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TRADE AGREEMENTS

Malmström: EU, Mexico "Committed" to 2017 Trade Deal

The European Union and Mexico are "committed" to finishing talks to revamp their decades-old trade agreement this year, according to the EU's top trade official.

EU Trade Commissioner Cecilia Malmström met with Mexican Foreign Secretary Luis Videgaray Caso and Mexican Economy Secretary Ildefonso Guajardo Villareal for two days this week in Mexico City, after which they pledged to scale up their meeting schedule while reaffirming their commitment to a comprehensive, wide-ranging new accord.

"This is an ambitious but feasible goal. We want to send a clear signal to the world about the importance of strengthening – not weakening – the rules that govern international trade," [said](#) the EU trade chief on Monday 8 May.

Negotiators from the two sides are next due to meet from 26-30 June, with meetings [planned](#) for September and November in a bid to meet this objective.

The ministers' level meeting comes at a time when both the EU and Mexico are facing heightened trade-related challenges.

In Europe, elections at the national level have already shown the effects of trade, globalisation, and migration to be a growing source of anxiety among voters, though the results of France's presidential election this past weekend have helped quell some concerns regarding the scale of the anti-globalisation backlash. (For more on the French elections, see related story, this edition)

Across the Atlantic, Mexico is gearing up for its own presidential elections next year, while preparing also to launch negotiations with the US and Canada for an upgrade to the North American Free Trade Agreement (NAFTA), which has been deemed a priority of the new administration of US President Donald Trump. (For more on NAFTA, see related story, this edition)

"Today it is even more important than ever to send a clear message that we are not going to be paralysed in spite of the challenge of renegotiating NAFTA. We will continue with our trade strategy because it is key to supporting growth in the Mexican economy," said Guajardo to reporters, according to comments reported by Bloomberg.

Mexican officials will also be meeting with their counterparts from 10 other Pacific Rim nations later this month to discuss the next steps for the Trans-Pacific Partnership (TPP) Agreement, in light of the US' withdrawal from the pact. That meeting will be held on the margins of the Asia-Pacific Economic Cooperation (APEC) trade ministers' meeting. (See Bridges Weekly, [4 May 2017](#))

Mexico is also a member of the Pacific Alliance, a group that includes Chile, Colombia, and Peru, which is looking to deepen its economic and trading ties with other blocs, such as South American customs bloc Mercosur. (See Bridges Weekly, [13 April 2017](#))

Malmström echoed that view of showing a strong commitment to open trade during her visit to the Mexican capital city, warning against the creation of barriers in this field – and arguing that a "value-based" trading system is the way to ensure both free and fair trade.

"I share the opinion of Secretary Guajardo regarding the importance of global and open economic cooperation. For that reason, we have agreed to accelerate our conversations to conclude a new, modern agreement," said Malmström [in a speech](#) to business representatives on Tuesday 9 May.

On that same subject, the European Commission released a [report](#) on Wednesday 10 May which covered the EU executive arm's reflections on addressing the current geopolitical landscape on trade and globalisation and aims to spark additional debate.

Areas under negotiation

The current trade deal between the EU and Mexico is known as the Global Agreement, which dates back to the year 1997. Within that context, their deal on trade in goods took effect in 2000, and the terms on services the subsequent year.

Negotiators are now looking to expand the deal to cover a host of additional areas that were either not covered in the original deal or would need a re-think in light of the new trading environment.

These talks have been official underway for a year, and have reported steady progress since then. For example, on public procurement, the two sides are reportedly building off of the EU's [textual proposal](#) for that chapter from last November, and have consolidated texts in areas such as small and medium-sized enterprises.

"The patterns of global trade and commerce and investment have changed, as have the expectations over what can be achieved with a modern, progressive commercial agreement," said Malmström on Tuesday.

The EU trade chief referred to a series of areas where the EU would like to see outcomes with Mexico, including lower agricultural tariffs; faster administrative approvals; a strong regime for geographical indications; greater public procurement market access; and improved conditions for fostering foreign direct investment.

The European Commission also put online this week over a dozen proposals, covering topics ranging from [sustainable development](#) to [digital trade](#) to [good regulatory practices](#).

For example, on sustainable development, the EU says that it aims to "enhance the integration of sustainable development in the parties' trade and investment relationship,

notably by establishing principles and actions concerning labour and environmental aspects of sustainable development of specific relevance in a trade and investment context."

The proposed chapter then goes on to address issues such as the right to regulate; multilateral labour and environmental agreements and standards; and climate change, biological diversity, forests, fisheries, and supply chain management.

Meanwhile, the EU's textual proposal for a digital trade chapter focuses specifically on telecommunications and information and communication technologies (ICT), while saying that this chapter will not address areas such as audio-visual, gambling, broadcasting, notary, and legal representation services. It does cover topics such as customs duties on electronic transmissions, online consumer trust, unsolicited direct marketing, and electronic public procurement, among others. It also has a bracketed placeholder for a forthcoming article on data flows and data localisation.

The EU's executive arm has also flagged investment arbitration as a key area for Brussels, in light of their efforts to use their new "investment court system" – now part of its concluded trade deals with Canada and Vietnam – as a springboard toward negotiating a multilateral investment court. Mexico has reportedly backed using an investor-state dispute settlement (ISDS) system for the planned EU deal, according to a Commission [report](#) on the latest round of talks.

At the time of this writing, Mexico had not put its own textual proposals online, though officials from the North American nation say that they are interested in seeing advances in areas such as sustainable development and intellectual property.

ICTSD reporting; "Mexico, EU to Step Up Talks to Finish by Year End," BLOOMBERG BNA, 9 May 2017; "Canadian trade envoy to make the case for 'progressive' trade," POLITICO MORNING TRADE, 9 May 2017.

WORLD TRADE ORGANIZATION

WTO Chief Calls for Additional "Clarity and Purpose" in Buenos Aires Preparations

WTO Director-General Roberto Azevêdo urged members earlier this week to press on in their negotiating efforts ahead of this December's ministerial conference in Buenos Aires, Argentina, as meetings continue in various configurations to prepare for the high-level event.

Speaking on Monday 8 May at an informal meeting of heads of delegation, the WTO chief noted work underway in a host of negotiating areas, referring specifically to papers and other documents being tabled in areas such as domestic regulation in services and services facilitation, among others.

However, he cautioned members that time is beginning to run short before both the global trade body's annual summer hiatus and the ministerial itself in December.

"By the summer our preparations for Buenos Aires should be advancing with a much greater sense of clarity and purpose. As I have said before, proponents have a particular responsibility here to build momentum behind their ideas," said Azevêdo on Monday.

Other officials present at the meeting reportedly welcomed the increased level of activity seen in Geneva so far, while similarly urging for more to be done to pave the way for outcomes at the December ministerial.

"Colleagues, the time that separates us from MC11 is short" said EU Ambassador Marc Vanheukelen on Monday, according to a copy of his [statement](#). "And at this moment in time, none of the issues that we are collectively discussing is ripe for any sort of decision. This is troubling in itself."

The EU official also warned against the possibility of linkages being made between different areas of the WTO talks, which could harm their prospects for moving forward.

Indeed, the past weeks have seen a flurry of meetings on various negotiating areas relating to the ministerial preparations. Talks have resumed on agriculture, for example, after members resolved an earlier impasse over who should chair those negotiations. (See Bridges Weekly, [27 April 2017](#))

Meanwhile, the rules negotiating group is due to hold its next "cluster" of meetings next week, which is expected to focus on a submission tabled by New Zealand, Iceland, and Pakistan a few weeks ago. The rules group is currently looking at whether deliverables on disciplining harmful fisheries subsidies might be possible in time for the Buenos Aires meeting, with various proposals on the table. (See Bridges Weekly, [4 May 2017](#))

WTO members have also been looking at the possibility of some type of outcome in the areas of domestic regulation in services, as well as services facilitation. However, members are reportedly at odds over whether and how to continue informal discussions on developing domestic regulations in services, along with how to then capture the results of these discussions and what substantive outcomes should come from them.

Consultations also continue over a separate proposal from India on a possible "Trade Facilitation Agreement in Services," sources say, which aims to build partly on the success of negotiating a trade facilitation pact governing goods trade.

General Council update

Meanwhile, reports emerged as Bridges went to press that Wednesday's General Council had seen a disagreement among members over how to proceed with an agenda item regarding trade and investment facilitation.

Taking place just days after the informal heads of delegation gathering, the General Council agenda was due to include a report on negotiations to date and on the implementation of the Bali and Nairobi outcomes; election of officers and other topics related to the ministerial; a submission on micro, small, and medium-sized enterprises (MSMEs); and the agenda item on trade and investment facilitation.

Specifically, trade sources say that India blocked the adoption of the meeting's agenda, citing the inclusion of the investment facilitation item. India reportedly said that the General Council was not the right place to discuss such issues. India was backed by Uganda on this subject, with sources saying that India also received some support from Bolivia and Ecuador.

Sources say that China was among the members who pressed for the meeting to continue, and had said that the move to include an investment facilitation item on the agenda was not to try launching formal talks on the subject, but instead to speak informally. Various others backed China on the subject, along with raising systemic concerns over the blocking of the General Council meeting agenda – which is a rare move in the WTO context.

The meeting was therefore closed, and sources suggested that it was unclear when the General Council might resume.

Ahead of the meeting, various members had submitted documents on the subject, including a communication from the "MIKTA" group – Mexico, Indonesia, Korea, Turkey, and Australia – as well as the Friends of Investment Facilitation for Development, Russia, and Argentina and Brazil.

The MIKTA countries, in their submission, highlighted a series of reflections following a workshop they held on the subject earlier this year, referring to what role the global trade body could play in this area, and noting a "high level of interest and willingness among some WTO members to engage in open and inclusive discussions on investment."

For example, they note that investment facilitation "could be a good starting point for discussions to complement the recently concluded Trade Facilitation Agreement and current discussions on trade facilitation in services."

The joint communication from Argentina and Brazil, meanwhile, raised the subject of "possible elements of a WTO instrument on investment facilitation," while noting the importance of avoiding "well known contentious issues" in looking at the larger subject of investment.

China's communication also involved possible elements on investment facilitation, while the communication from the Friends of Investment Facilitation for Development – Argentina, Brazil, Chile, China, Colombia, Hong Kong, Kazakhstan, Mexico, Nigeria, Pakistan – refers to a proposed informal dialogue on the subject.

ICTSD reporting.

NORTH AMERICA

US, Canada Weigh Next Steps in Softwood Lumber Trade Spat

The preliminary determination reached by the US Department of Commerce last month to levy countervailing duties on Canadian softwood lumber imports has been met with reports of potential Canadian trade action targeting US industries in response.

This latest escalation in a protracted disagreement between the neighbours comes just as Canada, the US, and Mexico gear up to re-open talks on the decades-old North American Free Trade Agreement (NAFTA).

The Trump administration termed any move to counter the Commerce decision "inappropriate" on Saturday 6 May and maintained that it would not alter the US' course.

US Secretary of Commerce Wilbur Ross previously defended the decision to impose duties, underlining that the outcome is grounded in facts.

"The Department of Commerce's recent preliminary decision to impose tariffs on Canadian softwood lumber was based on the facts presented, not on political considerations," he [said](#) after the duties were announced. "If any Canadian or British Columbian official wishes to present additional information, we will consider it carefully and impartially."

"[Canada has] a tremendous surplus with the United States," President Donald Trump said at an agriculture roundtable not long after the decision, when asked whether there are concerns of a potential escalation in tensions with the US' second largest trading partner. "When we're the country with the deficits, we have no fear."

Reports of a possible Canadian response

The preliminary countervailing duties on [Canadian softwood lumber](#) confirmed last month responded to [allegations](#) raised by the US lumber industry that Canadian softwood is benefitting unfairly from low "stumpage fees," and given that the timber is grown on public lands this has led to the claim that those fees are tantamount to unfair subsidies to the disadvantage of American workers. (See Bridges Weekly, [27 April 2017](#))

According to a Commerce Department [factsheet](#), the countervailing duties imposed are intended to grant US mills with the means to "seek relief from the market distorting effects caused by injurious subsidisation of imports into the United States, establishing an opportunity to compete on a level playing field." A decision in a separate probe on anti-dumping duties is slated to be reached in June.

A [joint statement](#) issued by Canadian Natural Resource Minister Jim Carr and Foreign Minister Chrystia Freeland expressed strong disagreement with the duties, pledging to "vigorously defend" the interests of Canadian softwood producers, including possibly through litigation.

"In ruling after ruling since 1983, international tribunals have disproved the unfounded subsidy and injury allegations from the US industry," the statement reads. "We have prevailed in the past and we will do so again."

When asked in a [press briefing](#) about the [several rounds](#) of trade disputes that have taken place under both the WTO ([DS311](#)) and the NAFTA dispute settlement mechanisms, Ross replied, "I had nothing to do with the prior cases. I'm confident that this case is a good case."

The Canadian government statement also announced the re-opening of a domestic task force aimed at facilitating information exchange at the federal and provincial levels, as well as assessing possible impacts on and needs of affected workers. Canadian forestry industries account for upwards of 200,000 jobs in over 170 rural and indigenous communities nationwide.

Ottawa is gearing up to put pressure on US industries supporting a hard line on lumber. Canadian Prime Minister Justin Trudeau is reportedly considering a request to halt imports of US thermal coal into ports in British Columbia (BC). The province is Canada's biggest softwood lumber producer, responsible for half of overall production, and the US is BC's primary market.

In a letter addressed to BC Premier Christy Clark, who proposed the shipment ban last month in response to the timber duties, Trudeau said last week that "the Government of Canada is considering this request carefully and seriously," according to reporting by Reuters.

In addition, the Canadian federal government is considering imposing duties on exports coming from the state of Oregon, including lumber products such as flooring, plywood, and woodchips, as well as wine. The role of US Senator Ron Wyden, who represents Oregon in Congress, in backing the duties on softwood lumber was cited by Reuters as behind this possible response, along with business assistance programmes which could be regarded as unfair subsidies.

Officials on both sides of the border have expressed an interest in finding a long-term fix. The statement issued by Carr and Freeland underscored that Canada is "committed to working with the US Administration to achieve a durable solution."

Ross has also affirmed willingness on behalf of the US. "We continue to believe that a negotiated settlement is in the best interests of all parties and we are prepared to work toward that end," he said.

The Softwood Lumber Agreement (SLA), which entered into force in 2006, had previously provided stability and certainty in bilateral lumber trade until it expired in October 2015, halting US imposition of trade remedies in return for export measures applied to products below a certain market level. (See Bridges Weekly, [6 April 2017](#))

NAFTA renegotiations

Stakeholders and analysts have suggested that a potential agreement on lumber could be subsumed by efforts to upgrade NAFTA. The agreement to date includes provisions on trade in goods, technical barriers to trade, government procurement, investment, services, and intellectual property rights, though lumber does not currently fall under its purview.

"If NAFTA were functioning properly you wouldn't be having these kinds of very prickly, very unfortunate developments back-to-back," Ross said, referring to the recent escalation in tensions over lumber. "So in that sense it shows that NAFTA has not worked as well as it should."

Renegotiating aspects of the tripartite free trade agreement in order to rectify trade deficits of US\$63 billion with Mexico and US\$11 billion with Canada last year has become a trade policy priority of the new US administration. Talks are expected to reopen this

summer following the conclusion of a 90-day consultation period and pending Senate confirmation of US Trade Representative nominee Robert Lighthizer.

"What we have tried to do was to clear the air and get this dispute out of the way before the big NAFTA talks went on," Ross said last month. "That was not possible to achieve, and that's why we went ahead and released the findings."

In a February press conference with Trudeau, Trump had previously outlined his intent to "tweak" the relationship between the nations only slightly through NAFTA renegotiations. (See Bridges Weekly, [16 February 2017](#)).

Recent comments by Ross have suggested scope for elements of the Trans-Pacific Partnership (TPP), the 12-nation trade pact in which Mexico, Canada, and the US were included, to be incorporated into a revamped NAFTA.

"There are some concessions that the NAFTA partners made in connection with the proposed TPP," Ross told Bloomberg last week. "There is no reason to throw those away. We would view those as the starting point." Trump withdrew from the TPP in January, imperilling its chances for ratification in its current form (see Bridges Weekly, [26 January 2017](#)).

Former US Trade Representative Michael Froman recently told CBC that the US has "already... renegotiated NAFTA – it was called TPP."

"Both Canada and Mexico agreed to a number of revisions that were not in NAFTA that helped make it a 21st-century agreement," he added. Froman was the USTR in the Obama Administration from 2013-2017 and is now a fellow at the Council on Foreign Relations.

ICTSD reporting; "Canada hits back in lumber dispute, threatens action against U.S.," REUTERS, 5 May 2017; "Ross Says TPP Could Form Starting Point for U.S. on Nafta Talks," BLOOMBERG, 3 May 2017; "Mexico calls on Trump to reuse TPP deals to reanimate Nafta," FINANCIAL TIMES, 30 April 2017; "US Commerce Secretary Wilbur Ross says Canadian threats after lumber tariff announcement 'are inappropriate'," THE INDEPENDENT, 7 May 2017; "Ahead of NAFTA talks, U.S. sets 20 percent duties on Canadian softwood lumber," REUTERS, 24 April 2017; "Lumber Tariff Adds Wrinkle to Nafta Talks With Canada," THE NEW YORK TIMES, 25 April 2017; "The TPP is a giant boost for B.C. and the forestry industry," THE GLOBE AND MAIL, 22 December 2015; "U.S. won't opt out of NAFTA — for now, Trump says," CBC NEWS, 26 April 2017; "Trudeau Mulls Coal Ban in Response to U.S. Lumber Tariffs," BLOOMBERG, 6 May 2017; "Trump says he does not fear a trade war with Canada," REUTERS, 25 April 2017.

EUROPEAN UNION

French Elections: After Macron Win, Eyes Turn to Legislative Polls

Emmanuel Macron won the French presidential election on Sunday 7 May, with the centrist former economy minister defeating far-right candidate Marine Le Pen by a 66 to 34 percent margin.

Both presidential candidates were from "outside" parties, marking the first time in the 60 years since the Fifth Republic was established that neither of the traditional socialist or centre-right parties had advanced to the run-off stage. (See Bridges Weekly, [27 April 2017](#))

Macron is a liberal centrist coming from a business background, and a strong supporter of the European Union. He formed his own political party – En Marche! – just 13 months ago after breaking from the current Socialist Party and resigning as economy minister under President François Hollande. His campaign pledges included a 120,000 reduction in public sector jobs, a cut in public spending by €60 billion, and bringing the employment rate down to below seven percent.

European unity

Macron campaigned on a pro-EU platform, stating that he wants to "defend Europe" and "work to rebuild ties between Europe and its citizens." During his victory speech at the Louvre esplanade, he acknowledged that France is faced with the "immense task" to rebuild European unity, fix the economy, and ensure security against extremist threats.

Macron's opponent, Le Pen, had campaigned on an anti-globalisation and anti-European platform.

"Europe and the world are waiting for us to defend the spirit of Enlightenment, threatened in so many places," Macron said on Sunday evening.

His pro-EU platform also comes with the intention of pushing forward this "European project" to the next phase. While campaigning, he called for greater cooperation and integration within the bloc on fiscal, environmental, and social regulation, along with a reform of the way the bloc currently operates, especially in the Eurozone.

Macron has also backed the idea of a "multi-speed" EU, where member states who wish to pursue deeper integration in select areas can do so, even if the whole group does not – an idea that has gained traction in some circles, including among current leadership in Germany, and has been raised as [one possible scenario](#) for future EU cooperation by the European Commission.

The French president-elect also promised to push for new fiscal and social rules for the Eurozone to bind its constituent economies closer to help prevent future crises. Furthermore, Macron has advocated for measures such as a new parliamentary assembly of the Eurozone composed of EU and national lawmakers, a Eurozone budget, and a Eurozone finance minister.

Macron has stated that one of his first acts will be to pass domestic labour reforms, particularly in light of today's significant structural unemployment problems in France. Macron also maintained he will support the three percent deficit rule, required by the EU.

Regarding Brexit, Macron is expected to conduct tough negotiations, having stated that the upcoming talks would be “no walk in the park” for the United Kingdom, though he has also indicated that he wants the EU to keep strong ties with the island nation.

Earlier this year, he reiterated his stance, telling reporters “an exit is an exit,” and that his priorities would be to “protect the interest of French people, and of Europeans.” Furthermore, after meeting with UK's Prime Minister Theresa May in February, he claimed that “Brexit can't lead to a kind of optimisation of Great Britain's relation with the rest of Europe.”

Leaders from the EU 27 have ruled out future UK participation in the single market or preference on a “sector by sector” basis, among various other negotiating stances. (See Bridges Weekly, [4 May 2017](#))

Leaders from around the globe also came forth to commend Macron on his win. “Happy that the French chose a European future,” European Commission chief Jean-Claude Juncker said on social media site Twitter. German Chancellor Angela Merkel also tweeted her congratulations, stating Macron's win was a “victory for a strong united Europe.”

Views on trade

During his campaign, Macron backed trade deals such as the EU-Canada Comprehensive Economic and Trade Agreement (CETA) that is currently making its way through the ratification process in Canada and at the EU member state level. Nevertheless, he has also called for deeper cooperation and integration within Europe to create a “protective Europe,” including aspects such as an EU mechanism to control foreign takeovers of important industries.

One major aspect is a tougher position on ensuring a more level playing field on trade, particularly in relation to large exporting nations. Macron has also backed a “Buy European” Act, restricting public procurement in the EU to companies with more than half their production in Europe.

“We have a naïve approach to globalisation,” said Macron in his [election policy platform](#). “Globalisation is a tough fight because not everyone always respects the rules... So we will turn the protection of European industry into one of the major pillars of reinventing the EU.”

Macron has also called for updating the bloc's trade defence tools, which is a subject that has already been under discussion for months in the EU institutions.

Despite his pro-EU stance, Macron has also criticised the EU for “imperfectly” regulating international competition and not providing “effective and deterring tools to control foreign investments and to punish social, fiscal, and environmental dumping.”

Within the EU, Macron has also called for Germany to curb its trade surplus.

“Germany benefits from the imbalances within the Eurozone and achieves very high trade surpluses,” he said last month. “Those aren't a good thing either for Germany or for the economy of the Eurozone. There should be a rebalancing.”

Looking forward

While the presidential elections are now over, voting for the legislative assembly will be held next month. To push his agenda forward, Macron will need to prove that he is able to bring together a robust coalition, particularly since his reform plans are likely to field challenges from both mainstream and more extreme parties in France's deeply divided political climate.

The results of these upcoming elections will have implications on Macron's ability to achieve policy change, both domestically and on the international stage.

Meanwhile, Macron will formally take office on Sunday 14 May, in time for the new French president to take part in high-level events such as the G7 summit in Taormina, Italy, on 26-27 May, as well as the G20 leaders' meeting in Hamburg, Germany, in July.

ICTSD reporting; "Emmanuel Macron defeats Le Pen to become French president," BBC NEWS, 8 May 2017; "Macron v Le Pen: battle of the policies," FINANCIAL TIMES, 6 May 2017; "Britain views Macron as a 'tough' Brexit negotiating partner," FINANCIAL TIMES, 8 May 2017; "Emmanuel Macron won't mean business as usual in Brussels," POLITICO, 3 May 2017; "French election results: Emmanuel Macron says France facing 'immense task' to rebuild European unity as he defeats Marine Le Pen," THE TELEGRAPH, 8 May 2017; "Macron faces an uphill battle from here," CNN, 7 May 2017; "Macronomics: French front-runner seeks to reinvent EU trade," POLITICO, 3 May 2017; "Emmanuel Macron faces massive battle to gain seats in French parliament," NEWS AU, 8 May 2017; "Emmanuel Macron says German surplus hurts Europe," POLITICO, 17 April 2017.

TRADE AGREEMENTS

Canada, Mercosur Eye Renewed Trade Talks

Canada and the South American trading bloc Mercosur have recently resumed preparations for potentially negotiating a future trade agreement, officials say, nearly five years after exploratory talks were held between them.

These efforts were restarted after a technical working meeting was held between Canadian and Mercosur officials in Palacio San Martín of the Argentine Foreign Ministry, according to a [press release](#) issued last month. Argentine foreign ministry official Daniel Raimondi commented on the talks, noting the meeting was "highly productive" and that both Mercosur and Canada had expressed interest in moving forward.

The press release reported that delegates exchanged information on their respective positions and negotiating experiences in this field, along with non-tariff barriers, investment and government procurement, and labour and environmental issues.

New markets

Both sides have been actively working toward taking on new or updated trade negotiating initiatives over the last several months. Canada has an increasingly busy agenda, including planned talks with the US and Mexico to "tweak" the North American Free Trade Agreement (NAFTA).

Ottawa is also looking at next steps for the Trans-Pacific Partnership (TPP), along with discussing a potential trade deal with China, and preparing for the provisional application of the Comprehensive Economic and Trade Agreement (CETA) with the European Union. (See Bridges Weekly, [6 April 2017](#), [4 May 2017](#), [9 March 2017](#), and [6 April 2017](#))

Mercosur members Argentina, Brazil, Paraguay, and Uruguay had a combined GDP of US\$2.4 trillion in 2016 and bilateral merchandise trade with Canada totalling nearly US\$6 billion. Mercosur also covers a market of 260 million people and is looking to ink its own trade deal and association agreement with the European Union, along with developing deeper ties with other groups such as the Pacific Alliance – which includes Chile, Colombia, Mexico, and Peru.

Canadian Prime Minister Justin Trudeau affirmed Ottawa's commitment to maintaining a dialogue on deepening trade between Canada and Mercosur during his visit to Argentina last November.

"It is an indisputable fact that trade is good for economic growth and can and should be good for all citizens," said Trudeau in comments to reporters at the time.

Progress and next steps

In order to help determine Ottawa's goals in negotiating a possible trade deal with Mercosur, the Canadian government has launched a public [consultation](#) inviting the Canadian public, businesses, trade unions, civil society groups, and other interested parties to express their views. The formal notice was posted 28 April and input will be accepted until 29 May.

Agricultural commodities and other resource industries such as lumber are expected to factor into negotiations significantly. Contentious topics between Canada and Brazil could

include the aerospace and meat industry: in the case of the former, Brazil filed a request for consultations earlier this year at the WTO regarding alleged Canadian subsidies to Bombardier. The two sides have previously sparred at the global trade body on state aid for this sector. (See Bridges Weekly, [23 February 2017](#))

Additionally, Argentina lifted their ban on Canadian pork imports during the November meeting between Canadian and Argentine officials, which experts say could create more competition for Brazil pork exports. The Brazilian meatpacking scandal in March of this year could also lead to Canadian beef exports increasing as international buyers shift to other alternative sources, some industry experts say.

Additional meetings are scheduled for the coming months, with negotiators looking to advance a framework for formal negotiations.

ICTSD reporting: "Canada restarts free trade negotiations with South America's Mercosur trading bloc," CBCNEWS, 28 April 2017; "Liberals seeking trade deal with powerful Latin American trading bloc," HERALD NEWS, 28 April 2017; "Trudeau and Argentina's president say trade - not protectionism - will help the poor, unemployed," CBCNEWS, 17 November 2017; "Brazil Beef Scandal Leaves Fewer Options for Global Buyers," REUTERS, 21 March 2017.

EUROPEAN UNION

EU Council Signs Off on Negotiating Position in Revising Anti-Dumping Methods

The Council of the European Union [signed off](#) last week on their negotiating stance regarding the planned updates to the bloc's anti-dumping methodology, marking the next step in a process that kicked off last year.

Under scrutiny is a proposal tabled by the European Commission in November, which would involve a new, "country-neutral" method for assessing market distortions when conducting anti-dumping investigations.

The Commission has explained the move as part of a larger effort to upgrade its trade remedy toolkit, particularly given newer challenges that have emerged on the global stage such as industrial overcapacity. Indeed, the process has particularly drawn the attention of industry groups, including in steel, given the growing number of trade remedy investigations involving the product. (See Bridges Weekly, [10 November 2016](#))

"Today we gave our support to a new, non-discriminatory anti-dumping methodology that will help ensure that imported products are sold at a fair and equitable price in the EU, no matter where they come from. This will strengthen Europe's trade defence instruments and will protect jobs and enhance competitiveness," said Christian Cardona, minister of economy, investment, and small business in Malta.

The Commission proposal would aim to "detect and redress distortions to the market resulting from state intervention in other countries," while still adhering to international obligations, including at the WTO, according to a Council [statement](#).

Moving away from the classification system dependent on "market" and "non-market" economies, the new methodology would look at individual cases – such as a specific industry or product – where "significant distortions" arise in domestic prices or costs. The proposal put forward adopts a non-exhaustive list of examples of what may qualify as significant "market distortions," and outlines how the EU would calculate dumping margins.

WTO context

Another factor giving momentum to the process was China's fifteenth anniversary as a WTO member, which passed last December. The milestone sparked a debate in trade circles over how to interpret certain provisions of China's accession terms, specifically on how to determine "price comparability" in anti-dumping probes.

Before this date, WTO members were allowed to calculate trade remedies involving Chinese producers/exporters either by using domestic prices or by using "surrogate prices" from third countries. Which of these methods was used depended on whether Chinese producers could prove that market economy conditions prevail in their industry, with importing members allowed to use the latter option if that threshold was not met.

China's accession terms said that "the provisions of subparagraph (a)(ii) shall expire 15 years after the date of accession," referring to the subparagraph which allows for importing WTO members to "deviate" from using "strict comparisons" with the Asian economy's domestic prices and costs. How to interpret this provision and other aspects of the "price

comparability" section of China's accession protocol continues to be debated in the trade community.

China has since filed WTO disputes with both the EU ([DS516](#)) and the US ([DS515](#)) on the subject. A panel has been established to hear the case involving the European Union, while the dispute with the US is still in the consultations phase.

Upcoming talks

While the Council's negotiating position largely endorses the Commission's methodology, the proposed changes still need to go through additional steps in EU legislative procedure. The European Parliament will need to adopt its own negotiating stance, at which point the EU institutions can begin formal talks to hammer out a final package.

The overhaul of the current anti-dumping methodology is occurring in tandem with a broader revision of the EU's trade defence instruments, initially proposed by the Commission in 2013 and now being debated at the Council level. (See Bridges Weekly, [15 December 2016](#))

ICTSD reporting.

EVENTS & RESOURCES

Events

Coming Soon

12 May, Bonn, Germany. MITIGATION ACTION THROUGH ARTICLE 6 OF THE PARIS AGREEMENT. This event on the sidelines of the mid-year UN climate talks is being co-hosted by the International Centre for Trade and Sustainable Development (ICTSD) and the Institute for Global Environmental Strategies (IGES). Negotiators on Article 6 of the Paris Agreement from selected countries and experts on carbon markets will discuss what lies ahead for the 24th session of the UN Framework Convention on Climate Change (UNFCCC) Conference of the Parties (COP24). Please note that to access the venue for this event, UNFCCC accreditation is necessary. For more information, please visit the ICTSD [website](#).

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](#).

16 May, Washington, US. NEW GLOBAL AND REGIONAL TRENDS: POLITICAL AND ECONOMIC IMPLICATIONS FOR LATIN AMERICA. This event is being hosted by the Brookings Global- CERES Economic and Social Policy in Latin America Initiative and will feature a panel to discuss the implications of new global and regional trends. This panel will look at specifically at political and macroeconomic trends in the region and their ramifications across various policy areas. To learn more and to register, please visit the Brookings Institution [website](#).

17 May, Geneva, Switzerland. REFLECTIONS ON PROGRESS. This event is being organised by the Graduate Institute of International and Development Studies and will feature as its guest speaker Kemal Derviş, Vice President and Director for Global Economy and Development at the Brookings Institution, for a discussion on global growth and inequality. To learn more and to register, please visit the Graduate Institute [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.

12 May: Committee on Trade-Related Investment Measures

15 May: Committee on Customs Valuation

15-17 May: Informal Open-ended Negotiating Group on Rules

16 May: Committee on Trade Facilitation

16 + 18 May: Trade Policy Review Body – Switzerland/Liechtenstein

17 May: Committee on Trade and Development

17 May: Committee on Trade and Development – Dedicated Session on Small Economies

17 May: Informal Open-ended Dispute Settlement Body – Special Session

18 May: Committee on Budget, Finance, and Administration

Other Upcoming Events

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 livestreamed online as an interactive webcast, with viewers able to submit questions for the panel. To learn more and to register, or to watch online, please visit the ICTSD [website](#).

22 May, Geneva, Switzerland. REFORMING FOSSIL FUEL SUBSIDIES THROUGH THE WTO AND INTERNATIONAL TRADE AGREEMENTS. This workshop is being organised by Climate Strategies, Stockholm Environment Institute (SEI) and the International Institute for Sustainable Development (IISD). This workshop will feature a panel of representatives from IISD, the International Centre for Trade and Sustainable Development (ICTSD), SEI, SWP, and the Organisation for Economic Co-operation and Development (OECD) to discuss the varied nature of fossil fuel subsidies and what this means for agreements of different configurations. For more information, please visit the ICTSD [website](#).

31 May – 12 July, online. MASSIVE OPEN ONLINE COURSE: GREENING CONSUMPTION & PRODUCTION. This six-week facilitated course is being offered by the United Nations Development Programme (UNDP) in partnership with the National Biodiversity Strategies and Action Plans (NBSAP) Forum and The Nature Conservancy. Topics for the course will cover green consumption and production including greening key production sectors, sustainable commodity supply chains, and mainstreaming biodiversity into development planning. The course is aimed at policymakers and practitioners working in the area of sustainable consumption and production and is available in English, Spanish, and French. To learn more and to register, please visit the Nature Conservancy [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](#).

7-9 June, Geneva, Switzerland. INNOVATE 4 WATER: A MATCHMAKING FORUM FOR SUSTAINABLE DEVELOPMENT BRINGING TOGETHER INNOVATORS, INVESTORS, AND EXPERTS. This two-day forum is being organised by the World Intellectual Property Organization (WIPO) GREEN, WaterVent, and WIPO GREEN partner Waterpreneurs. The aim of this forum will be to bring together individuals and organizations working in the water sector and create a space for entrepreneurs in this field to meet collaborators in related areas. To learn more and to register, please visit the WIPO GREEN [website](#).

Resources

ADB ANNUAL REPORT 2016. Published by the Asian Development Bank (ADB) (April 2017). This annual report reviews the economic developments seen in the Asia-Pacific region over the past half-century, including in relation to the ADB. The report examines ADB's own performance in this context, both in quantitative and qualitative terms. To download the full report, please visit the ADB [website](#).

2017 STATE OF THE EU ETS REPORT. By Andrei Marcu, Emilie Alberola, Jean-Yves Caneill, Matteo Mazzoni, Stefan P. Schleicher, Wijnand Stoefs, and Charlotte Vailles for the International Centre for Trade and Sustainable Development (ICTSD) (May 2017). This report focuses on the EU Emissions Trading System (EU ETS) and aims to provide an independent contribution to the policy debate surrounding its current functionality and effectiveness. To download this report, please visit the ICTSD [website](#).

OECD SKILLS OUTLOOK 2017: SKILLS AND GLOBAL VALUE CHAINS. Published by the Organisation for Economic Co-operation and Development (OECD) (May 2017). This report analyses how prioritising skills development can yield social and economic gains for countries, with the publication reviewing skills-related policies in education, employment protection, migration, trade, and innovation policies. To download the full report please visit the OCED [website](#).

20 YEARS OF BIOTRADE: CONNECTING PEOPLE, THE PLANET, AND MARKETS. Published by the United Nations Conference on Trade and Development (UNCTAD) (May 2017). This report focuses on the experiences, lessons, and successes shared by practitioners of the BioTrade Initiative, launched by UNCTAD in 1996. In addition, this publication looks BioTrade's potential future role, including with regards to supporting the Sustainable Development Goals (SDGs). To download this report, please visit the UNCTAD [website](#).

ADVANCING SUSTAINABLE DEVELOPMENT THROUGH SERVICES REGULATION. Published by the International Centre for Trade and Sustainable Development (ICTSD) (May 2017). This paper argues that appropriate regulatory changes in services could have significant benefits in terms of sustainable development, including in supporting greater female participation across all economic sectors and helping small companies become more competitive. To download this paper, please visit the ICTSD [website](#).

VIEWS ON MITIGATION VALUE AND ITS APPLICATION. By Andrei Marcu for the International Centre for Trade and Sustainable Development (ICTSD) (May 2017). This paper looks at carbon markets, specifically regarding the relationship between the mitigation, compliance, and financial values of units in carbon trading systems. The author argues that understanding these concepts in greater depth can help support the development of carbon market clubs, among other initiatives. To download this paper, please visit the ICTSD [website](#).

ISSUES FOR DISCUSSION TO OPERATIONALISE ARTICLE 6 OF THE PARIS AGREEMENT. By Andrei Marcu for the International Centre for Trade and Sustainable Development (ICTSD) (May 2017). This report focuses on how to make Article 6 of the Paris Agreement operational. Specifically, the author delves into a list of questions and issues that negotiations need to resolve before moving forward. To download this paper, please visit the ICTSD [website](#).

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