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GLOBAL ECONOMY

Trump Orders Trade Deal Review, Continues NAFTA and South Korea Renegotiation Push

US President Donald Trump issued an executive order last weekend ordering a review of all trade deals involving the United States, which he said would play a role in keeping "jobs and wealth in our country."

The [executive order](#), dated 29 April, is entitled "Addressing Trade Agreement Violations and Abuses" and tasks the Secretary of Commerce and the US Trade Representative (USTR) with putting together "performance reviews" of all countries with whom the US has a trade or investment deal.

Furthermore, it requires a review of all WTO members with whom the US is running "significant trade deficits in goods," even if Washington does not have a separate trade deal with those nations individually. The report would then note any alleged "violations or abuses," along with instances of "unfair treatment" and cases where those deals have "failed" relative to the benefits they were expected to create.

"Every trade agreement and investment agreement entered into by the United States, and all trade relations and trade preference programmes of the United States, should enhance our economic growth, contribute favourably to our balance of trade, and strengthen the American manufacturing base," says the executive order on the trade deal review.

"Many United States free trade agreements, investment agreements, and trade relations have failed, in whole or in part, to meet these criteria," the document continues.

Along with identifying these cases of alleged violations, abuses, or other problems, the report is also meant to feature related recommendations to help resolve such issues. "The findings of the performance reviews required by this order shall help guide United States trade policy and trade negotiations," the executive order says, without getting into specifics as to what approach Washington would take of such "violations" or other problems are found.

However, the US leader suggested in the signing ceremony that a failure to resolve those problems could later lead to those deals being nullified.

"I'm directing the Secretary of Commerce – Wilbur [Ross], a legend – to identify every violation and abuse of our trade agreements, and to use every available measure under the law to end these abuses against our workers. And if they don't get cleared up, Wilbur will end the trade agreements," [said](#) Trump on 29 April in Harrisburg, Pennsylvania.

Wilbur Ross is currently serving as the US Secretary of Commerce, while Robert Lighthizer is expected to be confirmed as the USTR soon. While they will head the team developing the report, they are also required to seek inputs from Secretary of State Rex Tillerson, Secretary of the Treasury Steve Mnuchin; Attorney General Jeff Sessions, and the new Director of the Office of Trade and Manufacturing Policy, Peter Navarro.

Trump established that "Office of Trade and Manufacturing Policy" in a separate [order](#), also dated 29 April. According to the order, this new office's mission would be "to defend and serve American workers and domestic manufacturers while advising the President on policies to increase economic growth, decrease the trade deficit, and strengthen the United States manufacturing and defence industrial bases."

NAFTA, South Korea

The release of the order capped a tumultuous week on trade in Washington, which saw the US president suggest that he was ready to issue a withdrawal from the North American Free Trade Agreement (NAFTA), a tripartite deal with Canada and Mexico which has governed much of the trade within the region over the last two decades. (See Bridges Weekly, [27 April 2017](#))

After news leaked last week that Trump was considering a withdrawal, it later emerged that the US leader had changed his mind and would continue to push for a renegotiation instead. The new report on trade deals will include coverage of NAFTA, according to the Secretary of Commerce.

According to the [Washington Post](#), which cited administration officials and the president himself, this change in tactic came partly due to pushback from Agriculture Secretary Sonny Perdue and Commerce Secretary Wilbur Ross, who raised concerns over what a withdrawal notice would mean for US farmers and manufacturers who rely heavily on those countries as either export markets or sources of key inputs for their production processes.

The US leader also discussed the issue with his NAFTA counterparts, who called him to voice their own concerns over the damage that a sudden withdrawal notice could incur.

"I received calls from the President of Mexico and the Prime Minister of Canada asking to renegotiate NAFTA rather than terminate. I agreed subject to the fact that if we do not reach a fair deal for all, we will then terminate NAFTA. Relationships are good – deal very possible!" said Trump in a two-part [post](#) on Twitter.

Trump also suggested last week that he might pull the United States out of its five-year-old deal with South Korea, depending on whether Seoul is willing to negotiate an upgrade and if so, on what terms.

The US president claimed that the deal has not sufficiently benefitted the US, telling the [Washington Post](#) that the US is "getting destroyed in Korea."

Just this past month, US Vice President Mike Pence visited Seoul and said that Washington would be interested in renegotiating the accord, while saying that the agreement has also yielded benefits in terms of increasing bilateral trade flows, boosting American services exports, and bringing in more foreign direct investment. (See Bridges Weekly, [27 April 2017](#))

Ross on the WTO

The new executive order's language on the Geneva-based World Trade Organization has created waves in some trade circles, particularly in light of some of the points raised by the Secretary of Commerce in comments to Washington reporters.

"As far as I can tell there has never been a systematic evaluation of what has been the impact of the WTO agreements on the country as an integrated whole. So it's trying to find violations and abuses," said Ross in a [press briefing](#) the day before the order was signed. That claim has been countered by some [trade analysts](#), who have referred to past reports on the effects of trade deals conducted by US government agencies.

Other statements made by the Commerce Secretary have also drawn scrutiny, such as the pace of the WTO's meetings schedule; the alleged "structural problem" of its dispute settlement mechanism; and the lack of clarity on how the US would proceed after this new report is concluded.

"[The] WTO is a very, very bureaucratic organisation. Their main meetings occur four times a year. Well, when you think about how dynamic trade is and how rapidly it changes, the idea of a leisurely four-times-a-year meeting schedule, it's really not very consistent with dealing with problems," said Ross.

While Ross appeared to be referring to the WTO's General Council, the actual numbers of such meetings do not match his characterisation. Additionally, WTO members have been working to negotiate updates to the organisation's rules over several years – a very complex process – and the US has been an active player in those efforts.

The WTO's General Council meets both informally and formally on several occasions throughout the year. For example, last year alone the General Council met for five formal and three informal meetings. Outside of the General Council, the global trade body keeps a busy calendar throughout the year, convening frequent meetings of its various regular bodies and negotiating groups, which deal with specific trade subjects.

While various reporters asked whether the US would consider a WTO withdrawal, Ross did not confirm whether that would be an option. "We haven't done the study and we haven't presented the President with all of the alternatives. Certainly, as any multilateral organisation, there's always the potential for modifying the rules of it," he said.

ICTSD reporting; "'I was all set to terminate': Inside Trump's sudden shift on NAFTA," WASHINGTON POST, 27 April 2017; "Trump: 'We may terminate' U.S.-South Korea trade agreement," WASHINGTON POST, 28 April 2017.

GLOBAL ECONOMY

Industrial Overcapacity Debate Continues on Domestic, International Fronts

The international debate over how to address global overcapacity in steel and aluminium continues across multiple fronts, amid new investigations being launched in Washington; another meeting of the new global forum dedicated to steel; and discussions under a WTO committee on subsidies.

Over the past fortnight, US President Donald Trump has issued two memoranda directing his Secretary of Commerce to open investigations into imported steel and aluminium, tying the issue of overcapacity to stated concerns over national security.

Both of these memoranda cite [Section 232](#) of the Trade Expansion Act, a piece of legislation enacted in 1962 that allows for the Department of Commerce to conduct probes over where the import of a certain good has adverse implications for the US' national security. The information gleaned from this investigation can then be used to determine whether to "adjust" such imports.

"High-strength aluminium alloys have become among the most commonly used materials to make military aircraft and aluminium armour plate is used to protect against explosives and other threats," [said](#) Commerce Secretary Wilbur Ross on 27 April in describing the national security angle being pursued.

Ross also pledged that his office would be "proactive" in both the steel and aluminium reviews, given the "geopolitical" concerns involved.

Under both orders, Commerce will be looking at how much aluminium or steel, respectively, is needed to meet "projected national defence requirements," along with the impact on US producers of having to compete against foreign players in these markets. The Secretary of Commerce has also been tasked with seeing what this overcapacity may mean for lost jobs, skills, investment, and government revenue – as well as whether US effort to "negotiate a reduction" in global steel and aluminium levels would actually work.

The final reports will also include recommended actions on "adjusting" imports if necessary. Under Section 232, these documents would be due to the President within 270 days of the executive orders.

Global forum meets

Over the past couple of years, tensions have been on the rise over the growing mismatch between steel demand and supply, along with what this means for jobs and growth in major steel-producing countries.

The chairman of the Organisation for Economic Co-operation and Development (OECD) Steel Committee, Ronald Lorentzen, said in March that while there has been a "modest" recovery in the sector, "trade frictions" in this area continue to pose risks for its long-term future. (See Bridges Weekly, [30 March 2017](#))

China has come under particular scrutiny, given its role as the world's top steel producers. According to the latest figures issued by the [World Steel Association](#), global production of

steel reached 145 million tonnes in March, with China providing near half of that figure at 72 million tonnes.

Given the tension-filled debate last year over the nature of the steel overcapacity problem – along with how to address it – the G20 and other members of the OECD set up the Global Forum [last December](#), with the goal of better understanding the factors behind the steel issue.

The new forum is due to report back to the G20 every year, and currently is operating under a three-year mandate which can be extended further. The Global Forum on Steel held its fourth meeting in Germany late last week.

A [press release](#) issued by the German government said that this latest meeting was focused on putting together “a comprehensive information exchange on capacity developments and policy measures in the steel sector,” according to an informal translation of the document.

WTO subsidies committee

The topic of industrial overcapacity was also raised during a WTO meeting of the Committee on Subsidies and Countervailing Measures in late April, sources confirm to Bridges, with some members indicating interest in reviewing the topic more regularly.

Canada, the EU, Japan, and the US issued a communication ahead of the meeting suggesting topics which they say could yield fruitful discussions on the relationship between subsidies and overcapacity.

“Addressing the issue of overcapacity should not be seen as the sole prerogative of one forum,” said the group in their communication. “The relevant and appropriate aspect for the Subsidies Committee is how certain types of subsidies contribute to overcapacity, and how best to address this aspect of the issue.”

The group raised, for example, the need for more consistent notifications on subsidies to the committee, along with noting that these notifications do not include sub-central subsidy programmes.

“The quality of actual notifications, including the attempts by some members to notify subsidy programmes that clearly fall outside the scope of the [Subsidies and Countervailing Measures] Agreement to create the appearance of transparency without subjecting actual industrial subsidies to global scrutiny, also deserve attention,” the group said.

They also suggested that subsidies “to create and maintain excess capacity” can be heavily distorting and have significant effects for export markets, and said that it may be worthwhile to examine whether these require “more stringent disciplines” in the WTO context.

Sources familiar with the meeting said that the communication drew some support and questions from members such as Australia, Israel, Mexico, Russia, South Korea, and Turkey, with a particular interest on the issue of better transparency. China reportedly suggested that overcapacity is best discussed in other forums, given that other factors besides the use of subsidies also have implications for the steel crisis.

ICTSD reporting.

TRADE AGREEMENTS

TPP Meetings in Toronto Look to Set Stage for Hanoi Talks

Senior officials from the Trans-Pacific Partnership (TPP) countries met in Toronto, Canada, on 2-3 May for preparatory discussions on next steps before a ministers' level gathering in Hanoi, Vietnam, later this month.

In focus during these talks is how to proceed with the TPP, given the US' withdrawal earlier this year under the new administration of President Donald Trump. Ministers already met during a larger conference in Viña del Mar, Chile, in March to begin weighing possible next steps for the accord. (See Bridges Weekly, [16 March 2017](#))

Ciobo says renegotiation unlikely

Speaking to [Bloomberg Daybreak](#) this week, Australian Trade Minister Steven Ciobo suggested that a renegotiation of the TPP would be unlikely, given the current balance of trade-offs within the deal.

"Look I don't think so. I mean if we tried to start unpicking certain threads we run the risk of the whole thing falling apart again," said the Australian trade chief.

"Now certainly not having United States in there changes the equation, the matrix that some people have, and some countries have adopted, but by the same token we're all at the starting line. Everyone's there," he continued, suggesting that whether the deal moves forward will involve a mix of political will and advancing domestic ratification.

Other reports have suggested that some countries are interested in potentially reopening the deal, or potentially adding new countries to the mix to balance out the loss of the US' economic heft.

Ciobo also generally ruled out the likelihood of the US changing its stance on its TPP membership, while noting that many other major players in the planned trade deal are still showing a strong interest in moving it forward.

"I think that there's a lot of benefit from it. I know New Zealand thinks the same thing. Canada thinks the same thing. If Japan – and they have been ventilating that they're open to a TPP 11 – I mean, if Japan was there, then we probably get Mexico and we know that the Peruvians and the Chileans are on board as well, so I think that it's possible to get this deal," he continued.

US Vice President Mike Pence said last month during a trip to Asia that the current administration view TPP as a "thing of the past," and said instead that Washington will focus on negotiating new or improved bilateral deals with its trading partners, in line with Trump's preferred approach in this area. (See Bridges Weekly, [27 April 2017](#))

Trump has since ordered a review of existing trade deals and potential "violations," to be conducted under the US Secretary of Commerce. (For more on that executive order, see related story, this edition)

Another factor in the talks will be the upcoming renegotiation of the North American Free Trade Agreement (NAFTA), a decades-old accord involving the US, Canada, and Mexico.

Some trade observers say that the difficult political nature of those talks could have some ramifications for the TPP 11 revival efforts, given that Canada and Mexico are also part of the TPP.

APEC meetings

While Ciobo did not commit to a timeframe, some officials are reportedly aiming to reach a deal on next steps by November this year, with Japan said to be among those pushing for that outcome. Negotiators from the Asian economic giant told Kyodo News this week that Japan is in favour of a "TPP 11" approach moving forward.

The November timeframe would be in time for the annual meeting of leaders from the Asia-Pacific Economic Cooperation (APEC) coalition, which will be held in Da Nang, Vietnam, from 10-11 November.

APEC trade ministers will be meeting in Hanoi from 20-21 May, which is slated to see a meeting of TPP ministers minus the US on the margins.

The larger APEC meetings being led by Vietnam have as their [theme](#) "Creating New Dynamism, Fostering a Shared Future," and Vietnamese officials have flagged boosting trade and investment – particularly through greater regional integration – as one of their main priorities, in line with the 2020 Bogor goals.

The APEC Bogor goals refer to commitments made in 1994 during a meeting in the Indonesian city, which set objectives and targets for achieving "free trade and investment" for developed and developing countries, with the timeframe of the year 2010 for the former group and 2020 for the latter.

The group has regularly [reviewed](#) the progress being made toward these goals, issuing updated reports every couple of years. It has also been examining options for a "Free Trade Area of the Asia Pacific," or FTAAP, and APEC officials have said in the past that TPP and other regional efforts could help serve as building blocks for such a project.

Meanwhile, talks on a separate endeavour known as the Regional Comprehensive Economic Partnership (RCEP) resumed this week in the Philippines and are due to continue through 12 May. That 16-country project involves the 10 members of the Association of Southeast Asian Nations (ASEAN) and its six FTA partners, and the group has lately said that they are hoping to see a deal this year. That partnership includes some of the TPP's members.

ICTSD reporting; "Pacific trade negotiators meet to explore pact without U.S.," KYODO NEWS, 3 May 2017; "Talks kick off on 'TPP 11' pact minus US," NIKKEI ASIAN REVIEW, 3 May 2017; "TPP countries kick-start discussions towards implementing the pact without US," STRAITS TIMES, 2 May 2017.

FISHERIES

Fisheries Subsidies in the Spotlight Ahead of UN Ocean Conference

Preparations are underway for the high-level UN Conference to Support the Implementation of Sustainable Development Goal (SDG) 14, co-hosted by the governments of Fiji and Sweden and set to coincide with World Oceans Day 2017 in June.

The 5-9 June event will be the first SDG-specific conference held by the UN since its adoption of the 2030 Agenda for Sustainable Development Goals in 2015. It is also known as the UN Ocean Conference. (See Bridges Weekly, [1 October 2015](#))

"When we talk about SDG 14, we are thinking about navigation in the sea, we think about catching fish in the sea for food, we are thinking about doing tourism, but that is not all. Health of the sea and sustainable use of marine resources have a direct impact in the implementation of the many SDGs," [said](#) Wu Hongbo, UN Under-Secretary-General and head of the Department of Economic and Social Affairs (DESA) during an initial preparatory meeting.

UN member states, intergovernmental organisations, and other entities will convene in New York for the week-long event to reaffirm their commitments to [SDG 14](#) and its objectives: to "conserve and sustainably use the oceans, seas, and marine resources for sustainable development."

Oceans absorb one-third of greenhouse gas emissions produced by humans and are vital to poverty eradication, food security and nutrition, and climate change mitigation. According to the [Food and Agriculture Organization](#) (FAO), ocean-based economies assure the livelihoods of 10-12 percent of the world's population.

Overall, the Ocean Conference aims to respond to declines in ocean health from marine pollution and ocean acidification and to develop solutions that offset the negative effects of overfishing, the overcapacity of fisheries, and the use of fisheries subsidies.

Call for Action: revised zero draft

Projected outcomes from the Ocean Conference include the adoption of the intergovernmental declaration titled "[Our Oceans, Our Future: Call for Action](#)" by consensus. Negotiations over drafts of the "Call for Action" are ongoing, with a revised version of the text having undergone its second round of consultations last week.

The latest draft, which is dated 7 April, stresses that measures to implement SDG 14 "should build upon... reinforce and not duplicate or undermine, existing legal instruments" in line with the UN Convention on the Law of the Sea, such as the Port State Measures Agreement to Prevent, Deter and Eliminate Illegal, Unreported and Unregulated Fishing (PSMA).

The PSMA was adopted by 29 countries and the European Union in 2016 and has now entered into force. (See Bridges Weekly, [25 May 2016](#))

In addition to the "Call for Action," co-chairs will compile a report summarising the seven partnership dialogues scheduled and a list of voluntary commitments meant to facilitate the implementation of SDG 14. So far, [103 voluntary commitments](#) from stakeholders, UN bodies, and governments have been received, which outline different projects to protect

marine ecosystems in coastal zones like Grenada and Bali and efforts to increase ocean conservation philanthropy.

UN, WTO interlinkages

The Ocean Conference preparations have also included meetings on trade, and language on the subject is also featured in the “zero draft” that is under discussion.

In late March, the UN Conference on Trade and Development (UNCTAD), FAO, and the African, Caribbean, and Pacific Group of States (ACP) co-organised an Oceans Forum focused on the regulatory and policy implications of Goal 14's trade-related targets.

These targets include an end to illegal, unregulated, and unreported (IUU) fishing, overfishing, and other destructive fishing practices (SDG 14.4) and the prohibition of fisheries subsidies that contribute to overcapacity and overfishing, with an emphasis on the elimination of those related to IUU fishing activities (SDG 14.6) by 2020. (See Bridges Weekly, [22 September 2016](#))

Some estimates place global fisheries subsidies at [US\\$35 billion](#) annually, with 60 percent of this amount allocated to capacity-enhancing subsidies. Experts say that this type of subsidy allows fleets to intensify and broaden the scope of their fishing in a way that depletes fish stocks and promotes other destructive practices.

Participants also discussed SDG 14.b and its call for increased access to markets and marine resources for small-scale artisanal fishers during the Oceans Forum. This especially important demographic accounts for [86 percent of fishermen](#) employed worldwide. Of those employed in small-scale fisheries, half are women.

The UN efforts come at a time when World Trade Organization (WTO) members are actively looking at options for disciplining harmful fisheries subsidies and improving transparency on the subject, in the hopes of reaching an agreed outcome by year's end.

Given this context, Luis Enrique Chávez Basagoitia, who chaired the Oceans Forum and is Peru's Permanent Representative in Geneva, emphasised the need to identify all WTO instruments valuable to the achievement of Goal 14.

In his [concluding report](#) on the Oceans Forum on 20 April, the chairman spoke extensively about the health of the blue economy in relation to fisheries subsidies.

“There is an undeniable nexus between the extraction of fisheries resources and conservation and trade. Thus, the opportunity cost of not acting to address harmful fishing subsidies is extremely high. Without action we will deplete the resource, create food insecurity, and destroy the same sources of employment we aim to preserve,” he said.

The results of the discussions will be conveyed to the UN and WTO processes in anticipation of both the Ocean Conference and the Eleventh WTO Ministerial Conference (MC11) to be held in Buenos Aires, Argentina, from 11-14 December.

The Ocean Conference will be the last major UN gathering before MC11 on the trade-related aspects of fisheries, and especially international responses to fisheries subsidies.

While the WTO is a different forum from the UN, negotiators at the global trade body have broadly referred to the momentum from the SDG process – including the 2020 target on tackling fisheries subsidies – as a strong driver behind their current efforts.

Within this context, talks on possible disciplines on fisheries subsidies continue within the WTO's negotiating group on rules, with an informal meeting held in Geneva on 2 May. A subsequent “cluster” of meetings is planned from 15-17 May, which sources say will look

more closely at a new proposal tabled by New Zealand, Iceland, and Pakistan on the implementation of SDG 14.6.

Other topics for that cluster of WTO meetings include the scope of potential fisheries subsidies disciplines, along with accounting for the special needs of developing economies and any technical assistance or capacity building required. Future meetings will also be held in “clusters” to discuss topics such as transparency, implementation, dispute settlement, and related topics, though the dates for those have not yet been finalised.

ICTSD reporting.

EUROPEAN UNION

EU Leaders Adopt Final Brexit Guidelines, Prepare for Next Steps

Leaders from the EU 27 adopted final guidelines for the upcoming Brexit discussions during their 29 April summit, setting the stage for formal talks with the UK to kick off as early as next month.

Overall, the guidelines closely mirror those circulated in April, and were adopted unanimously during a special meeting of the European Council in Brussels, Belgium. (See Bridges Weekly, [6 April 2017](#))

"Throughout these negotiations the Union will maintain its unity and act as one with the aim of reaching a result that is fair and equitable for all member states and in the interest of its citizens. It will be constructive and strive to find an agreement. This is in the best interest of both sides," said the [final guidelines](#).

United on "phased" approach

As before, the EU is insisting on a "phased" approach, maintaining that the negotiating parties will need to make "sufficient progress" in separating the UK from the EU before they can start discussing a framework for post-Brexit relations, including on trade.

This stance is markedly differently from that of UK Prime Minister Theresa May, who has advocated for these issues to be taken up in tandem.

Specifically, the EU guidelines reaffirm that two issues will be essential components of the first phase of talks: financial commitments and citizenship uncertainty. The EU 27's leaders have stressed that they will remain steadfast on splitting the talks into multiple phases, and that a resolution on these initial issues is paramount.

"We are united not only on the substance, but also on the method of conducting the Brexit talks. I am referring here to the so-called phased approach, accepted by the leaders today," [said](#) European Council President Donald Tusk following the leaders' meeting.

The first subject, financial commitments, is commonly referred to as the "divorce bill." EU Commission officials previously estimated that the UK owes approximately €60 billion to the EU, calculated from previous commitments including the Multiannual Financial Framework (MFF), the European Investment Bank (EIB), the European Development Fund (EDF), and the European Central Bank (ECB).

However, recent estimates released by the Financial Times suggest that this number may increase up to €100 billion, accounting for additional factors such as the UK's farm payments after Brexit – as requested by some EU member states.

The second topic involves citizenship status, specifically for the estimated three million EU citizens living in the UK, as well as 1.2 million British nationals residing in the EU – a concern that has been cited repeatedly by all parties involved.

Another issue that the EU 27 has raised under the context of an "orderly withdrawal" is the need for transitional arrangements once the UK is out of the bloc, in order to avoid unintended shocks to business trading between the two sides. They have also questioned

what Brexit will mean for various pending court cases before the EU's Court of Justice that involve the UK or its citizens.

When asked about the newly adopted guidelines, May responded that any requests agreed to by the other EU leaders reflect that group's negotiating position, and that she would follow her own stance, as outlined earlier this year.

Single market, trade deal approach

The EU 27 guidelines also reaffirm the views of the group's leaders regarding the single market – a central feature of the EU, allowing for free movement and trade of goods, services, capital, and people within the bloc's borders.

"Any free trade agreement should be balanced, ambitious, and wide-ranging. It cannot, however, amount to participation in the single market or parts thereof, as this would undermine its integrity and proper functioning," said the final leaders' guidelines on the single market.

Furthermore, it rules out future UK participation in the single market on a "sector by sector" basis, and says that an EU-UK trade deal would need to include certain components.

"It must ensure a level playing field, notably in terms of competition and state aid, and in this regard encompass safeguards against unfair competitive advantages through, inter alia, tax, social, environmental, and regulatory measures and practices," the guidelines add.

The language here has been slightly revised from the draft, which referred to "unfair competitive advantages through, inter alia, fiscal, social, and environmental dumping."

UK Prime Minister Theresa May has already confirmed that her government will not be seeking to remain in the single market, in light of the inability to separate these four freedoms, and will instead be aiming to ink an "ambitious free trade agreement" with the remaining 27 EU members. (See Bridges Weekly, [19 January 2017](#))

Also in that section, the final version includes the addition of "foreign policy" to the paragraph listing other areas of potential future cooperation aside from trade, which includes security and defence.

Another change from the draft is a new paragraph that stresses any future EU-UK relationship should "safeguard financial stability in the Union and respect its regulatory and supervisory regime and standards and their application."

Coming up

Next up on the agenda is a [meeting](#) of the EU's General Affairs Council, a body made up of EU affairs ministers from the individual member states.

During that event on 22 May, the General Affairs Council is slated to move forward on a series of procedural steps, such as affirming the Commission's official role as negotiator and signing off on a formal negotiating mandate for the EU's executive arm.

The European Commission released a [draft version](#) of these negotiating directives on Wednesday 3 May. Approval of these under the General Affairs Council will be done under a "strong qualified majority," according to the EU executive.

Within the EU 27, a strong qualified majority involved approval of 20 member states, which together make up 65 percent of the overall population of the full 27 members.

Given the timing of the UK's general election, scheduled for 8 June, officials say that formal talks will likely begin later that month. At that stage, the result of the French presidential election will be known, and will provide some clarity over the Brexit stance of the EU's second-largest economy. (See Bridges Weekly, [27 April 2017](#))

ICTSD reporting: "In full: The EU's draft guidelines for Brexit negotiations," THE TELEGRAPH, 31 March 2017; "European Union Leaders, Gathering Without May, Endorse Guidelines on Brexit Talks" THE NEW YORK TIMES, 29 April 2017; "EU Brexit guidelines: What's in the document, and what it really means," THE TELEGRAPH, 29 April 2017; "EU Brexit guidelines annotated," THE FINANCIAL TIMES, 29 May 2017; "Brussels hoists gross UK exit 'bill' to €100 billion," FINANCIAL TIMES, 3 May 2017.

CLIMATE CHANGE

California Lawmakers Consider New Version of Cap-and-Trade System

California state senators proposed a new cap-and-trade programme for the state this week, which would replace the current system. If passed, the legislation would take effect in 2020.

Pieces of the existing system, such as allowances and offsets, would not be eligible for transfer post-2020, ushering in new allowances and trading. The legislation aims to make the carbon price more stable over time, to eliminate an industry's ability to amass allocations, and to provide a legally straightforward way of auctioning.

The proposed new programme comes as some other US states consider their own carbon pricing options, particularly given the political landscape at the national level. (See Bridges Weekly, [30 March 2017](#) and [13 April 2017](#))

Current carbon pricing scheme

The current emissions trading system went into effect in 2013, holding quarterly auctions with a rising price floor now set at US\$13.57 per metric tonne. The revenue then gets allocated to green projects in the state. The scheme is also linked with Quebec and Ontario's carbon emission trading programmes. (See Bridges Weekly, [16 April 2015](#))

The current system features the use of offsets, which is reportedly a point of contention for many stakeholders in California. Alongside offsetting, the legality of the current system has come under scrutiny, with a recent court ruling in favour of the system. (See Bridges Weekly, [13 April 2017](#))

The case came from industry groups arguing that the cap-and-trade system acted as an illegal tax. The scheme has also faced continued debate on whether it has authority to operate beyond 2020, among other concerns.

Policy design

One of the main features of the new scheme is the creation of both a price floor and ceiling, referred to as a price collar, for the cost of a metric tonne of carbon dioxide.

The starting price in 2021 would be US\$20 for the floor and US\$30 for the ceiling, rising in 2022 to US\$20 and US\$40 respectively. Every five years, the floor would be raised by US\$5 and the ceiling by US\$10, adjusting for inflation. Setting limits on the price allows for costs to fluctuate with emissions so long as they stay within that range.

Embedded in the scheme is a climate dividend, which would return money to consumers every quarter, though the specifics of this mechanism are still under review.

Border adjustment tax

The proposed legislation removes the use of carbon offsets, which is a key feature in the existing scheme. Offsetting is a mechanism that allows companies to meet some of their emissions "compliance obligations" by investing in certain environmental projects, which can be cheaper than carbon allowances.

[In California](#), these projects can include those relating to forests, livestock, ozone-depleting substances, and rice cultivation, among others.

The new legislation includes a border adjustment tax, levying duties on imports based on their carbon intensity. The Economic Competitiveness Assurance Program would be put into effect in tandem with the new legislation and would be tasked with ensuring that the tax does not have unduly negative effects on California industries vis-à-vis their competitors.

Furthermore, the proposed legislation could potentially cut ties with Quebec and Ontario's emission trading system, given its requirement to have a minimum carbon price that matches or exceeds that of the West Coast state.

ICTSD reporting; "California is about to revolutionize climate policy...again," VOX, 3 May 2017; "California Proposes Ambitious New Cap-and-Trade Program," MIT TECHNOLOGY REVIEW, 1 MAY 2017; "In the battle over California climate policies, green projects are now in the hot seat," LA TIMES, 13 March, 2017.

GLOBAL ECONOMY

Trump, Macri Pledge to Boost US-Argentina Trade Ties

Argentine President Mauricio Macri met with US President Donald Trump on 27 April to discuss how to deepen economic ties between their countries, including on bilateral trade.

The leaders, who already knew each other through the business world, said that they entered the talks hoping to build the economic partnership between their countries. Speaking to Bloomberg, Macri noted the "space to deepen our relations" and Argentina's interest as a member of South American customs bloc Mercosur to work with the US.

Boosting bilateral trade

Since taking office in January, Trump has placed a particular focus on improving trade terms on a bilateral basis with fellow countries, while also embracing an "America First" economic policy that has prioritised keeping jobs and companies within US borders and reducing the trade deficit with key partners. Meanwhile, Macri took office in December 2015, replacing Cristina Fernández de Kirchner and pledging to reboot the Argentine economy after years of inward-focused economic policies. (See Bridges Weekly, [26 November 2015](#))

After the meeting, the leaders issued a [joint statement](#) referring to bilateral issues for future cooperation. They asked their respective cabinets "to expeditiously chart a path forward to resolve pending agricultural issues, based on scientific principles and international standards," while adding that they hope to see more farm and industrial goods trade.

Since their meeting, news has emerged that the US Department of Agriculture is lifting a nearly 16-year ban on Argentine lemon imports – a move that takes effect this month. That ban had been in place due to previous concerns over the potential spread of pests, and Trump told reporters that lemons would be on the table in his discussions with Macri.

Argentina is the US' 38th largest goods trading partner, with the two sides exchanging US\$13 billion in goods in 2015, [according](#) to the Office of the United States Trade Representative.

WTO, G20 preparations

Meanwhile, Argentina has signed on to host the World Trade Organization (WTO) ministerial conference this upcoming December, and will also hold the G20 Presidency in 2018, which officials in Macri's administration have said is part of a larger effort to reintegrate the country into the multilateral arena. (See Bridges Weekly, [27 April 2017](#))

According to their [joint statement](#), Trump "welcomed Argentina's growing leadership role on the world stage," particularly in light of what this means for trade and investment. The US leader also offered his backing to Macri regarding the WTO and G20 processes.

ICTSD reporting: "Macri Aims to Leverage Trump Bond in White House Visit," BLOOMBERG, 25 April 2017; "USDA says no more delays to rule allowing Argentina lemon imports," REUTERS, 1 May 2017; "Trump, Argentine President Macri Hold White House Talks," THE NEW YORK TIMES, 27 April 2017.

EVENTS & RESOURCES

Events

Coming Soon

7 May, Bonn, Germany. IMPLEMENTATION OF MARKETS AND NON-MARKET PROVISIONS IN THE PARIS AGREEMENT. This meeting is being organised by the International Centre for Trade and Sustainable Development (ICTSD) and will be the fifth meeting of the project "Implementation of markets and non-market provisions in the Paris Agreement." The informal discussions will focus on Article 6, looking at how its terms can be defined and what these alternatives can mean in practice. Expected participants include carbon market negotiators. Please note that attendance is by invitation only. For more information on this meeting, please visit the ICTSD [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](#).

10 May, Geneva, Switzerland. 10TH ANNUAL UPDATE ON WTO DISPUTE SETTLEMENT. This event will be held at the Graduate Institute and will consist of an overview session followed by a roundtable discussion. The event will cover the WTO's dispute-related activities and developments over the past year. Its speakers will include WTO Deputy Director-General Karl Brauner, South African WTO Ambassador and Dispute Settlement Body Chairperson Xavier Carim, and Appellate Body Chairperson Thomas Graham, among others. To learn more and to register, please visit the Graduate Institute [website](#).

11 May, London, UK, and online. REFUGEES: ARE JOBS THE ANSWER? This event is organised by the Overseas Development Institute (ODI) and will feature an expert panel to discuss the creation of economic opportunities for refugees. Specifically, the panel will discuss the possibility of creating Special Economic Zones (SEZ) where business and trade laws could be revised to allow refugees to work within the zone. This event is open to the public and will be streamed online. To learn more and register, or watch online, visit the ODI [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.

5 May: Committee on Import Licensing

5 May: Trade Policy Review Body – Mozambique

8 May: Informal Heads of Delegation

9 May: Working Part on State Trading Enterprises

9 May: Working Group on Trade and Transfer of Technology

9 May: Informal Working Party on Domestic Regulation

9 May: Informal Group of Developing Countries

10-11 May: General Council

Other Upcoming Events

15 May, Washington, US, and online. FUTURE OF THE EUROPEAN ECONOMY AFTER THE FRENCH ELECTION. This webcast event is being organised by the Peterson Institute for International Economics (PIIE) and will have two discussion panels comprised of PIIE senior fellows and European experts. The panels will discuss what the 7 May French election results mean for the wider EU economy and outline recommendations for ensuring the EU's future economic stability. This event is open to the public and will be streamed online. To learn more and watch online, visit the PIIE [website](#).

19 May, Geneva, Switzerland, and online. TALKING DISPUTES | THE RUSSIA – PIGS (EU) DISPUTE. This event is being jointly organised by the International Centre for Trade and Sustainable Development (ICTSD) and WTI Advisors (WTIA). This event will focus on the recent World Trade Organization (WTO) Appellate Body ruling in the Russia – Pigs (EU) dispute, presenting the key findings and engaging in a discussion of the legal and policy implications, particularly regarding trade and regulatory cooperation. This event is open to the public and will be streamed online. To learn more and to register, or to watch online, please visit the ICTSD [website](#).

23 May, Stockholm, Sweden. TRADE AND CLIMATE ACTION POST-PARIS: LEVERAGING SYNERGIES. This event is being organised jointly by the International Centre for Trade and Sustainable Development (ICTSD) and Sida, Sweden's development policy agency. The event will examine the relationship between trade, sustainable development, and climate action in the context of the UN's Paris Agreement on climate change. The objective is to have a discussion over ways trade policy can support climate action, along with ensuring that efforts to support the latter objective do not have overly trade-distorting effects. For more information, including an event programme, please visit the ICTSD [website](#).

5-8 June, Manila, Philippines. ASIA CLEAN ENERGY FORUM 2017. This event is being jointly organised by the Asian Development Bank (ADB), the United States Agency for International Development (USAID), and the Korea Energy Agency. The aim of this forum will be to share best practices in policy, technology, and finance regarding clean energy, energy efficiency, and energy access, with the event having as its theme "The Future is Here: Achieving Universal Access and Climate Targets." To learn more and to register, please visit the event [website](#).

26-28 September, Geneva, Switzerland. WTO PUBLIC FORUM 2017. This year's edition of the WTO's outreach event will have as its theme "Trade: Behind the Headlines." The meeting will aim to look at the real-life implications of trade, as opposed to rhetoric, and will also look at how trade can support the 2030 Agenda for Sustainable Development and related issues. A call for proposals is currently open for those who wish to organise sessions at this year's forum, with a due date of 4 June 2017. To learn more, please visit the WTO [website](#).

Resources

ASIAN DEVELOPMENT OUTLOOK 2017: TRANSCENDING THE MIDDLE-INCOME CHALLENGE. Published by the Asian Development Bank (ADB) (April 2017). This book discusses growth statistics and future prospects for developing Asian economies, along with outlining which types of institutions and policies can help support the region's economic transformation. The report looks at issues such as productivity growth and macroeconomic policy, among various others. To access this book, please visit the ABD [website](#).

RESOURCE TRADE EARTH. Developed by Chatham House (2017). This site aims to enable users to explore how trade in natural resources works, along with the sustainability impacts and related issues, using data from hundreds of countries and territories. The trade data is from the Chatham House Resource Trade Database and covers over 1300 types of natural resources and resource products. It also reviews the quality and limitations of this data. To access this site, please visit the Chatham House [website](#).

ATLAS OF SUSTAINABLE DEVELOPMENT GOALS 2017: FROM WORLD DEVELOPMENT INDICATORS. Published by the World Bank Group (April 2017). This atlas brings together World Bank statistics from over 200 economies, looking at various indicators related to the Sustainable Development Goals (SDGs) in order to develop a better understanding of the state of international development and the implications for people's lives and livelihoods. To view the atlas or download it as a PDF, please visit the World Bank [website](#).

GROWTH INCLUSIVENESS IN DJIBOUTI. By Alexei P. Kireyev for the International Monetary Fund (IMF) (April 2017). This working paper examines Djibouti's economic growth from 2002 to 2013, looking at whether its benefits have been shared equally and which parts of society have benefitted most. The author discusses policies that may help to make growth more inclusive and create opportunities in sectors with better earning potential for the country's poorest. To download this paper, please visit the IMF [website](#).

TRUMP'S THREAT OF STEEL TARIFFS HERALDS BIG CHANGES IN TRADE POLICY. By Chap P. Bown for the Peterson Institute for International Economics (PIIE) (April 2017). This op-ed discusses the impacts of the Trump administration's announcement to investigate whether imports of steel are a threat to US national security, examining it through the prisms of US trade law and history. To view this op-ed, please visit the PIIE [website](#).

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