

# BRIDGES WEEKLY

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## GLOBAL ECONOMY

### Brexit: EU, UK Prepare for New Chapter in Bilateral Relationship

UK Prime Minister Theresa May officially triggered "Article 50" – the legal provision necessary to begin the Brexit negotiations – on Wednesday 29 March, kicking off the next phase in the EU-UK relationship.

The UK premier signed the relevant letter the night before, with her ambassador submitting it to Brussels during the early afternoon on Wednesday. The move now launches a two-year window for the United Kingdom and the European Council to conduct the talks for extricating the former from the bloc, a complicated procedure that some analysts predict could take longer than the envisioned timeframe.

Officials from both sides have said that they want the negotiations to go as smoothly as possible, mindful of the deep economic, trade, legal, financial, and historical ties between all countries involved – as well as the risks to all should efforts to clinch an agreement fail.

"It is in the best interests of the United Kingdom and the European Union that we should use the forthcoming process to deliver these objectives in a fair and orderly manner, and with as little disruption as possible on each side," said May in [the letter](#), which was addressed to European Council President Donald Tusk.

"We want to succeed by reaching a deal. Succeed with the British, not against them. That is why, on behalf of the 27 and of my team, our priority is to reach an agreement on the orderly withdrawal of the United Kingdom, and to prepare the way for a new partnership," said Michel Barnier, the official tasked with leading the EU's side in the negotiations, during a 27 March [speech](#).

#### Brexit bill, trade, rights of citizens

As the negotiations kick into gear, some of the initial questions that have emerged include how the UK will settle an estimated €60 billion "exit bill," mainly for discharging the UK's pending commitments under the European Union.

Meanwhile, May said this week that her government will not be aiming to end immediately the full rights of EU citizens coming to her country and indicated in her letter that an early deal on this subject would be among her government's priorities.

Barnier had similarly raised the need to end uncertainty for those EU citizens who work or study in the UK, and vice versa.

Officials have suggested, meanwhile, that should the two sides not reach a final trade deal within the coming year and a half, they could instead have a transitional version in place that would buy more time for concluding the final version.

"We know that this new partnership will need time, whether it involves a free trade agreement or any other form of cooperation. A certain number of transitional arrangements may be necessary. It is too early to say," said Barnier on the EU's position.

Meanwhile, May said in her letter to Tusk that the her side "believe[s] it is necessary to agree the terms of our future partnership alongside those of our withdrawal from the EU."

"If, however, we leave the European Union without an agreement the default position is that we would have to trade on World Trade Organization terms," she added, suggesting such an outcome would be manageable for both sides, if not ideal.

Another key area will be determining how the two sides address regulatory coherence and cooperation, given their current relationship. Along with determining what will form the "bold and ambitious free trade agreement" that they will work to reach, Barnier has warned that a final trade deal must work to avoid "regulatory divergence" given that the two sides currently have "perfectly integrated" standards and rules.

Describing the UK government's approach on the subject, May said in her letter that they would need to "prioritise how we manage the evolution of our regulatory frameworks to maintain a fair and open trading environment, and how we resolve disputes."

### **EU-27 adopts "Rome Agenda"**

The official launch of Brexit came just days after leaders from the other 27 EU member states met in Rome for a summit commemorating the 60<sup>th</sup> anniversary of the "Rome Treaties," which established the European Economic Community, a precursor of the European Union in place today.

"Only by staying united can we pass on to future generations a more prosperous, a more social, and a safe Europe. A Union of solidarity, that is strong, that is generous both at home and in the wider world. A Europe that takes up the major challenges of the day and that does not lose itself in the detail," [said](#) European Commission President Jean-Claude Juncker on Saturday 25 March.

The summit was also set up to conclude a process of "political reflection" on the EU's future, which officially kicked off at a similar meeting in Bratislava, Slovakia, last autumn. (See Bridges Weekly, [22 September 2016](#))

The resulting declaration issued in Italy on Saturday include a so-called "Rome Agenda" that would cover various areas, namely how to ensure that EU borders are more secure and its citizens safe; how to boost the bloc's economic growth, strengthen the single market, and adapt to an ever-changing technological and economic environment; how to support social progress, including gender equality and cultural diversity; and how to make the bloc an even stronger player in the international arena.

"In the ten years to come we want a Union that is safe and secure, prosperous, competitive, sustainable, and socially responsible, and with the will and capacity of playing a key role in

the world and of shaping globalisation," said the Rome Declaration on behalf of the "EU-27," as well as the Commission and the Parliament.

The EU's executive arm will prepare so-called "reflection papers" on these issues, which will be outlined in a speech by the Commission chief in September; discussed at the European Council meeting in December; and serve as the basis for a "course of action" that will unfold before European voters go to the polls to vote in the next batch of EU parliamentarians in mid-2019.

Days later in Zagreb, the EU's top trade official similarly called for unity, both internally and on the international stage for hammering out new agreements with key partners.

"In EU trade policy, as in other areas, unity brings strength. Twenty-eight countries negotiating individually would be a disaster," [said](#) European Trade Commissioner Cecilia Malmström on 28 March in the Croatian capital.

She also encouraged Europeans to get involved in the upcoming debate over the EU's future and what form this could take. "I don't know if 500 million can unite around one answer but we do need to have a debate," she said, bringing to a close a speech touting both internal cohesion as well the value of a "progressive" foreign trade policy that values an open, rules-based international trading system.

ICTSD reporting; "UK says cut-off date for EU citizens' rights will be negotiated," FINANCIAL TIMES, 28 March 2017; "May ready to compromise as Brexit letter heads for Brussels," FINANCIAL TIMES, 28 March 2017.

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## CLIMATE CHANGE

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# Trump Unveils New "Energy Independence" Executive Order

US President Donald Trump signed an executive order on Tuesday 28 March targeting a series of Obama-era environmental actions, arguing that this will facilitate a move toward energy independence and shore up domestic economic growth.

The [document](#), signed at the headquarters of the Environmental Protection Agency (EPA), includes a series of steps that would either review, undo, or otherwise put on hold different elements within former President Barack Obama's domestic climate agenda.

This includes targeting Obama's landmark "Clean Power Plan," which required existing American power plants to cut their greenhouse gas emissions by nearly one-third relative to their 2005 levels by the year 2030. The implementation of the plan, which faced numerous court challenges, has since been deferred pending clarification on certain legal elements. (See Bridges Weekly, [5 June 2014](#))

Trump has directed his EPA Administrator to "review" the Clean Power Plan and related policies, with a view to potentially suspending, changing, or revoking them. The EPA Administrator, Scott Pruitt, was previously the attorney-general for the US state of Oklahoma and had been among those pursuing legal action against the Clean Power Plan.

"Perhaps no single regulation threatens our miners, energy workers, and companies more than this crushing attack on American industry," said Trump on Tuesday in unveiling the executive order, referring specifically to the Clean Power Plan.

Analysts say that this will likely take some time to unfold, given the usual requirements under federal rulemaking processes and the likelihood of legal cases. In addition, Trump has directed the EPA Administrator to review the "legal memorandum" associated with the Clean Power Plan and act accordingly, including on how his office addresses the existing court cases on the subject.

Trump has also directed all relevant government agencies to review any actions they have in place which could "potentially burden the safe, efficient development of domestic energy resources," with a final report due within 180 days of the executive order.

The new US leader, who had repeatedly targeted these climate-focused environmental actions while on the campaign trail, argued that his new executive order would help create jobs and lift the burden on industry from having to meet the previous regulations.

"My administration is putting an end to the war on coal. We're going to have clean coal – really clean coal. With today's executive action, I am taking historic steps to lift the restrictions on American energy, to reverse government intrusion, and to cancel job-killing regulations," [said](#) Trump on Tuesday.

The document also undoes one Obama executive order and three presidential memoranda on climate change. The first of these, [Executive Order 13653](#), had directed federal agencies to incorporate climate-related considerations into their work, issuing "comprehensive plans" on this subject.

The presidential memoranda include [one memorandum](#) on carbon pollution standards and regulations for power plants; [one memorandum](#) directing various federal agencies to ensure that economic development efforts do not have excessive negative impacts on natural resources; and a final [memorandum](#) integrating climate change into US national security considerations.

In addition, Trump's order rescinds two reports, including Obama's [Climate Action Plan](#) of 2013 and a separate document released a year later on methane emissions. Among other items, the Climate Action Plan had confirmed the US' intent and objectives for participating in the Environmental Goods Agreement (EGA), a tariff-cutting deal that is being negotiated among a group of WTO members.

What this might mean for the EGA is not yet clear at this stage. While ministers attempted to conclude a deal late last year, those efforts ultimately stumbled, with the next steps not yet confirmed. (See Bridges Weekly, [8 December 2016](#))

Other actions included in Tuesday's presidential action include removing an earlier federal prohibition on granting leases for coal-related production efforts, as well as reviewing the earlier policy of using the "social cost of carbon, nitrous oxide, and methane" in developing new government regulations.

### **Keystone pipeline gets permit**

The news came within days of the Trump administration's decision to [grant a permit](#) for building the Keystone XL pipeline, a cross-border project that would transport crude oil from the Canadian tar sands to the United States.

After years of debate, delay, and environmental reviews, the previous Obama administration had denied a pipeline permit to TransCanada, the Canadian oil giant asking to build the project, citing concerns over the pipeline's climate change impacts and limited long-term economic gains. (See Bridges Weekly, [12 November 2015](#))

Following the new administration's move to allow Keystone to move forward, TransCanada and the United States have "[discontinued](#)" an investor-state dispute under the North American Free Trade Agreement (NAFTA), which the Canadian company had launched against Washington in 2016 after the Obama administration's decision to block the pipeline. (See Bridges Weekly, [14 July 2016](#))

### **Eyes on Paris climate deal**

While Trump's executive order makes no reference to the future of the US' international climate agenda, speculation abounds as to what this will mean for Washington's commitments under the UN's Paris Agreement on climate change, an international accord adopted in 2015.

The landmark climate deal entered into force last November. (See Bridges Special Update, [6 November 2016](#))

Indeed, some leaders such as EU Climate Action and Energy Commissioner Miguel Arias Cañete have already asked publicly what Trump's new executive order means on the global stage.

"We regret the US is rolling back the main pillar of its climate policy, the Clean Power Plan. Now, it remains to be seen by which other means the United States intends to meet its commitments under the Paris Agreement," said Cañete in a statement to multiple news media outlets.

Similar concerns have also been raised by the private sector over the past several months. Notably, the US-based oil giant Exxon Mobil recently sent a letter to the Trump administration asking that it keep the country in the Paris Agreement.

According to excerpts printed by the Financial Times this week, the company argues that it "is prudent that the United States remain a party to the Paris agreement to ensure a level playing field, so that global energy markets remain as free and competitive as possible."

ICTSD reporting; "Exxon urges Trump to keep US in Paris climate accord," FINANCIAL TIMES, 29 March 2017; "Trump names Scott Pruitt, Oklahoma attorney general suing EPA on climate change, to head EPA," WASHINGTON POST, 8 December 2016; E.U. leader expresses 'regret' over Trump's climate order, says 'the world can count on Europe'," WASHINGTON POST, 28 March 2017; "Trump's big new executive order to tear up Obama's climate policies, explained," VOX, 28 March 2017; "EU leads attacks on Trump's rollback of Obama's climate policy," THE GUARDIAN, 28 March 2017.

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## WORLD TRADE ORGANIZATION

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# Uncertainty Over WTO Negotiating Chair Overshadows Farm Trade Talks

A continued disagreement among governments over who should chair the WTO's farm trade negotiations overshadowed talks in the global trade body's regular committee on agriculture this week, sources said.

New Zealand Ambassador Vangelis Vitalis, who was appointed to chair the farm trade talks in September 2015, returned to Wellington in January, leaving vacant a key role in the global trade body's negotiating machinery.

Sources told Bridges that efforts to overcome the deadlock have so far been unsuccessful, after different country groups put forward officials from Hong Kong, Uruguay, and Mexico as possible alternatives.

WTO Director-General Roberto Azevêdo called a meeting to try to break the deadlock last Friday; however, sources said that so far little progress had been achieved.

Trade sources speaking to Bridges stressed the urgency of finding a new chair and restarting talks promptly, warning that the issue was taking away precious negotiating time ahead of the upcoming WTO ministerial conference, which is scheduled to be held in the Argentine capital of Buenos Aires this December.

While the next regular session of the Committee on Agriculture is scheduled for 7 June, there are currently no planned meetings of the negotiating body, in the absence of any agreement on the chair.

### **Delayed notifications**

Trade officials said that delays in reporting farm subsidy levels and other data to the WTO was also hampering negotiations, as well as limiting the regular Committee on Agriculture's ability to review the implementation of countries' commitments.

Officials at the committee's regular meeting on Monday 27 March asked Egypt, India, Indonesia, Thailand, and Turkey why their agricultural domestic support notifications were overdue, sources said.

"It is quite difficult to understand what they're doing without the notifications," said one source, who noted that China and India in particular have not reported their farm subsidy spending for the years since 2010.

While the EU, Russia, and the US have all provided recent notifications to the committee, almost all major economies are still behind schedule with their reporting commitments, according to the WTO. (See Bridges Weekly, [16 February 2017](#), [9 February 2017](#), and [26 January 2017](#))

### **US: subsidies to large farms**

At Monday's meeting, China asked the US to provide a breakdown of its agricultural domestic support payments by farm size – information which Washington said it did not

collect. Beijing had requested data on support for sugar, corn, cotton, soybean, and wheat, broken down by the categories of farm size used in the United States census.

Australia, Brazil, Canada, the EU, Guatemala, and Japan also asked for additional information on US farm support at the same meeting, sources confirmed.

### **India: minimum support prices**

Australia asked why the Indian government had continued to raise minimum support prices for wheat to close to US\$320 per tonne, given that world wheat prices remain much lower at around US\$147 per tonne. Purchase prices depended on cultivation costs as well as market prices, New Delhi responded.

Canada, the EU, Ukraine, and the US were among the WTO members also expressing interest in this question.

In a separate question, the US also conducted a detailed breakdown of the cost of wheat exported from India's stocks, estimating that this was US\$35 more per metric tonne than the minimum export price established by the government.

Canada also asked why India was creating a two million tonne buffer stock of pulses.

### **EU livestock: emergency support package**

At the meeting, New Zealand also quizzed the European Union over the emergency support package it announced in September 2015. (See Bridges Weekly, [17 September 2015](#))

Wellington questioned whether the aid would be reported as trade-distorting "amber box" subsidies under WTO rules, as well as how much support was provided by the Commission or by individual EU member states.

The EU told the meeting that it is currently unable to say how much support was provided, as member states had been allowed to set up their own schemes. However, it clarified that outlays would nonetheless be reported under the bloc's domestic support notifications in the future.

The most recently reported data from Brussels, which was submitted to the WTO in February this year, does not cover the 2015 emergency package as it only addresses the 2013-14 marketing year. (See Bridges Weekly, [16 February 2017](#))

### **Brexit: Indonesia asks about market access**

A question from Indonesia asked how developing countries would be affected when the United Kingdom leaves the EU. The Brexit process was formally triggered this week. (For more, see related story in this edition)

Indonesia asked what procedure would apply to grant preferences to developing countries under the Generalised Scheme of Preferences (GSP), the system under which the EU provides tariff cuts or full elimination for various goods from those economies.

Currently, as an EU member, the UK applies the same GSP scheme as other countries within the bloc, as well as granting least developed countries with duty-free, quota-free market access for all goods under the EU's "Everything But Arms" arrangement.

Another issue raised by Indonesia was the need for additional clarity on what Brexit will mean for the United Kingdom's "tariff-rate quotas," referring to the tool that involves charging lower tariffs for importing a good as long as the quantity remains below a certain



quota. Sources say this question drew interest from Argentina, China, Russia, and the United States.

The EU responded to both questions from Indonesia, noting that “the EU common external trade policy applies to all its member states and the UK is still a member of the EU.” The bloc pledged to reply in further detail “in due course.”

### **Zambia, Mali, and Togo in the spotlight**

In addition to the questions for major agricultural trading powers, officials also asked for more information about the programmes in place in three least developed countries in Africa.

The EU asked whether Zambia had exported public stocks of maize at prices below the level at which it was purchased, repeating a question it had asked at the previous meeting which the bloc said had remained unanswered.

The EU also asked Mali about its input subsidies, while the US commended Bamako on its efforts to update its domestic support notifications, along with asking why some kinds of subsidies had been discontinued.

Similarly, the US recognised the efforts made by Togo to update its domestic support notifications, and asked how the country defines “low-income or resource-poor producers” – a category of farmers which are eligible to receive input and investment subsidies under Article 6.2 of the WTO's Agreement on Agriculture.

### **Questions on US policy direction**

Some trade officials told Bridges that they were concerned about whether major economies were investing all their efforts in the reporting and negotiating processes at the WTO.

One developing country negotiator characterised Monday's meeting as “good questions, but not such good answers.”

Another suggested that continued uncertainty over the new US administration's stance on the WTO was affecting prospects for progress at the global trade body.

“It's more important than the chair, I believe,” the source said, referring again to the disagreement among members over who should facilitate the agriculture negotiations.

US President Donald Trump has nominated international trade lawyer Robert Lighthizer to serve as the country's next US Trade Representative (USTR), with his appointment pending Senate confirmation. Many other key trade positions, including that of US Ambassador to the WTO, have not yet been filled. (See Bridges Weekly, [16 March 2017](#))

ICTSD reporting.

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## TRADE AGREEMENTS

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# Chinese Premier Li Keqiang Visits Australia and New Zealand, Eyes Trade Deal Upgrades

In official visits to Australia and New Zealand over the past week, Chinese Premier Li Keqiang met with government and business leaders to discuss economic ties and cooperation, while outlining plans with his counterparts to begin upgrading their existing free trade agreements (FTAs) this year.

While in Canberra, Li and Australian Prime Minister Malcolm Turnbull agreed to a [declaration of intent](#) to review the services and investment aspects of the China-Australia Free Trade Agreement (ChAFTA), though that deal only came into force just over a year ago.

In the subsequent visit to New Zealand, the countries agreed on a timeline for initiating talks to revamp the FTA between China and New Zealand, signed in 2008, with renewed negotiations set to begin starting next month. (See Bridges Weekly, [27 February 2008](#))

China is the largest trading partner to both Australia and New Zealand, and both countries are celebrating [45 years](#) of diplomatic ties with China this year.

### Regional, international trade cooperation

The leaders each reaffirmed their commitment to free trade at a time of continued uncertainty over the future approach to trade policy by some major players.

Australia, New Zealand, and China are already in talks for the Regional Comprehensive Economic Partnership (RCEP), a pact linking the 10 members of the Association of Southeast Asian Nations (ASEAN) with their six FTA partners, which the leaders said could act as a channel for deepening trade ties in the region.

A [news item](#) released by the Australian government following the officials' meetings referred to a mutual commitment to "advancing global and regional trade and investment liberalisation through the WTO, APEC, and Regional Comprehensive Economic Partnership."

The former two acronyms refer to the World Trade Organization and the Asia-Pacific Economic Cooperation Forum, respectively.

"First, I have come for free trade," Li [said](#) at a luncheon hosted by Turnbull last week. "We are ready to enhance relevant cooperation with Australia and demonstrate to the region and the world our determination to uphold trade liberalisation and economic globalisation."

### ChAFTA update

On the agenda for Li and Turnbull were aspects related to creating closer ties between the nations, initiating a review for greater liberalisation of services and investment elements of the ChAFTA, while simultaneously urging onward the continued implementation of the accord. The leaders also agreed to start a review of the Memorandum of Understanding on investment facilitation concluded alongside the deal to ensure greater investor protection.

The Australia-China FTA, which entered into force in [December 2015](#), has cut tariffs in a number of areas. In the year since, the Australian wine and skin care industries were particularly cited as having benefitted from the agreement, with sales up 38 percent and 82 percent respectively, according to a [statement](#) by Australian Trade Minister Steven Ciobo. (See Bridges Weekly, [20 November 2014](#))

The ChAFTA aims to increase the flows of investment and trade in services by introducing greater market access and enhanced regulatory certainty for business actors. The Declaration of Intent to review the agreement, signed on Friday, will seek to further minimise “barriers to trade in services, agree on additional protections for investors and open up new commercial opportunities,” according to the press release.

The leaders also signed an agreement aimed at facilitating access to the Chinese market for Australian beef producers.

In this vein, China and Australia also [made plans](#) to expand cooperation on agriculture, innovation, research, intellectual property, energy, and security, establishing a bilateral ministerial dialogue on energy as well as other dialogues on selected issue areas.

### **China, New Zealand to start talks in April**

Li's visit to New Zealand also had upgrading an existing FTA at its core. Plans to fine-tune the New Zealand-China agreement were first announced last November in Peru alongside the APEC leaders' summit, discussions for which are now pegged to begin on 25 April following a bilateral meeting between Li and Prime Minister Bill English in Wellington this week. (See Bridges Weekly, [24 November 2016](#))

The upgrade would seek to ensure that New Zealand and China trade on the same terms as more recently negotiated agreements, including the ChAFTA, and accounts for economic developments on the global and regional stage. New Zealand was the first developed country to sign a bilateral FTA with China.

"The upgrade will allow us to modernise the FTA to take account of changes in our economic relationship since the FTA came into force," said English in comments to the New Zealand Herald.

In an [op-ed](#) authored for the same media outlet, Li similarly touted the value of building on their existing ties to address new opportunities.

"Now that we have a fairly stable trade relationship on farm products, we need to move beyond import and export and promote high-tech-driven, high-value-added, whole-industrial-chain co-operation," said the Chinese premier.

Li also flagged areas ranging from environmental protection to the advance of e-commerce as having significant potential for future work between Wellington and Beijing.

ICTSD reporting; "Exclusive: To New Zealand, with love," NZ HERALD, 27 March 2017; "China-NZ free trade upgrade talks to start soon after meeting of PM Bill English and Premier Li Keqiang," NEW HERALD, 27 March 2017; "Australia Shouldn't Pick Between U.S. and China, Premier Li Says," BLOOMBERG, 23 March 2017; "China's Premier to Visit Australia Next Week to Push Trade," BLOOMBERG, 17 March 2017; "Premier Li reassures NZ on China-US relationship," NZ HERALD, 28 March 2017; "China's Premier Li Tours Australia, New Zealand," THE DIPLOMAT, 28 March 2017.

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## DISPUTES

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# DS Roundup: Tuna-Dolphin Public Hearing, WTO Panel Establishments

The past fortnight has seen several WTO disputes advance to their next stages, including with the establishment of panels in cases involving renewable energy and goods in transit, respectively. Meanwhile, the compliance panels in the long-running dispute on dolphin-safe tuna labels broadcast their hearing on the subject last week.

China has also requested a panel ([DS516](#)) to review the European Union's anti-dumping rules, saying that with the expiry of certain provisions of Beijing's accession protocol from when it joined the WTO in 2001, the EU no longer has grounds to treat China as "non-market economy" in anti-dumping cases.

### Non-market economy disputes

Late last year, Beijing requested WTO consultations with both Brussels ([DS516](#)) and Washington ([DS515](#)) regarding the methodologies used under their respective anti-dumping rules. (See Bridges Weekly, [19 January 2017](#))

Specifically, China has taken issue with being treated as a "non-market economy" in these trade remedy investigations, which affects how both EU and US authorities determine "normal value." The term "dumping" involves cases where goods are being sold overseas at prices that fall below their home market levels, the latter of which is known as the good's "normal value."

In these cases, WTO members are allowed to impose duties to counter this dumping, so long as the investigation proves that dumping has taken place and has injured domestic industry, among other conditions.

During the meeting of WTO's Dispute Settlement Body (DSB) held last week, China tabled its first request for a panel to hear its case against the EU, though it has not yet put forward a similar request regarding the US.

Currently, EU law requires Chinese producers wishing to be treated like those from "market economies" to meet a certain set of criteria on the subject. While the EU's executive arm has put forward a proposal to revise its anti-dumping law – moving away from lists distinguishing between market and non-market economies for a policy focusing on cases where price or cost distortions arise – this policy is still making its way through the bloc's legislative processes. (See Bridges Weekly, [10 November 2016](#))

Sources say that the EU raised this pending legislative change when it rejected China's first panel request. For its part, China noted its awareness of the planned revisions and suggested that the scope of its consultations request is wide enough to cover them.

At the global trade body, respondents in a dispute are allowed to block one panel request; if a second request is made, a panel is automatically established.

### Panel establishments

Also at last week's DSB meeting, a panel was established to hear India's complaint ([DS510](#)) over renewable energy incentives in eight US states, in light of previous claims by New Delhi

that these incentives have been made contingent on meeting domestic content requirements. India tabled its request for consultations on the subject last September. The states involved are California, Connecticut, Delaware, Massachusetts, Michigan, Minnesota, Montana, and Washington. (See Bridges Weekly, [15 September 2016](#))

At the meeting, the US said it would “vigorously defend” those measures, while also arguing that India’s renewable energy equipment exports to the US are limited. “The state-level programmes identified in India’s request would appear to have virtually no effect on commerce at all,” the US [added](#).

In a separate case, the DSB also established a panel in response to a second request ([DS512](#)) from Ukraine regarding the alleged restrictions by Russia on transit of goods from the former through the latter’s territory in route to other countries. That case also began last September.

### **Tuna case: Compliance panels hold hearing**

Separately, the compliance panels in the long-running dispute between the US and Mexico on dolphin-safe tuna labelling ([DS381](#)) agreed to publicly broadcast a video recording of their hearing, with Mexico’s statements and those of some third parties redacted. While the broadcast took place last week, the hearing itself was held in late January.

This particular dispute dates back nearly a decade, with Mexico challenging the US labelling policy as discriminatory and unnecessary in 2008. The Appellate Body found in 2012 that the measure violated trade rules on various grounds. (See Bridges Weekly, [16 May 2012](#))

While the US made changes to its labelling regime the following year, Mexico questioned whether these went far enough to address these issues, with the Appellate Body deeming in 2015 that the US had not made sufficient changes. (See Bridges Weekly, [16 April 2015](#))

Mexico requested permission last year to suspend tariff concessions and related obligations on a list of products, to the tune of US\$472.3 million annually – a level that drew objections from the US, causing the case to go to arbitration. (Bridges Weekly, [24 March 2016](#))

The US also made additional changes to the labelling regime, and both sides subsequently asked for compliance panels to review these changes. As a result, there are now two compliance panels, as well as an arbitrator, made up of the same three members.

During the hearing broadcast last week, the US delegate [said](#) that the original finding of trade rule violations was made “on a narrow ground affecting tuna product produced from fisheries other than the [Eastern Tropical Pacific] large purse seine fishery.”

Purse seine refers to the type of nets that are used primarily by Mexican fishers, which are set on dolphins to catch the tuna found beneath them, while the Eastern Tropical Pacific refers to the region involved, given that tuna and dolphin only swim together there. The US then added that its changes to the labelling regime were meant to address the “narrow ground” of the Appellate Body ruling in 2012.

According to the US, Mexico had initiated the first compliance proceeding because Washington’s 2013 policy revisions “did not give Mexican tuna product access to the [dolphin-safe] label.” With the second revision, the US claimed that “this long-running dispute should come to an end by finding that the United States has come into compliance with the DSB recommendations and rulings.”

The compliance panels have [indicated](#) that their final reports to the parties can be expected by mid-May this year.

ICTSD reporting.

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## GLOBAL ECONOMY

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### Global Steel Recovery "Modest," OECD Committee Chair Says

The global steel sector has lately seen a "modest recovery," while trade frictions remain worryingly high, according to the chair of the Organisation for Economic Co-operation and Development's (OECD) Steel Committee following a meeting in Paris late last week.

"Conditions in the world steel market have improved over the past year. However, there are indications that this trend may be temporary," [said](#) Ronald Lorentzen, the committee chair, following the 23-24 March discussions in the French capital.

"Moreover, excess capacity remains considerable, capacity utilisation rates continue to be very low, and the financial situation is still challenging for most companies," he added.

Along with noting the weak signs of recovery, the meeting of the Paris-based body also recognised some industry improvements over the past year, with overall crude steel production worldwide seeing a small uptick from the year prior. According to the [World Steel Association](#), these numbers were 1629.6 million tonnes (Mt) in 2016, versus 1615.0 Mt in 2015.

Meanwhile, published [steel demand forecasts](#) by the World Steel Association from October 2016 show only a 0.2 percent recovery in demand during 2016 following a three percent decline in 2015. The non-profit association is due to release its next "short range outlook" in April.

Lorentzen also cited various potential risks for the sector, flagging in particular the growing number of "trade restrictions," as well as policy uncertainty on trade and related subjects. Other factors included the need for additional information on economic policy measures that the Chinese government may take.

China, which accounts for approximately 45 percent of global demand, is expected to experience another reduction in demand this year. While stimulus measures by the domestic government have been credited with limiting these demand drops, the World Steel Association has [suggested](#) that the struggles seen in some industrial sectors, especially construction, will persist.

Overall, international steel demand growth is slated to hit 0.5 percent in 2017, compared to the 0.2 percent increase seen last year.

#### Trade tensions, overcapacity

Over the last two years, steel trade growth has slowed, according to the OECD. While the year 2015 saw such trade growth hit 1.6 percent, trade growth later contracted by 0.1 percent in 2016. Both figures fall well below previous averages.

In recent years, concerns have been raised by some steel-producing countries over the possibility of "dumping" by some major players, referring to the practice of selling goods abroad at prices less than their normal value. In some cases, these concerns have been followed by trade remedy investigations and related duties. (See Bridges Weekly, [2 February 2017](#) and [30 June 2016](#))

According to Lorentzen, members of the Steel Committee expressed concerns over growing trade tensions, arguing that steel markets should “remain as open and free of distortion as possible.”

Overcapacity continues to afflict the global steel market, with capacity growth outpacing market demand, as described by Lorentzen and affirmed by the Steel Committee in their support of the [Global Forum on Steel Excess Capacity](#), which was established late last year in the wake of the G20 leaders' meeting. (See Bridges Weekly, [7 September 2016](#))

The committee also welcomed efforts underway to help increase transparency through timely sharing of capacity-related data.

### **Steel in the green economy**

Environmental concerns were also discussed during the committee meeting last week in Paris, specifically how to support the transition toward making this sector less carbon-intensive in the future.

The chairperson's report did not expand in detail, aside from referring to the difficulties in doing so and related discussions on how to use “market-driven” and other tools to support this objective.

The [World Steel Association](#) has argued that steel has significant potential as a means to support a transition toward a greener economy, including by making transport less carbon-intensive and facilitating the development of use of cleaner vehicles.

ICTSD reporting.

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## TRADE AGREEMENTS

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### **EU, Mercosur Negotiators Report Progress, Schedule Future Meetings**

Negotiators meeting to advance a planned EU-Mercosur Association Agreement, including a free trade deal, finished their 27<sup>th</sup> round of talks last Friday in Buenos Aires, Argentina.

In a [joint communiqué](#) issued on 27 March, officials said that they have made significant headway in the three key areas of the future Association Agreement, which includes the above-mentioned deal on trade, as well as sections on enhancing political dialogue and cooperation between the blocs.

The lead-up to this latest round had seen officials express a heightened interest in bringing the long-running talks closer to conclusion, after years of on-and-off progress. Talks for an EU-Mercosur deal kicked off in 1999 and were later re-launched in 2010, only to flounder in 2012. Momentum began to pick up again last year. (See Bridges Weekly, [23 March 2017](#))

Mercosur members include Argentina, Brazil, Paraguay, Uruguay, and Venezuela, though Venezuela is only an observer in the negotiations with the EU, given that it joined the South American customs union long after those talks began.

#### **Progress announced, upcoming rounds**

After last week's meetings, officials said that they now have in place a common negotiating text to work from in every area of the planned Association Agreement. Notably, they confirmed that the chapter on competition policy has been fully concluded, building off of the progress seen during the [previous round in October](#), while negotiators also worked to advance texts across all trade deal [topics](#). Additional detail on the level of progress made in each area had not been issued at press time.

On trade, negotiators are working to clinch a deal on topics such as goods and services market access, sustainable development, intellectual property, rules of origin, and public procurement, among various other topics.

The EU and Mercosur already have in place a "Framework Cooperation Agreement," which dates back to 1999 when the former was known as the European Community. That [accord](#) was designed to lay the groundwork for developing a future "association" deal, and also calls for boosting trade and economic cooperation.

Among the supporters of the potential trade accord are auto suppliers on both sides of the Atlantic, who have suggested that lowering tariff barriers could lead to significant economic gains. However, the topic of agricultural goods has long been among the most difficult for the two sides, having previously prevented progress in the larger negotiations.

Officials have already announced plans for subsequent meetings, including an inter-sessional meeting specifically on trade in the Argentine capital in May, followed two months by a formal round in Brussels, Belgium.

ICTSD reporting; "Con 'avances significativos', concluyó nueva ronda de negociaciones entre el Mercosur y la UE," *ÁMBITO*, 24 March 2017; "EU Suppliers Push for Mercosur Trade Deal," *WARDSAUTO*, 22 March 2017; "Brazilian Manufacturer Eager to Ink EU-Mercosur Deal," *WARDSAUTO*, 28 March 2017.



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## EVENTS & RESOURCES

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# Events

### Coming Soon

31 March, London, UK. RUSSIA'S USE OF ECONOMIC INSTRUMENTS IN ITS NEIGHBOURHOOD. This Chatham House event will feature as its guest speaker Nikita Lomagin, a professor at the European University in St. Petersburg, Russia. The event will discuss Moscow's use of economic instruments in its relations with neighbouring countries that were previously part of the Soviet bloc. Please note that attendance of this event is by invitation only. For more information on this event, please visit the Chatham House [website](#).

3-5 April, New York, SUSTAINABLE ENERGY FOR ALL FORUM. This three-day forum is being organised by the World Bank and brings together Sustainable Energy for All partners from around the world for discussions regarding Sustainable Development Goal 7, affordable and clean energy. This will include looking at ways to support key areas such as energy efficiency, centralised and decentralised energy systems, and seizing the "energy access dividend." The aim of this forum is to develop new partnerships and ideas to encourage investment and action towards ensuring clean, affordable energy for all. To learn more and to register, please visit the forum [website](#).

4-5 April, Nairobi, Kenya. AFRICA RENEWABLE ENERGY LEADERS SUMMIT. This two-day summit is being organised by dmG events and supported by various local and regional partners. This summit will bring together over 200 experts and representatives from governments, private sector companies, international development agencies, non-governmental organisations, think tanks, and academia to discuss current and future green energy policy in East Africa. To learn more and to register, please visit the summit [website](#).

6 April, Tokyo, Japan. DISTINGUISHED SPEAKER SEMINAR: MEETING INDIA'S ASPIRATIONS: ENERGY SCENARIOS UNTIL MID-CENTURY. This seminar is organised by the Asian Development Bank Institute (ADBI) and will feature former Shell chief economist Suman Bery as its guest speaker. The seminar will focus on India's growth aspirations in the context of global energy changes, including areas such as the move toward using more renewable energy sources and improving energy access and efficiency. Expected participants include members of the policy and academic communities, as well as the larger public. To learn more and to register, please visit the ADBI [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.

31 March: Committee on Budget, Finance, and Administration

3 April: Dispute Settlement Body

3-4 April: Committee on Regional Trade Agreements

5 + 7 April: Trade Policy Review Body – Mexico

6 April: Council for Trade in Goods

6 April: Informal Open-ended Negotiating Group on Rules

### **Other Upcoming Events**

11 April, Washington, US. DEVELOPING A NEW ACCOUNTABILITY AND DISPUTE SETTLEMENT MECHANISM ON INVESTMENT – EXPERT MEETING. This event is being hosted by the International Institute for Sustainable Development (IISD) and the American University Washington College of Law's Program on International and Comparative Environmental Law. The discussions will focus on possible upgrades to past models of investment-related dispute settlement, among other related topics. The event takes place just prior to the 111<sup>th</sup> Annual Meeting of the American Society of International Law (ASIL). For more information on this event, please visit the IISD [website](#).

9-11 May, Geneva, Switzerland. GIS FOR A SUSTAINABLE WORLD CONFERENCE. This annual event is being jointly organised by the United Nations Operational Satellite Applications Programme (UNOSAT) and Esri. The conference will focus on how Esri's ArcGIS platform empowers the international community to work toward the goals set forth in the 2030 Agenda for Sustainable Development. To learn more and to register, please visit the Esri [website](#).

23 June, London, UK. FUTURE OF WORK 2017. This annual conference is being organised by Chatham House in partnership with the McKinsey Global Institute. The conference will focus on the factors that are changing the global landscape in the area of work, ranging from the transformation of the digital economy to the different challenges facing various economies in their respective labour markets. The conference will feature a number of speakers including Deputy Director-General for Policy of the International Labour Organization (ILO) Deborah Greenfield and Permanent State Secretary for Federal Ministry of Labour and Social Affairs of Germany Thorben Albrecht. To learn more and to register, please visit the Chatham House [website](#).

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## Resources

TRADE ELEMENTS IN COUNTRIES' CLIMATE CONTRIBUTIONS UNDER THE PARIS AGREEMENT. By Clara Brandi for the International Centre for Trade and Sustainable Development (ICTSD) (March 2017). This paper analyses countries' nationally determined contributions (NDCs) under the UN's Paris Agreement on climate change in relation to trade, examining the possible ways that trade can help support climate action efforts. Brandi also provides recommendations for how to incorporate trade more into future iterations of these climate action plans. To download this paper, please visit the ICTSD [website](#).

ADDRESSING THE ACCELERATING LABOR MARKET DISLOCATION FROM DIGITALIZATION. By Robert Burkhardt and Colin Bradford for the Brookings Institution (March 2017). This policy brief discusses the potential implications of digital innovation on labour markets, taking into account the rapid pace of such technological evolutions. In response to these impacts, Burkhardt and Bradford advocate for the formation of new social partnerships across different stakeholder groups that will help prepare for the societal impacts of these developments. The full policy brief is available for download at the Brookings Institution [website](#).

GLOBAL FOOD POLICY REPORT 2017. Published by the International Food Policy Research Institute (IFPRI) (March 2017). This report provides a review of the progress made in food security and nutrition during 2016, with chapters addressing topics ranging from informal food markets to the implications of urbanisation on smallholder farmers. The publication and associated datasets are available for download at the IFPRI [website](#).

REPLY TO THE EUROPEAN COMMISSION'S PUBLIC CONSULTATION ON A MULTILATERAL REFORM OF INVESTMENT DISPUTE RESOLUTION. Published by the International Institute for Sustainable Development (IISD) (March 2017). This commentary aims to respond to the European Commission's proposal for a global investment court, raising questions over how the planned reforms respond to public concerns on the existing investor-state dispute settlement (ISDS) system. To download this commentary, please visit the IISD [website](#).

ECONOMIC POLICY REFORMS 2017: GOING FOR GROWTH. Published by the Organisation for Economic Co-operation and Development (OECD) (March 2017). This annual report includes structural reforms in policy areas that the OECD has flagged as key for improving incomes both in its member economies and others. The publication includes individual country notes along with detailed policy recommendations. This publication can be accessed through the OECD iLibrary [here](#).

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