

# BRIDGES WEEKLY

Global trade news from a sustainable development perspective

VOLUME 21, ISSUE 17, 18 MAY 2017

## TRADE AGREEMENTS

European Court of Justice Rules on EU Competence in Singapore Trade Deal .....1

## GLOBAL ECONOMY

Trade, Connectivity Take Centre Stage at "Belt and Road" Forum.....5

## GLOBAL ECONOMY

G7 Finance Officials Pledge to Address Inequality, Growth Imbalances .....8

## UNITED STATES

US Senate Confirms Robert Lighthizer as Trade Rep .....10

## DISPUTES

US, EU Debate Compliance in WTO Airbus Case.....12

## GLOBAL ECONOMY

US, Chinese Officials Announce "Initial Results" From Trade Talks.....14

## TRADE AGREEMENTS

Canadian Senate Approves CETA Implementation Bill.....16

## EVENTS & RESOURCES

Events .....17

Resources .....19

## TRADE AGREEMENTS

### European Court of Justice Rules on EU Competence in Singapore Trade Deal

The European Court of Justice (ECJ) issued its final opinion on Tuesday 16 May regarding the EU-Singapore trade agreement, deeming that while some aspects of the deal's current version fall within the bloc's "exclusive competence," others will require additional approval from national and regional legislatures.

The final [opinion](#) has been years in the making, and had been highly anticipated given its potential to give clarity regarding the bloc's treaties, specifically in relation to European trade and investment negotiations abroad.

The EU and Singapore concluded negotiations for a free trade agreement (EUSFTA) in December 2012, with related talks on investment being finalised in October 2014. (See Bridges Weekly, [19 December 2012](#) and [23 October 2014](#), respectively)

The European Commission started the trade deal negotiations with approval of the Council, while consulting with a Council-appointed panel known as the Trade Policy Committee.

Although the EU and Singapore managed to reach a deal, the opinion released this week explains that the European Commission decided to raise the issue with the ECJ "since differences of opinion became apparent in consultations within the Trade Policy Committee on the nature of the European Union's competence to conclude the envisaged agreement."

In particular, the European Commission [asked](#) the ECJ to issue an opinion on the trade pact, asking that the EU's highest court determine which areas of the planned accord fell under the EU's exclusive or shared competence, along with whether any terms lie solely within member states' remit.

According to the Treaty on the Functioning of the European Union (TFEU), an EU member state or one of the EU institutions may ask the ECJ to prepare an opinion on whether a planned agreement is in line with this document and the Treaty on European Union.

Should the ECJ deem that this is not the case, the agreement can only move ahead if changed or if revisions are made to those EU treaties.

### **Competence issues**

When it comes to concluding international deals, the TFEU names a list of areas where the European Union has exclusive competence: customs unions, competition rules necessary for the functioning of internal market, Eurozone monetary policy, some aspects of the common fisheries policy, and the common commercial policy.

That same treaty also cites "principal areas" where competence must be shared with the bloc's individual member states, such as social policy, environment, transport, internal market, and "area of freedom, security, and justice."

While noting that the Singapore deal is a "new generation" trade agreement, featuring provisions that go beyond those traditionally included in such negotiations, the European Parliament agreed with the Commission that the deal falls within the EU's exclusive competence.

However, the European Council and some individual member states argued that the Singapore trade pact had the characteristics of a "mixed agreement." They suggested that some of the deal's provisions lack a trade "link" and would therefore qualify as being under shared competence, and said that certain fields such as transparency and non-direct foreign investment are solely within member state competence.

### **Opinion outcomes**

The opinion released on Tuesday outlines which areas of the EU-Singapore trade deal fall within the EU's exclusive or shared competence.

According to the ECJ, the EU "has exclusive competence" in the EU-Singapore deal regarding goods and services market access; public procurement; non-fossil fuel energy generation; direct foreign investment protections; intellectual property rights; competition rules; sustainable development; and exchanging information in areas that involve mediation, cooperation, and disputes.

Regarding these issues, the ECJ opinion shows some notable differences from an earlier [non-binding opinion](#) by Eleanor Sharpston, an advocate general for the court, who had suggested that transport services did not fall under the EU's exclusive competence, but was rather shared with member states. She similarly said that this also applied to topics such as the "non-commercial aspects of intellectual property rights," along with the transport services-related aspects of government procurement.

The advocate general also said that the EU and member states shared competence in some sustainable development aspects, specifically those terms "laying down fundamental labour and environmental standards and falling within the scope of either social policy or environmental policy." Those sustainable development aspects that were under EU exclusive competence were those that "primarily relate to commercial policy instruments." (See Bridges Weekly, [19 January 2017](#))

The ECJ's opinion this week deemed that transport services and all aspects of intellectual property rights and sustainable development provisions fall under the EU's exclusive competence.

On sustainable development, the ECJ media statement explained that "the objective of sustainable development now forms an integral part of the common commercial policy of the European Union and... the envisaged agreement is intended to make liberalisation of trade between the European Union and Singapore subject to the condition that the parties

comply with their international obligations concerning social protection of workers and environmental protection."

The court did find two areas of the EU-Singapore pact that would require ratification at the national level. These involve "non-direct foreign investment ('portfolio' investments made without any intention to influence the management and control of an undertaking) and the regime governing dispute settlement between investors and states."

The opinion also makes specific findings related to the hot-button topic of investor-state dispute settlement, which has drawn scrutiny both from the general public as well as politicians and trade watchers. The EU has sought in recent years to revise its approach to the issue, with more recent trade deals now including an "investment court system." (See Bridges Weekly, [2 March 2017](#))

"The regime governing dispute settlement between investors and states also falls within a competence shared between the European Union and the member states. Such a regime, which removes disputes from the jurisdiction of the courts of the member states, cannot be established without the member states' consent," the ECJ media statement said.

### **EU officials respond**

The result drew a quick response from EU Commission officials along with European Parliament lawmakers, who pledged to collaborate in determining their future approach to the bloc's trade negotiating policy.

"About the ECJ opinion on the Singapore trade agreement: This gives us very welcome [and] much-needed clarity about how to interpret EU Treaties," [said](#) EU Trade Commissioner Cecilia Malmström on social media site Twitter.

"Opinion should put us on solid footing for the future. I look forward to working [with] governments [and] European Parliament to define way forward," she [continued](#).

Margaritis Schinas, Chief Spokesperson for the European Commission, [said](#) that President Jean-Claude Juncker had "anticipated it with CETA decision last year," referring to the EU's trade and investment deal with Canada.

The Comprehensive Economic and Trade Agreement (CETA) was submitted by the European Commission for approval as a "mixed agreement," indicating that some areas fell under EU exclusive competence and that other provisions would need approval from national and regional parliaments before they can be applied. (See Bridges Weekly, [7 July 2016](#))

The various groups within the EU's 751-seat legislature have also issued their own responses to the ECJ ruling, ranging from [welcoming](#) the clarity it provides for the bloc's trade policy agenda to [warning](#) about its potential implications for the EU's credibility in front of its negotiating partners.

The chamber's trade committee is due to take up the subject, with Bernd Lange, the parliamentarian who chairs that panel, also [praising](#) the clarification provided by the court.

"EU institutions must now respond swiftly to ensure that the EU's credibility and strength in trade policy and negotiations are not hampered. The EU must speak with a single voice. The International Trade Committee will be in the lead in this debate," Lange said.

### **Wider implications**

In the wake of the outcome, analysts have been quick to predict what this opinion may mean for the bloc's ongoing or planned trade negotiating agenda, which includes accords with

economic giants such as Japan along with the highly complex Brexit negotiations for a future EU-UK agreement.

While the ECJ opinion is specific to the EU-Singapore accord, analysts suggest that it could have significant implications for how the European Commission approaches trade and investment talks going forward, particularly given the added complexity of moving through national approval processes. (See Bridges Weekly, [8 December 2016](#))

Meanwhile, Singaporean trade officials have pledged to collaborate with the EU as it proceeds with its ratification efforts.

"Singapore respects the internal processes of the European Union and looks forward to the formal entry-into-force of the EUSFTA as soon as all EU member states have ratified provisions under their competence," said Singapore's Ministry of Trade and Industry in comments to the Straits Times.

ICTSD reporting; "Singapore responds to European court decision on EU-Singapore Free Trade Agreement," THE STRAITS TIMES, 16 May 2017; "EU's top court: Trade deals must be ratified at national level," POLITICO, 16 May 2017; "Court Ruling on EU-Singapore Pact Could Give the U.K. Brexit Clues," BLOOMBERG, 15 May 2017.

---

## GLOBAL ECONOMY

---

# Trade, Connectivity Take Centre Stage at "Belt and Road" Forum

Leaders from 30 countries concluded the "Belt and Road" forum on Monday 15 May, hosted by China in the Asian economy's capital city. The event, which also drew participation from international organisations and delegates from various countries, was meant to highlight the Belt and Road Initiative – a Chinese-led infrastructure plan aimed at connecting Asia and Europe through a combination of train routes, ports, and roads.

The planned projects under the Belt and Road Initiative (BRI) would together span the distance from the eastern part of China until Belgium in the northwest corners of Europe and Spain further south. The initiative is also known as the Silk Road Economic Belt and the Maritime Silk Road, evoking the image of the transcontinental routes that were used for trading silk, horses, and a host of other products some millennia ago.

Chinese President Xi Jinping launched the new initiative in 2013, with government officials suggesting that the contemporary version of the ancient Silk Road concept could be a landmark achievement. Proponents say that the planned projects could have the potential to slash [trade costs](#), create new jobs, and boost trade flows and inter-regional connectivity.

"China has reached a new starting point in its development endeavours. Guided by the vision of innovative, coordinated, green, open, and inclusive development, we will adapt to and steer the new normal of economic development and seize opportunities it presents," [said](#) Xi at the opening of this weekend's forum.

"We are ready to share practices of development with other countries, but we have no intention to interfere in other countries' internal affairs, export our own social system and model of development, or impose our own will on others. In pursuing the Belt and Road Initiative, we will not resort to outdated geopolitical manoeuvring," he added.

Experts speaking to Bridges similarly noted the focus placed by Beijing on making the initiative open and inclusive, along with what this could mean for other economic integration efforts.

"The Belt and Road Initiative aims to find a solution to the current global challenges from economic stagnation to political populism. All the bilateral or multilateral cooperation or specific projects are based on win-win principle," said Wang Huiyao, President of the [Center for China & Globalization](#) (CCG), a non-profit think tank, in e-mailed comments to Bridges.

Wang also noted the implications this initiative could have for regional and international collaboration in other forms, including on trade.

"It's harmonious for the initiative and regional economic integration as it's open to all potential participants on the basis of mutual benefit," he said. "To some extent, the regional cooperation could be enlarged to global fields."

Jean-Pierre Lehmann, emeritus professor at the IMD business school in Lausanne, Switzerland, founder of The Evian Group, and visiting professor at the University of Hong Kong, told Bridges that the initiative could have major positive potential if properly done and "should be encouraged" going forward. He also noted China's different background

from traditional major players and the need for the latter group to adjust to these changing economic realities.

"I think since the beginning of the century we're seeing one of the most formidable transformations in the global economic scene that we've seen in a long time," he said, referring to China's evolution into an "emerging global power."

### **Globalisation, connectivity**

Since its inception, the initiative has drawn questions over what these ambitious infrastructure plans mean for China's vision of globalisation, development, connectivity, and trade. In terms of funding, this week's conference brought in several billion dollars in pledges from the event's host.

The various infrastructure projects that would serve as the components of the Belt and Road Initiative are expected to take several years to put into place, and will require the cooperation of myriad other countries.

While the project has drawn significant interest from countries both in the regions that would be affected – as well as in continents further afield, such as South America – analysts and officials from a host of other countries and international agencies have also suggested that this initiative will need to be inclusive; cognizant of developmental needs from the countries involved; and transparent.

The initiative has the backing of various national leaders; however, the project has also seen some detractors, such as India, which was quoted in the Financial Times as having opted out of the summit due to "core concerns about sovereignty and territorial integrity." Other countries such as Australia, [while noting](#) the initiative's potential opportunities and highlighting the Sino-Australian business ties being formed to support it, have said that its decision about the Belt and Road Initiative will be based on the national interest.

The US, for its part, sent a representative to the meeting. The news that Washington would send an official to the Beijing event was announced as part of a series of "initial results" from bilateral US-China trade talks. (For more on the bilateral talks, see related story, this edition)

Supporters say that the Belt and Road Initiative could be an economic boon for the countries involved, while putting forward their own suggestions for the process and final product. For example, EU officials have said that supporting Asia's infrastructure needs would be to the European Union's own benefit – a significant statement, given that a large portion of the Belt and Road would need to traverse European territory.

"China is at one end of the 'Belt and Road' – Europe is at the other. Done the right way, more investment in cross-border links could unleash huge growth potential with benefits for us all," [said](#) Jyrki Katainen, who serves as the European Commission's Vice President, in comments to the event's "leaders' roundtable."

"If we get it right, 21<sup>st</sup> century connectivity can also help the poorer parts of the world get a fairer share of the proceeds of globalisation. And it can bring the kind of economic development that helps to address the root causes of migration," the EU official added, while also outlining a series of principles that the bloc would like to see reflected in this initiative.

These principles include, for example, making sure the initiative is "based on market rules and international standards," while building on networks already in place. It should also be environmentally friendly and socially conscious, with its backers acting in a transparent manner aimed toward creating "real benefits for all stakeholders."

## Trade and sustainability

The [communiqué](#) issued in Beijing on Monday has specific language on trade and development, calling for strengthening “the rules-based multilateral trading regime” and urging cooperation across various forums and configurations to tackle poverty, boost employment, and support sustainable development.

The leaders co-signing it hailed from Argentina, Belarus, Cambodia, Chile, China, the Czech Republic, Ethiopia, Fiji, Greece, Hungary, Indonesia, Italy, Kazakhstan, Kenya, Kyrgyzstan, Laos, Malaysia, Mongolia, Myanmar, Pakistan, Poland, the Philippines, Russia, Serbia, Spain, Sri Lanka, Switzerland, Turkey, Uzbekistan, and Vietnam.

“We reaffirm our shared commitment to build open economy, ensure free and inclusive trade, oppose all forms of protectionism including in the framework of the Belt and Road Initiative. We endeavour to promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system with the WTO at its core,” said the joint communiqué.

The leaders' communiqué also makes reference to a series of international initiatives or accords which they say can create new opportunities for “communication and coordination” in supporting greater connectivity while also fulfilling sustainability objectives – including the UN's Paris Agreement on climate change; the 2030 Agenda for Sustainable Development; the Addis Ababa Action Agenda; and the WTO's Trade Facilitation Agreement.

Leaders from international institutions, including the United Nations, the World Bank Group, and the International Monetary Fund (IMF), were all present for the Beijing event, issuing their own recommendations for the scheme.

“In order for the participating countries along the Belt and Road to fully benefit from the potential of enhanced connectivity, it is crucial to strengthen the links between the Initiative and the Sustainable Development Goals,” said UN Secretary-General António Guterres at the forum's [opening session](#).

World Bank President Jim Yong Kim [welcomed](#) the initiative as an “ambitious, unprecedented effort,” adding that the initiative has the potential to “improve trade, infrastructure, investment, and people-to-people connectivity – not just across borders, but on a transcontinental scale.”

The World Bank chief also called for ensuring that “appropriate policies, institutions, and services” are in place, including “effective governance, which is critical to ensuring developmental impact.” He further noted the trade-related challenges that could emerge, such as in dealing with customs procedures.

Both the World Bank and IMF have said that they are willing to cooperate with the initiative to ensure its success and address potential challenges that may arise, including in supporting affected countries which may be at different developmental stages.

The next summit will be held in 2019, also in China.

ICTSD reporting; “China seeks to ease Belt and Road strategy concerns,” FINANCIAL TIMES, 14 May 2016; “Almost 30 state leaders put their support behind Xi Jinping's new globalization strategy,” SOUTH CHINA MORNING POST, 15 May 2017; “China's new Silk Road promises trade and riches, with President Xi at helm,” REUTERS, 15 May 2017.



---

## GLOBAL ECONOMY

---

### **G7 Finance Officials Pledge to Address Inequality, Growth Imbalances**

Finance ministers and central bank governors from the G7 coalition of major economies agreed to increase their efforts at tackling inequality and ensuring that trade better supports their economies, just two weeks before leaders are due to gather in the Sicilian town of Taormina.

Meeting in Bari, Italy, from 12-13 May, the officials discussed a series of issues, ranging from the state of the global economy and the effects of technological evolution on inequality, to how to support the implementation of the 2030 Agenda for Sustainable Development.

As G7 host, Italy has set this year's theme as "[Building the Foundations of Renewed Trust](#)," built around the pillars of citizen safety; sustainability across the economic, environmental, and social spheres as well as tackling inequality; and the interface between innovation and labour in the present day.

"[The] global recovery is gaining momentum, yet growth remains moderate and GDP is still below potential in many countries, with the balance of risks tilted to the downside. At the same time, longer-term potential growth rates also remain subdued," said the final [communiqué](#).

The document also includes pledges for these industrialised nations to use "all policy tools" at their disposal in order to foster stronger growth that is also "sustainable, balanced, and inclusive," and focuses on a series of issue areas of shared interest, such as the global economy, the 2030 Agenda for Sustainable Development, the work of multilateral development bank, tackling terrorist financing sources, and addressing illicit finance, among others.

The G7 is made up of Canada, France, Italy, Germany, Japan, the United Kingdom, and the United States. The European Union is also involved as a "non-enumerated" member, meaning one that is not counted in the formal tally of seven. The EU is represented by the presidents of the European Commission and European Council.

#### **Trade, currency**

On trade, the finance officials said that G7 members "are working to strengthen the contribution of trade to our economies," in language that mirrored that used in a G20 finance ministers and central bank governors' communiqué earlier this year.

"We will strive to reduce excessive global imbalances and in a way that supports global growth," the document said.

Experts predict that how to address the subject of protectionism, which was not referred to in either the G7 or G20 finance officials' document, will likely play a major role in the G7 leaders' summit later this month as well as the G20 leaders' meeting in July. The issue has particularly come to the forefront in light of the change in leadership in the United States. (See Bridges Weekly, [23 March 2017](#))



The document also affirms past pledges not to “target exchange rates for competitive purposes,” along with other language on communicating policy changes and continuing their commitment to “market determined exchange rates.”

### **OECD on inclusiveness**

Within the communiqué, finance officials also note their interest in developing an “inclusive growth agenda,” with the topic of addressing inequalities and fostering greater inclusiveness permeating the entire document.

“Technological change and global integration have made an important contribution to raising living standards across the world over recent decades. We will work to enable our economies and communities to adjust to the pace of change today, so that the global economy works for everyone,” officials said.

The document also notes a recent report from the Paris-based Organisation for Economic Co-operation and Development (OECD) on the subject which was prepared for the meeting.

“Over the years, we collectively focused on how to grow faster, how to grow the proverbial ‘size of the pie’ – and, after the crisis, on how to grow again,” [said](#) OECD Secretary-General Ángel Gurría on 12 May, who was on hand to present the report on “A Fiscal Approach for Inclusive Growth in G7 countries.”

“In so doing, we somehow neglected to reflect about the nature of the growth, the sharing of the pie, and social outcomes. We know, now, that besides the ethical and political implications, those aspects are tightly interwoven with the level of economic performances,” he added.

The OECD report highlighted three main points: the negative implications of inequality for economic growth; the benefits of more inclusive policies in lowering the burden on public finances; and the need for all areas of government to work together to pursue a more inclusive economic growth model.

### **Bari agenda**

The group also released a “[Bari Policy Agenda on growth and inequalities](#),” which suggests a series of “pro-inclusive” options for G7 members to consider in the areas of fiscal policy and structural reform.

In the area of fiscal policy, for example, the policy agenda puts forward a series of tax reforms that they say could promote both growth and equity, along with urging that fiscal policy do a better job in supporting those individuals and areas who could benefit the most, such as through education and health care.

Regarding structural reforms, these could be put together in “comprehensive and balanced ‘packages’” which could help support “an enabling environment for broad-based growth, while facilitating adjustment to the dislocations created by technological advances and international trade.”

The policy agenda also warns that the current gender gap has damaging implications for economic growth, and includes a pledge among the G7 to “promote gender equality and increase the integration of women in economic activities,” along with tabling some suggested policy measures that could support progress towards this goal.

ICTSD reporting; “G7 signs off on watered-down free trade pledge,” FINANCIAL TIMES, 13 May 2017; “G7 finance chiefs warn US not to upset global growth,” REUTERS, 12 May 2017; “G7 finance chiefs pin hopes on Sicily meeting after trade deadlock,” FINANCIAL TIMES, 14 May 2017.

---

## UNITED STATES

---

### US Senate Confirms Robert Lighthizer as Trade Rep

The US Senate confirmed Robert Lighthizer to serve as the next United States Trade Representative (USTR), approving the international trade lawyer's nomination with a final vote of 82-14.

Lighthizer, a former deputy US trade representative who served in the Reagan administration, has spent the last few decades working for a New York-based law firm on a host of trade cases involving industrial and agricultural goods. Following his nomination, Lighthizer gained bipartisan support from lawmakers, and was confirmed unanimously by the Senate Finance Committee last month.

"I have confidence that Robert Lighthizer will work to pursue a trade agenda that is coherent, constructive, and will deliver for American workers, and I will support his nomination," [said](#) Democratic Senator Ron Wyden, who serves as the ranking member on the Senate Finance Committee.

Despite being confirmed by a large margin, Lighthizer also faced questions from some lawmakers, including within the Republican Party, about his planned trade approach, in a potential indication of debates to come.

For example, Senators John McCain of Arizona and Ben Sasse of Nebraska both [expressed concerns](#) in a joint statement last week that the incoming trade official did not "understand" the national benefits of the North American Free Trade Agreement (NAFTA), nor its value to the individual states that they represent.

Meanwhile, Cory Gardner, a Republican senator from Colorado, highlighted questions over the future of US agricultural trade policy.

"In light of the current agricultural crisis facing much of rural America, if we are not open to new trade opportunities, farms and ranchers in Colorado and across the country will continue to struggle to make ends meet," [said](#) Gardner in explaining his decision to vote against Lighthizer's confirmation.

With Lighthizer now cleared by the Senate, the new US trade chief will have a hefty agenda going forward, given an executive order and related statements issued by US President Donald Trump to re-examine all existing trade and investment deals. (See Bridges Weekly, [4 May 2017](#))

The new USTR said during his confirmation hearing earlier this year that he supports the president's "America first" trade policy. (See Bridges Weekly, [16 March 2017](#))

#### NAFTA reboot

The planned re-negotiation of NAFTA is expected to be one of the first challenges for Lighthizer to tackle in his new role. Trump has repeatedly criticised the decades-old trade deal for not doing enough to support American workers, and earlier this year hinted that he would withdraw the US from the pact should the planned upgrade be insufficient. (See Bridges Weekly, [4 May 2017](#))

To initiate the process, the White House must send a letter to Congress declaring its intention to launch negotiations. This notice starts the clock on a 90-day domestic

consultations window before the US can begin formal talks. Lighthizer was due to meet this week with members of the Senate Finance Committee and House Ways and Means Committee, among others, in preparation for this notification.

While many lawmakers have endorsed the idea of a NAFTA reboot, others have also cautioned against any premature actions that could destabilise US trade ties with key export markets. Orrin Hatch, the Utah Republican who chairs the Finance Committee, [said](#) last week on the Senate floor that “there are definitely opportunities to update and improve NAFTA, but it is important that the administration follow the spirit of the Hippocratic oath: first do no harm.”

On 15 May, a group of 18 Republican senators sent a letter to Lighthizer regarding the upcoming NAFTA negotiations, welcoming the initiative while also stressing the economic value of the trilateral trade pact for their respective states.

The lawmakers co-signing the note hail from the states of Arkansas, Georgia, Iowa, Kansas, Missouri, Oklahoma, Pennsylvania, South Dakota, Tennessee, Texas, and Wisconsin.

“Give that the agreement is more than two decades old, there are areas in which NAFTA will benefit from strengthening and modernisation. On the other hand, efforts to abandon the agreement or impose unnecessary restrictions on trade with our North American partners will have devastating economy consequences,” they said.

Officials from Washington's NAFTA partners are also waiting to see Lighthizer's approach in his new role. Canadian Foreign Minister Chrystia Freeland told the Reuters news agency last week that “I imagine that Ambassador Lighthizer may need to spend a bit of time in consultations prior to formally triggering that 90-day period.”

### **Upcoming APEC meeting**

Lighthizer will soon be headed to southeast Asia, traveling to the Asia-Pacific Economic Cooperation's (APEC) trade ministers' meeting in Hanoi, Vietnam, from 20-21 May.

Along with the main APEC event, that meeting is slated to see a separate ministerial gathering on the margins. The latter will bring together officials from the Trans-Pacific Partnership (TPP) countries – a group that had previously included the United States until Trump withdrew earlier this year. (See Bridges Weekly, [9 February 2017](#))

The proposed Pacific Rim trade deal is expected to be a major topic of conversation in Hanoi, with ministers from the other TPP nations set to evaluate options to advance the agreement without Washington's participation. (See Bridges Weekly, [4 May 2017](#))

The 21-country APEC coalition also includes other economic heavyweights, notably China, the US' largest trading partner. The US and China are currently examining options for boosting trade cooperation, partly in light of US concerns over its trade deficit with the Asian giant. (For more on the US and China, see related story, this edition)

In addition to renegotiating NAFTA and leaving the TPP, Trump's administration has also expressed a possible interest in bilateral deals with the United Kingdom and Japan, along with pledging to boost trade enforcement. The US leader has already issued some executive orders regarding the latter. (See Bridges Weekly, [6 April 2017](#))

ICTSD reporting; “The Senate Has Confirmed Trump's Pick for U.S. Trade Representative,” FORTUNE, 12 May 2017; “It's deal-making time: Trump's trade envoy is confirmed,” POLITICO, 11 May 2017; “Senate gives bipartisan backing to Trump's nominee for U.S. trade representative,” USA TODAY, 11 May 2017; “New U.S. trade representative Lighthizer to attend APEC meeting,” REUTERS, 15 May 2017; “New US trade envoy says to meet lawmakers on NAFTA, attend APEC meet,” REUTERS, 15 May 2017.

---

## DISPUTES

---

# US, EU Debate Compliance in WTO Airbus Case

Earlier this month, delegates from the US and EU gathered at WTO headquarters for hearings in the long-running case concerning government support provided by the 28-nation bloc to European aerospace giant Airbus ([DS316](#)). The Appellate Body made part of the debate available for public observation last week.

The multi-billion euro dispute dates back to 2004, when the US requested WTO consultations with the EU. The US cited concerns at the time that the bloc and four EU member states had provided financial support for Airbus to develop and produce large civil aircraft in a manner that violated global trade rules.

One year later, Brussels brought its own challenge against Washington's support to Boeing, which at the time was the other major player in the aircraft manufacturing sector ([DS353](#)). The two cases, together with a newer dispute ([DS487](#)) concerning tax incentives provided by the state of Washington to Boeing, have become among the most high-profile at the global trade arbiter, given their commercial significance.

The years of litigation have also prompted calls from industry players – including the head of Airbus – for negotiating some type of solution that would end the litigation, including global rules on aircraft subsidies. (See Bridges Weekly, [1 December 2016](#))

After years of legal proceedings, the Appellate Body found violations of the WTO's subsidy rules in both cases. In late 2011, the EU said that it had brought its support for Airbus in line with WTO rules, while the US disagreed and asked a panel to examine this compliance issue.

A compliance panel found in September 2016 that the EU needed to do more to resolve the trade rule violations. That finding later saw appeals from both parties. (See Bridges Weekly, [29 September 2016](#))

### Appropriate steps taken?

The WTO's Agreement on Subsidies and Countervailing Measures (SCM Agreement) defines the government support measures that qualify as subsidies, along with outlining what actions members can take in response. Furthermore, it says that in cases where WTO judges have found that one member's subsidies are having "adverse effects" on another member's interests, the former "shall take appropriate steps to remove the adverse effects or shall withdraw the subsidy."

Last year's compliance panel ruling said that the EU cannot build its case around compliance based on this state aid having expired on its own, given that Airbus had received that government support in full as previously scheduled.

In the hearing broadcast last week, the 28 nation-bloc argued that the SCM Agreement gives two compliance alternatives: "remove the adverse effects" or "withdraw the subsidy." The EU also argued that the compliance panel's approach amounted to a requirement that the adverse effects be removed in order to be WTO-compliant, even if the subsidy itself had already been removed.

Brussels said that a subsidy can end, should that aid be terminated or expire. The EU suggested that withdrawing an illegal subsidy can happen in many ways, arguing that it has demonstrated that the "benefit from each expired subsidy has ceased to flow, and that each subsidy was therefore withdrawn."

For its part, Washington agreed with the compliance panel, suggesting that the expiry of state aid does not mean that the EU was therefore excused from its responsibility to ensure that this same subsidy was not causing "adverse effects" to another WTO member.

### **Implications for local content subsidies?**

The SCM Agreement also prohibits local content subsidies – those that require using domestic goods over imported goods.

The compliance panel found last year that subsidies provided to firms "so long as they engage in domestic production activities" do not constitute local content subsidies. In supporting its analysis, the panel referred to a provision in the General Agreement on Tariffs and Trade (GATT) which exempts "the payment of subsidies exclusively to domestic producers" from national treatment obligations.

The panel also observed that in past disputes, local content subsidies were only found when "requiring firms to use certain amounts of domestic goods as production inputs, i.e. to discriminate between upstream sources of domestic and imported goods in favour of the former."

Citing past WTO cases, the US questioned whether this interpretation was consistent with an earlier panel's ruling that also dealt with the SCM provision on local content subsidies. According to the US, the panel in that dispute found that a preferential tax rate that was dependent on basing certain manufacturing activities locally was, in effect, a local content subsidy.

Along with citing a procedural flaw for Washington's "appeal" on this subject, the EU responded that past panel rulings were also based on different factual issues – meaning that the two panels' interpretations were not inconsistent.

### **Next steps**

The two sides agreed in 2012 that they would collaborate to help the Appellate Body release its report to members within 90 days from when the appeal was notified.

However, the WTO's highest court said earlier this year that it would not be able to finish its work in that timeframe, given the size and scope of the subject matter, along with the difficulties posed by staff shortages and hefty workloads.

ICTSD reporting.

---

## GLOBAL ECONOMY

---

# US, Chinese Officials Announce "Initial Results" From Trade Talks

Officials from the US and China announced last week that they had agreed on a series of trade-related deliverables, affecting certain agricultural goods, electronic payment services, and select other areas, while suggesting that more are on the way.

The concessions were announced in a [joint release](#) on 11 May, which credited US Commerce Secretary Wilbur Ross, US Treasury Secretary Steve Mnuchin, and Chinese Vice Premier Wang Yang for leading the talks.

They have been billed as an early set of deliverables from a "100-day action plan" which was launched last month when US President Donald Trump and Chinese President Xi Jinping met in Florida. (See Bridges Weekly, [13 April 2017](#))

"US-China relationships are now hitting a new high, especially in trade" said Ross when describing the commitments to reporters. "This is more than has been done in the whole history of US-China relations on trade."

### Trade specifics

The 10-point document issued last week touches primarily on the following areas: electronic payment services, credit ratings, beef and poultry trade, biotechnology approval processes, and liquefied natural gas (LNG) exports.

For example, China has agreed to allow US card payment services, such as Visa and MasterCard, to start the necessary licensing process for facilitating renminbi-denominated e-payments in the Asian economy. The issue was the subject of a WTO dispute, with a panel ruling in July 2012 that Beijing's policies were giving China Union Pay an unfair advantage relative to foreign competitors. (See Bridges Weekly, [18 July 2012](#))

On agricultural goods, China will begin accepting US beef imports once more, after blocking those products in 2003 due to fears regarding bovine spongiform encephalopathy (BSE), otherwise known as "mad cow" disease. China had previously confirmed plans to revise this policy, and has now agreed to implement it by mid-July. Meanwhile, the US will open its market to Chinese cooked poultry, having previously curbed those imports due to alleged food safety issues.

The US-China announcement also refers to a long-standing debate over US applications for exporting certain biotechnology products to China, with the joint announcement confirming that Beijing's national panel on biosafety will meet this month to examine whether eight applications are considered safe and whether any require more information for approval.

For the former, these would then receive the necessary certificates within under three weeks. For the latter, China's National Biosafety Committee will "hold meetings as frequently and as soon as possible after an application is resubmitted in order to finalise reviews of remaining applications without undue delay."

The US also agreed to send a representative to Chinese President Xi Jinping's Belt and Road forum, which was held earlier this week in Beijing. (For more on Belt and Road, see related story, this edition)

### Reactions, next steps

Some critics have raised questions over whether agreeing smaller trade packages is the most effective approach for the two economic giants, along with noting that the initial results do not tackle long-standing trade irritants such as industrial overcapacity. Others have noted that discussions on many of these “initial results” were already well advanced prior to this announcement.

Joerg Wuttke, President of the European Chamber of Commerce in China, told CNBC that the results are “a very selected list,” and that the American and European Chambers of Commerce had hoped for a “broad opening of the market, not a piecemeal opening due to political pressure.”

While government officials have praised the deal, they note that the bilateral trade discussions under the new “action plan” are still in the early stages, and that more deliverables could emerge in forthcoming talks.

The joint release suggests that more announcements could be on the horizon. The “100-day” window set last month by leaders has yet to expire, and officials from both sides have reportedly been looking at what other areas could yield concrete results in that time frame.

Officials are also due to prepare another action plan, which would involve trade-related steps that both sides can take within the span of a year. Additional high-level meetings are slated for this upcoming summer.

ICTSD reporting; “Why the China-U.S. Trade Deal is a Win For Some, but Meaningless For Most,” FORBES, 15 May 2017; “Critics pan Trump’s ‘early harvest’ trade deal with China,” FINANCIAL TIMES, 14 May 2017; “Trump’s New China Deal May Increase U.S. Trade Deficit,” FORBES, 14 May 2017; “Here’s who wins with the new US-China trade deals,” CNBC, 12 May 2017; “US hails China trade deal as sign relations are ‘hitting a new high’,” THE GUARDIAN, 12 May 2017; “U.S. Strikes China Trade Deals but Leaves Major Issues Untouched,” NEW YORK TIMES, 11 May 2017.



---

## TRADE AGREEMENTS

---

# Canadian Senate Approves CETA Implementation Bill

The Canadian Senate [approved](#) legislation last week for implementing the Comprehensive Economic and Trade Agreement (CETA) between Canada and the European Union.

The move is one of the final stages before the two trading partners can begin the provisional application of the accord. On the EU side, the European Parliament also approved CETA in February this year, though full ratification will still require approval from national and regional legislatures. (See Bridges Weekly, [16 February 2017](#))

### CETA overview

Covering a wide range of issues from eliminating duties to protecting geographical indications, along with provisions relating to sustainable development, proponents say that CETA is by far the most comprehensive and advanced trade deal ever reached by either party.

Upon entry into force, CETA will immediately eliminate 98 percent of tariffs between the two trading partners, increasing later to 99 percent. Other notable features include opening up Canadian public procurement markets to EU bidders at all levels of government – a first for Ottawa – and the inclusion of a new investment court system.

In a [video](#) published earlier this year, Canadian Minister of International Trade François-Philippe Champagne described the planned accord as a “progressive trade agreement for the middle class” that would lead to economic growth, lower consumer prices, and the creation of new jobs while also protecting the environment and labour rights.

EU Trade Commissioner Cecilia Malmström has also said that the deal is an “exemplar” of protecting and promoting standards, including on sustainable development, describing these benefits during a [speech](#) in the Canadian capital city of Ottawa earlier this year.

### Coming up

The bill already made its way through the Canadian House of Commons months ago. It later went through three “readings” in the Senate, ultimately being adopted without amendment. The legislation was given [royal assent](#) this week, after which it will become an official Act of Parliament. Canada will then need to begin updating its regulatory system in advance of CETA's entry into force.

Under the terms of CETA, the EU and Canada can begin provisional application from the start of the following month after both sides have completed the necessary internal steps. Full application is expected to take far longer, as the relevant EU national and regional legislatures work on their own approval processes. To date, Latvia has already done so. (See Bridges Weekly, [6 April 2017](#) and [2 March 2017](#))

ICTSD reporting; “Update on Bill C-30 and CETA Implementation in Canada,” LEXOLOGY, 12 May 2017.

---

## EVENTS & RESOURCES

---

# Events

### Coming Soon

19 May, Geneva, Switzerland, and online. TALKING DISPUTES LIVE | 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 will also be livestreamed online from 12:45 PM Geneva time 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](#).

19-20 May, Singapore. THIRD CONFERENCE ON GLOBAL VALUE CHAINS, TRADE, AND DEVELOPMENT. This conference is being organised by the Centre for Economic Policy Research (CEPR) and the World Bank Group and will feature as its guest speakers Shang-Jin Wei from the Columbia Business School and CEPR and David Chor from the National University of Singapore. The aim of this conference will be to foster new ideas and research on the subject of global value chains. To learn more, please visit the World Bank [website](#).

19-21 May, Dead Sea, Jordan. WORLD ECONOMIC FORUM ON THE MIDDLE EAST AND NORTH AFRICA. This conference, hosted by the World Economic Forum and the government of Jordan, among other partners, will focus on how to promote long-term stability and peace in the Middle East and North Africa through collaboration. Specifically, the conference will focus on public-private collaboration, as well as shifting investment and trade priorities, to address humanitarian and sustainability challenges in the region. To learn more, please visit the World Economic Forum [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](#).

22-26 May, Barcelona, Spain. INNOVATE4CLIMATE: FINANCE AND MARKETS WEEK. This event, hosted by the World Bank with the support of the governments of Spain and Germany, as well as FIRA Barcelona, focuses on the role of climate change within the sustainable development agenda. Topics on the docket include the potential benefits from increased private sector financing, along with different options for transitioning toward lower-carbon policies and projects. To learn more, please visit the event [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 for trade policy to 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](#).

### 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.

19 May: Sub-Committee on Least-Developed Countries

22 May: Dispute Settlement Body

### Other Upcoming Events

30 May – 5 June, Geneva, Switzerland. EUROPEAN SUSTAINABLE DEVELOPMENT WEEK 2017. This week will feature an array of activities aimed at promoting sustainable development and fostering discussion. Key themes this year include the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs). Various events with thematic links are being hosted across Geneva to raise awareness of the Agenda and engage local stakeholders. To learn more, please visit the Geneva European Sustainable Development Week [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. It will be 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 US Agency for International Development (USAID), and the Korea Energy Agency. The aim of this forum is 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, 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 organisations working in the water sector and related areas for discussion and collaboration. To learn more and to register, please visit the WIP GREEN [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

**BUILDING SUPPLY CHAIN EFFICIENCY IN SOLAR AND WIND ENERGY: TRADE AND OTHER POLICY CONSIDERATIONS.** By Veena Jha for the International Centre for Trade and Sustainable Development (ICTSD) (May 2017). This new research paper examines the latest developments in the wind and solar energy sectors, along with studying value chains for these renewable energy products. The publication includes interviews from private sector actors in this field. To download the paper, please visit the ICTSD [website](#).

**TRADE IN SERVICES NEGOTIATIONS: A SOUTHERN AFRICAN PERSPECTIVE.** By Nicolette Cattaneo for the International Centre for Trade and Sustainable Development (ICTSD) (May 2017). This research paper looks at the various countries of the different Southern African regional economic communities, looking specifically at the area of services negotiations at the regional and international levels. The author also provides related recommendations for supporting a greater role of services trade in supporting development efforts. The paper is available for download at the ICTSD [website](#).

**THE FALLING ELASTICITY OF GLOBAL TRADE TO ECONOMIC ACTIVITY: TESTING THE DEMAND CHANNEL.** By Marc Auboin and Floriana Borino for the World Trade Organization (April 2017). This WTO working paper examines the global trade slowdown in the wake of the financial crisis, trying to determine the potential factors involved, such as problems with demand or global value chains. The paper is available for download at the WTO [website](#).

**CHATHAM HOUSE PRIMER: THE VOTE FOR BREXIT.** By Matthew Goodwin for Chatham House (May 2017). In this video, Chatham House Senior Fellow Mathew Goodwin presents several years' worth of survey evidence to discuss the motivations behind last year's Brexit referendum in the United Kingdom. Goodwin explains demographic trends in the Brexit poll, analysing how class, age, and political location may have affected the way people voted. To access this video, please visit the Chatham House [website](#).

**MACRON'S VICTORY SIGNALS REFORM IN FRANCE AND A STRONGER EUROPE.** By Jacob Kirkegaard for the Peterson Institute for International Economics (PIIE) (May 2017). This blog post discusses the implications of the recent French presidential election in both domestic and regional terms. To view this blog, please visit the PIIE [website](#).

EXPLORE THE TRADE AND SUSTAINABLE DEVELOPMENT  
WORLD FURTHER WITH ICTSD'S BRIDGES NETWORK

## BIORES

Analysis and news on trade and environment for a global audience  
<http://www.ictsd.org/bridges-news/biores>  
*English language*

## BRIDGES AFRICA

Trade and sustainable development news and analysis on Africa  
<http://www.ictsd.org/bridges-news/bridges-africa>  
*English language*

## PUENTES

Latin America-focussed analysis and news on trade and sustainable development  
<http://www.ictsd.org/bridges-news/puentes>  
*Spanish language*

## МОСТЫ

CIS-focussed analysis and news on trade and sustainable development  
<http://www.ictsd.org/bridges-news/МОСТЫ>  
*Russian language*

## PONTES

Analysis and news on trade and sustainable development for the Portuguese-speaking world  
<http://www.ictsd.org/bridges-news/pontes>  
*Portuguese language*

## 桥

Analysis and news on trade and sustainable development for the Chinese-speaking world  
<http://www.ictsd.org/bridges-news/桥>  
*Chinese language*

## PASSERELLES

Africa-focussed analysis and news on trade and sustainable development  
<http://ictsd.org/news/passerelles>  
*French language*

PUBLISHED BY



International Centre for Trade  
and Sustainable Development  
Chemin de Balexert 7-9  
1219 Geneva, Switzerland  
+41-22-917-8492  
[www.ictsd.org](http://www.ictsd.org)

Bridges Weekly Trade News is made possible  
through generous contributions of donors and  
partners including

DFID - UK Department for  
International Development

SIDA - Swedish International  
Development Agency

DGIS - Ministry of Foreign Affairs  
Netherlands

Ministry of Foreign Affairs, Denmark

Department of Foreign Affairs and Trade,  
Australia

Copyright ICTSD, 2017. Readers are encouraged  
to quote and reproduce this material for  
educational, non-profit purposes, provided the  
source is acknowledged.



This work is licensed under a Creative Commons  
Attribution-NonCommercial-NoDerivatives 4.0  
International [License](https://creativecommons.org/licenses/by-nc-nd/4.0/).

Your support to BRIDGES and the BRIDGES series  
of publications is most welcome; if interested,  
please contact Andrew Crosby, Managing  
Director at +41-22-917-8335.

Contributors to this issue are Sofía Alicia Baliño,  
Yaxuan Chen, Emilia Hull, and Elizabeth Stephani.  
This edition of Bridges Weekly Trade News Digest  
is edited by Sofía Alicia Baliño.

The Publisher and Director is Ricardo Meléndez-  
Ortiz. The Editor in Chief is Andrew Crosby.  
Comments and suggestions are welcome and  
should be directed to the [editor](#) or the [director](#).

ISSN 1563-003X

