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TRADE AGREEMENTS

NAFTA Ministers Acknowledge Significant Challenges, Extend Timetable to 2018

Negotiators from Canada, Mexico, and the United States completed their fourth round of negotiations for modernising the North American Free Trade Agreement (NAFTA) on Tuesday 17 October, with ministers announcing that the talks are in a challenging phase and will need to be extended into 2018.

The past week of meetings was held in Arlington, Virginia, a suburb of Washington, from 11-17 October. It began with the confirmation that negotiators had concluded a chapter on competition policy in between the third and fourth rounds, as previously signalled, along with the announcement that the talks would take two days longer than originally announced.

"The United States, Canada, and Mexico have agreed to obligations providing increased procedural fairness in competition law enforcement so that parties are given a reasonable opportunity to defend their interests and ensured of certain rights and transparency under each nation's competition laws," [said](#) US Trade Representative Robert Lighthizer in kicking off the talks.

However, by the end of the latest round, officials from all three parties made clear that both the substance and tone of the talks meant that they would need more time to negotiate.

"Parties have now put forward substantially all initial text proposals. New proposals have created challenges and ministers discussed the significant conceptual gaps among the Parties. Ministers have called upon all negotiators to explore creative ways to bridge these gaps," they said in their [joint trilateral statement](#) on Tuesday.

Negotiators will reconvene for the fifth round from 17-21 November, giving them more time to address these issues. Mexico City is due to host those meetings.

"It has been no secret to anyone... that this is the round where some of the really hard issues came to the table," Canadian Foreign Minister Chrystia Freeland said, calling the "candour" from ministers and added time a positive development.

Ministers express frustration, concern

At their closing press conference on Tuesday, ministers from the NAFTA parties openly expressed concern and frustration over some of the developments seen in the past week. Among the areas that are known to be major sticking points are US proposals on revising dispute settlement rules; increasing US content requirements in automobile rules of origin; and a "sunset clause" to end NAFTA after five years unless all parties agree to continue.

"We've also seen a series of unconventional proposals in critical areas of the negotiations that make our work much more challenging," said Freeland [in remarks](#) to reporters, after welcoming progress made in areas such as competition policy.

"In rounds three and four, we have seen proposals that would turn back the clock on 23 years of predictability, openness, and collaboration under NAFTA. In some cases, these proposals run counter to WTO rules," the Canadian official added.

She later cited both automobile rules of origin and dispute settlement as major issues for Ottawa, and reaffirmed Canada's commitment to a "rules-based international order" as the reason for citing WTO rules in her remarks.

Washington's proposal on automobile rules of origin, Freeland told reporters, would "severely disrupt these supply chains, make North American producers and manufacturers less competitive relative to imports from outside the region, and put in jeopardy tens of thousands of jobs across North America."

She also referred to major differences of opinion on NAFTA's various dispute settlement chapters, which the US aims to revise or do away with. She cited in particular Chapter 19 dispute settlement system on trade remedies, which the US has expressed interest in eliminating. (See Bridges Weekly, [20 July 2017](#))

"As Prime Minister [Justin] Trudeau and I have said, an effective, transparent, and enforceable dispute settlement mechanism is essential to NAFTA. Just as good fences make good neighbours, good dispute settlement systems make good trading partners," Freeland continued.

Ildefonso Guajardo Villareal, Mexico's Economy Secretary, similarly alluded to major differences of opinion regarding the approach to the NAFTA talks, warning that some proposals could undermine the decades-old trading relationships that have defined the North American market.

"We must understand that we all have limits. Despite our current differences, we must ensure that decisions we take today do not come back to haunt us tomorrow," said Guajardo.

"We undertook this as a win-win-win negotiation, not to be in a lose-lose-lose situation. None of us wants to end this process empty-handed, and there is no reason for that," the Mexican official continued.

Meanwhile, Lighthizer vocally criticised both Canada and Mexico in his closing remarks, warning that only by being "reasonable" going forward will the talks succeed.

"We, of course, have a US\$500 billion trade deficit, so for us, trade deficits do matter, and we intend to reduce them. Frankly, I am surprised and disappointed by the resistance to change from our negotiating partners on both fronts," said Lighthizer in his closing remarks.

He also criticised his counterparts for a "refusal to accept what is clearly the best text available in spite of the countries having agreed to it in the past," arguing that in some areas

Canada and Mexico have been against language that was previously put forward under the Trans-Pacific Partnership (TPP) negotiations.

"I would have thought by now we could have cleared chapters dealing with digital trade, telecommunications, anti-corruption, and several of the sectoral annexes, for example. As difficult as this has been, we have seen no indication that our partners are willing to make any changes that will result in a rebalancing and a reduction in these huge trade deficits," the US trade chief continued.

He also repeated claims by the current administration regarding NAFTA being "unbalanced" towards the United States, stating that "I understand that after many years of one-sided benefits, their companies have become reliant on special preferences, and not just comparative advantage. Countries are reluctant to give up unfair advantage."

Leaders talk trade

Just days before, US President Donald Trump and Canadian Prime Minister Justin Trudeau met in Washington for discussions on an array of policy topics, including the future of the NAFTA talks.

[Speaking to reporters](#) on 11 October before their bilateral meeting, Trump did not confirm whether he believes the NAFTA talks will succeed, while promising more clarity at an unspecified date.

"We'll see what happens. We have a tough negotiation, and it's something that you will know in the not-too-distant future," he said. Trump later reiterated his opposition to NAFTA, while noting that should negotiations fail, then the accord will be terminated.

He also confirmed to reporters that he would be willing to take on bilateral trade deals with the US' NAFTA partners, should the trilateral talks collapse. However, whether the US president has the legal authority to end both NAFTA and its implementing legislation is a growing question in trade circles, and has also been raised by lawmakers in Washington.

Meanwhile, Trudeau also met recently with his Mexican counterpart, President Enrique Peña Nieto, with the two leaders reiterating their shared commitment for a "win-win-win" agreement with benefits for all parties.

"Prime Minister Trudeau and myself will continue to work to reach a beneficial and positive upgrading for the three countries," said Peña Nieto, according to comments reported by Bloomberg.

ICTSD reporting; "Trudeau and Peña Nieto Pledge Trade Unity as Trump Threatens NAFTA," BLOOMBERG, 13 October 2017; "Can Congress Block Trump if He Pulls Out of NAFTA?" FOREIGN POLICY, 17 October 2017.

FISHERIES

WTO Negotiators Consider Integrated Text on Fish Subsidies

WTO negotiators now have an integrated text to consider in their efforts to craft global trade rules that would discipline harmful fisheries subsidies, in a development aimed at moving the talks into the next stage.

The new text, prepared as an informal “non-paper,” was put together by various WTO members who had put forward proposals over the past year in the fisheries subsidies negotiations. It was circulated late last week in time for meetings of the “rules negotiating group” where these proposed new disciplines are being discussed.

Negotiations over the past month have focused on a “matrix compilation” of these proposals, meant to serve as a factual document facilitating analysis and discussion. The latest text, by comparison, is structured in the format of a WTO agreement. (See Bridges Weekly, [5 October 2017](#))

The document, a copy of which has been seen by Bridges, numbers 13 pages, which are broken down into a preamble, eight articles, and one annex. The text itself is filled with brackets, reflecting alternative language put forward by different members or member groups. The proponents of the different wording variations are indicated in the text.

The eight articles address key definitions to be used in a future deal; the scope of the accord; prohibited subsidies; a possible “standstill” commitment on introducing new subsidies; special and differential treatment; transparency or notifications; transitional provisions; and institutional arrangements.

WTO members are hoping to clinch a deal in time for their upcoming ministerial conference in Buenos Aires, Argentina, slated for 10-13 December. The event marks the organisation's highest-level meeting and is normally held biennially.

The proposed fish subsidy bans have focused on subsidies that contribute to overfishing and overcapacity, subsidies related to overfished stocks, and subsidies related to illegal, unreported, and unregulated (IUU) fishing. The UN Food and Agriculture Organization (FAO) estimates that 31.4 percent of fish stocks are being “fished at a biologically unsustainable level and therefore overfished,” according to the 2016 [“State of World Fisheries and Aquaculture”](#) report.

Estimates [suggest](#) losses from illegal and unreported fishing could account for up to US\$23.5 billion annually.

Chair notes areas of convergence, divergence

The chair of the WTO's fish talks, Jamaican Ambassador Wayne McCook, also gave his own overview last week of where the negotiations currently stand.

Along with calling for continued engagement in the weeks before Buenos Aires, he also described where members appear to be close to common ground – and where they will have to overcome diverging positions to move forward.

Among the areas where members appear to agree, according to a copy of his statement seen by Bridges, are on limiting the final deal to cover marine wild capture fishing and related activities, a focus on “specific subsidies” as described by existing WTO rules, and ensuring subsidies are linked to a particular member.

However, several key disagreements remain. These include how widely to craft subsidy bans along with whether these bans should include any sort of exceptions.

How to determine within formal WTO rules that IUU fishing is taking place, thus triggering the subsidy ban, remains unclear. Similar issues emerge when dealing with overfished stocks, such as whose decision regarding the state of a fish stock would trigger a ban on subsidies to that fishery. Discussions are also ongoing regarding how these proposed subsidy rules should deal with cases where a fish stock has not been evaluated.

With respect to overcapacity and overfishing, differences have emerged over whether and how the rules should limit subsidies to “capital costs,” referring to funds used for building or upgrading vessels and their equipment, and whether the ban should also address resources used for operating costs.

The chair also noted disagreements over special and differential treatment; whether to include distinctions between domestic waters and those outside them; transparency; and how to address the particular circumstances of subsistence, small-scale, or artisanal fishers.

Road ahead

The rules negotiating group will meet again later this month, with talks set for 31 October to 3 November, according to a Geneva trade official.

While that meeting is slated to see more detailed discussions on how to pare down brackets in the text, some concerns already came to the fore last week.

These include disagreements among WTO members over whether to include wording in the text’s preamble referring to the Doha Development Agenda, which were raised last Friday.

Talks on fish subsidies were part of the Doha negotiating agenda, and ministers in [Hong Kong](#) in 2005 said there was “broad agreement that the Group should strengthen disciplines on subsidies in the fisheries sector, including through the prohibition of certain forms of fisheries subsidies that contribute to overcapacity and overfishing,” along with setting up provisions on “appropriate special and differential treatment.”

However, two years ago at the Nairobi ministerial conference, WTO members found themselves openly at odds over whether to renew the Doha mandate and subsequent declarations, ultimately deciding to note their differing positions in the final text. (See Bridges Daily Update, [19 December 2015](#))

Another key question going forward will be the US’ stance on the accord, given repeated statements from the North American country that it is “sceptical” of reaching a deal in time for the ministerial. According to a Geneva trade official, while the US reiterated that sentiment last week, it also said it was “committed” to the effort and planning to engage further.

Questions of time were also raised by Russia, which suggested possibilities for prioritising different negotiating topics, according to the same official.

ICTSD reporting.

AGRICULTURE

WTO Agriculture Negotiators Weigh New Proposals as Buenos Aires Meet Approaches

A slate of new negotiating proposals on farm subsidies and cotton reflect different views on how to balance ambitious demands with realism in the run-up to the WTO's eleventh ministerial conference in Buenos Aires, Argentina, this December, trade sources have said.

As negotiators prepare to meet this week in Geneva, three new negotiating documents are on their desks—although the proposals reflect different assessments of the policy landscape following a mini-ministerial meeting in Marrakech, Morocco, earlier this month. (See Bridges Weekly, [12 October 2017](#))

The submissions include a paper on cotton from the C-4 group of West African cotton producers; a submission on domestic support from the African, Caribbean, and Pacific (ACP) group; and a paper on domestic support from New Zealand and four other agricultural exporting nations.

The proposals are due to be discussed on 19-20 October in negotiating sessions open to all WTO members.

WTO Director-General Roberto Azevêdo expressed cautious optimism about the chances of progress during remarks this week at the Washington-based Council on Foreign Relations. "Agriculture is a prominent theme – with a strong focus on domestic support and issues related to food security in developing countries," he [said](#).

Cotton: support limits proposed

The C-4 countries – Benin, Burkina Faso, Chad, and Mali – tabled a long-awaited proposal last week calling for capping the overall level of trade-distorting support for cotton, as well as measures on "green box" support. The latter is required to be only minimally trade-distorting under WTO current rules.

The proposal is among various recent submissions calling for a cap or ceiling on farm subsidy levels to reduce distortions in global markets. (See Bridges Weekly, [27 July 2017](#))

The C-4 calls for cutting developed countries' trade-distorting support to cotton, with deeper cuts for countries that have committed to a ceiling on highly trade-distorting "amber box" support at the WTO. The cuts would range between 70-90 percent, depending on how high subsidies were in a historical reference period.

The proposal would cover "amber box" support, trade-distorting payments classified as production-limiting "blue box" support, and "de minimis" payments, which are essentially amber box support that falls below a minimum share of the value of agricultural production.

Developing countries which have committed to a WTO ceiling on amber box support would face lesser cuts, at around two-thirds of what the C-4 proposes for developed countries.

Because only some developing countries have amber box commitments, not all of them would be affected by the C-4 proposal. WTO members such as Brazil or Turkey would face cuts, while others such as China and India would not, trade sources said.

The C-4 also called for tighter measures on green box support for cotton. Although cotton farmers could benefit from support that is generally available to producers under the green box, trade sources told Bridges that governments would normally be unable to provide product-specific support under this category.

ACP: eliminate amber box subsidies

Echoing a negotiating submission tabled in July by China and India, a separate proposal from the ACP group calls for the elimination of amber box subsidies, while also arguing in favour of enhanced flexibility for developing countries. The submission builds on a previous proposal from last November, with more detail and various new elements. (See Bridges Weekly, [20 July 2017](#) and [24 November 2016](#))

In their new paper, the ACP group argues that amber and blue box support in developed countries should not exceed ten percent of the value of agricultural production—a threshold composed of five percent for product-specific payments and another five percent for non-product-specific support. The ceiling is equivalent to the current WTO limit on developed country de minimis support.

Developed countries facing “critical difficulties” in complying could be granted longer implementation periods on an exceptional basis, the proposal says. The G-10 coalition of countries with highly-protected farm sectors, such as Japan, Norway, and Switzerland, have warned that they would find it difficult to accommodate steep cuts in their trade-distorting farm subsidies.

De minimis and blue box support in developing countries should also not exceed existing de minimis limits, the paper says. At 20 percent of the value of production, these are currently double the allowance for developed countries.

Due to commitments undertaken when it joined the WTO, China currently has a ceiling of 8.5 percent for trade-distorting support in the de minimis category, although the most recent official figures it has reported to the WTO indicate that actual support levels are much lower. (See Bridges Weekly, [13 May 2015](#))

Exporting countries such as the US have long argued that large developing countries such as China should also limit their trade-distorting support as part of any eventual deal, although Beijing has pointed to the low per capita level of its farm subsidies and their importance for food security. As China does not have a commitment on amber box support, the ACP group's proposal would not require it to undertake any cuts in its maximum permitted subsidy levels.

The ACP group also calls for setting the new ceiling on trade-distorting support at a higher level for developing countries with a low value of production and who allocate most support to subsistence and resource-poor producers.

Agricultural exporters: three fixed cap options

New Zealand, Australia, Canada, Chile, and Paraguay have proposed exploring options for a fixed cap on overall trade-distorting support levels, in a paper tabled earlier this week.

The paper advocates adopting a fixed monetary ceiling on support levels, rather than a limit expressed as a share of the value of production. In July, the EU, Brazil, and three other agricultural exporters proposed capping support as a share of farm output. A separate negotiating submission from China and India also proposed limiting trade-distorting support, while using a different approach. (See Bridges Weekly, [20 July 2017](#))

The New Zealand proposal suggests three types of fixed caps which members could consider. The categories would be set as follows: major members, such as the US; countries

such as the G-10, with high support levels relative to their value of production; and developing countries with a low value of agricultural production and low spending levels. Least developed countries would be exempt from any ceilings.

According to the proposal, major WTO members would need to respect a ceiling based on a percentage of historical value of production levels. Other countries with high support levels and low farm output would respect a ceiling based on current farm subsidy levels, with a small "buffer." Finally, developing countries with low subsidy spending and low levels of agricultural production would be bound by a fixed value ceiling, such as US\$2 billion, set at a level that is higher than current limits for most WTO members.

Significant gaps remain

Despite the flurry of new proposals, many negotiators are unsure how much progress can be achieved at Buenos Aires, given how far apart members are on domestic support.

Negotiating meetings convened this week by the chair of the WTO farm trade talks, Kenyan Ambassador Stephen Karau, might provide greater clarity on possible ways forward, sources said.

Others said that a WTO General Council meeting, scheduled for 26-27 October, might also give more direction to officials as they try to delineate the contours of an eventual agriculture-related outcome in Buenos Aires.

ICTSD reporting.

GLOBAL ECONOMY

World Bank, IMF Annual Meetings Highlight Improved Growth, Opportunity for Change

The annual meetings of the World Bank Group (WBG) and the International Monetary Fund (IMF) drew to a close on Sunday 15 October, capping several days of meetings that brought to the fore issues of inequality, sustained global growth, multilateralism, and development financing.

This year's event was held in Washington, where both institutions have their headquarters, and brought together finance ministers, central bankers, and development ministers from the two organisations' member economies.

The gathering came just as negotiators down the road in Virginia were in the final days of the fourth round of talks to update the North American Free Trade Agreement (NAFTA) – an event which served as a reminder of the changing geopolitical landscape on trade and global growth, and prompted numerous questions during the Annual Meetings' press conferences.

The debate extends beyond NAFTA, bringing up questions over policy uncertainty, the future of multilateralism and the post-war world order, and how to make the current system fit for purpose in the twenty-first century.

Moreover, officials also stressed the importance of shoring up the global economic recovery, particularly in light of recent improvements in trade and other areas.

"I see three priorities: get the economic fundamentals right; tackle more decisively the issue of excessive inequality; and address the major concerns of our young people to help ensure bright prospects for them and for future generations," said IMF Managing Director Christine Lagarde in her [speech](#) to the plenary.

Similar themes were raised by her World Bank counterpart, who also noted the "multiple crises," from climate change to inward-focused policy approaches, which require action and resources to ensure better resilience and equal opportunity.

"It often feels like our increasingly interconnected world is in fact falling apart and countries and peoples are pulling away from each other. Amidst this turbulence, organisations like the World Bank Group must step forward and help to build new foundations for human solidarity," said World Bank Group President Jim Yong Kim in his own [plenary remarks](#).

Global economy: IMFC notes "window of opportunity"

The International Monetary and Financial Committee (IMFC) and the Development Committee are the two steering bodies of the international financial institutions, with the former specifically focused on the IMF and the latter being a joint IMF-World Bank Group event. Both involve ministerial-level participation from a selection of the organisations' membership.

Going into the meet, the IMF released [updated estimates](#) placing global growth for 2017 and 2018 at 3.6 percent and 3.7 percent – an improvement from earlier projections. However, it also noted downward revisions to growth estimates for the US and UK, with better prospects for Canada, Japan, and the euro area.

The semi-annual World Economic Outlook warns specifically of risks such as increased protectionism in trade and investment, along with other financial concerns. Furthermore, it warns that “non-economic factors,” such as “extreme weather events,” could also have damaging implications for future growth.

In its [final communiqué](#), the IMFC noted the improvements in global economic growth, while warning that risks remain going forward. The statement was structured around the future of the global economy; financial stability in the longer term; inclusive, credible institutions; and addressing “shared challenges” such as the implementation of the Sustainable Development Goals (SDGs).

“The welcome upturn in global activity provides a window of opportunity to tackle key policy challenges and stave off downside risks, including by ensuring appropriate buffers, and to maximise returns on structural reforms to raise potential output,” the IMFC said.

Summing up the meeting, outgoing IMFC chair Agustín Carstens of Mexico [warned](#) that “there is no room for complacency,” while outlining the committee’s recommendations for pairing monetary policy with “growth-friendly” fiscal policies and “well-sequenced structural reforms.”

Tackling the gender gap

Addressing concerns over inequality was a recurrent theme throughout the Annual Meetings, in light of political developments seen across various economies and data suggesting that inequality is a problem not just among different countries but also within national borders.

IMF and World Bank officials both stressed that one key move to address inequality would be to reduce deep disparities between men and women across a host of areas.

“I think the most efficient way to reduce the inequalities would be to actually close the gender gap between men and women, and that is a no-brainer. Whether it is access to the labour market, whether it is access to finance, whether it is the gender gap in terms of compensation, that would achieve a lot in order to reduce inequalities,” Lagarde [told reporters](#) last week.

Notably, the Annual Meetings saw the formal launch of the [Women Entrepreneurs Finance Initiative](#) (We-Fi), a scheme hosted by the World Bank aimed at making it easier for women entrepreneurs to access the resources they need to be successful. According to the World Bank, donors have already pledged US\$340 million, with the goal of eventually reaching US\$1 billion.

We-Fi also has the support of a host of countries, including Australia, Canada, China, Denmark, Germany, Japan, Netherlands, Norway, Russia, Saudi Arabia, South Korea, the United Arab Emirates, the United Kingdom, and the United States.

“Our mission – to end poverty and increase prosperity – can’t be accomplished unless we tap the full potential of women entrepreneurs,” said Kim.

Financing for development

Another issue raised during the Annual Meetings was the importance of leveraging greater investment for meeting the Sustainable Development Goals (SDGs), the World Bank “twin goals” of increasing shared prosperity and eradicating poverty, and tackling the climate challenge.

The financing issue was raised by the Development Committee in their closing [communiqué](#), which called both for private sector support in this effort, along with “enhanced coordination and partnership across multilateral development banks (MDBs) and other international financial institutions (IFIs).

Kim, for his part, repeatedly flagged in his speeches the importance of supporting greater financing for development, including from private sector sources, in order to meet some of the world's largest risks – such as climate change or forced displacement.

“We know that official development assistance will not be enough to meet the US\$4 trillion per year needed to achieve the Sustainable Development Goals and meet the world's rising aspirations,” he [told](#) the plenary. He also called for a capital increase for the Bank itself, in order to support such goals.

The [next meetings](#) of the IMFC and Development Committee will be during the IMF-World Bank Group Spring Meetings, set for 20-22 April 2018 in Washington. Next year's annual meetings will be in October in Bali, Indonesia.

ICTSD reporting.

ECONOMIC PARTNERSHIP AGREEMENTS

European Union, South Africa Review EU-SADC Economic Partnership Agreement

One year after enacting the EU-South African Development Community (SADC) Economic Partnership Agreement (EPA), officials from the EU and South Africa gathered in Johannesburg to review its progress and consider next steps.

The [EU-SADC EPA](#) entered into force in October 2016, and is designed to be an asymmetrical, [development-oriented agreement](#). The accord has been signed by six of the 15 SADC members, namely Botswana, Lesotho, Mozambique, Namibia, South Africa, and Swaziland.

The EPA grants all of those countries, with the exception of South Africa, duty-free, quota-free access to the European market, while improving [market access](#) for Johannesburg. The 28-nation EU ranks as the [largest trading partner](#) for these countries, with European Commission statistics placing imports at over €30 billion in minerals, metals, and other products in 2015. The bloc exported similar levels of engineering, automotive, and chemical products.

Building on the deal

At this week's meeting in Johannesburg, EU Trade Commissioner Cecilia Malmström [told](#) stakeholders that the 28-nation bloc was determined to "build on the provisions of the EU-SADC EPA that enable and even require us to be inclusive and seek systematically the involvement of civil society."

The EU trade chief highlighted the value of bringing civil society and other stakeholders into the implementation process, including through "domestic advisory groups," and noted that Brussels will be pushing to ink a deal with SADC EPA countries for setting up a "joint platform" bringing in additional points of view.

The EU trade official further reaffirmed the importance of the binding provisions in the [trade and sustainable development chapter](#) of the deal, referring to labour and environmental standards.

In a [joint press release](#), South Africa Trade and Industry Minister Rob Davies said that "both parties should work together to ensure that the EPA contributes to the structural transformation agenda of the region, enhances trade, and promotes mutually beneficial outcomes."

However, the South African trade chief also told South African news agency the Daily Maverick that more could be done to make better use of the deals' terms.

"If our producers are not taking up their export quotas we need to see what it needs to meet the EU standards," Davies [said](#), referring specifically to agricultural exports.

Malmström, meanwhile, noted in a [speech](#) to Witwatersrand University students this week that South African agricultural exports to the EU have grown over the past year, while noting "there is much more to do to really reap the benefits."

EPA overview

The EU EPA talks with different country groups across the continent involved lengthy negotiations over more than a decade, ultimately leading to [concluded deals](#) with countries within the following five blocs: West Africa, Central Africa, Eastern and Southern Africa (ESA), East African Community (EAC), and SADC. (See Bridges Africa, [18 June 2015](#))

Within West Africa, EPAs between the EU and Côte d'Ivoire and Ghana provisionally entered into force late last year. A regional EPA has been initialled and is now pending signature.

In Central Africa, Cameroon remains the only country to have signed an EPA with the EU, which began provisional application three years ago. Meetings have since been held on implementation and on the prospects of bringing other countries in the region on board.

Currently, Mauritius, Seychelles, Zimbabwe, and Madagascar are signatories to the Eastern and Southern Africa (ESA)-EU EPA, while talks for the regional EPA with the East African Community (EAC) were concluded in October 2014, with Kenya and Rwanda joining two years later.

Over the course of the EPA talks, the negotiation of these regional agreements has fuelled interest in what this might mean for the continent's wider integration efforts, including in various African regional economic communities or in relation to the proposed Continental Free Trade Area (CFTA). (See Bridges Africa, [18 June 2015](#))

Indeed, the South African [trade ministry](#) also stated on social media site Twitter this week that the country is committed to regional integration as a path towards wider integration across Africa, including the planned CFTA.

After Cotonou

Aside from the planned CFTA, another major process will soon be on the horizon, given that the Cotonou Agreement will expire at the end of the decade. Last year, the EU issued a [joint communication](#) from the European Commission and the High Representative to support the discussion regarding the next chapter of the bloc's relationship with the African, Caribbean, and Pacific (ACP) countries.

Published last November, the document reaffirms the bloc's interest in cementing a legally binding accord with the ACP going forward.

"At the same time, the new partnership should remain flexible and agile to adapt to its own progress and the ever-changing environment," the document says, noting that the issue will require future deliberations among the EU institutions and ACP members.

ICTSD reporting; "Minister Davies and European Union Trade Commissioner Malmström mark first anniversary of Economic Partnership Agreement" CNBC AFRICA, 17 October 2017; "South Africa fails to exploit free trade agreement access to massive EU market," DAILY MAVERICK, 16 October 2017.

GLOBAL ECONOMY

Japan, US Pledge to Step Up Economic, Trade Cooperation

Japanese Deputy Prime Minister Tarō Asō and US Vice President Mike Pence concluded their second bilateral “economic dialogue” on Monday 16 October, amid continued speculation over whether the two sides may eventually agree to formal negotiations for a free trade deal.

While US officials have been pushing to start bilateral trade negotiations, no announcement of an agreement to start talks emerged this week.

“Fostering strong domestic demand-driven growth and fair trade practices can expand trade and foreign direct investment between our two countries that contribute to economic growth and job creation and result in more balanced trade,” read a [joint press release](#) issued on the heels of Monday’s meeting.

Officials also noted continued efforts to develop “more effective enforcement activities against unfair trade practices by third countries, as well as identify new areas of common interest for promoting high trade and investment standards.”

The economic dialogue format rests on forging “a common strategy on trade and investment rules and issues to ensure a free and fair trade relationship between our two nations,” Pence told reporters afterward, joined by Treasury Secretary Steven Mnuchin, Secretary of Commerce Wilbur Ross, and US Trade Representative Robert Lighthizer.

The dialogue marks one month before Trump’s trip to Asia, which includes a stop in Japan. The US leader will have a meeting with Japanese Prime Minister Shinzo Abe, which looks set to broach the topics of trade and economic integration.

Conceptualised in an earlier meeting between Trump and Abe in February, the dialogue aims to advance economic, trade, and investment ties between the world’s largest and third-largest economies. The inaugural round was held in Tokyo in April. (See Bridges Weekly, [16 February 2017](#) and [27 April 2017](#))

Trade gap, possible bilateral deal

On Monday, Washington officials renewed calls to negotiate a bilateral free trade agreement with Tokyo, which could cover nearly one-third of the global economy and a shared population of nearly 500 million people.

US administration officials say it would yield a more balanced trade relationship, citing a US\$69 billion trade surplus that the Asian island nation ran with the North American country last year, owing to a large extent to imports of Japanese autos and electronics.

Japan has pointed to these figures as failing to account for the vast volumes of investment flows creating new employment opportunities in the US. The economic dialogue presents a venue for Japan to further advance investment cooperation, including in energy and infrastructure.

While no announcement was made on elaborating a potential US-Japan accord, talks yielded other breakthroughs in facilitating bilateral trade in certain goods.

Japan agreed to streamline noise and emissions testing procedures for US car exports and to ease restrictions on American potatoes. The US in turn welcomed the lifting of trade restrictions on Japanese persimmons.

Pence also took the opportunity to raise Washington's concern about Tokyo's use of emergency tariffs on imported frozen beef, including from the US, though no agreement was announced. The measure, invoked in August, raises the tariff rate from 38.5 percent to 50 percent and was intended to act as a safeguard mechanism to protect Japanese farmers in response to a sudden rise in beef imports.

Trump has repeatedly said that he prefers negotiating bilateral trade deals as opposed to taking a regional or multilateral negotiating approach, choosing to withdraw from the Trans-Pacific Partnership (TPP) soon after assuming office. (See Bridges Weekly, [9 February 2017](#))

Japan is the largest economy remaining in the deal and is participating in "TPP-11" negotiations to advance the original accord now that the US has withdrawn. (See Bridges Weekly, [20 July 2017](#) and [28 September 2017](#))

The original agreement would have covered almost 40 percent of global GDP and over a quarter of world trade when counting the US. The remaining signatories include Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, Peru, New Zealand, Singapore, and Vietnam. (See Bridges Weekly, [8 October 2015](#))

Washington is eager to strengthen bilateral ties with Japan, and the earlier accord did include agreements to improve agricultural and automobile market access to Japan, including side deals between the US and Japan on the subject.

Election coming up

Meanwhile, Abe looks set to secure a victory for his ruling coalition as Japan gears up for general elections to fill the lower house of the Diet within days. His Liberal Democratic Party (LDP), together with its coalition ally Komeito, is being challenged by the Party of Hope, recently established by Tokyo Governor Yuriko Koike. Koike once served as defence minister under Abe when he was Prime Minister from 2006-2007.

"Economically, the world is making a big move while Japan's presence is gradually declining," Koike told journalists upon announcing her party, the very same day that Abe dissolved the Diet in September.

Koike has spoken of diverting from the course of heavy public spending and monetary easing characteristic of "Abenomics," the current leader's three-pronged economic strategy which also includes structural reforms.

Abe called the snap elections last month, originally not scheduled until next year, promising to ensure stability. Polls published by Japanese news organisations suggest that the centre-right ruling coalition is poised to win almost 300 of the available 465 seats, a solid majority.

ICTSD reporting; "Aso and Pence seek common ground on trade while jointly condemning Pyongyang," KYODO, 17 October 2017; "U.S., Japan fail to bridge gap on trade in economic talks," REUTERS, 16 October 2017; "U.S. Pushes 'Fair Trade' as Economic Talks With Japan Advance," BLOOMBERG, 16 October 2017; "Japan's general election: all you need to know," THE GUARDIAN, 16 October 2017; "Japan's PM calls snap election," AL JAZEERA, 25 September 2017.

TRADE AGREEMENTS

EU, Mercosur Trade Talks in Decisive Stage Amid Push for Deal

Negotiations between the 28-nation EU and the South American customs bloc Mercosur are entering a key stage, as officials debate sensitive issues such as market access concessions ahead of a December target date for completing the talks.

Agricultural trade has again been a particularly contentious issue in recent weeks, amid reports that Mercosur members were dissatisfied with the EU's recent market access offer. There have also been reports of domestic concerns within the 28-nation bloc over whether providing such concessions could potentially disadvantage farmers in some EU member states.

The proposal, tabled at the latest negotiating round in October, reportedly allows for 70,000 tonnes of beef and 600,000 tonnes of ethanol from Mercosur countries to be imported at lower duties, an offer that is said to have drawn criticism from Brazil and Argentina as insufficient. (See Puentes, [10 October 2017](#))

Mercosur negotiators also claim that the proposed quotas are a fraction of what was on offer when talks began over a decade ago, at 100,000 tonnes of meat and one million tonnes of ethanol, according to statements officials gave to the Reuters news agency. "We made it clear to the EU that there has to be a substantial improvement for there to be a deal," [said](#) Horacio Reyser, the secretary for international economic relations at Argentina's foreign ministry.

Some EU member states, such as France and Ireland, have expressed particular concerns, regarding either food safety or the impact of tariff-rate quotas on sensitive agricultural products. Eleven of these countries co-signed a letter to the European Commission on the subjects, according to a copy [cited](#) by Reuters. Along with concerns over beef and ethanol, sugar and poultry were also mentioned in the letter, which cautioned against the quotas on the table and was reportedly signed by Austria, Belgium, France, Hungary, Ireland, Lithuania, Luxembourg, Romania, Poland, Slovakia, and Slovenia.

European Commissioner for Agriculture and Rural Development Phil Hogan has previously [said](#) that Mercosur countries should "moderate their expectations about their sensitive products."

The two blocs have been negotiating a trade pact for nearly two decades, though the talks were stalled for several years. The process has regained pace in recent years, with the exchange of market access offers being seen as a major milestone in itself. (See Bridges Weekly, [23 March 2017](#) and [30 March 2017](#), [13 July 2017](#))

Clinching the deal

Negotiators from both blocs have repeatedly stated that they hope to finalise the deal by year's end. Some officials say that such a goal remains plausible, while noting that political hurdles could intensify should the talks drag on to next year. Elections are due in Brazil next October. (See Bridges Weekly, [27 July 2017](#))

"At the moment, I am strongly committed, together with the other foreign ministers of the founding nations, to conclude an agreement with the European Union," [wrote](#) Brazil's

Foreign Relations Minister, Aloysio Nunes in an article published by new agency O Estado de S. Paulo last week.

"We're hoping for some instrument that allows us to say that the deal will be finalised, although we will certainly need to keep polishing it a little more in 2018," [said](#) Reyser to Reuters.

However, leaders from some major EU member states have pushed back against potentially rushing the talks to a conclusion, with the issue expected to come up during a high-level summit later this week.

"I am not in favour of hurrying to conclude before the end of the year trade negotiations for which the mandate was given in 1999," [said](#) French President Emmanuel Macron at a recent meeting with agricultural stakeholders. Macron has argued that the mandate should be reconsidered, in light of significant changes in the trading landscape during those intervening years.

While agriculture has dominated headlines, negotiators are reportedly also grappling with how to address differences in public procurement and services, but have made advances elsewhere.

The next negotiating round is scheduled for 6-10 November, and an additional one is possible in early December.

ICTSD reporting; "EU's proposed trade deal with Latin America criticised by trade ministers," THE IRISH TIMES, 13 October 2017; "Brazil, Argentina call EU trade offer to Mercosur disappointing," REUTERS, 6 October 2017; "EU farm protectionism threatens deal with South American bloc," CNBC, 28 September 2017; "France in no hurry to sign EU-Mercosur trade deal: Macron," REUTERS, 11 October 2017; "Mercosur-EU Trade Agreement Not Likely This Year," THE RIO TIMES, 10 October 2017.

EVENTS & RESOURCES

Events

Coming Soon

24 October, Vienna, Austria. INVESTMENT COMPETITIVENESS FORUM. This World Bank event will examine the drivers of foreign direct investment (FDI), tying it to development prospects, opportunities, and challenges. The event will include the launch of the World Bank Group/International Finance Corporation "Global Investment Competitiveness Report." Please note that event attendance is by invitation only. More information is available at the World Bank [website](#).

24-25 October, Paris, France. FOURTH OECD GREEN INVESTMENT FINANCING FORUM. This event, organised by the Organisation for Economic Co-operation and Development (OECD), will examine the current state of play and future prospects for green finance and investment, both in the short and long-term. It will examine opportunities and challenges, along with channels for such funding streams. More information about the event is available at the OECD [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. For more information on the event, please visit the WEDF 2017 [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.

20 October: Council for Trade-Related Aspects of Intellectual Property Rights

20 October: Informal Open-ended Committee on Agriculture – Special Session

20 October: Informal Group of Developing Countries

23 October: Committee on Safeguards

23 October: Dispute Settlement Body

23 October: Informal Council for Trade in Services – Special Session

24 October: Committee on Subsidies and Countervailing Measures – Special Meeting

24 October: Informal Heads of Delegation

24 October: Committee on Subsidies and Countervailing Measures – Regular Meeting

25 October: Committee on Anti-Dumping Practices – Informal Group on Anti-Circumvention

25 October: Committee on Anti-Dumping Practices

25 + 27 October: Trade Policy Review Body – WAEMU (Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo)

26-27 October: General Council

26-27 October: Committee on Anti-Dumping Practices – Working Group on Implementation

Other Upcoming Events

30 October, Geneva, Switzerland. TECHNOLOGY, GLOBALISATION, AND WORLD TRADE GOVERNANCE. This conference is being co-organised by the WTO and the Graduate Institute's Centre for Trade and Economic Integration. It will feature a series of sessions on topics such as digital trade and the WTO; automation and other technologies in relation to trade and jobs; and other related policy topics. To learn more and to register, visit the Graduate Institute [website](#).

2 November, Geneva, Switzerland, and online. THE FUTURE OF WORK. This panel discussion is being organised by the Graduate Institute in cooperation with The Economist news magazine. It will address the implications of technological change on employment, along with whether there is a "future-proof" approach to protect the latter. Please note that the event will also be streamed live online on the Graduate Institute's Facebook page. To learn more and to register, visit the Graduate Institute [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 and knowledge partners, in parallel with the WTO's Eleventh Ministerial Conference. A dedicated website to the TSDS is now live, with information on how to register; the event's format; and other relevant details. More information will be made available at the TSDS [website](#) closer to the date.

14 December, Buenos Aires, Argentina. 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. As part of the event, they have a "call for papers" underway, with the deadline for paper submissions being 23 October 2017. Papers will be distributed and discussed at the forum itself in December. To learn more about submission requirements, key dates in the process, and the forum itself, please visit the ICTSD [website](#).

Resources

WHAT COULD WTO TALKS ON AGRICULTURAL DOMESTIC SUPPORT MEAN FOR LEAST DEVELOPED COUNTRIES? Published by the International Centre for Trade and Sustainable Development (ICTSD) (October 2017). This paper examines the implications of various WTO negotiating options in the field of agriculture, with a focus on least developed countries. The paper is available for download at the ICTSD [website](#).

GLOBAL TRADE WITHOUT CORRUPTION: FIGHTING THE HIDDEN TARIFF. Published by the Organisation for Economic Co-operation and Development (OECD) (October 2017). This report focuses on the relationship between corruption, integrity risks, and international trade, with a specific focus on trade facilitation and global supply chains. This report is available for download [here](#).

CAN TRUMP TERMINATE NAFTA? By Gary Clyde Hufbauer for the Peterson Institute for International Economics (PIIE) (October 2017). This article discusses the legal and policy questions around a possible US withdrawal from the North American Free Trade Agreement (NAFTA), in light of the current negotiations to modernise the accord. The article is available on the Peterson Institute [website](#).

INVESTMENT LAWS NAVIGATOR. Published by the UN Conference on Trade and Development (UNCTAD) (October 2017). This database brings together over 100 investment laws, with searchable texts of this legislation. The navigator is designed to serve policymakers, businesses, and expert communities alike. The database is available at the UNCTAD [website](#).

OECD DIGITAL ECONOMY OUTLOOK 2017. Published by the Organisation for Economic Co-operation and Development (OECD) (October 2017). This new publication examines recent trends in the digital economy, looking both across and within selected countries to examine the implications for trade, jobs, and more. The publication is available at the OECD's [iLibrary](#).

COALITIONS AND COMPLIANCE: THE POLITICAL ECONOMY OF PHARMACEUTICAL PATENTS IN LATIN AMERICA. By Kenneth C. Shadlen. Published by Oxford University Press (2017). This book examines the current intellectual property landscape at the international level, with a focus on pharmaceutical patents in the Latin American region. To learn more about the book, visit the Oxford University Press [website](#).

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