

# BRIDGES WEEKLY

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## GLOBAL ECONOMY

### G20 Leaders Endorse Joint Trade Language, Note Differences with US on Climate

Leaders from the G20 coalition of advanced and emerging economies concluded their annual summit on Saturday 8 July, which saw them sign off on a final declaration after two days of intense talks and several months of preparations.

Heading into the 7-8 July meet in Hamburg, Germany, questions had emerged over how leaders would handle differing views on various topics, particularly on trade and climate change. Officials from various members of the coalition had previously outlined their respective stances on the topic, setting the stage for a high-profile debate on the future pathways for globalisation. (See Bridges Weekly, [6 July 2017](#))

Afterwards, German Chancellor Angela Merkel referred to the value of compromise in reaching a final agreed document, particularly given the importance of the G20 as a forum in the aftermath of the global financial crisis and the efforts to shore of the global economic recovery.

"What was true back then is still true today: we can achieve more if we act together than we could alone," Merkel [told reporters](#) on Saturday after the meeting's close. "Markets must be kept open."

The outcome was also welcomed by other leaders, including from the United States, while some of these statements also hinted that tensions on policy issues remain, including on trade and climate change.

"The G 20 Summit was a great success for the US. - Explained that the US must fix the many bad trade deals it has made. Will get done!" said US President Donald Trump in a [Twitter post](#) following the meeting.

He was not specific regarding which trade deals he was referring to, though in a [separate tweet](#) he praised Merkel's role as summit host, saying the event was a "wonderful success."

## Globalisation, trade language

The final [G20 leaders' declaration](#) and related documents issued on Saturday cover a host of topics. These include trade and investment; digitalisation; pandemic preparedness; the 2030 Agenda on Sustainable Development; [women's role](#) in the digital economy; and inclusive, sustainable economic growth and development in the [African continent](#), among others.

The overarching objective that tied these together, they added, was that of developing a global economy that is fairer and more inclusive, and that also addresses the inequalities which have emerged or been exacerbated within and among nations over the years.

"Progressing our joint objective in the G20 – strong, sustainable, balanced and inclusive growth – remains our highest priority," the declaration says, describing thereafter the benefits and challenges that have emerged from globalisation and the need to steer it towards a more inclusive model.

"We are resolved to tackle common challenges to the global community, including terrorism, displacement, poverty, hunger and health threats, job creation, climate change, energy security, and inequality including gender inequality, as a basis for sustainable development and stability," the declaration continues. It also pledges to use the "rules-based international order" as a continued basis for collaboration.

The language specific to trade includes a pledge to tackle protectionism, along with the value of open markets – both of which have been hot-button topics in the run-up to this year's event. (See Bridges Weekly, [22 June 2017](#))

"We will keep markets open noting the importance of reciprocal and mutually advantageous trade and investment frameworks and the principle of non-discrimination, and continue to fight protectionism including all unfair trade practices and recognise the role of legitimate trade defence instruments in this regard," the declaration says.

The language, while referring to the term "protectionism" as in years past, does include some variations from [the leaders' declaration](#) issued last year in Hangzhou, China, framing the issue in different terms.

At the Hangzhou meet, the protectionism language referred to the past "standstill" and "rollback" commitments through end-2018 regarding protectionist measures – both of which were not cited in this year's document. Furthermore, the 2016 declaration did not refer to "trade defence instruments" and "unfair trade practices" in describing their approach to protectionism.

The reference this year to "reciprocal and mutually advantageous" frameworks is also different from before, and is evocative of language used by US officials prior to the meet.

This year's declaration also features language on working together to address some of the domestic challenges that have emerged in this wider context, with leaders pledging to "exchange experiences on the mitigation of the adjustment costs of trade and investment liberalisation and technological change, and on appropriate domestic policies, as well as to enhance international cooperation towards inclusive and sustainable global growth."

They also agreed on language supporting the rules-based international trading system and to making the upcoming Buenos Aires ministerial conference this December a "success," without expanding on what this success may entail.

Last month, US Trade Representative Robert Lighthizer said that the administration is not seeking "major deliverables or significant negotiated outcomes" for the Buenos Aires meet,

while stating that the US would like to see the event be a “success.” (See Bridges Weekly, [29 June 2017](#))

The US does not yet have a new WTO ambassador in Geneva, though Trump has [now nominated](#) Dennis Shea, currently Vice Chairman of the United States-China Economic and Security Review Commission, to serve in that role.

### **Steel overcapacity**

Another topic that had proved contentious heading into the meeting was steel overcapacity, particularly in light of an ongoing, controversial US investigation on whether imports of steel are risking national security. (See Bridges Weekly, [6 July 2017](#))

US officials had suggested ahead of the summit that their leader would be looking to see further action on the steel issue in Hamburg. Steel overcapacity is not just a concern of the United States, but has instead been raised in multiple contexts in recent years, including at last year's G20 summit which saw the announcement of a Global Forum on Excess Steel Capacity that would aim to address the issue. (See Bridges Weekly, [7 September 2016](#))

This year's statement includes language on next steps for the Global Forum, setting timeframes and outcomes in much greater detail than last year's declaration.

“We urgently call for the removal of market-distorting subsidies and other types of support by governments and related entities. Each of us commits to take the necessary actions to deliver the collective solutions that foster a truly level playing field,” said the final leaders' declaration.

It also sets out a timeline for specific outcomes from the Global Forum. These include improving “information sharing and cooperation” by this August, and developing a report with “concrete policy solutions... as a basis for tangible and swift policy action” by November. This would be followed by updates on progress issued next year.

### **Digital economy**

Another landmark feature of this year's G20 process was a meeting earlier this year of “digital ministers” – a first for the coalition. At the time, ministers released a joint roadmap and a related annex on digital trade that outlined priorities for continued collaboration in this field. (See Bridges Weekly, [13 April 2017](#))

“We need to bridge digital divides along multiple dimensions, including income, age, geography, and gender,” said leaders in their declaration, tying this objective with the implementation of the 2030 Agenda for Sustainable Development, which they termed in a separate section as a “milestone towards global sustainable development” and reaffirmed their commitment to.

They referred, for example, to connecting all citizens in their countries to the internet by the year 2025, while improving digital literacy and helping poorer countries obtain internet access – along with suggesting that this work can support efforts in other policy areas, such as providing learning opportunities that can help workers adapt to new challenges. Other issues raised were the relationship between data flows and privacy, along with establishing an environment where new technologies in this field can become easier and more secure to use.

The statement also refers to talks taking place in Geneva under the WTO framework, specifically in relation to e-commerce.

"We will constructively engage in WTO discussions relating to e-commerce and in other international fora with responsibilities related to various aspects of digital trade to foster digital economy development and trade," said leaders on Saturday.

### **Climate change and the Paris Agreement**

How to address differing opinions between the US and other G20 leaders on the UN's Paris Agreement on climate change was another key issue for Hamburg.

"Where no consensus can be achieved, the declaration must reflect dissent," Merkel [told reporters](#) after the summit.

Ultimately, the final declaration makes a note of the Trump Administration's decision to withdraw the US from the accord, along with affirming that the rest of the G20 coalition believes the Paris Agreement is "irreversible" and reiterating their commitment both to that UN accord along with past pledges related to climate finance for developing countries.

They also published a [separate annex](#) entitled the "G20 Hamburg Climate and Energy Action Plan for Growth," endorsed by all G20 participants except the United States, which that document says in a footnote is "currently in the process of reviewing many of its policies related to climate change and continues to reserve its position on this document and its contents."

That 13-page document addresses topics such as G20 support for implementing nationally determined contributions (NDCs) under the Paris Agreement; developing by 2020 "long-term low greenhouse gas emission development strategies"; phasing out inefficient fossil fuel subsidies; supporting the transition towards more sustainable energy sources and systems; and taking additional steps for developing climate resilience and adapting to climate change's adverse effects.

### **Coming up**

With the Hamburg summit now over, the G20 presidency will now move to Argentina for the 2018 leaders' summit.

German and Argentine leaders and high-level officials have already met in recent months to prepare for the change in leadership, with Argentina aiming to focus on topics such as jobs and education, tying it into the wider globalisation debate. (See Bridges Weekly, [15 June 2017](#) and [27 April 2017](#))

After Argentina, the next two summit hosts for 2019 and 2020 are Japan and Saudi Arabia, respectively.

ICTSD reporting.

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## WORLD TRADE ORGANIZATION

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### **EU Policy Review Highlights Trade Negotiating Agenda, WTO Ministerial Prep**

WTO members conducted a comprehensive review of the EU's trade policies last week, examining issues such as the implications of Brexit on the bloc's trading relationships; the EU's investment court system and wider negotiating agenda; and the global trade body's upcoming ministerial conference in Argentina this December.

The two-day meeting was held on 5 and 7 July at the organisation's Geneva headquarters. As one of the WTO's four largest traders, the EU's Trade Policy Reviews (TPRs) are held every two years. The other three members who face the same requirement are China, Japan, and the United States, with others facing reviews on different timetables.

The process includes the production of two reports – one by the member under review and the other by the WTO secretariat. These cover topics such as the macroeconomic environment, along with specific trade issues over a selected review period. The rest of the membership also submits questions both before and during the review itself, with the EU TPR drawing over 1000 questions ahead of the 5 and 7 July meeting.

This EU TPR came at a time of potentially significant changes for the bloc– including the recently launched Brexit negotiations, the preparations for a post-2020 Common Agricultural Policy (CAP), and the efforts underway to clinch a host of new trade deals with non-EU countries.

It also comes during the continued effort across the European Union to improve its economic recovery and ink a host of new or updated trade deals with partners across the globe, with EU Deputy Director-General of DG Trade Joost Korte [telling](#) WTO members last week that 31 million jobs in the bloc depend on trade in some way. He also affirmed that the EU will continue its efforts to develop deeper trade ties, given that 90 percent of economic growth is likely to be generated by other economies.

"The EU is a major trading bloc not just because it is a big market of over 500 million people but also because it has an open and transparent trade and investment regime," said Ambassador Juan Carlos González of Colombia, serving in the role of TPR chair, in concluding remarks on Friday.

"It was also noted that the EU faces several internal problems," the chairperson added, flagging the economic recovery as an area that remains especially challenging. The WTO secretariat report similarly refers to the issues surrounding the EU's "gradual albeit uneven economic recovery since the financial crisis," noting that the bloc "has not rebounded as fast as some other large economies, nor as fast as in previous downturns."

The report also says that among the challenges that the bloc has faced and will likely continue to deal with include the results of the Brexit referendum, along with political uncertainty from EU elections and crises such as terrorism.

#### **EU trading strategy, Brexit**

Geneva sources told Bridges that the Brexit talks were one area of particular interest for members, with questions raised on what this might mean for the EU's own WTO schedule

of commitments; predictability in the international business environment; and the wider global economy.

"In this regard, members expected that any process to make adjustments to the schedule of the EU as a result of Brexit would be open, transparent, WTO-compliant, and include consultations with third countries," said González on Friday in summing up those discussions.

WTO members also raised in their questions ahead of the review the issue of the European Court of Justice (ECJ) ruling on the EU's competences in its bilateral trade deal with Singapore, along with what this means for the bloc's wider trading strategy.

"You have certainly noted in our replies that the Court determined the following areas that are under the Union's exclusive competence: trade in goods and services; protection of foreign direct investment; [intellectual property rights]; public procurement; competition; trade and sustainable development; transparency; state-to-state dispute settlement when applied to these areas," said Korte in his opening remarks to members last week.

Korte also noted the questions raised by some WTO members on the EU's investment court system (ICS) and goals for developing an eventual multilateral investment court. That objective was announced by EU Trade Commissioner Cecilia Malmström in 2015, with the new ICS included in the trade deals that the EU has negotiated with Canada and Vietnam. It remains under discussion in the efforts to finalise a trade agreement with Japan, and was not included in the political deal announced last week. (See Bridges Weekly, [7 May 2015](#) and [6 July 2017](#))

"This will require building consensus and we, together with Canada, have kicked off discussions on that project with a view to having a broad and inclusive process. The multilateral court would need to be a legal entity under international law but it is too early today to say whether it would be a new stand-alone body, or be docked into an existing international organisation," said Korte.

### **Trade defence, agriculture draws interest**

WTO members also asked the EU about its use of trade defence instruments, along with its recent efforts to modernise those instruments. For example, some asked about the various EU investigations into iron, steel, and chemicals, while China reportedly asked about the changes to its anti-dumping methodology, to which the EU responded that it has acted to update its trade toolbox and noting that the matter is currently the subject of a WTO dispute and should be addressed in that forum.

"In a world where a level playing field is a distant dream, where dumping is more common than we would like, and where massive amount of subsidies are threatening the competitiveness of our businesses and leading to overcapacity, trade defence will remain an integral and necessary part of our trade policy," said Korte last week.

According to the WTO secretariat report, the EU has been "one of the WTO's most significant users of trade remedies, as it ranks third overall in terms of anti-dumping initiations and second in terms of countervailing duty initiations." The report found a slight increase in recent initiations compared to the year 2013, among other data, while noting that measures already in place have generally stayed at the same levels.

The EU's agricultural policy also drew scrutiny last week in Geneva, with some members reportedly asking about the bloc's shift of its farm support from the trade-distorting "amber box" to the "green box," which does not face limits and is meant to be only minimally trade-distorting, if at all. Others raised questions about high agricultural tariffs, particularly relative to industrial goods, along with sanitary and phytosanitary measures (SPS) as potential barriers to trade.

Geneva sources note, for example, that some members asked questions over when the EU plans to update its WTO schedule to reflect the decision agreed nearly two years ago at the Nairobi ministerial conference to eliminate export subsidies. Korte told members on Friday that the bloc is preparing an updated schedule to reflect those changes, which should be submitted shortly.

On the issue of amber box versus green box support, the EU official urged others to work towards transitioning their domestic payments from the former to the latter category.

### **Multilateral trading system, Buenos Aires ministerial**

The EU official also raised a series of concerns that the bloc has over different challenges facing the multilateral trading system, along with describing what Brussels would like to see achieved when trade ministers meet in December for the WTO's Eleventh Ministerial Conference.

"Unfortunately, the period since our last TPR has shown that all is not well in the multilateral system. A serious and concerted effort is needed to strengthen it. We are concerned that there is a growing disconnect between the principles underpinning the system – which the EU is strongly supporting – and reality, between theory and practice, and between what this organisation does (as a member-driven organisation) and what it should actually be doing," said Korte.

The EU official raised, for example, concerns over trade barriers imposed by other WTO members, along with the need to improve the submission of notifications under the WTO's regular bodies and support the dispute settlement arm. Korte also flagged the slow progress of some issues in the trade negotiating process as particularly worrisome, citing the recent situation where a General Council meeting was suspended over a disagreement on whether investment facilitation should be discussed in that space. (See Bridges Weekly, [11 May 2017](#))

"Other discussions on issues, including domestic regulation and e-commerce, continue to be stalled by endless procedural points and unjustified concerns. At the same time, there are constant demands for work in specific areas, often coming from those who prevent broader discussions," said Korte.

The EU official credited these and other concerns as part of the reason that the bloc has been actively pursuing bilateral deals with individual trading partners or country groups, while stressing that the EU remains committed to the multilateral system.

Noting the global geopolitical environment around trade and globalisation, the EU official highlighted various areas where the bloc would like to see progress ahead of the WTO's ministerial conference in Buenos Aires, Argentina, this December.

These include advancing on disciplining harmful fisheries subsidies and addressing domestic agricultural support; addressing industrial subsidies; developing an "enabling environment for online transactions"; and helping smaller companies take a greater role in trade.

On that subject, Korte confirmed last week that the bloc had submitted an updated proposal for the WTO's rules negotiations on fisheries. Rules negotiators are meeting repeatedly in the common days to advance progress before the WTO's summer hiatus, looking at new or revised proposals along with other issues. (*Editor's note: A follow-up article on new fisheries proposals and the upcoming meetings is forthcoming in Bridges.*)

ICTSD reporting.



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## GLOBAL ECONOMY

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# WTO, OECD Chiefs Press for Better Connectivity in Kicking Off "Aid for Trade" Review

The biennial "Global Review of Aid for Trade" kicked off on Tuesday 11 July at WTO headquarters, with the heads of multiple international agencies calling for greater efforts to improve digital connectivity, lower trade costs, and improve infrastructure through the Aid for Trade initiative.

The three-day event will draw to a close on Thursday 13 July, after over 50 sessions and plenary events under the theme "Promoting Trade, Inclusiveness and Connectivity for Sustainable Development." This year's event counted participants from governments, civil society, academia, and international agencies.

### 300-billion-dollar tally

The Aid for Trade initiative dates back to late 2005, when it was endorsed by trade ministers at the global trade body's ministerial conference in [Hong Kong](#). Since then, WTO members have regularly updated their work programmes for the initiative, and reviews have been held biennially from 2007 onwards.

The preparations for these reviews include a monitoring exercise by the WTO and the Organisation for Economic Co-operation and Development (OECD), with the latest one [held on 30 May](#) under the WTO's Committee on Trade and Development. At that time, participants noted issues such as regional aid imbalances, along with the need for better connectivity, including through information and communications technology (ICT) infrastructure, among other issues for further scrutiny.

Gambian Vice President Aja Fatoumatta Jallow Tambajang gave the keynote address on Tuesday morning, describing to a packed conference room some of the challenges her country's economy continues to face when engaging in trade, and their interest in developing a more competitive business environment and undertaking the necessary reforms to do so.

Agency chiefs speaking on Tuesday similarly noted Aid for Trade's potential, while also calling for more to be done to improve its reach further.

"Since it was launched just over a decade ago, over 300 billion dollars has been disbursed under the Aid for Trade initiative, reaching 146 countries. And each dollar has been targeted at helping those countries to build their trading infrastructure and capacity," said WTO Director-General Roberto Azevêdo at Tuesday's opening plenary.

Other officials noted that the initiative has continued to enjoy financial support even through difficult times, in what they termed was a testament to its potential.

"Since the start of the Aid for Trade initiative, commitments from bilateral and multilateral donors have increased annually by more than 10 percent... This has never stopped growing, even at a time of tight budgets, even at a time when some of the aid budgets are compromised," said OECD Secretary-General Ángel Gurría on Tuesday.



According to a joint report by the WTO and the OECD, that same period has also seen nearly 150 developing countries receive this type of support, with just over one-quarter of aid going to least developed countries.

The WTO-OECD "Aid for Trade at a Glance" [report](#) also refers to a series of challenges, both in terms of physical and digital connectivity, which can prevent poorer countries from engaging effectively in trade, along with taking full advantage of Aid for Trade's benefits. It also refers to the recent entry into force of the WTO's Trade Facilitation Agreement (TFA) as a valuable development that could make it easier for smaller companies to engage in trade, along with making it simpler and cheaper for goods to cross borders. (See Bridges Weekly, [23 February 2017](#))

"Trade facilitation tops the aid-for-trade priorities of both developing countries and their development partners, albeit in a broader conception that also includes physical connectivity, such as transport corridors, and digital connectivity too," the report says.

Indeed, agency leaders and event participants repeatedly raised their concerns over the limited access to the internet seen in many parts of the world, and what this means for people's economic opportunities – referring both to regional and gender imbalances.

"3.9 billion people remain offline. Only one in four people in Africa use the internet and only one in seven people in the [least developed countries] in general. Up to a quarter fewer women than men are offline," said Gurría on Tuesday, who warned that these limitations have implications for people's health, education, and economic futures.

### **Sustainability, poverty eradication**

Another area of focus during this year's Aid for Trade Review is on how to leverage the initiative to support wider sustainability objectives – including that of [eradicating poverty in all forms by 2030](#), as outlined under the UN's Sustainable Development Goals.

"Let's be ambitious. Trade has helped to lift a billion people out of poverty in our lifetimes. We know what can be achieved. So now let's redouble our efforts to continue this work. Let's build a more inclusive trading system, which supports the new Sustainable Development Goals, and which paves the way for a better world," Azevêdo said.

Azevêdo also cited poor infrastructure, high trading costs, gender discrimination as "major constraints on sustainable development," and called both for tackling those problems and supporting efforts to facilitate trade, including through the TFA.

Gurría, for his part, also flagged the value of supporting the rules-based multilateral trading system, adding that both he and Azevêdo "made this point very strongly" when attending the G20 leaders' summit last weekend in Hamburg, Germany.

"Trade is not responsible for the world's evils" nor can it resolve all the world's problems, he said on Tuesday, cautioning that it should not be considered a "proxy" for globalisation.

"We left too many people behind. We have to take a hard look. But we have to promote free and fair trade for all," said Gurría, while noting that improved Aid for Trade has the potential to help address some of these problems.

### **More information**

A full programme of the Global Review, together with webcasts and summaries of select sessions, can be found at the [WTO website](#). Additional ICTSD analysis on Aid for Trade is available through Bridges Weekly's sister publications, [Bridges Africa](#) and [Passerelles](#).

ICTSD reporting.

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## TRADE AGREEMENTS

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# EU, Mercosur Negotiators Press On, Eyeing Deal in Near Term

Negotiators from the EU and Mercosur continued their efforts to advance towards a region-to-region Association Agreement and related trade deal, holding their twenty-eighth negotiating round in Brussels, Belgium, from 3-7 July.

Talks between the two trading blocs have gained traction over the past year, with multiple negotiating rounds, and an exchange of market access offers in 2016. Officials have also said on multiple occasions that should this momentum continue, a political deal could be inked in 2017. The negotiations have been underway for nearly two decades, kicking off in 1999. (See Bridges Weekly, [23 March 2017](#) and [30 March 2017](#))

A meeting between Argentine President Mauricio Macri and German Chancellor Angela Merkel in June sparked further speculation that the trade talks may be making faster progress than they have in previous years. (See Bridges Weekly, [15 June 2017](#))

### Negotiators report advances on "key issues"

During the latest round, officials worked on a range of topics, including trade facilitation, technical barriers to trade, and trade in services. Afterward, both sides released a [joint communiqué](#) stating that "progress had been made towards agreement on a number of key issues," without specifying which of these areas, or the others also raised in Brussels last week, had seen the greatest advances.

However, agricultural market access reportedly remains a major sticking point, with Brazilian chief negotiator Ronaldo Costa Filho telling Reuters last week that the main points of market access in a trade deal would need to be hammered out if the two sides wish to reach any sort of accord.

"You cannot have an announcement of an agreement if you do not have the big numbers on market access. I cannot say I have finished and not know what the market access for beef and ethanol will be like," said Costa Filho in comments to the news agency. "I cannot go back home and say 'tough luck'," he added, referring specifically to ethanol.

Earlier this year, Macri reinforced this same concern when he stated that the EU has more work to do with "the protectionists in the EU agricultural sector." The Argentine president recently reaffirmed that farm goods remain one of the most sensitive areas, telling reporters after a meeting with French President Emmanuel Macron this month that "everyone recognises that this is a problem," according to comments reported by Deutsche Welle. (See Bridges Weekly, [15 June 2017](#))

Macri has also touted the benefits of bringing in greater investments from European countries into Mercosur's domestic markets.

Along with agricultural market access, both sides are also negotiating on greater market access in services and public procurement, among other topics, according to a [2016 document](#) released by the European Commission. They have also indicated an interest in protecting various geographical indications, which are a type of intellectual property protection used to denominate products with a specific geographical origin and which possess reputations or characteristics resulting from that location.

In a [speech](#) in Madrid earlier this month, EU Trade Commissioner Cecilia Malmström touted the potential economic growth benefits of a future deal for both sides, such as by slashing tariffs and helping Mercosur members diversify their exports to the 28-nation bloc.

"Today, just 24 percent of Mercosur's exports to the EU are manufactured products. For Mexico, since 2000 our free trade agreement has allowed manufactured products to become more significant; today they represent 70 percent of its exports to Europe," she said.

Furthermore, she stated that there is a particular value in advancing these negotiations now, citing the economic recovery as well as concerns over "voices in favour of protectionism" in other parts of the world." Argentine officials have similarly said that developing deeper ties to foreign markets could be a boon to their domestic economy, particularly after the inward-focused policies of the previous administration of Cristina Fernández de Kirchner. (See Bridges Weekly, [27 April 2017](#))

This sentiment echoes a recurring theme during trade-related discussions at the domestic and international levels, including the debate over how to address protectionism and trade in the latest summit of G20 leaders, which included officials from both the EU and some of the Mercosur countries. (For more on the G20, see related story, this edition)

### **Scheduled rounds**

The parties have already announced their negotiating scheduled for the upcoming quarter, confirming that the next round will be in Brasilia, Brazil, from 2-6 October, preceded by an intersessional meeting in Brussels, Belgium, from 4-8 September.

Officials from both sides have said that clinching a deal in the coming months – even if it first takes the form of a political agreement – would show yet one more signal of each side's commitments to trade liberalisation, open markets, and international collaboration, particularly in the current geopolitical context.

The EU is negotiating trade deals with various countries across different world regions, and is due to see its agreement with Canada take provisional effect in September. The bloc also announced with Japan a political accord on a future trade agreement last week, and is aiming to upgrade its existing trade deal with Mexico by year's end. (See Bridges Weekly, [18 May 2017](#) and [6 July 2017](#))

Mercosur, for its part, is also working to develop stronger ties with other regional groups, such as the four-country Pacific Alliance. Three of the four members of Mercosur – Argentina, Paraguay, and Uruguay – are already observers to the Pacific Alliance.

ICTSD reporting; "Brazil foreign minister sees EU-Mercosur trade accord this year," REUTERS, 14 March 2017; "Main points of Mercosur-EU trade deal need to be concluded in December: Brazil," REUTERS, 6 July 2017; "Argentina y Francia analizan posible TLC entre Mercosur y la UE," DEUTSCHE WELLE, 9 July 2017; "El Mercosur y la UE logran un crucial avance hacia un acuerdo de libre comercio," LA NACIÓN, 4 July 2017.

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## AGRICULTURE

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# Japan Reports Fall in Trade-Distorting Farm Subsidies in New WTO Figures

Japan's levels of trade-distorting agricultural support showed a slight drop in 2013 and 2014, according to [new data](#) that the country reported to the global trade body earlier this month.

At just over ¥900 billion (US\$9 billion at historical exchange rates for that period), trade-distorting support was about eight percent lower in 2014 than it had been two years earlier, the government figures show. (See Bridges Weekly, [10 April 2014](#))

In 2014, two-thirds of the trade-distorting support provided by Tokyo counted towards its ceiling on the aggregate measure of support (AMS). This refers to highly trade-distorting payments such as input and output subsidies or market price support, dubbed "amber box" under WTO rules. Japan has agreed to respect a maximum limit of just under ¥4 trillion for these types of payments.

Also significant was "de minimis" support. These are similarly trade-distorting payments, both for specific products as well as support that is not product-specific. The new figures show that these payments fell below the ceiling of five percent of the value of production which applies to developed countries.

The remainder of the government support was made up of ¥75 billion in "blue box" payments. This refers to production-limiting payments that are considered less trade-distorting than the amber box, and therefore not currently subject to any limit under WTO rules.

Pork and beef in particular benefited from large amounts of product-specific support, the new data shows, with support amounting to ¥326 billion and ¥228 billion respectively.

Sugar, starch, and milk received lower levels of trade-distorting support, while payments for eggs, vegetables, and fruit fell below the de minimis threshold, the new figures show.

Some WTO members have called for tighter disciplines on product-specific support in the run-up to the organisation's ministerial conference in Buenos Aires, Argentina, this December. (See Bridges Weekly, [24 May 2017](#))

### Rice farming

Japan also reported that it spent ¥1.6 trillion on "green box" support, which are payments that are not capped under WTO rules under the condition that they cause no more than minimal trade distortion.

In 2014, two categories of payments for "general services" accounted for the lion's share of green box payments: infrastructure services, such as irrigation and drainage facilities or rural roads; and environmental programmes, including payments for conversion from rice production. These accounted for ¥391 billion and ¥277 billion respectively.

WTO rules allow infrastructure payments to be reported as green box payments so long as they relate to off-farm facilities and do not cover inputs or operating costs.

Tokyo made available another ¥120 billion in the form of farmers' pension programmes, which are counted under another green box category related to structural adjustment assistance. Policymakers in Japan have consistently struggled to bring younger workers into the farming sector, which has become increasingly dominated by elderly, part-time farmers.

### Road to Buenos Aires

Japan's trade-distorting support remains relatively high compared to most other WTO members, although widespread delays in reporting subsidies to the global trade body make meaningful comparisons difficult.

China and India have not reported domestic support figures to the WTO for the years since 2010, while the EU has only provided data up to 2013, and Brazil and the US have not reported data for the years since 2014. Russia submitted figures for 2015 earlier this year.

Significant reforms have taken place in all major economies since then, including implementation of the 2014 US Farm Bill and the EU's new Common Agricultural Policy, and fresh approaches to farm policy in China and India. Both the US and the EU are preparing to update their existing farm support schemes. (See Bridges Weekly, [6 February 2014](#), [27 June 2013](#), [23 February 2017](#), and [12 March 2015](#))

The most recently submitted figures to the WTO indicate that China provides the most trade-distorting support, with Beijing indicating that it provided around US\$18 billion (¥123 billion) in 2010. The US provided approximately US\$14 billion in 2014, while the EU provided €10.6 billion in the 2013-2014 marketing year. (See Bridges Weekly, [13 May 2015](#), [26 January 2017](#), and [16 February 2017](#))

Although Japan provides less in trade-distorting support than these three trading powers, its trade-distorting farm subsidies exceed those provided by Russia. According to Moscow, this support amounted to US\$3.3 billion (¥200 billion) in 2015. (See Bridges Weekly, [9 February 2017](#))

Japan's trade-distorting subsidies also surpassed Brazil's, with the latter amounting to US\$1.9 billion in 2014. Brazil also provided another US\$1.3 billion in input and investment support for low-income, resource-poor farmers, which developing countries are allowed to provide under Article 6.2 of the WTO's Agreement on Agriculture. (See Bridges Weekly, [3 November 2016](#))

India also reported that it provided US\$2 billion in trade-distorting support in 2010-11. This figure excludes US\$31.6 billion in input and investment subsidies for low-income, resource-poor farmers. This type of support is reported as Article 6.2 subsidies, as described above. (See Bridges Weekly, [18 September 2014](#))

Developing countries and farm exporting nations have called for stronger disciplines on trade-distorting agricultural support in ongoing talks at the WTO, with many suggesting that a cap or other constraints should be agreed at the trade body's upcoming ministerial conference in Buenos Aires, Argentina, this December.

At a negotiating meeting on 1 June, the chair of the farm trade talks told members that there was "near universal" consensus on the importance of an outcome in this area at the ministerial – while acknowledging that these efforts may need more time to come to fruition, such as through a post-Buenos Aires work programme. (See Bridges Weekly, [8 June 2017](#))

ICTSD reporting.

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## TRADE AGREEMENTS

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# EU, Canada Confirm CETA Provisional Application Date

European Commission President Jean-Claude Juncker and Canadian Prime Minister Justin Trudeau released a [joint statement](#) this weekend announcing that the provisional application of the planned EU-Canada trade accord will begin in just over two months' time.

"Meeting at the G20 in Hamburg, reconfirming our joint commitment to the rules-based international trading system, we agreed to set the date of 21 September 2017 to start the provisional application of the agreement, thus allowing for all the necessary implementing measures to be taken before that date," the leaders said on 8 July.

They also touted the accord's potential in cementing their commitment to shared values across various areas, which they explained could transform globalisation in the direction of a model that best supports their citizens – while also beginning "a new chapter in the relationship between the EU and Canada."

The news that the implementation of the bulk of the Comprehensive Economic and Trade Agreement (CETA) will begin later this year comes after weeks of haggling over implementation issues, such as how tariff-rate quotas will be divvied up in Canada regarding imported European cheeses and what this means for market access in practice – even though the trade accord itself has been finalised.

A spokesperson for Canadian trade minister François-Philippe Champagne told Reuters this week that the two sides will need to finalise the dairy question by September. Media reports have also suggested that the EU wanted to see greater clarity from their trans-Atlantic partners over how certain issues on new regulations and patents for drugs will be dealt with in practice.

The September start date is later than previously envisioned by officials, who had suggested following the European Parliament and Canadian legislature ratifications that the deal might be provisionally applied by July of this year. EU officials had earlier pushed for an April start date.

The trade agreement, which both sides say is the most ambitious accord they have ever finalised, has also been signed and ratified by the European Parliament and the Canadian legislature. (See Bridges Weekly, [18 May 2017](#) and [16 February 2017](#))

### Ratification updates

Provisional application means that over 90 percent of the deal's provisions will begin taking effect from September, but that areas such as investment protection and the new investment court system that require approval by EU member state and regional legislatures will have to wait. (See Bridges Weekly, [16 February 2017](#))

Meanwhile, the ratification at the EU member state level has also faced some hurdles, in a potential indication of difficulties to come. For instance, Spain's legislature was reportedly only able to ratify the agreement last week once the political party opposing it abstained from the vote, after having previously suggested they may vote it down.

Italian farmers have also raised their own concerns over the expected influx of cheap Canadian wheat with different protein contents, along with the claim that the growing of that wheat uses a controversial pesticide, while upstream producers of products such as pasta and flour have welcomed the prospect of these imports and citing the strict food safety controls in the North American nation.

To date, the legislatures of three EU member states – Latvia, Denmark, and Spain – have voted to pass CETA. (See Bridges Weekly, [2 March 2017](#))

ICTSD reporting; "EU, Canada agree start of free trade agreement," REUTERS, 8 July 2017; "Italy's farmers 'demonizing' Canadian wheat in bid to protect domestic industry," CBC, 6 July 2017; "Trudeau pushes EU to apply free trade pact provisionally," EURACTIV, 29 June 2017; "España ratifica el CETA, el tratado de libre comercio con Canadá," AGENCIA EFE, 29 June 2017; "More trouble for Canada-EU trade deal, as drug changes delay implementation," CBC, 29 June 2017.



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## EVENTS & RESOURCES

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# Events

### Coming Soon

17-20 July, New York, US. ECOSOC HIGH-LEVEL SEGMENT 2017. This 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](#).

18-19 July, Astana, Kazakhstan. ENERGY FOR THE FUTURE: THE SECOND CAREC ENERGY INVESTMENT FORUM AND ASTANA EXPO. This energy conference, hosted by the Asian Development Bank, will focus on how the changing energy landscape will shape infrastructure in the Central Asia Regional Economic Cooperation (CAREC) region, looking specifically at new technologies, market barriers, and renewables. For more information, please visit ADBI'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](#).

18-27 July, Geneva, Switzerland. 29<sup>TH</sup> MEETING OF THE ANIMALS COMMITTEE AND THE 23<sup>RD</sup> MEETING OF THE PLANTS COMMITTEE. Hosted by the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), these two committees will meet to discuss progress on the various CITES-related issues, such as reviewing trade in different species listed in the CITES appendices. For more information, please visit CITES' [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.

13-14 July: Committee on Sanitary and Phytosanitary Measures

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

14 July: Working Party on the Accession of Sudan

14 July: WTO TFAF and World Bank Joint Workshop on Border Agency Coordination and Collaboration

17 + 19 July: Trade Policy Review Body – Brazil

18 July: Committee on Budget, Finance, and Administration

18 July: Informal Open-ended Negotiating Group on Rules

18 July: Working Group on Trade, Debt, and Finance

19 July: Committee on Trade and Development – Special Session

19 July: Committee on Trade Facilitation

19-20 July: Informal Open-Ended Committee on Agriculture – Special Session

20 July: Dispute Settlement Body

20 June: Informal Council for Trade in Services

### **Other Upcoming Events**

24-28 July, Toronto, Canada. APEC BUSINESS ADVISORY COUNCIL 3. This quarterly meeting of the Business Advisory Council, hosted by the Asia-Pacific Economic Cooperation (APEC) forum, will focus on creating detailed recommendations to APEC members that represent private sector issues. These council members are appointed by APEC members, with participants from various different business sectors. For more information, please visit APEC'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](#).

16 October, London, UK. THE BELT AND ROAD. This conference, hosted by Chatham House, will take a closer look at China's Belt and Road Initiative, and its implications for the global economy. This discussion will dive into political and strategic considerations, as well as the implications for countries directly and indirectly involved, among other actors in this field. For more information, visit Chatham House's [website](#).

11-13 December, Buenos Aires, Argentina. TRADE AND SUSTAINABLE DEVELOPMENT SYMPOSIUM (TSDS). This biennial event is being organised by the International Centre for Trade and Sustainable Development (ICTSD) in collaboration with select strategic partners, in parallel with the WTO's Eleventh Ministerial Conference. A dedicated website to the TSDS is now live, with information on how to become a knowledge partner; the event's format; and other relevant details. Additional information will be made available closer to the date. To learn more, visit the TSDS [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](#).

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## Resources

FUELLING TRADE IN THE DIGITAL ERA: POLICY ROADMAP FOR DEVELOPING COUNTRIES. By Kati Suominen for the International Centre for Trade and Sustainable Development (ICTSD) (July 2017). This new paper takes a closer look at the regions of Eastern and Southern Africa to see the role that e-commerce can play in transforming those economies, including through trade, and in achieving development objectives. The paper is available to download at the ICTSD [website](#).

EVALUATING THE IMPLEMENTATION OBLIGATIONS OF THE TRADE FACILITATION AGREEMENT. By Robert McDougall for the International Centre for Trade and Sustainable Development (ICTSD) (July 2017). This new paper examines the WTO's Trade Facilitation Agreement in relation to existing global trade rules, including what implications this new agreement can have in the dispute settlement process. The paper is available to download at the ICTSD [website](#).

STICKING TO THE JOB: KEY TRADE POLICY CONSIDERATIONS FOR THE G20 HAMBURG SUMMIT AND BEYOND. Published by the International Centre for Trade and Sustainable Development (ICTSD) (July 2017). This compilation of policy recommendations is designed for the G20 process, both in terms of the recent Hamburg summit and future discussions. The expert contributions examine areas such as the multilateral trading system, the international investment regime, climate action, and the digital economy. To download this collection, visit ICTSD's [website](#).

OECD-FAO AGRICULTURAL OUTLOOK 2017-2026. Published by the Organisation for Economic Co-operation and Development (OECD) and the UN's Food and Agriculture Organization (FAO) (July 2017). This latest edition of the annual OECD-FAO publication reviews projections for agricultural markets over the coming decade, looking at areas such as prices and trade. The outlook is available for download at the following [website](#).

AT THE CROSSROADS: BALANCING THE FINANCIAL AND SOCIAL COSTS OF COAL TRANSITION IN CHINA. Published by the International Institute for Sustainable Development (IISD) (July 2017). This report examines the current shift away from coal in the Shanxi province, and proposes recommendations for incorporating sustainable development considerations further. This report draws on case studies from other countries and regions in both Europe and the United States. To download this report, visit IISD's [website](#).

MAKING GOVERNANCE WORK FOR WATER-ENERGY-FOOD NEXUS APPROACHES. Published by the Overseas Development Institute (ODI) (July 2017). This Climate and Development Knowledge Network (CDKN) paper explores the effectiveness of governance for the "water-energy-food nexus," building from studies across different regions. It also examines the roles of institutions in this context. For more information, please visit ODI's [website](#).

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