 2017; "Abe, Turnbull sign pact boosting Japan-Australia defense ties," THE JAPAN TIMES, 14 January 2017; "Japan, Australia to strengthen defense ties, stress importance of TPP," REUTERS, 14 January 2017; "Malcolm Turnbull holds out hope for TPP despite Trump's opposition," THE GUARDIAN, 17 January 2017.

DISPUTES

Disputes Roundup: New US-China Cases Filed, Rulings for Indonesian Disputes Released

The start of the new year has marked a particularly busy time for the global trade arbiter, with a number of new complaints launched and several dispute reports released in late December and early January.

Among these was the ruling of a dispute panel which rejected the majority of Indonesia's claims against the EU for the latter's anti-dumping measures on imported fatty alcohols. Another panel has found that Indonesian import licensing regimes violate global trade rules, limiting agriculture imports from New Zealand and the United States.

Separately, the US has requested a panel to review Chinese price support for grains and filed a new dispute challenging the administration of tariff rate quotas (TRQs) on grains. The US has also filed a new case alleging that China has been unfairly subsidising aluminium producers.

Another issue that will continue to draw the attention of trade watchers is the ongoing debate over China's market economy status. The Asian economy requested consultations with the EU and US over "non-market economy" treatment in anti-dumping determinations in mid-December, and could request panels to address the issue as early as February should these consultations fail to lead to a mutually agreed solution.

New aluminium case

Last week, the outgoing administration of US President Barack Obama filed a complaint against alleged subsidies provided by the Chinese government to certain domestic producers of aluminium ([DS519](#)).

The 12 January consultations request refers specifically to loans and other financing provided to certain producers, with US Trade Representative Michael Froman [arguing](#) that this support is "artificially cheap." Paired with the use of "low-priced inputs," the US trade chief warned that the alleged Chinese measures are making it increasingly difficult for American producers to compete in a sector that has already been bedevilled by overcapacity issues.

According to the consultations request, these alleged subsidies are in violation of several provisions of WTO subsidy rules, with the US claiming that this state aid is the source of "serious prejudice" to its domestic interests.

Specifically, the document refers to the "displacement and impendance of US imports of primary aluminium" in other markets, including China, along with affecting prices and sales and allowing the Asian economy to have an increased global market share in aluminium than it had in a less-subsidized time period.

Overcapacity in steel and aluminium has been a significant source of concern and debate on the international stage over the past year, especially with regard to the former. China is a major global producer of both metals, though top producing countries have generally agreed that the problem is global in nature and requires an international solution.

The two sides will now have a 60-day minimum window for holding consultations. By that time, Obama and his administration will have left office, leaving the decision regarding whether the US pursues the establishment of a dispute panel in the hands of incoming President Donald Trump and his trade team.

China's agriculture support in focus

Last December, the US also asked the Dispute Settlement Body (DSB) to establish a WTO panel to hear its complaint over China's grain subsidies ([DS511](#)).

Washington initiated WTO dispute settlement proceedings in September, claiming that Chinese price support for rice, wheat, and corn exceeded agreed limits from when Beijing joined the WTO. The governmental support programmes allegedly encourage grain production in China, displacing imports and distorting Chinese prices. (See Bridges Weekly, [15 September 2016](#))

Sources familiar with the meeting told Bridges that Beijing blocked the US panel request and announced its intention to "strongly defend its interests and demonstrate the WTO-consistency of its measures."

However, outgoing US Agriculture Secretary Tom Vilsack said in a [statement](#) that the action against grain price supports in September was only "one piece of the puzzle, and now [the US] must confront China's improper administration of its TRQs to ensure that [American] grains have... meaningful market access."

On 15 December, the US also filed a new complaint ([DS517](#)) against China's administration of tariff rate quotas (TRQ) for rice, wheat, and corn imports. TRQs allow for quantities of a product within the quota to be charged with lower import duties than those falling outside the quota.

Washington claims that the administration of the TRQs is non-transparent, unpredictable, and unfair. "Despite lower global prices that favour the importation of grains into China, the TRQs for each commodity persistently do not fill," [said](#) the office of the US Trade Representative. Washington cites WTO provisions on transparency, general elimination of quantitative restrictions, and non-discriminatory administration of quantitative restrictions to support its claims.

Following the launch of the dispute, the two parties must hold consultations for at least 60 days in an effort to resolve their differences.

Details on China NME cases

Last month, Beijing filed two WTO complaints ([DS515](#) and [DS516](#)) against US and EU anti-dumping rules. Both WTO members have treated China as a "non-market economy" in past anti-dumping cases when calculating the normal value of Chinese goods.

"Dumping" in trade jargon refers to the practice of selling goods abroad at prices below their normal value. WTO rules allows a member to impose anti-dumping duties to counter this practice, subject to certain conditions.

Normal value usually refers to the price in the exporting country's home market. In certain circumstances, WTO's Anti-Dumping Agreement provides for determining this value in other ways, such as using the export price for a third country market, or constructing it using additional data such as production costs.

WTO anti-dumping rules also recognise the possibility of not comparing the export price strictly with these home market prices in the particular situation of "non-market economies,"

with the latter term referring to those countries where there is “a complete or substantially complete monopoly of its trade and where all domestic prices are fixed by the state.”

When China joined the WTO in 2001, a special provision on the “price comparability” for determining dumping was included in its accession protocol for a transitional period of 15 years. Pursuant to this provision, if the investigated producer “cannot clearly show that market economy conditions prevail in the industry,” an investigating authority may use alternative options instead of Chinese domestic prices or costs to calculate normal value.

China filed the cases against the US and EU the day after this special provision expired, noting in the case of the former that US anti-dumping law requires its investigating authority to determine normal value of exports of a “non-market economy” on the basis of constructed price in a third country, if the “available information” does not permit a determination of normal value through ordinary methods. China is classified as a “non-market economy” under the US law, said China in its consultations request.

China also complained that current EU anti-dumping law names China as a “non-market economy country” and uses a system for determining normal value on the basis of price or constructed value in a surrogate “market-economy” third country. Under this system, China noted, producers under investigation must show that their manufacturing and sales meet “market economy” criteria as described under EU law in order for EU authorities to use its ordinary methods of calculating normal value.

Beijing argues that the EU and US calculate normal value and dumping margins in a way that violates the General Agreement on Tariffs and Trade (GATT) 1994 and the Anti-Dumping Agreement, resulting in higher anti-dumping duties, and violate WTO non-discrimination obligations. Given that the provision in China's accession protocol has expired, Beijing claims that it is no longer justifiable to use those calculation methodologies.

Washington officials have since released a statement saying that expiration of the provision does not automatically grant China “market economy” status and that “China has not made the reforms necessary to operate on market principles,” according to Reuters. The European Commission, in turn, has made a proposal in November 2016 to amend the challenged legislation, but this must still go through EU legislative procedures. (See Bridges Weekly, [24 March 2016](#))

WTO panel: Indonesian import licensing regimes violating trade rules

In May 2014, New Zealand ([DS477](#)) and the United States([DS478](#)) launched a dispute against Indonesia alleging the latter had imposed illegal import restrictions and prohibitions on horticultural products, animals, and animal products. A panel was established in May 2015 to hear the complaints.

In its finding published last month, the panel reviewed several measures making up Indonesia's import licensing regimes, which outlined import approval processes and conditioned agricultural imports on the level of domestic supply.

The panel upheld Washington and Wellington's claims, and finds that “by virtue of their design, architecture, and revealing structure,” some of the challenged measures constitute restrictions having “a limiting effect on importation” and the others are import prohibition. The panel therefore deemed that Jakarta has violated the GATT provision on eliminating quantitative restrictions.

In this dispute, Jakarta defended its import licensing measures under the GATT's general exception provisions, while outlining justifications for using otherwise WTO-illegal measures, so long as those measures are “necessary” to address greater public policy goals.

Nonetheless, the panel rejected that defence, saying that there does not appear to be a relationship between those public policy goals and the import measures adopted, among other reasons.

Indonesia-EU panel report released

Another case involving Indonesia ([DS442](#)) also saw the release of a panel ruling over the past month. Indonesia had launched the case to challenge an EU anti-dumping investigation and related duties on imported fatty alcohols.

Following a request by two European producers, Brussels began investigating in 2010 whether Indonesian fatty alcohols were sold at a price to Europe lower than the price on home market. Fatty alcohols are an intermediary product sourced from natural fats and oils, used as inputs for household, cleaning, and personal care products.

EU authorities imposed provisional duties on such goods, following these with definitive anti-dumping duties set at €45.63 per tonne for particular Indonesian companies and €80.34 per tonne for some others.

Indonesia filed a WTO complaint in July 2012, claiming the European Union's anti-dumping measures violated global trade rules. The panel ruling issued last month rejected the majority of Indonesia's claims, including those related to how EU authorities determined the "export price."

Furthermore, during the original investigation, Indonesian companies had claimed that factors such as the 2008 economic crisis, access to raw materials, and price fluctuations contributed to the injury suffered by European industry – arguments which EU investigators rejected. Following Jakarta's claims, the panel examined Brussels' injury analysis and considerations, and deemed that the EU acted in line with WTO rules.

The panel did fault Brussels for not meeting its disclosure responsibility in its investigation, as required by WTO rules.

Both sides have 60 days from when the report was circulated to appeal the panel's findings. Under WTO rules, the Appellate Body can review aspects of law – such as legal interpretation – but generally will not interfere with the factual findings of the original panel.

ICTSD reporting; "China launches WTO complaint against U.S., EU over dumping rules," REUTERS, 12 December 2016.

EVENTS & RESOURCES

Events

Coming Soon

17-20 January, Davos-Klosters, Switzerland. WORLD ECONOMIC FORUM ANNUAL MEETING. This annual gathering hosted by the World Economic Forum (WEF) will bring together political leaders, business executives, academic experts, and aspiring entrepreneurs for several days of meetings touching upon economic, development, security, and global governance topics. This year's gathering will be held under the theme "Responsive and Responsible Leadership." Additional information is available at the WEF's [website](#).

23 January, London, UK, and online. TRADE AND DEVELOPING ECONOMIES: A POST-BREXIT BLUEPRINT. This event is being organised by the Overseas Development Institute (ODI) and the Centre for International Economic Law, Trade, and Development. The panel will review what the Brexit process means for international trade on several levels, including the UK-EU relationship; the implications for African countries; and development cooperation. The event will be streamed live online. To learn more and to register, please visit the ODI [website](#).

24 January, London, UK. THE END OF THE ASIAN CENTURY? This Chatham House event will feature a panel discussion regarding the various developments being seen in Asia in areas ranging from economic growth to environmental hazards, among others. Participants will review what the implications of regional economic growth might mean for poorer segments of the population, as well as the prospects for further regional cooperation or tension. More information is available at the Chatham House [website](#).

24 January, Washington, US. MEXICO'S ENERGY REFORMS: NEW FRONTIER IN REGULATORY TRANSPARENCY. This event is being organised by the Carnegie Endowment for International Peace and the Natural Resource Governance Institute in order to discuss the prospects and possibilities for Mexico's independent regulatory agency in the area of hydrocarbons. For additional details, including a list of speakers and registration information, please visit the Carnegie [website](#).

26 January, The Hague, Netherlands. HELF LECTURE "TRADE AND SUSTAINABILITY: CETA DISSECTED." This event is being organised by the T.M.C. Asser Instituut and will focus on the EU-Canada Comprehensive Economic and Trade Agreement (CETA), which was signed in late 2016 and is now in the ratification process. Discussants will review the deal's potential trade implications, including the topics of regulatory cooperation and investment dispute settlement. More information is available at the event [website](#).

WTO Events

An updated list of forthcoming WTO meetings is posted [here](#). Please bear in mind that dates and times of WTO meetings are often changed, and that the WTO does not always announce the important informal meetings of the different bodies. Unless otherwise indicated, all WTO meetings are held at the WTO, Centre William Rappard, rue de Lausanne 154, 1211 Geneva, Switzerland, and are open to WTO Members and accredited observers only.

24 January: Informal Open-ending Negotiating Group on Rules

25 January: Dispute Settlement Body

26 January: Informal Committee on Technical Barriers to Trade

Other Upcoming Events

27 January, Geneva, Switzerland. TRADE AND THE NEW CLIMATE REGIME: CHARTING A POSITIVE PATH. This event is being organised by the International Centre for Trade and Sustainable Development (ICTSD) to explore how trade policy can help support the implementation of the Paris Agreement on climate change, while also discussing how to ensure that the steps taken toward tackling the climate challenge are supportive of an open, sustainable economic system. To register, please visit the ICTSD [website](#).

31 January, London, UK. NEGOTIATING BREXIT: A VIEW FROM THE DEPARTMENT FOR EXITING THE EUROPEAN UNION. This Chatham House event will feature as its guest speaker Sarah Healey, who serves as the Director General of the UK's Department for Exiting the European Union. She will discuss departmental priorities and approaches for cooperation with other parts of the country's government as the UK's Brexit process begins. To learn more about the event, please visit the Chatham House [website](#).

31 January, London, UK. FOSSIL FUEL EXPERT ROUNDTABLE: FORECASTING FORUM 2017. This Chatham House event will involve two sessions relating to the implications of various international developments – including Brexit and the incoming US administration – for fossil fuels. Please note that this roundtable event is by invitation only. More information is available at the Chatham House [website](#).

5 February, Geneva, Switzerland. KEY POLICY OPTIONS FOR THE G20 TO SUPPORT INCLUSIVE INTERNATIONAL TRADE AND INVESTMENT. This event is being organised jointly by the International Centre for Trade and Sustainable Development (ICTSD), the German Development Institute (Deutsches Institut Für Entwicklungspolitik), and the T20 Task Force on Trade and Investment. The objective is to discuss and develop a forward-looking set of ideas to transmit to the G-20 Trade and Investment Working Group (TIWG) and the Hamburg Summit being held in June, along with future events on these policy issues later down the road. Please note that this is an invitation-only event. For additional details on the topics of discussion, please visit the ICTSD [website](#).

9 February, Geneva, Switzerland. DRIVING CLEAN ENERGY TECHNOLOGIES THROUGH TRADE POLICY. This event is being organised jointly by the International Centre for Trade and Sustainable Development (ICTSD) and the World Energy Council. This dialogue will feature a discussion relating to global value chains and non-tariff measures in the context of clean energy and energy efficiency, placing these topics and others in the broader context of how trade policy can be used to support greater clean energy supply. To learn more and to register, please visit the ICTSD [website](#).

23 February, Geneva, Switzerland. WHAT NEXT – AFTER BREXIT? This event is being organised by the Graduate Institute of International and Development Studies and The Europaeum university network. The guest lecturer will be William Hutton, the Principal of Hertford College at Oxford University and the Chair of the Oxford Europaeum Group. The discussion will focus on what Brexit and other recent international political developments could mean for policy areas such as trade. More information is available [here](#).

13 March – 21 April, online. E-LEARNING COURSE: GREEN ECONOMY AND TRADE. This new e-learning course on trade and the green economy is being organised by the UN Institute for Training and Research (UNITAR), UN Environment, and the Partnership for Action on Green Economy (PAGE). It is designed for people working in the public, private, and civil society sectors with an interest in these subject area interlinkages. Please note that the course application deadline is 6 March 2017, while the application for those seeking a fellowship is 20 February 2017. For more information, including details on the methodology, course fees, and possible fellowship opportunities, please visit the UNITAR [website](#).

Resources

AFRICAN INTEGRATION: FACING UP TO EMERGING CHALLENGES. Published by the International Centre for Trade and Sustainable Development (ICTSD) (20 December 2016). This paper aims to provide an overview of the current state of regional integration in the African continent, as well as what steps could be taken to use further integration for addressing developmental policy concerns. The publication is part of a new ICTSD series on the relationship between regional integration and sustainable development. The paper can be downloaded at the ICTSD [website](#).

REGIONAL INTEGRATION AND HIGH POTENTIAL VALUE CHAINS IN WEST AFRICA. By Judith Fessehaie for the International Centre for Trade and Sustainable Development (ICTSD) (20 December 2016). This new ICTSD paper reviews the potential for increasing the participation of West African economics in global value chains, including what this would mean for supporting the implementation of the Sustainable Development Goals (SDGs). The publication includes a series of related recommendations on the issue. The paper is available for download at the ICTSD [website](#).

G20 GUIDING PRINCIPLES FOR INVESTMENT POLICYMAKING: A FACILITATOR'S PERSPECTIVE. Published by the E15 Initiative (16 December 2016). This paper was prepared under the E15 Initiative, a process which has been implemented jointly by the International Centre for Trade and Sustainable Development (ICTSD) and the World Economic Forum (WEF). The publication aims to provide an overview and analysis of the G-20 Guiding Principles for Global Investment Policymaking, adopted during last year's G-20 summit under the Chinese presidency. The paper can be downloaded at the ICTSD [website](#).

PERSPECTIVES ON GLOBAL DEVELOPMENT 2017: INTERNATIONAL MIGRATION IN A SHIFTING WORLD. Published by the Organisation for Economic Co-operation and Development (OECD) (2016). This new OECD publication provides an overview of how migration trends have evolved over the last two decades, including changes seen in recent years. The authors evaluate what these changes mean for developing country economies, along with suggesting how these migration flows can serve as an opportunity to support economic growth and development. The paper is available for download [here](#).

AID FOR TRADE AND THE SUSTAINABLE DEVELOPMENT AGENDA: STRENGTHENING SYNERGIES. By Frans Lammersen and William Hynes for the Organisation for Economic Co-operation and Development (OECD) (December 2016). This new paper examines how "aid for trade" can help support the various goals and targets adopted within the Sustainable Development Goals (SDGs); the Addis Ababa Action Agenda of the Third International Conference on Financing for Development (FFD3); and related OECD action plans. The full paper can be downloaded at the OECD's [online library](#).

WORLD ON THE MOVE: CONSUMPTION PATTERNS IN A MORE EQUAL GLOBAL ECONOMY. By Paolo Mauro and Tomas Hellebrandt (December 2016). This new book looks ahead to how economic developments across the world could change consumer spending habits, along with having implications for the climate challenge and the capabilities of current infrastructure. To learn more, please visit the Peterson Institute for International Economics' bookstore [website](#).

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