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GLOBAL ECONOMY

Trade Community Eyes Busy Autumn Negotiations Calendar on WTO, FTA Fronts

The international trade community will have a busy calendar when the autumn semester begins in a few weeks, ranging from preparations for the WTO's eleventh ministerial conference in Buenos Aires, Argentina, to the ramping up of trade and integration negotiations around the globe.

The year to date has already seen several developments that have shifted the geopolitical landscape on global governance and trade, including the inauguration of a new US president, the formal start of the Brexit negotiations, and elections in EU member states such as France and the Netherlands.

These developments have already shown some of their influence at international summits such as the G7 and G20, which have seen spirited debates over how to frame terms such as protectionism, as well as free and fair trade, along with how to address US President Donald Trump's move to withdraw his country from the UN's Paris Agreement on climate change. (See Bridges Weekly, [13 July 2017](#) and [8 June 2017](#))

What these changes will mean for other ongoing processes – whether at the WTO level, or within the regional, plurilateral, bilateral, or national context – may well become more apparent as the year comes to a close.

WTO preparations: countdown to Buenos Aires

At the WTO's Geneva headquarters, the 164 members of the global trade club will have a busy 12 working weeks ahead of them when they return from the annual August break, which is a period allowing them to return to capital and consult on how to move forward in their negotiations at the organisation.

Last week, WTO Director-General Roberto Azevêdo urged members to redouble their efforts, telling them that "greater urgency is required across the board, if we are to see progress" in the preparations for the Buenos Aires ministerial this December. (See Bridges Weekly, [27 July 2017](#))

Informal negotiating group meetings in the area of “rules” – which deals with disciplines on fisheries subsidies, among other topics – as well as agriculture are already slated to resume during the second week of September. Additional meetings of those committees, as well as those devoted to market access, along with trade and development negotiations, are also planned throughout the month of September.

Negotiators on fish subsidies now have a “[compilation matrix](#)” of the various proposals under consideration within those talks, issued by Jamaican Ambassador Wayne McCook on 28 July. The 39-page document is designed to facilitate comparison among proposals as negotiators prepare for the next stage of talks this autumn, and is described in the chair’s introduction as being a “purely technical document.”

On agriculture, while a series of proposals have been put forward in different weeks from India and China, as well as the EU and Brazil. The former deals with eliminating countries’ “Aggregate Measure of Support” (AMS) before addressing other reforms to domestic farm support, while the latter proposes upper limits on trade-distorting agricultural support.

Various other submissions have also emerged in recent weeks, referring also to other farm trade topics such as public stockholding for food security, cotton, and transparency in agricultural export restrictions. (See Bridges Weekly, [20 July 2017](#))

How these issues may proceed remains an open question at this stage, with WTO agriculture negotiations chair Stephen Karau, Kenya’s WTO Ambassador, urging members to “significantly accelerate” their work in this area. (See Bridges Weekly, [27 July 2017](#))

However, questions remain on what might form a final set of ministerial outcomes, as debates continue over how to address issues such as e-commerce, services, and investment facilitation, which have been raised by some members as areas of interest. Formal proposals have been seen on these areas, including by some major country proponents.

While talks in the formal context of the e-commerce work programme have hit hurdles over the year, various submissions have been tabled both at the General Council and within some of the WTO’s regular bodies tasked with the existing work programme. Delegations pushing for ministerial outcomes in this area will seek to resume such efforts in the autumn, as well as an intense parallel process taking place outside the formal bodies of the WTO, led by the Friends of E-commerce for Development (FEDS), which has scheduled a series of informal meetings to the end of the year.

The Buenos Aires ministerial is scheduled from 10-13 December. Another key meeting on the docket will be a so-called “mini-ministerial” slated for the first half of October in Marrakech, Morocco, which could give signals for the direction of the Buenos Aires discussions.

The organisation’s dispute settlement mechanism is also facing its own challenges, given the increasing complexity and difficulty of WTO cases and a looming shortage of judges on the Appellate Body.

The expiration of the second term of one Appellate Body member, Ricardo Ramírez-Hernández, in late June; the impending expiry of Peter Van den Bossche’s term later this year; and now the news that Korea has named another Appellate Body member, Hyun Chong Kim, to serve as trade minister and therefore [resign from](#) his WTO post, mean that the WTO’s highest adjudicative body may soon be down three out of its seven judges, unless processes to fill those positions are launched promptly. (See Bridges Weekly, [27 July 2017](#))

While Argentina prepares for the Buenos Aires ministerial, it will also be gearing up to host the next G20 leaders’ summit in 2018, taking over from Germany, which held the rotating presidency this year.

Argentina's G20 presidency will mark the first time that this forum meets in South America, and comes at a time where the country and the wider region is seeing heightened trade activity, including a renewed push for an EU-Mercosur trade deal, and additional collaboration between Mercosur and the Pacific Alliance.

FTA negotiations, US investigations and reports continue

While trade and climate action heats up in Geneva and Bonn, a host of other negotiation processes are also aiming to conclude – or at least advance substantively – later this year.

Among these will be the formal start of negotiations to modernise the North American Free Trade Agreement (NAFTA), the tri-country trade deal that includes Canada, Mexico, and the United States. Those talks are due to kick off on 16 August, with additional rounds planned throughout the autumn months. (For more on NAFTA, see related story, this edition)

A “special session” with Korea on their existing FTA is also forthcoming, but has yet to be formally scheduled.

Other key items on the US trade agenda include a release of a report on “trade agreement violations and abuses,” [mandated](#) in late April and requested by late October.

Meanwhile, the US executive branch is rumoured to be considering a possible “Section 301” investigation into Chinese policies involving “forced” technology transfers from foreign companies to domestic counterparts, though the probe had not been confirmed at press time. [Section 301](#) refers to a 1970s-era piece of US trade legislation that allows for imposing measures on other economies for purported trade deal violations or “unfair” practices.

On the wider international stage, negotiators from the 11 remaining Trans-Pacific Partnership (TPP) countries are due to [meet again](#) in Australia in the coming weeks, most likely in September, though a formal set of dates has not been publicly announced. The TPP-11 is weighing next steps in light of the US' withdrawal from the accord earlier this year.

Those TPP-11 efforts are part of a process set up during a ministers' meeting in Hanoi, Vietnam, earlier this year on the sidelines of a separate ministerial gathering of the Asia-Pacific Economic Cooperation (APEC) Forum. The TPP-11 negotiators are preparing options for ministers and leaders to review in November in Da Nang, Vietnam, on the sidelines of the APEC Economic Leaders' Week from 6-11 November. (See Bridges Weekly, [24 May 2017](#))

The 21-country APEC group will also have its own agenda to move forward, under the theme “Creating New Dynamism, Fostering a Shared Future.” Much of this theme will focus on regional trade integration and liberalisation efforts, according to this year's [APEC hosts](#).

Separately, members of the Regional Comprehensive Economic Partnership (RCEP) are aiming to advance those negotiating efforts, with a twentieth round planned for Korea in October and a ministerial meeting set for the month prior. (For more on RCEP, see related story, this edition)

The EU's negotiations with the Mercosur customs bloc and with Mexico, respectively, are gunning for a 2017 conclusion, officials say, while acknowledging that sensitive issues remain. (See Bridges Weekly, [27 July 2017](#) and [13 July 2017](#))

On the EU-Mexico front, officials are working to update the existing Global Agreement's trade provisions, while negotiators from the EU and the four founding members of Mercosur are working to clinch a trade deal as part of their larger Association Agreement talks, now underway for 18 years.

The next EU-Mexico round is set for 25-29 September in Brussels, Belgium, while negotiators for EU-Mercosur are due to meet again in Brasilia, Brazil, from 2-6 October, according to the [European Commission](#).

Brexit talks, EU elections

In Europe, the autumn months will also see work pick up in the Brexit negotiations, with EU officials hoping to agree the basic "principles" of the exit itself with London sometime between October and December, as a first stage in the larger talks.

EU leaders are due to meet on [19-20 October](#), which has been tapped as a possible date for this first stage to be completed pending sufficient progress. Completing those talks will be a precursor to determining future UK-EU relations, including on trade, officials say.

Meanwhile, economic powerhouse Germany is due to see federal elections in late September, with Chancellor Angela Merkel running for a fourth term against challengers such as former European Parliament President Martin Schulz, among others.

Current polls have Merkel's party in the lead by a solid margin, though some weeks remain before the 24 September election.

The finalisation of the electoral processes in major EU member states this year has been cited as a reason for other major players – such as the US – to wait before decisions are taken on certain trade issues, such as how and whether to pursue the resumption of the Transatlantic Trade and Investment Partnership (TTIP), though that is not the only factor. (See Bridges Weekly, [29 June 2017](#))

ICTSD reporting; "South Korea names new trade minister amid U.S. push to amend FTA," REUTERS, 30 July 2017; "German SPD, down in polls, gets personal with Merkel and minister," POLITICO, 30 July 2017; "Brexit timeline: key dates in UK's divorce with EU," FINANCIAL TIMES, 14 June 2017; "Both sides want to speed up Brexit talks by meeting more frequently," POLITICO, 17 July 2017; "US plans new trade remedies against China," THE AUSTRALIAN, 2 August 2017.

TRADE AGREEMENTS

NAFTA Parties Prepare for August Negotiations Launch in Washington

Canada, Mexico, and the United States are preparing for the formal launch of negotiations to upgrade the North American Free Trade Agreement (NAFTA) – a process that is due to begin in less than two weeks.

The 16-20 August [round](#) will be held in Washington, with reports from the Canadian Press citing unnamed sources in suggesting that this will be the first of seven rounds planned for this year alone, whose locations will alternate among parties.

In preparation, the three parties have already begun lining up their teams and advancing public consultation processes for potential inputs into the negotiations.

In recent weeks, chief negotiators have already been announced for the US and Mexico, and rumoured for Canada. On the Washington side, John Melle, Assistant US Trade Representative for the Western Hemisphere, will lead that team, according to a [statement](#) from the Office of the US Trade Representative.

Mexico, meanwhile, said on Monday 31 July that it [has named](#) Kenneth Smith Ramos as chief negotiator at the technical level, along with Salvador Behar Lavalle as another top negotiator. Smith Ramos currently heads the Trade and NAFTA Office at Mexico's embassy in Washington and was part of Mexico's negotiating team for the original NAFTA, according to a Wilson Center [biography](#).

Steve Verheul, who was Canada's lead negotiator on trade talks with the EU, will reportedly represent Ottawa in the NAFTA process, according to reports from both Reuters and iPolitics.

US, Mexico agriculture officials meet in Mérida

The prospect of updating a trade deal responsible for a trillion-dollar annual trading relationship among the three North American neighbours has sparked interest in its potential – along with concerns over whether opening up this trade deal could create losses for some sectors relative to the original accord.

As part of the preparations, the top agriculture officials from the US and Mexico met last week to discuss what the NAFTA upgrade might mean for their respective farm sectors.

NAFTA has widely been [credited](#) as being pivotal in the integration of the region's agricultural markets, and concerns over what a US withdrawal from NAFTA would do to the country's own farmers was reportedly part of the reason President Donald Trump ultimately decided to stay in the deal and renegotiate, at the behest of his top agriculture and commerce officials. (See Bridges Weekly, [4 May 2017](#))

US Agriculture Secretary Sonny Perdue and Mexican Agriculture Secretary José Calzada met in Mérida, a city in the Mexican state of Yucatán, over a period of two days.

"Within the framework of the renegotiation of the North American Free Trade Agreement, the principal objective was that both countries knew more about the commercial ties that

already exists between them and their productive capacities," said a [statement](#) from Mexico's Agriculture Secretariat.

"In this brief but effective meeting, the mutual willingness of both sides to modernise and strengthen NAFTA was established, as the primary instrument of high economic and social impact that it represents for both countries," the statement added, flagging mutual interests in cutting border lag times, improving information exchanges, and addressing sanitary issues and logistics.

It also referred to the need for updating NAFTA's agriculture provisions to account for new challenges and opportunities that were not as prevalent when the accord took effect over 20 years ago – such as digital trade and organic agricultural goods.

On the US side, Perdue told reporters that ensuring agriculture's NAFTA gains are maintained is also critical for Washington, while noting the disparity between the benefits for the US farm sector versus the difficulties faced by some US manufacturing sectors.

"How we reconcile those two will remain to be seen," said Perdue, according to comments reported by Reuters. "Our goal is, first of all, to do no harm in agriculture."

Mexico negotiating objectives

Last month, the Office of the US Trade Representative released a summary of the US' negotiating objectives for NAFTA, outlining proposed changes in both existing rules and new areas that were not part of the original accord. (See Bridges Weekly, [20 July 2017](#))

The document has drawn intense scrutiny since its release, as officials and trade watchers alike weigh what these might mean in practice – both in terms of preserving the existing benefits from the accord, such as the agriculture gains referred to above, as well as for addressing newer needs that have emerged since.

Meanwhile, Mexico has also put together its own set of negotiating objectives, according to Reuters, though those have not yet been released to the public and are still being reviewed internally among lawmakers.

The news agency, in a report this week citing a draft of the document, quoted Mexico as seeking "an expedited negotiation that maintains the benefits that we have achieved during the lifespan of NAFTA, but which at the same time serves as a platform for the modernisation of the treaty."

Mexico is also eyeing updated rules of origin, while keeping market access gains seen under the original deal on goods and services trade, as well as updating intellectual property provisions in the accord, according to Reuters.

An issue that is expected to spark debate in the talks is how to address NAFTA's dispute settlement terms in the area of trade remedies, as outlined under Chapter 19. The US negotiating objectives say that Washington would like to see the Chapter 19 dispute settlement mechanism "eliminated" – a request that is expected to see pushback from Canada and Mexico, with lawmakers from both countries already suggesting that they wish to keep that in place.

While Canada has not put forward a list of its own negotiating objectives, Prime Minister Justin Trudeau did outline some of his country's wishes – and fears – about what a NAFTA upgrade could mean last month, while welcoming the chance to modernise the deal. (See Bridges Weekly, [20 July 2017](#))

Interest groups, lawmakers weigh in

Meanwhile, civil society, labour unions, and industry groups have been putting their own opinions, wish lists, and concerns forward – particularly given the role and impact that the 1994 deal has already had in setting the rules for trade in the region, along with the myriad changes seen since on the regional and international trading landscape.

This includes, for example, the [AFL-CIO](#), the large US labour federation which has vocally criticised the existing side agreement on labour rights in NAFTA, among other aspects.

This also includes groups that focus more on [information and communication technology](#) and digital trade, given the changes seen in that arena over the past two decades, and the interest expressed already by some parties in negotiating rules in this topic. Digital trade was an area that also saw intense negotiation when all three were involved in the Trans-Pacific Partnership (TPP) talks, before the US withdrawal.

On digital trade, for example, two top US lawmakers sent a [letter](#) to Trump earlier this month highlighting the value of cross-border data flows, and said that this topic and the removal of any data localisation requirements "should be important priorities for America in any trade negotiation."

The lawmakers were Ron Wyden, the Oregon Democrat who is the ranking member of the Senate Finance Committee, and John Thune, the South Dakota Republican who chairs the Senate Committee on Commerce, Science, and Transportation and who is also on the Senate Finance Committee.

"A renegotiated North American Free Trade Agreement... should address the wide array of issues undermining the internet's economic potential, it must set the highest possible bar," says the letter. It adds that, in light of the trade-offs made to reach digital rules in the TPP, that deal should not be used as a starting point.

"Beyond data flow and data localisation provisions, a modernised NAFTA should, among other things, secure the clearest liability protections for websites hosting user speech and commerce, the toughest bans on discriminatory licensing terms for online services, customs thresholds and procedures that work for small online sellers, and a copyright regime that is consistent with the Bipartisan Congressional Trade Priorities and Accountability Act of 2015," they added, referring to the legislation which sets out US negotiating objectives in trade deals and delegates the power to negotiate trade agreements to the executive branch.

ICTSD reporting; "Canada taps veteran negotiator to drive talks on NAFTA: sources," REUTERS, 11 May 2017; "Trump Reveals Start to Nafta Talks as Canada, Mexico Huddle," BLOOMBERG, 19 July 2017; "U.S. hopes NAFTA update avoids pitting farms against manufacturers," REUTERS, 28 July 2017; "NAFTA negotiations to include high-level cabinet dinner, 7 rounds of trade talks," THE CANADIAN PRESS, 1 August 2017; "For manufacturers, managing Chapter 19 is the top NAFTA priority," THE GLOBE AND MAIL, 31 July 2017; "Net neutrality comments watch," POLITICO MORNING TECH, 17 July 2017.

GLOBAL ECONOMY

Japan: Structural Reform "Lagging Element of Abenomics," IMF Says

Japan, one of the world's four largest traders and the third largest economy, will need to press harder with its structural reform efforts, said the International Monetary Fund (IMF) in an [assessment](#) published this week.

The economic assessment, known as an Article IV Consultation at the Fund, is part of the regular review required under IMF rules. This involves staff missions to the country involved, meetings with local officials and other stakeholders, and a report submitted for the agency's Executive Board for review and comment.

"Abenomics has improved economic conditions and engendered structural reform, but key policy targets remain out of reach under current policies," the report says, adding that "structural impediments" are also getting in the way of the Asian archipelago's economic goals – particularly in ensuring continued growth and addressing deflation.

The Japanese economy is slated to see a 1.3 percent growth rate this year, building on a solid performance last year, according to the international financial institution.

"Structural reforms have advanced in energy and agriculture, trade and investment promotion, and corporate governance," the report adds.

However, it also features a series of recommendations that it says Tokyo should pursue to address labour market problems, sub-par inflation, and "bottlenecks" that are hindering both investment and consumption at home.

"Abenomics" was launched by Japanese Prime Minister Shinzo Abe, who returned to the post in late 2012, having earlier served in the role from 2006-2007. The scheme's three "arrows" of fiscal stimulus, monetary easing, and structural reforms were meant to target a difficult history with deflation, among other economic concerns.

The pace of these structural reforms and the overall progress of Abenomics also came to the fore during a biennial WTO review of Japanese trade policies and macroeconomic conditions earlier this year in Geneva, Switzerland. (See Bridges Weekly, [16 March 2017](#))

TPP-11, EU-Japan deal

The report on Japan focuses on an array of policy topics, emphasising more structural reforms and acknowledging the initiatives already undertaken. Among other recommendations, the staff report submitted to the Executive Board said that advancing with key trade deals could be one of several ways to facilitate needed policy changes in other areas.

"New trade agreements, including with the remaining eleven Trans-Pacific Partnership (TPP) countries and the EU, could encourage restructuring in the services and agriculture sectors," the report says.

Those deals refer to the comprehensive Pacific Rim trade deal signed originally by 12 countries last year, and which is now looking for ways to move forward in the wake of the

US' withdrawal, as well as a political agreement on a future trade deal with the European Union. (See Bridges Weekly, [20 July 2017](#) and [6 July 2017](#))

While the TPP text has been completed, whether its 11 remaining members will stick to the same substantive commitments or revise the deal remains unclear. Japan's legislature has ratified the current version of the accord, and is among those pushing for keeping the deal largely intact. (See Bridges Weekly, [15 December 2016](#))

Meanwhile, the EU and Japan will still need to hammer out some of the thornier issues in their trade talks to move from their current political agreement to a finalised free trade accord.

Overall, the staff appraisal part of the IMF document notes, among other recommendations, that "a more determined structural reform effort is needed," and within that flags trade and foreign direct investment as two areas that could continue playing a role in supporting Japan's economic growth.

Labour market reforms

Aside from its comments on trade, the structural reforms section focuses on Japan's labour market, which is grappling with an aging population and "subdued" growth in wages, among other challenges that experts say could eventually prove damaging to the country's economic prospects.

The report suggests that, given the "favourable economic environment," now would be an opportune time to advance on such policy changes.

Among its recommendations involve taking further action to facilitate women's economic empowerment, given that men in the workforce still greatly outnumber women.

"Looking at population dynamics and the projected steady decline in the labour force, Japan will need to make labour more efficient and more inclusive — by, for example, bringing more women into the work force in regular (full-time) positions and on an equal pay for an equal work basis," said Todd Schneider, the IMF official [tasked](#) with leading the review.

The report also warns that wages are struggling to improve due to factors such as poor ability to transfer between jobs, among other factors.

"Structural reforms should aim to boost labour market flexibility, investment, and labour supply," the IMF report says. It also calls for doing more to facilitate the employment of older workers and foreign nationals.

2018 elections forthcoming

Japan is preparing to host its next general election in December 2018 – a date which, while over a year away, has already prompted speculation over whether the ruling party will be able to remain in power and what this means for Abe's eponymous policy, both before and after the election.

For example, analysts warn that the challenging domestic climate could mean that the Japanese leader refocuses his work away from the economy in the coming months, despite pledges from Abe that he will continue his efforts in this area.

"The economy has been the administration's top priority and it's our job to create employment and raise wages," he told Japanese parliamentarians last week, according to comments reported by Bloomberg.

The Japanese leader is from the Liberal Democratic Party, and is currently facing domestic political pressures on various fronts, which have had implications for his poll ratings. An election within Tokyo this year already showed the party losing various seats, with analysts warning that the city election could be an early signal of how next year's national-level polls may go.

ICTSD reporting; "Wages Shape Up as Key to Abenomics and the Future of Abe Himself," BLOOMBERG, 24 July 2017; "The world's third-largest economy may be derailed by a rising political crisis," CNBC, 31 July 2017; "Japan PM's party suffers historic defeat in Tokyo poll, popular governor wins big," REUTERS, 2 July 2017; "Japan needs Abenomics, with or without the man," FINANCIAL TIMES, 12 July 2017; "Abe Denies Cronyism Allegations as Support Continues to Fall," BLOOMBERG, 24 July 2017.

TRADE AGREEMENTS

Australian Trade Minister: Indonesia Economic Pact Top Priority

Australia's Trade Minister Steven Ciobo [said](#) last week that inking an accord with Indonesia is his "number one trade priority," telling local press that his country's government is hoping to advance negotiations with the Southeast Asian economy in time to have a "good quality deal in place by Christmas this year."

During the G20 summit in Hamburg in early July, the country's leaders reaffirmed their goal of concluding negotiations on the Australia-Indonesia Comprehensive Economic Partnership by the end of 2017, having also mentioned this commitment on other occasions – including a joint [leaders' meeting](#) in February. (See Bridges Weekly, [13 July 2017](#) and [2 March 2017](#))

"It's going to be win-win outcome for both countries," Ciobo said, adding that the deal would be a boon to his country's exports, and, consequently for economic growth and employment outcomes.

"We're making great progress under the Coalition now with this free trade agreement. We've got good opportunities in a range of different sectors," Ciobo added. The Coalition refers to the governing Liberal-National alliance.

When officials reactivated the trade talks last year, they [said](#) that their goal was to create conditions "that are conducive to expanded two way trade and investment and will maximise the potential of the economic relationship."

Officials convened for the latest round of talks in Jakarta, Indonesia, in late May, which marked the seventh negotiating round overall, and the fifth since last year's reboot. Before the 2016 reactivation, two rounds had been held in 2013.

The seventh round in late May showed constructive advances, according to Deddy Saleh, a representative of the Indonesian delegation, as [reported](#) by Indonesian press.

The official flagged talks on an economic cooperation chapter as having progressed, while other topics such as rules of origin, trade facilitation, investment, and e-commerce were also discussed.

Building on existing deals

Negotiations originally kicked off in 2010, and were later "[reactivated](#)" in March of last year. At the time, officials said that the new deal will build on existing regional mechanisms that the two countries are already participating in.

For example, the two sides are already part of a free trade area between the ten-country Southeast Asian bloc (ASEAN), Australia, and New Zealand, known also as the [AANZFTA](#). (See Bridges Weekly, [15 December 2016](#))

The AANZFTA is a comprehensive trade agreement that has been in force since early 2010, [aimed at](#) progressively slashing goods tariffs, facilitating services trade and investment, and setting up regional rules of origin among its members. The accord has since [undergone](#) one "protocol" to amend the existing pact, with those changes [agreed](#) two years ago.

Clinching the accord

Agricultural trade, particularly involving livestock, remains one key area for the two sides. Two tariff lines referring to live cattle [remain](#) unresolved according to Indonesia's schedule. An earlier ban on exporting live cattle to Indonesia, one of Australia's top exports to the country, on animal welfare grounds was also a [point of tension](#) between the trading partners.

"We saw the extent to which that materially affected our relationship with Indonesia and really sent it spiralling down for a while. Though we've recovered all of that," [said](#) the Australian trade chief last week. Ciobo also told Sky News that Australia will not compromise animal welfare standards going forward.

Both economies are also involved in negotiations on a 16-country trade deal known as the Regional Comprehensive Economic Partnership (RCEP). That accord would involve the ten ASEAN countries, along with their six free trade agreement partners – China, Japan, South Korea, India, Australia, and New Zealand.

Both countries [say](#) that the Australia-Indonesia deal should be set up as a "living agreement," meaning it can be updated over time as needed, along with having a "mechanism for stakeholder input." Such an approach has already drawn the backing of business leaders on both sides, who [argue](#) that the future deal "needs consistent monitoring, evaluation, and improvements over time," according to a report from the Indonesia-Australia Business Partnership Group.

The biggest economy in Southeast Asia, and geographically close to Australia, Indonesia [ranks](#) as Australia's 13th largest trading partner, according to statistics cited by Canberra. Bilateral goods trade between the two countries was worth A\$15.3 billion (US\$12.2 billion at current exchange rates) in 2015-2016, while services trade accounted for A\$4.1 billion (US\$3.2 billion at current exchange rates) during the same time period.

Eyes on agriculture

Aside from Indonesia, Australia is also conducting free trade talks with India. Additionally, Canberra plans to begin talks with the EU in the near term for a trade deal, after [finishing](#) "scoping" discussions on such a deal earlier this year. Agriculture is expected to be a major topic in both trade accords, given export interests and sensitivities on all sides.

Launched in 2011, the Australia-India negotiations are unlikely to conclude soon, officials say, naming the farm trade aspects of the talks as particularly difficult. According to comments reported last week by the [Economic Times](#), Ciobo has flagged market access issues as a persistent sticking point.

Australia is also working with the UK to lay the groundwork for formal trade negotiations once the latter exits the European Union, which at earliest would be March 2019.

ICTSD reporting; "Indonesia And Australian Complete 7th Economic Partnership Round," INDONESIA EXPAT, 29 May 2017; "Labor's 2011 live cattle export ban to Indonesia not justified, court told," THE GUARDIAN, 19 July 2017; "Indonesia warns A4 paper tariff is 'unfair'," WESTERN ADVOCATE, 28 April, 2017; "India's protectionist bent for agriculture products delaying FTA: Australia," THE ECONOMIC TIMES, 25 July 2017.

CARBON MARKETS

California Moves Ahead with 2030 Extension to Cap-and-Trade Programme

California Governor Jerry Brown signed legislation last week to extend the state's cap-and-trade programme through 2030. The scheme, which would have otherwise expired at the end of the decade, is aimed at progressively curbing greenhouse gas (GHG) emissions from a host of sectors.

Proponents say that the programme is a key tool, together with various other regulations, for reaching California's target of slashing state-wide GHG emissions by 40 percent below 1990 levels by 2030, at a minimum. That goal was enshrined into state law [last year](#). There is also a separate goal in place for 2020, involving cutting emissions down to 1990 levels by that time.

To achieve the 2030 goal, the new law not only extends the existing programme, but also features some revisions. For instance, it sets a tougher price ceiling for the sale of emissions permits, along with keeping a price floor, aiming to ensure stability in the system. The new package will also curb the number of free permits by 40 percent by the programme's revised expiration date.

It also places additional rules on carbon offsetting, including limits on the amount of offsets that can be purchased in other US states. Offsetting is a mechanism that allows businesses to invest in environmental projects as a way to meet their compliance requirements under the cap-and-trade system, as an alternative to carbon permits.

Legislative debate

Draft legislation to extend the programme was introduced in May, and the months since have seen some critics warn that its requirements would translate to higher costs for consumers, while others argued that the proposed changes would not be sufficiently robust to meet the 2030 emissions reduction goals and subsequent mid-century targets. (See Bridges Weekly, [4 May 2017](#))

Ultimately, after some modifications, the bill passed in both chambers of the Californian legislature. Republican support was needed to reach the necessary threshold to pass the law by a "supermajority" and thus avoid certain legal challenges that had affected the existing scheme.

Upon signing the bill, Brown praised the extension of the programme for its environmental and economic potential, along with its role in positioning the state as an international leader in addressing climate change.

"California is leading the world in dealing with a principal existential threat that humanity faces. We are a nation-state in a globalising world and we're having an impact and you're here witnessing one of the key milestones in turning around this carbonised world into a decarbonised, sustainable future," [he said](#).

As a state, California is considered one of the world's largest economies, with analysts deeming it to rank sixth worldwide last year – two slots ahead of its 2014 ranking.

Sub-national, international initiatives

The bill was passed just months after US President Donald Trump's announcement that he plans to withdraw the country from the UN's Paris Agreement on climate change. The accord was adopted in late 2015 and entered into force last year. (See Bridges Weekly, [6 November 2016](#))

While that move will still require some years to take effect, it has mobilised a number of US cities, businesses, and states, including California, to make pledges on upholding their commitment to the accord. International leaders in forums from the G7 to the G20 have similarly affirmed their continued dedication to the landmark accord, despite differences in opinion and approach with the current US administration. (See Bridges Weekly, [8 June 2017](#) and [13 July 2017](#))

California is also involved in the US Climate Alliance, a 14-state coalition whose governors have committed to the Paris deal's targets – regardless of decisions taken at the federal level. The Western US state will also be hosting the Global Climate Action Summit in September 2018, which is expected to bring together leaders from across sectors on tackling the climate challenge.

California's cap-and-trade system was [approved](#) in 2006, with auctions beginning in 2012. The coastal US state is also part of the [Western Climate Initiative](#), which links up California with various Canadian provinces that are also pursuing cap-and-trade schemes and plan to cooperate in these efforts. Two of its members, California and Québec, already hold joint carbon permit auctions.

On the US' East Coast, the [Regional Greenhouse Gas Initiative](#) has linked up nine states under a market-based system to lower carbon emissions from power generation.

In recent years, a number of countries have announced their intention to create their own carbon pricing mechanisms, including China, which is expected to introduce its own carbon market later this year – a system that is expected to surpass the EU's Emissions Trading System (EU ETS), currently the largest, in its size.

California's governor said in June that he hopes to eventually link his state's programme with China's market, and has held meetings with Chinese officials to boost bilateral cooperation on climate change.

ICTSD reporting; "California lawmakers approve landmark extension to climate policy," REUTERS, 17 July 2017; "Gov. Jerry Brown signs climate change legislation to extend California's cap-and-trade program," LOS ANGELES TIMES, 25 July 2017; "Exclusive: California to discuss linking carbon market with China," REUTERS, 2 June 2017; "California surpasses France as world's sixth-largest economy," REUTERS, 18 June 2016; "California to host Global Climate Action Summit in 2018," CNBC, 7 July 2017; "Explainer: California's new 'cap-and-trade' scheme to cut emissions," CARBON BRIEF, 28 July 2017; "California lawmakers extend landmark climate change law," ASSOCIATED PRESS, 18 July 2017.

TRADE AGREEMENTS

RCEP Negotiators Conclude Nineteenth Round, Push for "Accelerated" Progress

Trade officials from 16 countries finished up the nineteenth round of negotiations on the Regional Comprehensive Economic Partnership (RCEP) in Hyderabad, India, last week, aiming to pave the way for a ministerial-level gathering in the Philippines this September.

"The meeting expressed shared commitment to work collectively and in a cooperative manner, to progress the negotiations in an accelerated way," [said](#) a press release from India's Ministry of Commerce and Industry following the meeting.

"During the 19th round, a set of key elements for significant outcomes, envisaged to be achieved by the end of 2017, were agreed. The meeting also highlighted the need to have balanced discussions to progress negotiation across all areas, and to continue to deliver outcomes," the press release added. It did not go into specifics on what those elements or outcomes might entail.

The talks took place from 17-28 July in the Indian city, with parties holding "profound negotiations" in various areas, including "goods, services, investment, and regulations," [according to](#) a separate, brief summary from the Chinese Ministry of Commerce.

The RCEP is a proposed free trade deal between the 10 member states of the Association of Southeast Asian Nations (ASEAN) and the six partner countries which have a free trade agreement with the bloc. The 10 ASEAN countries are Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam. Their FTA partners are Australia, China, India, Japan, South Korea, and New Zealand.

The latest round had various working group meetings scheduled, covering topics such as goods, services, trade remedies, customs clearance, investment, government procurement, competition policy, e-commerce, and dispute settlement.

Next rounds, ministers' meetings

India's Commerce Secretary, Rita Teotia, in her inaugural opening remarks [mentioned](#) that advancing RCEP would send a valuable signal against protectionist pressures, so long as the deal is also inclusive.

"While RCEP is a beacon of hope for free trade, its real success will be measured by its ability to bring prosperity, economic growth, decent living standards, new jobs, and greater business opportunities for people of our region in an equitable manner," she said, according to comments reported by the Times of India

The next round of negotiations is scheduled for 17-28 October in Incheon, South Korea, according to the Chinese ministry press release.

"We are going to have more frequent rounds of negotiations. There will also be a ministerial meeting in September," said Teotia in previewing the schedule for the rest of the year. A leaders' meeting is reportedly expected in November.

Five years in

The RCEP negotiations began nearly five years ago, formally launched in the margins of the East Asia Summit in Phnom Penh, Cambodia, in November 2012. So far, there have been 19 negotiating rounds, along with various ministerial level meets. (See Bridges Weekly, [21 November 2012](#))

The most recent RCEP ministers' meeting was this past May in Hanoi, Vietnam, where officials expressed their hopes for a "swift conclusion" while calling for members to "redouble efforts to translate their political commitments into actions." (See Bridges Weekly, [24 May 2017](#))

The group had set earlier targets for concluding the deal, which would cover a US\$23.8 trillion market with over 3.5 billion people, according to the [Australian Department of Foreign Affairs and Trade](#). They most recently floated the possibility of finalising the talks this year.

Iman Pambagyo, the Indonesian official who serves as the RCEP Trade Negotiating Committee Chair, [told](#) the Economic Times this week that the talks may wrap up in 2018, while suggesting that doing so would require additional "flexibility" from the countries involved. Pambagyo is also the Director General of International Trade Cooperation for the Indonesian government.

The RCEP deal is built around ASEAN, a grouping that is celebrating its 50th anniversary this year. The accord's guiding principles "[recognise](#) ASEAN centrality in the emerging regional economic architecture and the interests of ASEAN's FTA partners in supporting and contributing to economic integration, equitable economic development, and strengthening economic cooperation among the participating countries."

The group's members are also involved in various other trade initiatives, both with select RCEP members and externally. At the bilateral level, currently under formal negotiation are agreements between Australia and India, as well as Australia and Indonesia, to name a few, along with a trilateral deal between China, Japan, and South Korea.

Analysts say, however, that balancing different developmental levels and interests among such a large group of countries will continue to be difficult going forward, while noting that the RCEP talks are advancing nonetheless.

"For RCEP to really move forward, leaders will need to make some hard decisions between now and November," says a [commentary](#) on the latest round from the Asian Trade Centre's Executive Director, Deborah Elms. Among the more complicated areas, according to the Singapore-based organisation, is market access in goods, while rules of origin, on the other hand, is comparatively more advanced.

ICTSD reporting; "India bats for equitable and inclusive RCEP," THE TIMES OF INDIA, 25 July 2017; "People's groups demand rejection of RCEP," THE TIMES OF INDIA, 25 July 2017; "RCEP trade panel head confident of closing talks in 2018," THE ECONOMIC TIMES, 24 July 2017.

EVENTS & RESOURCES

Events

Coming Soon

Present-31 August, online. CALL FOR PAPERS: THE FORUM ON MIGRATION, TRADE, AND THE GLOBAL ECONOMY. The International Centre for Trade and Sustainable Development (ICTSD) and the Fundación Foro del Sur will be holding the Forum on Migration, Trade, and the Global Economy in Buenos Aires, Argentina, on 14 December 2017. As part of the event, they have now launched a "call for papers," with abstracts due by 31 August 2017. To learn more about submission requirements, subsequent dates in the process, and the forum itself, visit the ICTSD [website](#).

Present-15 October, online. TSDS BRIDGES WRITING COMPETITION. The International Centre for Trade and Sustainable Development (ICTSD) is holding its second Bridges Writing Competition, as part of its Trade and Sustainable Development Symposium (TSDS) this December in Buenos Aires, Argentina. The competition is open to all current university students, with the essay topic focusing on the trade and sustainable development agenda. Please note that the submission deadline is 15 October 2017. To learn more about specific topic requirements, submission procedures, prizes, and eligibility, visit the TSDS [website](#).

4 August, New Delhi, India. BOOK LAUNCH: "INDIA TRANSFORMED: 25 YEARS OF ECONOMIC REFORMS." This event will feature the launch of a book edited by Rakesh Mohan, Distinguished Fellow, Brookings India, which is being published by Penguin India and Brookings India. The event will feature among its speakers Manmohan Singh, former Prime Minister of India; Arun Jaitley, Minister for Finance and Corporate Affairs; Arvind Subramanian; Pratap Bhanu Mehta; Uday Kotak; and TN Ninan. The book examines India's economic reforms from 1991, including the expectations from that time and the results since. More information about the event is available [here](#).

8-10 August, Lomé, Togo. 2017 AGOA FORUM. This year's African Growth and Opportunity Act (AGOA) Forum will be hosted jointly by the US and Togo, with the theme "The United States and Africa: Partnering for Prosperity through Trade." The event is geared towards senior officials from countries involved in AGOA's implementation. More information is available at the US State Department's [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.

31 August: Dispute Settlement Body

11-12 September: Informal Open-ended Negotiating Group on Rules

13 + 15 September: Informal Open-ended Committee on Agriculture: Special Session

13 + 15 September: Trade Policy Review Body – Jamaica

14 September: Committee on Trade and Development – Special Session

Other Upcoming Events

11 September, London, UK. GROWING BUSINESSES OF SCALE IN SUB-SAHARAN AFRICA: JOB CREATION, INNOVATION AND INDUSTRIALIZATION. This Chatham House event will feature the launch of a new report on job creation for smaller and medium-sized enterprises in the African continent, with participants expected from various different sectors. Topics for discussion include the development of an enabling business environment. To learn more, visit the Chatham House [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. A provisional programme is now online. To learn more, visit the WTO [website](#).

11 October, London, UK. INVESTMENT TREATIES: A DEBATE OVER SOVEREIGNTY, TRADE, DEVELOPMENT AND HUMAN RIGHTS. This event is being organised jointly by Chatham House and Doughty Street Chambers, looking at the evolution and implementation of investment treaties, along with what this means for trade and other policy areas. More information about this event is available at the Chatham House [website](#).

25-26 October, Budapest, Hungary, 17th WORLD EXPORT DEVELOPMENT FORUM (WEDF). The International Trade Centre's (ITC) flagship event will have as this year's theme "Trade - A force for good: include, innovate, integrate." The forum will explore how trade can generate positive change at a time when global challenges – economic, social, and environmental – are changing how trade works. WEDF will be co-hosted by the Hungarian Ministry of Foreign Affairs and Trade and will gather business leaders, policymakers, and representatives of international organisations and trade and investment support institutions for interactive sessions and facilitated business-to-business meetings. Registration is now open at <https://wedf-registration.org/> For more information on the event, please visit the WEDF 2017 [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 is now online, with details available [here](#). To learn more, visit the ICTSD [website](#).

Resources

WORLD TRADE STATISTICAL REVIEW 2017. Published by the World Trade Organization (WTO) (July 2017). This WTO report provides a breakdown of trade policy developments and trends, GDP growth, developing economy participation in world trade, among a host of other related topics. The publication is available for download [here](#).

WORLD TARIFF PROFILES 2017. Published by the World Trade Organization (WTO), the International Trade Centre (ITC), and the UN Conference on Trade and Development (UNCTAD) (July 2017). This joint publication reviews tariff and non-tariff information for 170 countries and customs territories, providing both individual overviews and comparisons between countries. The report is available for download [here](#).

EVALUATION OF AGRICULTURAL POLICY REFORMS IN THE EUROPEAN UNION: THE COMMON AGRICULTURAL POLICY 2014-20. Published by the Organisation for Economic Co-operation and Development (OECD) (July 2017). This report examines the current version of the EU's Common Agricultural Policy (CAP), which is in place through the end of the decade, looking at its main features, environmental components, and risk management. The publication is available [here](#).

WORLD ENERGY INVESTMENT 2017. Published by the International Energy Agency (IEA) (July 2017). This publication is part of an annual IEA series monitoring energy-related investments, with the goal of informing decision-making processes at both governmental and private sector levels. It looks both at recent developments while analysing possible scenarios for the future. The publication is available for download [here](#).

THE 2030 AGENDA AND EVALUATION: OPPORTUNITIES AND CHALLENGES FOR PARLIAMENTARIANS. Published by the International Institute for Environment and Development (IIED) (July 2017). This briefing examines the role that national legislatures can play in supporting the implementation of the 2030 Agenda for Sustainable Development and related Sustainable Development Goals (SDGs). It discusses issues related to monitoring and evaluation, among other related topics. The briefing is available at the IIED [website](#).

THE YEAR IN TRADE 2016. Published by the US International Trade Commission (USITC) (July 2017). This annual report evaluates the implementation of US trade laws and agreements, including the developments seen in 2016 over various international negotiating processes. The full report is available for download at the USITC [website](#).

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