

BRIDGES WEEKLY

Global trade news from a sustainable development perspective

VOLUME 21, ISSUE 24, 6 JULY 2017

GLOBAL ECONOMY

EU, Japan Set to Announce
Political Deal in Trade Talks.....1

GLOBAL ECONOMY

Trade, Globalisation in the
Spotlight as G20 Leaders Head
to Hamburg Summit.....4

GLOBAL ECONOMY

Pacific Alliance Eyes New Trade
Deals with Creation of
"Associate Member" Role7

DISPUTES

Trade Dispute Panel Issues
Ruling in US-Guatemala Labour
Law Case.....9

AGRICULTURE

EU Commission Floats Post-
2020 Financing Scenarios,
Sparks Farm Policy Debate11

TRADE AGREEMENTS

US, South Korea Presidents
Examine Options for Boosting
Trade.....14

EVENTS & RESOURCES

Events16
Resources19

GLOBAL ECONOMY

EU, Japan Set to Announce Political Deal in Trade Talks

Leaders from the EU and Japan are meeting on Thursday in Brussels, Belgium, where they are expected to announce a political agreement on a future trade deal, following several weeks of round-the-clock negotiations to bring the talks to this advanced stage.

EU Council President Donald Tusk [confirmed](#) the summit plans on Tuesday 4 July, issuing a brief statement on social media site Twitter that announced both the date and affirmed that an "ambitious free and fair trade deal [is] in the making."

A follow-up [announcement](#) confirmed that the two sides are also slated to reach a "[strategic partnership agreement](#)" on Thursday, which is another ongoing initiative aimed at facilitating collaboration on environmental issues, along with security, climate change, and other select priorities.

The EU Council President will be joined by European Commission President Jean-Claude Juncker and Japanese Prime Minister Shinzo Abe on Thursday, with other topics on the docket including a discussion on their continued support for the UN's Paris Agreement on climate change.

A political agreement on trade would confirm the framework and many of the components of the future accord, while leaving final technical details remaining – including potentially some of the more sensitive issues. Those final details could take some months to hammer out.

However, officials from both sides have touted the value of sending a strong signal of cooperation and shared interests given the current geopolitical context, particularly amid high-profile debates on the definition of protectionism and how to tackle it, along with defining what constitutes free and fair trade and investment.

"This has an enormous economic importance, but it is also a way to bring us closer," EU Trade Commissioner Cecilia Malmström [told reporters](#) over the weekend.

The talks, underway since 2013, would cover a market with a total population of over 630 million, connecting two of the world's largest traders and biggest economies. According to the [European Commission](#), the final deal would slash up to €1 billion in import tariffs that their exporters face, along with having the potential to significantly increase the bloc's agricultural exports to the Asian economy.

Other potential benefits include protecting hundreds of geographical indications, tackling non-tariff measures to facilitate trade, and taking steps to support smaller businesses aiming to engage more in trade.

The two sides also wish to increase investment flows between their respective economies, though how to deal with the thorny topic of investor protections and related dispute settlement has been repeatedly flagged as a challenging area. (See Bridges Weekly, [29 June 2017](#))

The EU-Japan summit comes immediately before the G20 leaders' meeting in Hamburg, Germany, which will be held from 7-8 July. The G20 gathering, hosted under the German presidency, is slated to see leaders engage in a high-profile debate on how to address trade, open markets, and climate change in their final communiqué – particularly in light of the differences that have emerged between the new US leadership and many other advanced and emerging economies on the subject. (See Bridges Weekly, [22 June 2017](#))

"It is important for us to wave the flag of free trade in response to global moves towards protectionism by quickly concluding the free trade agreement with Europe," said Japanese Prime Minister Shinzo Abe earlier this week, according to comments reported by Reuters.

Final countdown: ministers confirm deal

Over the past week, high-level officials from both sides have ramped up their political engagement in an effort to iron out any remaining differences that could otherwise prevent reaching an accord.

EU Trade Commissioner Cecilia Malmström and EU Agriculture Commissioner Phil Hogan met with their Japanese counterparts, Foreign Affairs Minister Fumio Kishida and Agriculture Minister Yuji Yamamoto, in Tokyo this past weekend, following meetings between their top negotiators.

Malmström [explained](#) that despite much progress that was made during the discussions in Tokyo, some of the remaining difficulties at this stage continue to include increased market access for agricultural goods and car parts, which have long been sensitive areas for both economic giants.

"We are almost there. We have sufficient convergence so that our officials can discuss in the coming days to iron out the remaining details," Malmström [told reporters](#) afterward.

Japan's Ministry of Foreign Affairs, for its part, [called](#) the ministerial-level negotiations "constructive," and noted that these talks were "based on the recognition that the framework agreement is within reach." At the same time, the statement also affirmed that "important issues" remained unresolved at that stage.

Kishida and Malmström met on Wednesday 5 July in Brussels with the goal of making further progress on these issues before leaders arrived for Thursday's summit. They [later announced](#) that they had reached a ministerial-level deal to forward to their leaders.

Other trade deals in the offing

The EU and Japan are also pursuing a series of trade deals on other fronts, with some of these initiatives also setting targets for a 2017 conclusion.

Japan is a member of trade negotiating groups like the Regional Comprehensive Economic Partnership (RCEP) and the Trans-Pacific Partnership (TPP) in its revised iteration, the TPP-11, among various others. While RCEP participants are pushing for a “swift conclusion,” the next steps for the TPP-11 remain unclear, with options expected to be reviewed during this year’s summit of Asia-Pacific Economic Cooperation (APEC) leaders. (See Bridges Weekly, [13 April 2017](#) and [24 May 2017](#))

The European Union, for its part, is aiming to clinch a trade deal with Mercosur countries Argentina, Brazil, Paraguay, and Uruguay this year, with a new [round of talks](#) underway this week. The 28-nation bloc is also in talks with Mexico to upgrade their decades-old trade accord, which officials also say could come together before 2017 draws to a close. (See Bridges Weekly, [11 May 2017](#))

How both sides will approach trade ties with another major partner, the United States, remains unclear under the new leadership in Washington, though bilateral meetings have been held among top officials in recent weeks on that subject. (See Bridges Weekly, [29 June 2017](#))

ICTSD reporting; “Japan, EU narrow differences over free trade agreement,” DEUTSCHE WELLE, 29 June 2017; “Abe expected to agree EU-Japan trade deal on Thursday – EU,” REUTERS, 4 July 2017; “Japan-EU EPA to hinge on leaders’ talks,” THE YOMIURI SHIMBUN, 2 July 2017.

GLOBAL ECONOMY

Trade, Globalisation in the Spotlight as G20 Leaders Head to Hamburg Summit

Leaders from the G20 will be arriving in Hamburg, Germany, for their annual summit this weekend, which will feature high-profile discussions on free and fair trade, steel, protectionism, and international climate action.

Over the past several weeks, preparations for the 7-8 July meeting have intensified amid growing speculation over how leaders may resolve emerging debates over how to address the future shape of globalisation – and whether they will be able to reach agreed language on some of these issues in their final communiqué on Saturday.

Earlier this year, G20 finance ministers and central bank governors agreed at a meeting in Baden-Baden that they would work to “strengthen the contribution of trade” to their economies, and to focus on making trade more fair and inclusive, while omitting earlier pledges to tackle protectionism. How to define all of those terms – free trade, fair trade, and protectionism – have long been debated in the policy world. (See Bridges Weekly, [23 May 2017](#))

The G20 coalition, which includes 19 advanced and emerging economies as well as the European Union, [makes up](#) approximately 80 percent of global GDP, while approximately three-quarters of the world's goods and services trade flows involve a G20 member.

Preparatory meetings, approaches

German Chancellor Angela Merkel said last month that reaching an agreed statement emphasising the value of open markets would be a central objective of her country's G20 presidency – a goal that she has reaffirmed repeatedly as the summit draws ever nearer. (See Bridges Weekly, [22 June 2017](#))

"If we simply try to carry on as we have in the past, the worldwide developments will definitely not be sustainable and inclusive," said Merkel during a [podcast](#) earlier this week previewing her government's goals of the summit. "We need the climate protection agreement, open markets and improved trade agreements in which consumer protection, social and environmental standards are upheld."

On Wednesday, the German leader said that "we are looking at the possibilities of cooperation," while noting that her government's vision of globalisation as a "win-win" situation contrasts sharply with that of the current US leadership, according to comments reported by Die Zelt and Reuters.

Other leaders have also weighed in over the past several weeks, with Chinese President Xi Jinping recently stating in an op-ed for Die Welt that "we hope that the G-20 will continue to uphold the great goal of an open world economy" and highlighting his country's interest in greater cooperation with Germany and in ensuring strong international collaboration on the global economy.

EU leaders had a [preparatory meeting](#) on 29 June to agree their stance, with EU Council President Donald Tusk saying afterward that the bloc is "determined to protect and even strengthen the rules-based international order" and committed to climate action and other shared objectives in "turbulent times."

In related news, Japanese and European leaders are set to announce a political agreement on a comprehensive trade agreement on Thursday 6 July, after confirming a ministerial-level deal on Wednesday evening.

The planned EU-Japan trade agreement, leaders from both sides say, would both yield important economic gains while demonstrating their commitment to shared values and open trade. (See Bridges Weekly, [18 May 2017](#) and related story, this edition)

Meanwhile, reports have emerged that US President Donald Trump wishes to focus on the concept of “free and fair trade” in Hamburg and is also interested in discussing global overcapacity in steel, a topic that has featured in past G20 meets.

“On trade, no less than on alliances, America First does not mean America alone. The goal of US trade policy is to expand trade in a way that is free and fair,” said Gary Cohn, Director of the White House’s National Economic Council, in a [press briefing](#) on 29 June previewing the summit.

“We look forward to engaging in free and fair trade with the G20 economies. The United States stands firm against all unfair trading practices, including massive distortions in the global steel market and other non-market practices that harm US workers,” he continued.

Regarding steel, Washington is currently conducting investigations into whether steel and aluminium imports are adversely affecting national security, using [Section 232](#) of the Trade Expansion Act. The probe has sparked concern in many of Washington’s trading partners, including the European Union, whose top trade official recently cautioned that should the investigation lead to duties on EU producers, it would prompt some form of “retaliation.” (See Bridges Weekly, [4 May 2017](#) and [29 June 2017](#))

Sources say that the use of a national security justification for potentially imposing trade remedy measures drew intense scrutiny at a recent meeting of the WTO’s Goods Council in Geneva, Switzerland.

Various members, including many who are also part of the G20, such as the EU, China, and Russia, reportedly questioned the US on whether this type of probe was justified under the provisions on [security-related exceptions](#) and suggested that duties from the investigation could pose serious “systemic risks.”

Cohn also said that Trump will reaffirm and explain his announcement from June on the US’ planned withdrawal from the UN’s Paris climate agreement – along with his continued interest in negotiating a better deal. Leaders from a host of other economies have repeatedly affirmed that the landmark climate accord is both “irreversible” and not up for renegotiation.

IMF note: collaboration, rules-based system essential

The International Monetary Fund (IMF) also released [a note](#) for G20 leaders two days before the summit that referred to some improvements in the global recovery – while warning that much more needs to be done to shore up this recovery against potential risks.

Among its recommendations, the agency referred to the need for structural reforms that can help ensure “high and inclusive growth in the long term,” including helping those workers “who have been hurt by shifts in technology and trade.”

The note also stressed the importance of a rules-based trading system and continued international collaboration across a host of policy areas, along with backing trade “reforms” and domestic policies that help workers adapt to an ever-changing economy.

It also featured a warning against any moves away from international cooperation on economic policy and sustainability. "Myopic pursuit of zero-sum policies can only end by hurting all countries, as history shows," the note says.

"Because national policies inevitably interact in a number of vital areas, creating strong spillovers across countries, the world economy works far better for all when policymakers engage in regular dialogue and work within agreed mechanisms to resolve disagreement," the Fund continued.

WTO, OECD, UNCTAD reports

In preparation for the leaders' gathering, the WTO, the Organisation for Economic Co-operation and Development (OECD), and the UN Conference on Trade and Development (UNCTAD) released last week their semi-annual [reports](#) on G20 trade and investment measures.

On trade, the WTO found that trade restrictive and facilitative measures saw a "moderate rise" over the course of the last six months, each numbering just over 40 measures, though their "trade coverage" was substantially different, at US\$47 billion and US\$163 billion, respectively.

The reports, which are designed to feed into the G20 process, also included a call for supporting open markets and the rules-based trading system.

"G20 leaders must show leadership in reiterating their commitment to open and mutually beneficial trade as a key driver of economic growth and a major engine for prosperity," the report says, also calling upon the coalition of advanced and emerging economies to support reaching a "successful outcome" at the WTO's Buenos Aires ministerial conference later this year.

Meanwhile, the [joint report](#) by OECD and UNCTAD on investment measures notes that "for the first time in years, a relatively greater proportion of restrictions to international investment" emerged over the period analysed, while cautioning against reading this as a pattern at this stage.

These new reports come in the context of some moderate improvements in estimated trade growth for 2017, though multiple international agencies have warned about the risks posed by political and policy uncertainty. (See Bridges Weekly, [8 June 2017](#))

ICTSD reporting; "Trump to demand G20 action on steel; closely-watched report delayed," REUTERS, 29 June 2017; "China's Xi Singles Out Germany as Global Ally in Pre-G-20 Op-Ed," BLOOMBERG, 4 July 2017; "As anti-G20 protests begin, Merkel says growth must be inclusive," REUTERS, 2 July 2017; "Merkel takes aim at U.S. 'winners and losers' policy before G20," REUTERS, 5 July 2017.

GLOBAL ECONOMY

Pacific Alliance Eyes New Trade Deals with Creation of "Associate Member" Role

The Latin American trading bloc known as the Pacific Alliance has begun talks for free trade agreements (FTAs) with Australia and New Zealand, respectively, following a summit that also welcomed both of those countries and two others as incoming "associate members" of their group.

The four-country Pacific Alliance includes Chile, Colombia, Mexico, and Peru as its members. The coalition was formed in 2011, with the framework agreement confirmed the following year. (See Bridges Weekly, [13 June 2012](#))

The creation of the new "associate member" role was announced after the Pacific Alliance Leaders' Summit, which was held in Cali, Colombia, from 29-30 June and included the endorsement of the "[Cali Declaration](#)."

Along with Australia and New Zealand, the two other countries to sign on to become associate members were Canada and Singapore.

Under the Pacific Alliance, the term "associate member" opens up the possibility of collectively negotiating trade deals with other countries outside the Alliance – a development that was welcomed by participants as a landmark move.

"This summit opened a new chapter in the Alliance's history," said Colombian President Juan Manuel Santos in describing the new "associate member" position, according to comments reported by Reuters.

The process for becoming an associate member requires negotiations between full members and the country wishing to take on this role. According to the guidelines adopted in Cali last week, the "terms of reference" for these negotiations must "take into account high standards in commercial, economic terms that favour the opening and integration of markets, including, but not limited to, the following areas: goods and services trade, as well as investment."

Focus on open markets

The Pacific Alliance group was formed with the goal of liberalising goods and services trade, along with facilitating the free movement of persons and capital. They have since announced over the years a series of milestones and intended targets, such as a deal to eliminate tariffs on 92 percent of goods and phase out the rest over a longer timeframe. (See Bridges Weekly, [13 February 2014](#))

"In times of such uncertainty and scepticism of so many people about the importance of an open economy, of trade agreements, of cooperation, of integration, the Pacific Alliance has succeeded and re-vindicated a path of unity and collaboration," said Chilean President Michelle Bachelet last week, according to comments reported by RCN Radio.

The Pacific Alliance also has 52 [observer countries](#), who must share the coalition's objectives and can be invited to the Alliance's meetings. They can also apply to become full-fledged members of the Pacific Alliance if they have trade deals in place with at least half of the coalition's full members.

There are already two countries in the process of negotiating accession as full members, namely Costa Rica and Panama. The group has also been looking to establish improved economic ties, including through trade, with another bloc in the region known as Mercosur, which includes among its members Argentina, Brazil, Paraguay, and Uruguay. (See Bridges Weekly, [13 April 2017](#))

Ciobo, McClay highlight FTA potential

Australian Trade Minister Steven Ciobo and New Zealand Trade Minister Todd McClay both touted the added value of inking trade deals with this Pacific bloc, citing its large market, economic growth, and approach to trade as key factors.

Australia and New Zealand are already observer countries to the Pacific Alliance, as well as having the new rank of associate member.

"The Pacific Alliance is a grouping of fast-growing, like-minded economies committed to the liberalisation of trade," said McClay in a [press statement](#). He also characterised the upcoming talks as a key component of Wellington's larger "Agenda 2030" objective of having 90 percent of merchandise trade falling under the coverage of a free trade agreement by that year.

That goal has also spurred New Zealand towards pursuing the eventual launch of trade talks with the European Union, along with exploring the possibility of such an accord with the United States. (See Bridges Weekly, [22 June 2017](#))

Ciobo, meanwhile, [described](#) Australia's goal in negotiating a Pacific Alliance FTA as that of a "comprehensive, high quality agreement to open new markets for Australian exporters." He specifically cited Canberra's interest in areas such as mining, farming, manufacturing, and services trade – along with the large market that would open up should Australia ink an accord with these four countries.

"Australia's ability to capitalise on this demand is limited by high tariffs that block trade. Tariffs of up to 80 percent are imposed on Australian beef, while dairy products attract tariffs of up to 45 percent and sugar attracts tariffs of more than 30 percent. Australia's services exports – including education and mining services – also face competitive barriers," he said.

Moreover, he also noted that Australia has a long history of negotiating with this group of countries. Australia and Peru launched trade deal talks earlier this year, while Australia, Chile, Mexico, and Peru are four members of the Trans-Pacific Partnership (TPP) – a trade deal that has been signed, but not yet ratified.

While the TPP group is currently determining its next steps as the "TPP-11" following the withdrawal earlier this year of the United States, the group has expressed an interest in not losing the gains from those negotiations. Earlier this year, member of the Pacific Alliance and the TPP met in the Chilean coastal town of Viña del Mar to discuss different options for integration, both within their respective groups and collectively. (See Bridges Weekly, [16 March 2017](#))

ICTSD reporting; "Alianza del Pacífico destaca su integración en tiempos de 'incertidumbre'," RCN RADIO, 30 June 2017; "Alianza del Pacífico se abre en Cali a nuevo miembros," REUTERS, 30 June 2017.

DISPUTES

Trade Dispute Panel Issues Ruling in US-Guatemala Labour Law Case

An arbitral panel under the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) made its [report](#) public last week, finding that Guatemala's alleged failure to enforce domestic labour legislation was not done "in a manner affecting trade."

The case was the first time a labour rights dispute had ever been filed under an FTA's dispute settlement mechanism, and has drawn the scrutiny of labour unions and trade analysts alike over the past several years.

The US formally launched the case in 2010, following complaints made by domestic and Guatemalan labour unions two years prior. Washington officials raised concerns that the alleged treatment of Guatemalan workers was in violation of their labour rights, while also putting American workers at an unfair competitive disadvantage. (See Puentes, [6 May 2008](#))

Among the questions raised were whether workers at various Guatemalan sites had good working conditions and were able to form unions and engage in collective bargaining. (See Bridges Weekly, [4 August 2010](#))

According to the United States, those failures constituted "a sustained or recurring course of action or inaction" by Guatemala "in a manner affecting trade," thus violating the agreement's labour provisions. The trade agreement itself includes Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and the United States.

An arbitral panel was composed in late 2012, but the two sides agreed to put this process on hold the following year in order to provide Guatemala with the time to improve enforcement of its labour laws. The US later asked the panel to continue its review, citing concerns that Guatemala was not advancing enough in this area – while also noting that some positive steps had been taken, such as hiring more labour inspectors. (See Bridges Weekly, [25 September 2014](#) and [12 February 2015](#))

The panel report published last week is final, given that the trade deal involved does not feature the option of appeal.

Labour rights enforcement, competitive advantages

Under the trade deal's [labour chapter](#), the parties involved made a series of commitments, such as reaffirming their existing pledges under the International Labour Organization; addressing the relationship between labour law enforcement and trading relationships; setting up a CAFTA-DR "Labour Affairs Council;" and taking a host of other steps to improve their cooperation on labour-related issues.

More specifically, that chapter includes a provision that prohibits CAFTA-DR parties from failing "to effectively enforce its labour law through a sustained or recurring course of action or inaction, in a manner affecting trade between the parties."

The panel read this provision as requiring parties to ensure that their domestic labour laws are enforced by their respective legal systems and applied across employers. Violations of those rules would also have to demonstrate a trend of poor or failed enforcement efforts –

along with giving “some competitive advantage” to domestic employers relative to their foreign competitors, such as by lowering their costs in practice.

The panel found that Guatemala failed to enforce court orders and fines concerning eight employers, who were cited for their dismissal of workers who had attempted to engage in union activities. Those cases spanned several years and together involved nearly 80 workers. These findings, in turn, raised concerns over whether employers believed they would be held accountable for labour violations.

The panel also highlighted an apparent pattern where labour courts exhibited a “significant shortfall” between their mandate and their work in practice, while stopping short of calling this “a sustained or recurring course of action or inaction.”

The US had also questioned whether Guatemalan authorities had conducted the necessary labour inspections – a claim that the panel ultimately rejected, since there appeared to be only one “discrete” case where laws were not enforced effectively, rather than “a sustained or recurring course of action or inaction.”

The panel then looked at specific examples in gauging the relationship between labour rights enforcement and trade in its analysis. For example, it scrutinised one employer's violations of workers' rights to freedom of association, along with how this was handled by domestic courts – finding that poor enforcement did give that employer a competitive advantage.

However, this advantage was not consistent across the board when looked at other cases where labour law enforcement was lacking – and therefore did not prove that this was “a sustained or recurring course of action or inaction” that was also “in a manner affecting trade.”

Lawmakers respond, look ahead

In the years since CAFTA-DR, the inclusion of labour chapters in trade deals has become much more common, while negotiators and analysts have debated how best to design these and how to ensure their enforcement.

For example, some US Democratic Party lawmakers have raised specific questions over what the panel ruling means for enforcing and understanding how to address labour issues in trade deals, with Ways and Means Committee Ranking Member Richard Neal and Trade Subcommittee Ranking Member Bill Pascrell issuing a [joint statement](#) on the subject.

Neal and Pascrell represent districts in the states of Massachusetts and New Jersey, respectively, in the US House of Representatives.

“Not only did the dispute take more than nine years to conclude, but it raises new questions about the basic meaning of labour and other provisions in our trade agreements. We cannot let trade agreements allow a race to the bottom on labour standards,” said Pascrell.

Various US lawmakers have also called for strong, enforceable labour provisions in future trade accords, including during [recent hearings](#) regarding the current White House's trade priorities and what these mean for the upcoming efforts to renegotiate the North American Free Trade Agreement (NAFTA). (See Bridges Weekly, [29 June 2017](#))

ICTSD reporting.

AGRICULTURE

EU Commission Floats Post-2020 Financing Scenarios, Sparks Farm Policy Debate

The European Commission has set out five scenarios for the bloc's financial future, including on agriculture, sparking reactions from farmers, environmental groups, and other stakeholders.

The scenarios, which the EU's executive arm presented in a "[reflection paper](#)" on 28 June, could significantly affect the overall amount and type of government-funded support to the bloc's farm sector, among other areas.

The options are meant to facilitate the ongoing discussions over the future direction of EU integration, including the financial implications of the withdrawal of the UK from the bloc, which is currently planned for March 2019.

"Any reflection about the future of the EU budget should therefore start with the most basic question of all – what should the EU budget be for? European value-added must be at the core of that discussion," the paper says.

Moreover, this reflection would also feed directly into the legally-mandated process of crafting the "multiannual financial framework" for the remaining 27 EU member states, which would apply from 2020 for at least five more years. These financial frameworks determine how the EU can allocate funds towards different priority areas, along with what ceilings apply for each.

"If Europe is to tackle new challenges, the money must come from somewhere," said Günther Oettinger, the EU Commissioner for Budget and Human Resources, in a [press statement](#) coinciding with the release of the paper. "We can either spend less or find new revenues."

EU Regional Policy Commissioner Corina Crețu said that the bloc's budget should be simpler and more flexible, and "leave no one behind in this globalised economy."

The EU's executive branch is due to release a proposed "multi-annual financial framework" next year, which must then make its way through the bloc's legislative processes. (See Bridges Weekly, [9 March 2017](#))

"Economic strength, sustainability, solidarity, and security must be the focal points for the EU finances of the future. And while we know that the EU budget cannot do everything on its own, a well-designed budget focused squarely on supporting those priorities can make a real difference to people's lives and help restore trust in the EU's added-value," the paper says.

CAP reform

Along with being part of the multi-annual financial framework preparations, the outcome of these budget deliberations is also expected to shape the contours of the ongoing debate over the bloc's next phase of its Common Agricultural Policy.

The [Common Agricultural Policy](#), otherwise known as the CAP, governs the funding for the bloc's agri-workers, with the support going towards rural development schemes, farmer incomes, or market interventions. This state aid also comes with various conditions, some of which are linked to sustainability objectives.

Funding under the current CAP amounts to approximately €59 billion per year, with the current version of the scheme due to end in 2020. The discussion on post-2020 CAP reform is currently in the early stages, as the EU institutions prepare for the famously complex process of negotiating the next phase of the scheme.

The Commission's reflections paper refers to this upcoming process, including some of the ideas that have already been raised in the early stages of debate, such as how to restructure or refinance direct payments for farmers. It also calls for additional ways to spur farmers towards undertaking greater environmental and climate-focused responsibilities, and raises the concern that many in the EU's rural communities "feel left behind."

"Among the debated options is the suggestion to target direct payments more effectively to ensure income to all farmers across the EU, particularly for marginal areas and the poorest farms. Such an option could reduce direct payments for large farms," the paper says.

Another option for consideration would involve asking member states to take on greater contributions in supporting direct payments, alongside the EU's own financing, while noting the need for having the necessary tools to address "crises."

"Any changes would need to preserve one of the key assets of the policy: the protection of a well-functioning internal market ensuring a level playing field for all producers across the EU," the document continues.

On environmental incentives, the paper suggests that farmers should "be encouraged to invest in new technologies" and other related measures.

The Commission is wrapping up a [public consultation](#) on upgrading the CAP, with Agriculture Commissioner Phil Hogan due to present the outcomes publicly this month. Policy proposals from the EU executive on CAP reform are expected by year's end.

Five possible pathways

The European Commission's five proposed budget scenarios reflect different levels of ambition and are each accompanied by specific proposals for expenditure and revenue. These scenarios build around a "[White Paper](#)" outlining different approaches to the EU's overall future, released by the same institution in early March.

A status quo option, which is dubbed "carrying on" by the Commission, would reflect the current reform agenda of the EU's 27 remaining member states – excluding the UK. In agriculture, this would involve better targeted support for farmers facing "special constraints," such as those working in remote or mountainous regions. It would continue to include rural development support, such as "agri-environmental measures."

The Commission also refers to options that would either scale back or ramp up support and cooperation, referring to these as "doing less together" and "doing much more together," respectively.

"Doing less together" would involve a significantly reduced collaboration on shared EU spending priorities. In agriculture, support would only be available for farmers facing special constraints, while all farms would have access to risk management tools.

In contrast, "doing much more together" would involve a significant increase in revenue and expenditure. The Commission's paper says that this would involve a "higher amount" for

agriculture, without specifying the objectives of the spending or the instruments used to pursue them.

Two other scenarios represent hybrid approaches. The “some do more” option would see sub-sets of EU members work together on shared objectives, financing these collectively as needed. In agriculture, the priorities and instruments pursued would be similar to those currently in place.

The other hybrid scenario is dubbed “radical redesign.” Spending and revenue collection would be lower under this option, with the EU focusing on supporting priorities in which the bloc considers it can add the most value. In agriculture, direct payments to producers would fall, focusing on farmers facing special constraints. Environmental and climate actions and risk management tools would apply to all farms.

In remarks to Bridges, Professor Alan Matthews of Trinity College Dublin observed that the focus on farmers facing “special constraints” was unsurprising in light of the EU’s goal of pursuing territorial cohesion. Matthews is an expert on European agricultural policy and economics, including on CAP reform.

Farm groups, civil society reactions

The proposed financing scenarios have led to reactions from farm groups, environmentalists, and others, who have weighed in on what these options could mean for their constituencies.

Copa Cogeca, an association of European farm groups and cooperatives, released a [statement](#) calling for EU agricultural spending to be maintained, arguing that this is essential for meeting the bloc’s environmental and economic objectives.

“Difficult decisions lie ahead but the relevant role of the farming sector as the first producer of safe, nutritious and quality food must be recognised and duly funded,” said Copa Cogeca Secretary-General Pekka Pesonen.

Meanwhile, over 250 civil society organisations released a joint [statement](#) calling for “scenario 6: sustainable Europe for its citizens.” The groups said that the EU needed to become “a driver of sustainability in Europe and beyond.”

Separately, a blog post by Wyn Grant, Professor of Politics at the University of Warwick, [criticised](#) the continued focus of the European Commission on direct payments, arguing that these are a “highly inefficient and poorly targeted means of delivering income support.” Grant, whose work has also addressed environmental and trade policy, argued that policies such as improving broadband access might be more effective in stimulating economic activity in rural areas.

ICTSD reporting.

TRADE AGREEMENTS

US, South Korea Presidents Examine Options for Boosting Trade

South Korean President Moon Jae-in and US President Donald Trump discussed how to move forward in their countries' bilateral trading relationship, including with the Korea-US Free Trade Agreement (KORUS), during a [summit](#) in Washington late last week.

The Trump administration's interest in upgrading KORUS was earlier announced by US Vice President Mike Pence on a visit to Seoul in April and seeks to rectify a perceived imbalance in trade between the two nations, particularly with regard to the automobile and steel industries. The US goods trade deficit with Korea amounted to US\$27.7 billion in 2016. (See Bridges Weekly, [27 April 2017](#))

"We are renegotiating a trade deal right now as we speak with South Korea. Hopefully it will be an equitable deal, a fair deal to both parties," Trump said in a press conference on Friday 30 June. "We want something that is going to be good for the American worker and I think we will be able to do that today."

While Trump and Pence have both floated their interest in a KORUS upgrade, Korean officials have not confirmed whether they wish to do the same.

In a [joint statement](#) issued that day, the leaders mutually "committed to foster expanded and balanced trade while creating reciprocal benefits and fair treatment between the two countries."

The KORUS agreement, first negotiated and signed under the George W. Bush administration, eventually entered into force in 2012 following several years of difficult negotiations and a tough ratification process on both sides. (See Bridges Weekly, [29 February 2012](#))

Korea is the US' sixth-largest trading partner, with US\$112.2 billion in total two-way trade in goods in 2016.

Trade deficits, steel

The trade relationship with Korea has been one of several under review since the issuance of an executive order earlier this year to assess any instances of "unfair treatment" by countries with which the US has a trade deficit. (See Bridges Weekly, [4 May 2017](#))

Trump has claimed that the agreement has had adverse effects on the domestic automobile industry, citing a US\$11 billion dollar rise in the trade deficit with Korea since 2011 pre-KORUS. Cars also represented a key point of contention in the original negotiations and formed part of efforts to revamp the agreement in 2010 in order to give it a better chance of passing through the US domestic legislature. (See Bridges Weekly, [9 December 2010](#))

"I am encouraged by President Moon's assurances that he will work to create a level playing field so that American workers and businesses and especially automakers can have a fair shake at dealing with South Korea," Trump stated, adding that the two sides will work together to address these issues.

In addition, the administration raised concerns over steel trade, claiming that Korean-made steel is being sold in the US at prices lower than its normal value, in what is known in trade jargon as “dumping.” The US Department of Commerce [imposed](#) new anti-dumping duties on oil country tubular goods (OCTG) from Korea in April.

The US-Korea joint statement referred to this discussion, committing “to fostering a truly fair and level playing field, including working together to reduce the global overcapacity of such basic materials as steel.”

Investments

Some analysts have pointed to the US services surplus with the Asian economy, and the high volume of Korean foreign direct investment (FDI) into the United States. The US had a services surplus of US\$10.7 billion with Korea in 2016, while Korean FDI amounted to US\$40.1 billion in 2015 to the US's US\$34.6 billion into Korea, according to statistics published by the [Office of the US Trade Representative](#).

Moon's visit was accompanied by a large business delegation, and came shortly after Samsung pledged to invest US\$380 million in the creation of a home appliances plant in South Carolina, which proponents say would create almost 1000 jobs, as well as an additional US\$1.5 billion in its semiconductor factory in Texas before 2020.

“Samsung's investment is great news for South Carolina and the United States, and it is a direct reflection of the fact that America is becoming an even stronger destination for global businesses looking to grow,” US Commerce Secretary Wilbur Ross [noted](#) following the announcement.

“I hope that Korea-US economic cooperation can expand on the existing level of mutual trade and investment so that it can help both countries become strategic economic partners who work together to pioneer the world market,” Moon told business leaders during a recent speech, according to comments reported by the Korea Times.

The leaders are slated to meet again later this year in South Korea, officials confirmed. In the meantime, they will host “[high-level consultations](#)” on economic and trading issues.

ICTSD reporting; “Samsung Invests \$1.9 Billion in U.S. Ahead of Trump-Moon Summit,” BLOOMBERG, 28 June 2017; “Trump: ‘We may terminate’ U.S.-South Korea trade agreement,” WASHINGTON POST, 28 April 2017; “US to renegotiate South Korea trade pact,” FINANCIAL TIMES, 18 April 2017; “Moon Enlists Chaebol Execs to Disarm Trump's Trade Threat,” BLOOMBERG, 27 June 2017; “Moon, Trump to face showdown on FTA renegotiation,” THE KOREA HERALD, 25 June 2017; “President Trump and South Korea President Moon Meet in Oval Office,” CNBC, 30 June 2017; “Moon's US visit brings economic achievements,” THE KOREA TIMES, 4 July 2017.

EVENTS & RESOURCES

Events

Coming Soon

7-8 July, Hamburg, Germany. G20 LEADERS' SUMMIT. The leaders of the G20 coalition of major advanced and emerging economies will meet in Germany this year to discuss trade and open markets; progress on meeting the 2030 Agenda for Sustainable Development; international climate action; and options for supporting sustainable economic growth within the African continent. To learn more, visit the G20 [website](#).

10-19 July, New York City, US. HIGH-LEVEL POLITICAL FORUM ON SUSTAINABLE DEVELOPMENT (HLPF) 2017. This forum, convened under the UN Economic and Social Council (ECOSOC), will focus on the progress made towards achieving the 2030 Agenda for Sustainable Development and the related Sustainable Development Goals (SDGs). The selected SDGs for this year are Goals 1, 2, 3, 5, 9, and 14, and 17. To learn more, please visit the UN's Sustainable Development [website](#).

10 July, London, United Kingdom. SMART AND FAIR: RECOGNIZING WOMEN'S ROLE IN OUR ECONOMIC FUTURE. This event is part of the International Policy Forum, hosted by Chatham House. This forum was created in order to develop new policy ideas in relation to the G20, and will focus on how to include and support more women in the workforce, especially in sectors such as the digital economy. For more information, please visit Chatham House's [website](#).

11-13 July, Geneva, Switzerland. SIXTH GLOBAL REVIEW OF AID FOR TRADE: "PROMOTING TRADE, INCLUSIVENESS AND CONNECTIVITY FOR SUSTAINABLE DEVELOPMENT." This biennial WTO event will feature over 50 sessions focusing on the Aid for Trade Initiative, as well as on how this initiative can support the UN's Agenda 2030 for Sustainable Development and the related Sustainable Development Goals (SDGs). To learn more, visit the WTO [website](#).

11 July, Geneva, Switzerland. CLICKS NEED BRICKS: PROMOTING TRADE THROUGH QUALITY INFRASTRUCTURE. This event is being organised by the International Centre for Trade and Sustainable Development (ICTSD), the World Bank Group, the UN Conference on Trade and Development, and Germany as a side event to the Global Review of Aid for Trade. The event will examine the possibilities for developing solutions that are adaptation to national needs with regards to infrastructure. More information is available on the ICTSD [website](#).

12 July, Geneva, Switzerland. AID FOR DIGITAL TRADE: NEEDS AND RESPONSES. This event is being organised by the International Centre for Trade and Sustainable Development (ICTSD) and the Permanent Mission of Kenya during the Global Review of Aid for Trade. It will look at digital trade within different regional contexts and options for enhancing such trade going forward. More information is available on the ICTSD [website](#).

12 July, Geneva, Switzerland. PROMOTING INCLUSIVE ECONOMIC TRANSFORMATION THROUGH GVC PARTICIPATION: THE ROLE OF AID FOR TRADE AND PRIVATE SUSTAINABILITY STANDARDS. This event is being organised by the International Centre for Trade and Sustainable Development (ICTSD) and the Permanent Mission of Lesotho during the Global Review of Aid for Trade. It will examine how the Aid for Trade initiative can help countries play a greater role in global value chains and achieve sustainability objectives. More information is available on the ICTSD [website](#).

13 July, Geneva, Switzerland. DIGITAL TRADE-RELATED PROVISIONS IN REGIONAL TRADE AGREEMENTS. This event is being organised by the International Centre for Trade and Sustainable Development (ICTSD) and the Inter-American Development Bank (IDB) within the context of the RTA Exchange. The event will examine trade deal provisions that involve or affect the digital economy, along with what lessons can be learned from these experiences. To learn more, 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.

7 July: Trade Policy Review Body – European Union

10 July: Workshop on Investment Facilitation for Development

11-13 July: Sixth Global Review of Aid for Trade

11 July: Thematic Session on Regionalization

12 July: Informal Committee on Sanitary and Phytosanitary Measures

13-14 July: Committee on Sanitary and Phytosanitary Measures

13-14 July: Informal Open-ended Negotiating Group on Rules

Other Upcoming Events

17-20 July, New York, US. ECOSOC HIGH-LEVEL SEGMENT 2017. This annual conference, hosted by the UN Economic and Social Council (ECOSOC), will be analysing the implementation and progress of the 2030 Agenda for Sustainable Development and related goals. Events include a high-level meeting on trade and financial institutions, along with dialogues addressing poverty eradication efforts on multiple levels. For more information, please visit ECOSOC's [website](#).

18-20 July, Geneva, Switzerland. MULTI-YEAR EXPERT MEETING ON TRADE, SERVICES AND DEVELOPMENT, FIFTH SESSION. This multi-year expert meeting, hosted by the United Nations Conference on Trade and Development (UNCTAD), looks at the role of the services economy and trade in structural transformation and inclusive development, including in relation to the UN's 2030 Agenda for Sustainable Development. For more information, please visit UNCTAD's [website](#).

25-28 July, Melbourne, Australia. SYMPOSIUM ON SUSTAINABLE DEVELOPMENT RESEARCH IN ASIA-PACIFIC. This multi-disciplinary conference, organised by RMIT University in partnership with various other organisations, aims to provide a forum for discussion regarding sustainability research across various areas, with a specific focus on its application to the Asia-Pacific region. For more information, please visit the International Association of Universities' [website](#).

18-19 September, New York, US. SUSTAINABLE DEVELOPMENT IMPACT SUMMIT. This summit, hosted by the World Economic Forum (WEF), will look at how governments, private sector actors, civil society, academics, and other stakeholders can support the implementation of the UN's 2030 Agenda for Sustainable Development and the UN's Paris

Agreement on climate change. The meeting is timed to coincide with the UN General Assembly. For more information, please visit the WEF's [website](#).

25-27 September, Geneva, Switzerland. TRADE FOR SUSTAINABLE DEVELOPMENT FORUM 2017. This annual event by the International Trade Centre (ITC) will examine the topics of voluntary sustainability standards and sustainable value chains, looking specifically at partnerships and other collaboration in this field. To learn more and to register, visit the ITC [website](#).

26-28 September, Geneva, Switzerland. WTO PUBLIC FORUM 2017: "TRADE: BEHIND THE HEADLINES." 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. To learn more, visit the WTO [website](#).

9-19 October, Chambéry, France. UNIVERSITY OF EASTERN FINLAND – UN ENVIRONMENT COURSE ON MULTILATERAL ENVIRONMENTAL AGREEMENTS. This two-week course on international environmental law and diplomacy is designed for participants from governments, NGOs, the private sector, and academia. This year's course has as its theme "Trade and Environment." The course objectives include teaching the necessary tools for current and future negotiators of multilateral environmental agreements (MEAs). Please note that the application deadline is 4 August. To learn more and to apply, visit the University of Eastern Finland [website](#).

8-10 November, Manila, Philippines. 2ND ASIA FINANCE FORUM: FINTECH AND SUSTAINABLE DEVELOPMENT. This conference, a joint collaboration between the Asian Development Bank (ADB) and the ADB Institute, will address the relationship between digital finance and the implementation of the UN's Sustainable Development Goals. To learn more and register for this conference, visit the ADB's [website](#).

14 December, Buenos Aires, Argentina. FORUM ON MIGRATION, TRADE, AND THE GLOBAL ECONOMY. This event is being organised by the International Centre for Trade and Sustainable Development (ICTSD) and the Fundación Foro del Sur, with a view to understanding the interlinkages between trade and migration. The forum is slated to bring together public and private sector participants, along with representatives from civil society and academia. A call for papers will soon be opened. To learn more, visit the ICTSD [website](#).

Resources

TRADE & ENVIRONMENT DATABASE – TREND ANALYTICS. Published by the German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE) in Bonn, Germany, and Jean-Frédéric Morin, chairholder of the Canada Research Chair in International Political Economy at Laval University, Canada (2017). This joint project builds from the TREND database, which brings together information regarding the environmental provisions across 630 preferential trade agreements that have been developed since the year 1945. The existing TREND database has now been adapted into TREND analytics for the use of policymakers, civil society members, academics, and other interested stakeholders. The TREND analytics tool is available at the following [website](#).

GLOBAL FUTURE COUNCIL ON INTERNATIONAL TRADE AND INVESTMENT: STRATEGIC BRIEF FOR THE G20 SUMMIT IN HAMBURG, GERMANY. Published by the World Economic Forum (WEF) (July 2017). This brief has been prepared by various high-level experts and thought leaders in the trade and investment field in time for the G20 leaders' summit in Hamburg, Germany. The briefing note discusses the value of global trade cooperation and open markets, along with what a rules-based system means for consumers and sustainability. The brief was directed towards G20 sherpas and includes a call to action. It is available for download at the WEF [website](#).

INVESTING IN SKILLS FOR INCLUSIVE TRADE. Published by the World Trade Organization (WTO) and the International Labour Organization (ILO) (July 2017). This new report examines the relationship between skills, life-long learning, labour market policies, trade, and inclusive growth, along with outlining potential policy approaches for governments to consider in making their workers more competitive. The full report and related webcast and speeches are available at the WTO [website](#).

AGRICULTURAL POLICY MONITORING AND EVALUATION 2017. Published by the Organisation for the Economic Co-operation and Development (OECD) (June 2017). This report reviews farm policy in both OECD and select non-OECD countries, outlining challenges and opportunities, and providing national-level snapshots of the 52 economies profiled. To download this report, please visit the OECD's [website](#).

THE DEVELOPMENT-RELATED IMPACTS OF EU AGRICULTURAL SUBSIDIES. By Alan Matthews for Trinity College Dublin (June 2017). This working paper explores how the ongoing process to develop a post-2020 EU Common Agricultural Policy (CAP) could affect developing economies outside the bloc. It examines the ideas that have been floated to date, along with featuring recommendations for stakeholder groups who are engaging in these discussions. To download the full working paper, please visit Trinity College Dublin's [website](#).

GLOBAL INNOVATION INDEX 2017. Published by Cornell University, INSEAD, and the World Intellectual Property Organization (WIPO) (June 2017). This annual global index uses over 80 indicators to help rank countries' levels of innovation, ranging from infrastructure to the political environment. It also takes a particular focus on farm and food-related issues, such as agricultural innovation and the transformation of food value chains, under this year's theme of "Innovation Feeding the World." For the full index, please visit WIPO's [website](#).

REGULATING THE DATA THAT DRIVE 21ST CENTURY ECONOMIC GROWTH – THE LOOMING TRANSATLANTIC BATTLE. Published by Chatham House (June 2017). This research paper examines EU and US approaches to data flows, specifically regarding areas

such as data protection, regulatory principles, privacy, and national security. The authors note that this issue has become increasingly prominent in light of the rapid pace of technological change and the commercial uses of data. To download the full report, please visit Chatham House's [website](#).

10 PROPOSITIONS FOR SUCCESS: INTEGRATING INTERNATIONAL CLIMATE CHANGE COMMITMENTS INTO NATIONAL DEVELOPMENT PLANNING. By Neil Bird, Claire Monkhouse, and Katharine Booth for the Climate and Development Knowledge Network (July 2017). This paper works to make the link between the nationally determined contributions made by countries under the UN's Paris Agreement on climate change and their domestic work on development-related subjects. The full publication is available for download at the Overseas Development Institute's (ODI) [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

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 Sofia Alicia Baliño,
Emily Bloom, Yaxuan Chen, Emilia Hull, and
Christina Kaser. This edition of Bridges Weekly
Trade News Digest is edited by Sofia 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

