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TRADE AGREEMENTS

Theresa May: UK, US Setting Stage for Possible Trade Talks

The United Kingdom and the United States are examining how to move ahead with preliminary trade negotiations, according to UK Prime Minister Theresa May, who met with her American counterpart last week.

"We are discussing how we can establish a trade negotiation agreement, take forward immediate, high-level talks, lay the groundwork for a UK-US trade agreement, and identify the practical steps we can take now in order to enable companies in both countries to trade and do business with one another," [said](#) UK Prime Minister Theresa May on Friday 27 January.

May's visit to Washington marked US President Donald Trump's first visit from a foreign leader since taking office on 20 January. Along with the potential of providing substantive clues on the future UK-US relationship under these two new leaders, the visit was also looked to as an early test of their broader trade priorities, given the major political shifts being seen on both sides of the Atlantic.

Details from the two officials as to the desired timeframe and mandate for this UK-US trade negotiation agreement were not described at the time.

It was also not clear how this process would operate in parallel with the UK's Brexit negotiations with the rest of the European Union, which have yet to begin formally.

The UK cannot enter into a formal trade agreement with non-EU countries without having left the European Union first. However, the island nation will be aiming to set the groundwork for a full host of new deals once it is no longer an EU member, according to the prime minister.

Already under consideration are trade agreements with Australia, India, and New Zealand, with various other countries having reportedly expressed interest as well. UK and Australian officials met last week to begin examining what a future bilateral deal could look like. (See Bridges Weekly, [26 January 2017](#))

Shifting landscape, trade approaches

The UK prime minister is already in the process of navigating the difficult domestic and European context regarding the upcoming negotiations to leave the European Union. So far, this has included fielding domestic legal challenges and dealing with a debate with the heads of the country's "devolved administrations" – Scotland, Northern Ireland, and Wales – over their own regional priorities and concerns.

May confirmed last month that her government aims to take the United Kingdom out of the [European Single Market](#), given that being part of it requires keeping the "four freedoms" of free movement of people, goods, services, and capital. Her government's objective instead will be to negotiate a free trade agreement (FTA) with the remaining 27-member EU bloc, along with a new customs arrangement with the existing EU customs union. (See Bridges Weekly, [19 January 2017](#))

Her government will also need to deal with the response from the remaining 27 EU members, as they work to negotiate a deal that also serves the bloc's interests, while simultaneously building on the outcomes from their ongoing process of "[political reflection](#)" regarding the European Union's long-term future.

European Commission Vice-President Jyrki Katainen told Bloomberg TV this week that the EU is looking for a "functioning solution to Brexit and our future relationship with the UK," calling for all sides to ensure a positive "attitude" going forward.

The Brexit negotiations are expected to be formally launched in March, in line with a previous commitment by the prime minister, with the Times reporting this week that the intended date will be 9 March to coincide with a meeting with EU leaders.

The process to pass a "Brexit bill" in the UK parliament got well underway this week, with the House of Commons passing it Wednesday night. That bill will authorise the government to formally notify the EU under the Treaty of Lisbon of the UK's intention to negotiate a withdrawal, a necessary procedural step to begin official talks.

Trump has been a vocal supporter of Brexit, having openly endorsed the idea while he was still a presidential candidate, even before the 23 June referendum which saw a slim majority of UK voters support leaving the EU. (See Bridges Weekly, [30 June 2016](#))

"I think Brexit's going to be a wonderful thing for your country. I think when it irons out, you're going to have your own identity, and you're going to have the people you want in your country and you're going to be able to make free trade deals without having somebody watching you and what you're doing," said Trump during a joint press conference with the UK leader.

Trump is now in only his second week as president, having sworn the oath of office on 20 January. He has already been active on other trade topics, issuing last week a [presidential memorandum](#) which directed the US Trade Representative to withdraw the US from the Trans-Pacific Partnership (TPP) Agreement and instead "begin pursuing, wherever possible, bilateral trade negotiations to promote American industry, protect American workers, and raise American wages." (See Bridges Weekly, [26 January 2017](#))

The language of these instructions have not been clear about the fate of another trade initiative, one with potential relevance for a future UK-US deal. Specifically, the Transatlantic Trade and Investment Partnership (TTIP) remains in limbo, after over three years of negotiations.

While the two sides had aimed to complete the talks before former US President Barack Obama left office, that target was later dropped, with TTIP negotiators working instead to

capture as much progress as possible should the new US administration choose to pick it up. (See Bridges Weekly, [8 December 2016](#))

Although Trump has not yet referred publicly to any views he might have on TTIP, one of his main trade advisers suggested this week that the mammoth accord – which is still under negotiation – may also be terminated.

Speaking to the Financial Times, Peter Navarro said that those negotiations are essentially over. Navarro, who is leading Trump's National Trade Council, said that Germany's currency policy and its effects on the euro are largely to blame. He also argued Germany is a prime example of the variations across the EU in economic heft – making the TTIP “a multilateral deal in bilateral dress.”

May to Republican lawmakers: high-skilled, high-paid jobs key in FTA

Prior to her meeting with Trump, the UK prime minister travelled to Philadelphia, Pennsylvania, to speak at the [Republican Party conference](#) which met there on 26 January. Republicans hold majorities in both chambers of the US Congress, and the legislative branch will need to approve any future trade deal negotiated by the Office of the US Trade Representative.

“We will build a new partnership with our friends in Europe. We are not turning our back on them, or on the interests and the values that we share,” said May in Philadelphia to American lawmakers.

She also gave some initial hints at what her government would be looking to achieve in a bilateral trade pact, especially in light of the deep trade and investment relationship which already exists between the two countries.

“I am delighted that the new administration has made a trade agreement between our countries one of its earliest priorities. A new trade deal between Britain and America must work for both sides and serve both of our national interests,” said the UK leader.

She noted that such an agreement would need to be of mutual economic benefit, particularly in the creation of “high-skilled, high-paid jobs of the future” as well as those who have experienced the downsides of trade deals in the past.

Furthermore, she suggested that this UK-US deal could be a way to support “the rules-based international system” even more than it is today, while suggesting that trade talks would get underway “in the coming months.”

ICTSD reporting; “Trump's top trade adviser accuses Germany of currency exploitation,” FINANCIAL TIMES, 31 January 2017; “May will trigger Brexit on March 9,” THE TIMES, 31 January 2017; “Brexit bill set to pass without amendment as Tory rebels back off,” THE GUARDIAN, 30 January 2017; “Trump Must Reconsider Stance on Trade, EU's Katainen Says,” BLOOMBERG, 31 January 2017.

AGRICULTURE

Least Developed Countries Propose New Caps on Trade-Distorting Farm Subsidies at WTO

WTO members must agree to cuts and new ceilings for trade-distorting farm subsidies, says a proposal from a group of dozens of the world's poorest countries at the global trade body.

The submission from the group of Least Developed Countries (LDCs) was tabled by Benin on 13 January, but has not yet been discussed by negotiators, trade officials told Bridges. It identifies "urgent" actions to be taken ahead of the WTO's ministerial conference in Buenos Aires this December, as well as a separate set of measures which the group believes need to be tackled in the longer term.

The proposal follows a flurry of submissions from other countries and groups that were tabled at the WTO in November. (See Bridges Weekly, [17 November 2016](#))

Trade-distorting support in agriculture continues to create unfair competition for LDC producers, the proposal says, noting that "the bulk of LDC farmers are small-scale or semi-subsistence farmers." It also argues that the farm sector is "crucial" for export revenues, rural livelihoods, poverty reduction, and food security.

The LDC group is made up of 48 countries recognised as least developed by the United Nations, of which three dozen are WTO members, with another eight negotiating to join the organisation.

World leaders have said they will take steps to tackle trade restrictions and distortions in agricultural markets so that they can achieve the 2030 goal of [ending hunger](#) and achieving food security worldwide. This objective is one of the 17 Sustainable Development Goals (SDGs) that were adopted under the United Nations in 2015. (See Bridges Weekly, [30 September 2015](#))

"We are contributing to the debate," one LDC negotiator told Bridges.

Call for "urgent" action

The LDC group says there is an "urgent need" for action on harmful agricultural subsidies before the Buenos Aires ministerial.

The LDCs propose that WTO members agree by the time of the conference to a limit on the sum of all trade-distorting support measures.

This would include highly trade-distorting payments currently classified as "amber box" under WTO rules, alongside similarly distorting support which is allowed under a "de minimis" clause so long as it does not exceed a certain minimal share of the value of production. Finally, the new cap would include support classified as production-limiting "blue box" payments at the WTO, which currently faces no limits under global trade rules.

Although the proposal does not specify exactly how the new limits would be calculated, sources familiar with the proposal said that such an approach could allow members to negotiate a new ceiling on the total level of trade-distorting support provided. Many countries currently provide support that is substantially below existing limits on amber box support under WTO rules. (See Bridges Weekly, [26 January 2017](#))

Trade-distorting support concentrated on specific products should also be disciplined, the group said, especially for products of specific interest to LDCs.

Trade officials at the global trade body have repeatedly said that the bulk of WTO members favour an outcome on domestic support at the Buenos Aires ministerial. (See Bridges Weekly, [24 November 2016](#))

Cotton: four options

The LDCs also single out cotton for particular attention by the time of the ministerial, suggesting four possible approaches for tackling distortions on global markets for the product.

For well over a decade, reform of cotton subsidies in wealthier nations has been a central negotiating demand of LDCs from four West African countries – Benin, Burkina Faso, Chad, and Mali – known collectively as the Cotton 4 or C-4. (See Bridges Weekly, [16 June 2016](#))

The LDCs propose that governments could agree a fixed numerical limit on domestic support for cotton, or a limit defined as a percentage of the value of cotton production.

They could also consider a limit on trade-distorting cotton support defined as a share of total product-specific support, or a cap on cotton subsidies as a percentage of gross agricultural revenue from cotton.

"There's a glaring need to deliver there," one developed country negotiator told Bridges.

A high ambition agenda

Without specifying a timeframe, the group also argues that WTO negotiations need to deliver a binding overall limit to the sum of all trade-distorting domestic support, and "total elimination" of product-specific payments that exceed "de minimis" thresholds.

Currently, for both product-specific and non-product-specific support, these "de minimis" thresholds are set at five percent of the value of production for developed countries, and at ten percent for most developing countries – with China accepting a lower ceiling of 8.5 percent as part of commitments made when it joined the WTO.

Countries should agree to a "progressive decrease" in permitted support levels, the proposal says. While past WTO agreements required countries to make gradual cuts in trade-distorting support over an agreed implementation period, existing rules do little to incentivise countries to make further moves towards less trade-distorting types of farm support.

Furthermore, governments should agree to clarify criteria and disciplines for farm subsidies which currently can be provided in unlimited amounts on the basis that they cause no more than minimal trade distortion – dubbed "green box" support at the WTO. These green box subsidies include payments for "public goods," such as research, pest and disease control, or environmental protection; however, they also include more controversial schemes such as decoupled income support programmes.

Negotiators should also agree to the total elimination of "all types of domestic support" that have distorting effects on the cotton market, the group says.

"The overall ambition is high," one official familiar with the proposal told Bridges.

New WTO agriculture negotiating chair needed

New Zealand ambassador Vangelis Vitalis, the recent chair of the WTO agriculture negotiations, has now returned to Wellington to serve as Deputy Secretary in the Ministry of Foreign Affairs and Trade. The personnel change means that WTO officials are now consulting ambassadors to identify possible candidates who are likely to command consensus support from the trade body's membership.

Sources said that Harald Neple, the Norwegian ambassador who chairs the WTO General Council, is overseeing the consultation process.

Negotiators are hoping that the selection process can be completed ahead of a meeting of the General Council that has been scheduled for the end of February.

Trade officials told Bridges that the LDC proposal is likely to be discussed in informal meetings of the WTO negotiating body on agriculture once the new chair has been appointed – although there is also nothing to prevent members from meeting among themselves beforehand.

Initial reactions

Trade negotiators from different world regions told Bridges that their initial reactions to the LDC proposal were positive.

"I think it's good that the LDCs are taking this initiative," one source said, adding that the group has "the strongest moral position to be advocating for reform."

However, others cautioned that the response from countries that provide high levels of trade-distorting support would be critical.

Recently reported figures from the US government indicate that the country provided US\$14 billion in trade-distorting agricultural domestic support in 2014, the most recent year for which data has been submitted to the WTO. Beijing has said it provided ¥123 billion (US\$18 billion) in equivalent support in 2010, while Tokyo has reported ¥1140 billion (US\$14 billion) in 2012. (See Bridges Weekly, [26 January 2017](#))

Some negotiators said they were concerned about the more protectionist trade stance and scepticism about multilateralism that some officials in the new US administration had expressed – with some also anticipating an increase in litigation under the WTO's dispute settlement mechanism.

"People are very preoccupied, I think," one negotiator told Bridges.

However, other sources said that countries that favour trade reforms would continue to call for action ahead of the Buenos Aires ministerial.

"I don't think it makes any difference: you're still going to see a push," another negotiator said.

ICTSD reporting.

TRADE AGREEMENTS

Trump, Abe to Discuss Potential Bilateral Deal and TPP at Washington Summit

US President Donald Trump has announced plans to meet with Japanese Prime Minister Shinzo Abe in Washington to discuss trade and security matters in what will be the first face-to-face talks between the leaders since Trump took office last month.

The leaders had earlier met informally in New York in November. The upcoming meeting, to be held on 10 February, will consider opportunities for closer economic ties, including possibilities for a bilateral trade deal between the two nations and what may come next for the Trans-Pacific Partnership (TPP), a 12-nation trade and investment pact in the Asia-Pacific from which Trump formally withdrew last week. (See Bridges Weekly, [17 November 2016](#))

The enactment of the agreement in its current form was contingent on US and Japanese ratification, as the first and second largest economies involved respectively. According to the agreement's provisions, all signatories have a two-year window from the February 2016 signing date to ratify the accord. (See Bridges Weekly, [11 February 2016](#))

Otherwise, the pact must be ratified by at least six of the participants, accounting for 85 percent of the signatories' total GDP, in order to enter into force. The US makes up 60 percent of the aggregate GDP.

In a phone call last week, the two leaders "committed to deepen the bilateral trade and investment relationship," according to a White House [press statement](#). However, the precise nature of this relationship remains to be defined.

TPP versus bilateral talks

While the trade agenda under the Trump administration is only beginning to take shape, the new President did call in his inaugural address for an "America First" policy approach that would protect domestic workers and industries, and has said repeatedly that he prefers bilateral trade negotiations over those with multiple countries. (See Bridges Weekly, [26 January 2017](#))

"The president will continue to negotiate new, better trade agreements that will bring jobs back, increase American wages, and reduce our trade deficit," Sean Spicer, White House Press Secretary and Communications Director, was [quoted](#) as saying in the Japan Times.

Meanwhile, Abe, a determined advocate for the TPP in Japan, has indicated that he will continue to try to convince Trump of the merits of the Pacific Rim deal, but will not eliminate bilateral talks as an option either.

"Japan will continue to stress to the US the importance of the TPP but it is not totally unfeasible for talks on EPA [Economic Partnership Agreement] and FTA [Free Trade Agreement]" to take place, the Japanese prime minister [told](#) parliamentary officials, according to comments reported by Reuters.

"I believe President Trump understands the importance of free and fair trade, so I'd like to pursue his understanding on the strategic and economic importance of the TPP trade pact," he added.

Japan ultimately ratified the TPP in December 2016 and notified New Zealand, the designated depositary of the agreement, of the completion of its domestic ratification procedures last month. (See Bridges Weekly, [15 December 2016](#))

The decision came after months of debate about potential negative impacts, including on the Japanese agricultural sector, which has long been a significantly sensitive area for the Asian economy when it comes to negotiating new trade deals.

A [press release](#) from the Japanese Ministry of Foreign Affairs reaffirms this commitment. "Japan intends to continue to tenaciously encourage other original signatories to promptly complete their domestic procedures toward the entry into force of the TPP Agreement, in light of the significance of the TPP," said the ministry. The press release was dated 20 January, the day that Trump took office.

Automobiles

Any bilateral talks would need to take into account Japan's automobile market, which Trump claimed last week was allegedly carrying out "unfair" practices.

While Japan exported 1.6 million cars to the US in 2015, American automobiles made up less than one percent of the share of Japanese car sales over the same period.

Abe and senior trade officials have emphasised that there are no barriers facing American cars, but instead not enough effort has been made to adapt vehicles to Japanese consumers.

"It's not only President Trump, but US officials at all levels often bring this up," Abe told domestic parliamentarians, according to comments reported by Bloomberg.

"I tell them, if you go outside, you will realise that there are quite a lot of European cars, but no American cars and there are reasons for that. There are no dealers, they don't exhibit at the Tokyo Motor Show and they don't advertise on the television or in newspapers," he continued during his remarks on 31 January.

"Makers from some countries make an effort by switching the steering wheel to the other side," he said. "If there is a misunderstanding about this, I will of course explain it to the US side."

Improving access to both sides' respective automobile markets has long been a point of discussion between the two trading giants. When Japan sought formal entry into the TPP talks in 2013, receiving the US' sign-off required various commitments on the subject.

This 2013 deal included phasing out US tariffs on Japanese car imports on a timeframe equivalent to that of the longest staging period for any other given product that was subject to the TPP negotiations.

It also required commitments by Japan to increase the number of US car imports allowed under a fast-tracked Japanese system, along with the establishment of a bilateral negotiating track on non-tariff measures involving cars that would take place concurrently with the broader TPP talks and would be incorporated into the final outcome. Other non-tariff measures not related to automobiles were also flagged as negotiating areas to be dealt with under the TPP. (See Bridges Weekly, [18 April 2013](#))

Within the TPP talks, the two sides ultimately agreed [an annex](#) specific to the handling of motor vehicle trade. Whether the outcomes of this annex could be carried over into a future US-Japan bilateral trade deal has not yet been made clear.

Toyota, which also came under fire by Trump for shifting production of its Corolla sedan to Mexico, has announced plans to invest US\$10 billion in its US operations in the next five years, just as in the previous five years.

Ahead of the February summit, Abe has scheduled meetings with the heads of Toyota and Keidanren, the latter of which is a major business federation in Japan.

ICTSD reporting; "Japan's PM says will keep seeking Trump's understanding on TPP," REUTERS, 23 January 2017; "Japan's Abe, Automakers Scramble to Draft Response to Trump," FORTUNE, 30 January 2017; "Abe Pushes Back After Trump Attacks Japan Car Sales as 'Unfair'," BLOOMBERG, 30 January 2017; "Japan PM Abe prepares US trade offer ahead of Trump meeting," RT, 30 January 2017; "Japanese Prime Minister Shinzo Abe is still pitching Trump on TPP," REUTERS, 23 January 2017; "Abe Open to Bilateral Trade Deal With U.S. After Trump Exits TPP," BLOOMBERG, 26 January 2017; "U.S. formally notifies TPP members of departure from trade deal," KYODO, 31 January 2017.

RENEWABLE ENERGY

European Commission: EU "On Track" for 2020 Renewables Goal

The European Union is showing strong signs that it will meet its 2020 renewable energy target, according to a new report by the bloc's executive arm released on Wednesday 1 February.

The 28-nation bloc's [targets](#) for the end of the decade include a binding commitment to use 20 percent of energy from renewable sources by that time. Within that context, individual member states have their own individual goals to meet and national action plans to follow.

The report issued this week by the European Commission, entitled the "Second Report on the State of the Energy Union," also says that the 28-nation bloc is making progress toward meeting another target for the end of the decade: specifically, the goal of improving energy efficiency by 20 percent.

Competitive renewables market

The market for renewable energy products has become increasingly competitive over the past several years, with countries racing to stake their claim in this growing sector. EU officials have pushed for making the bloc one of the top players in this field, touting its renewable energy goals as an essential way to support a wider climate action and energy security agenda.

According to the Commission, the share of renewables in the bloc's final energy consumption reached approximately 16.4 percent in 2015, suggesting that the 20 percent goal for 2020 is within sight.

In [a factsheet](#) accompanying this week's report, the EU's executive arm credited the bloc's efforts to increase its deployment of renewables as responsible for lowering domestic wholesale costs of these energy sources – a trend which could soon translate to reduced consumer costs.

The price of solar panels has already dropped by 80 percent from 2009 to 2015, with wind power also seeing reductions in price, though to a smaller scale. The falling costs of renewables will make it easier for incorporating them into market, the report says.

Furthermore, the Commission notes, over one-quarter of the bloc's electricity is now sourced from renewables, hitting 27.5 percent in 2014. On trade, the report argues that the advances in renewables allowed the bloc to lower its imports of fossil fuels by €16 billion in 2015 – a number which could increase nearly four-fold in the next 13 years.

However, the report also warned that the EU is not keeping pace with other economies in its renewable energy investments, with the share now dropping to 18 percent of the global total relative to nearly half in 2008 – a number which the EU's executive branch warns falls far below what the bloc needs to stay on track with its objectives.

The European Commission also touts the value of the renewable energy sector in supporting other EU 2020 targets such as the above-mentioned energy efficiency improvements. It also makes the case for the planned 27 percent binding renewables target for 2030, arguing that this goal remains essential for meeting bloc-wide commitments for cutting greenhouse gas

emissions by 40 percent by 2030 – an objective that the EU has also affirmed under the UN climate talks.

Moving forward, the Commission has called upon the other EU institutions to make the “Clean Energy for All Europeans” package of proposals a “priority” for 2017. The legislative package was released in November 2016 and included plans ranging from improving the regulatory framework for the renewable energy sector to adopting a more stringent energy efficiency target across the bloc. (See Bridges Weekly, [1 December 2016](#))

EU ETS: Permit surplus falling

The new report also delivered some positive news for the EU's carbon market, noting in a [related document](#) that the number of excess carbon allowances – otherwise known as permits – have seen a significant drop.

The EU's Emissions Trading System (ETS) has been the flagship of the bloc's wider effort to slash emissions. The scheme is now over a decade old and remains the largest carbon market in the world, though that title is expected to go to China when it rolls out its own national-level programme this year. (See Bridges Weekly, [9 September 2015](#))

Under the EU ETS, companies across the bloc – as well as in Iceland, Liechtenstein, and Norway – are allocated or auctioned carbon permits. These can then be bought or sold in order to meet an overall emissions cap, which is lowered progressively. The problem of excess permits has bedevilled the scheme since the days of the global financial crisis, leading to numerous efforts to restructure the system in order to increase its effectiveness, stimulate greater investment in low-carbon technologies, and ensure its long-term sustainability.

The report released this week saw that the surplus fell by approximately 300 million allowances in 2015, while suggesting that the ETS is still yielding progress in the goal of cutting emissions across the bloc. The EU aims to bring emissions from ETS sectors down by 21 percent relative to 2005 levels by the end of the decade.

The EU institutions are working on legislation to reform the ETS for its next “phase,” which covers the years 2021-2030. A vote in the European Parliament on the latest version of the proposed changes is expected later this month. (See Bridges Weekly, [23 June 2016](#))

Geopolitical context

Officials from the EU's executive branch have said repeatedly over the past weeks that the bloc will do its utmost to continue playing a significant role in terms of climate action, even with the recent change in leadership in the United States under new President Donald Trump. (See Bridges Weekly, [26 January 2017](#))

“Despite the current geopolitical uncertainties, Europe is forging ahead with the clean energy transition. There is no alternative,” said Miguel Arias Cañete, the EU's Commissioner for Climate Action and Energy, in presenting this week's report.

In a [press release](#) also circulated on Wednesday, the EU climate chief particularly highlighted the increasing number of jobs in the renewable energy sector, as well as the improvements seen in both cutting costs and drawing in investments.

“Now, efforts will need to be sustained as Europe works with its partners to lead the global race to a more sustainable, competitive economy,” he added.

Speaking to the Financial Times this week, European Commission Vice-President responsible for the Energy Union Maroš Šefčovič affirmed that the EU will remain “ready to lead the

fight" on this issue regardless of the developments seen in Washington, while also urging the new leadership in the White House to heed the scientific evidence in this field.

Other officials, such as Jos Delbeke, the Director-General of the European Commission's Directorate-General for Climate Action, have also argued that Trump should consider the private sector arguments in favour of climate action.

Prior to taking office, Trump was arguably best known as a billionaire business magnate, specialising in real estate, along with engaging in various other enterprises ranging from television shows to sports ventures.

"When I talk to experts from the United States, they say it is not to be excluded that because of the business dynamics, that the pledge that the United States have given in Paris, may well be delivered," said Delbeke at a Brussels event this week, according to comments reported in the EU Observer.

Delbeke was referring to the new, universal global climate deal reached in the French capital in late 2015 under the UN's Framework Convention on Climate Change (UNFCCC). While the continued participation of the United States in the Paris Agreement is not yet clear, countries from around the world have confirmed that they will build on the momentum generated by its swift ratification process, which has advanced well ahead of schedule. (See Bridges Special Update, [20 November 2016](#))

To date, 127 parties have ratified the Paris Agreement, which has been in force since November 2016. The 127 parties involved cover more than [80 percent](#) of global greenhouse gas emissions. (See Bridges Special Update, [6 November 2016](#))

While Trump said on the campaign trail that he would "cancel" the US' participation in the deal, no such steps have been taken to date.

His nominee for Secretary of State is Rex Tillerson, who was the head of the ExxonMobil oil and gas giant. He was confirmed to the post on Wednesday. Tillerson said last month during his confirmation hearing in front of the Senate Foreign Relations Committee that he does believe in climate change – while raising some questions on the current limitations of climate science – and said that the US is "better served by being at that table than leaving the table" when it comes to the UN climate process.

ICTSD reporting; "Tillerson hedges on climate science, but supports Paris Agreement," PUBLIC RADIO INTERNATIONAL, 12 January 2017; "Rex Tillerson Says He Believes in Climate Change – but That May Not Mean Much," TIME, 12 January 2017; "EU to lead fight on climate change despite Trump," FINANCIAL TIMES, 1 February 2017; "Trump cannot deny business case for clean energy, says EU official," EU OBSERVER, 25 January 2017.

TRADE REMEDIES

EU Confirms Definitive Duties on China, Taiwan Steel Imports

The European Commission [announced](#) last week that it is set to levy definitive anti-dumping duties on two types of steel products imported from China and Taiwan, after completing a probe which deemed that the allegedly dumped products were causing material injury to domestic industry.

The EU's executive arm made its announcement in [an official notice](#) on 27 January 2017, where it stated that Chinese exports would now face duties ranging from 30.7 percent to 64.9 percent, and Taiwanese exports will face duties ranging from 5.1 percent to 12.1 percent.

Dumping occurs when a country sells products abroad at prices less than their normal value, making it difficult for domestic producers to compete. Anti-dumping duties are meant to counter instances of the allegedly unfair trade practices.

The EU stated that definitive measures should be imposed to allow the bloc's industry to recover from the injury allegedly being caused by the dumped imports.

The targeted products are used to join stainless steel pipes and tubes, and are commonly used in various industries as wide-ranging as energy generation and shipbuilding.

The investigation dates back to October 2015, when the European Commission announced the initiation of anti-dumping proceedings following a complaint lodged the previous month by a domestic industry group.

This investigation reviewed the period from October 2014 to September 2015 to determine whether dumping was underway, along with reviewing the potential harm caused to the domestic steel industry.

Meanwhile, an official of China's Ministry of Commerce (MOFCOM) has responded that Beijing had "serious doubts" about the Commission's move, according to comments reporter by Reuters. The official reportedly argued that the new duties would be detrimental to the Asian economy's producers and that such moves could have a chilling effect on trade.

Chinese steel products have been the subject of over a dozen trade remedy measures by the European Union, and Commission officials have said in the past that more could be forthcoming unless policy changes are made.

EU Trade Commissioner Cecilia Malmström said in a [media release](#) last December that "as long as governments outside the EU support their steel industries in ways that distort the market, we will use all the available tools to ensure a level playing field for the EU's steel producers."

The two sides have repeatedly sparred over the past year over the cause of the global steel overcapacity situation, though they have also pledged to intensify their cooperation in order to find a solution – including through the [Global Forum on Steel Excess Capacity](#) launched last December and announced in September during a meeting of G-20 leaders in Hangzhou, China. (See Bridges Weekly, [7 September 2016](#) and [15 September 2016](#))

The “overcapacity” debate has centred largely on Chinese production practices and trade policy, though Beijing has countered that the problem is global in nature and thus requires an international solution, a stance which has been supported by other producing economies. Other countries such as the US have similarly raised concerns. (See Bridges Weekly, [30 June 2016](#))

China is by far the world's top producer of steel, though it has pledged to progressively cut back in the coming years. According to the [World Steel Association](#), production of crude steel in China reached 808.4 million metric tonnes last year, a 1.2 percent increase from 2015's crude steel production. The Asian economic giant is now producing 49.6 percent of the world's steel.

ICTSD reporting; “EU imposes definitive dumping duties on Chinese steel tube imports,” REUTERS, 27 January 2017; “China Accuses European Union of Protectionism Over New Steel Taxes,” FINANCIAL TRIBUNE, 30 January 2017; “US hits China and others with more steep steel duties,” CNBC, 26 May 2016.

TRADE AGREEMENTS

Malmström: EU, Indonesia Trade Negotiations On the Move

Trade negotiations between the 28-nation European Union and Indonesia are kicking into gear, according to EU Trade Commissioner Cecilia Malmström.

The two sides launched negotiations last year, confirming plans to hold their first negotiating round in 2016. According to Malmström, officials met for two days in September to help lay the groundwork for future talks, and began to take on more "detailed discussions" during their first full round from 24-27 January. (See Bridges Weekly, [21 July 2016](#))

Iman Pambagyo, who serves at the Indonesian Trade Ministry as its international trade negotiation director general, confirmed that last week's round was meant to get all sides on the same page in understanding their desired levels of ambition and proposals.

"Only then in the next rounds will we have comprehensive negotiations. Hence, this round is crucial to determine the direction ahead," said the Indonesian official, according to comments reported by the Jakarta Post.

Malmström also referred specifically to the value of engaging the Asian market further in light of geopolitical decisions being taken by other major trade partners, citing US President Donald Trump's move last week to withdraw his country from the Trans-Pacific Partnership (TPP) Agreement. (See Bridges Weekly, [26 January 2017](#))

While Indonesia is not one of the TPP signatories, she cast the bilateral talks as an opportunity to tap a vast Asian market which "undoubtedly represents a huge business potential" for the European Union going forward.

"It is clear that our Asian trade talks will be of particular importance in the years ahead," said the EU trade chief in [a blog post](#) released last week describing the state of play.

When the negotiations were launched last year, the two sides confirmed that they would be looking at addressing goods and services trade, intellectual property rights, public procurement, competition, and sustainable development topics, among others. They would also be looking to facilitate investment, given the high levels of foreign direct investment that the EU has in the Southeast Asian archipelago.

Indonesia is the largest economy within the Association of Southeast Asian Nations (ASEAN), a 10-country grouping that also includes Brunei Darussalam, Cambodia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam. Along with being the largest economy in the regional grouping, Indonesia also is home to over 250 million people who live across its various islands.

The EU had previously sought to ink a region-to-region deal with [ASEAN](#) as a group, with those negotiations beginning a decade ago and going on hold shortly thereafter. In the years since the focus has been on reaching agreements with individual countries.

The 28-nation bloc has completed negotiations with Singapore and Vietnam, though the ratification of the former is pending an official ruling from the European Court of Justice regarding the European Commission's competences to conclude the agreement on its own.

The EU is also involved in trade negotiations with Malaysia, Thailand, and the Philippines. (See Bridges Weekly, [19 January 2017](#))

The EU and ASEAN said in 2015 that they were considering the option of eventually resuming their region-to-region negotiations. (See Bridges Weekly, [7 May 2015](#))

According to a [document](#) from the European Commission that was updated last month, the bloc's executive arm "continues exploratory informal talks with other individual ASEAN member states with a view to assess the level of ambition at bilateral level. A regional agreement remains the ultimate objective."

ICTSD reporting; "2nd round of negotiations kicks off for Indonesia-EU CEPA," THE JAKARTA POST, 24 January 2017.

EVENTS & RESOURCES

Events

Coming Soon

5 February, Berlin, Germany. KEY POLICY OPTIONS FOR THE G20 TO SUPPORT INCLUSIVE INTERNATIONAL TRADE AND INVESTMENT. This event is being organised jointly by the International Centre for Trade and Sustainable Development (ICTSD), the German Development Institute (Deutsches Institut Für Entwicklungspolitik), and the T20 Task Force on Trade and Investment. The objective is to discuss and develop a forward-looking set of ideas to transmit to the G-20 Trade and Investment Working Group (TIWG) and the Hamburg Summit being held in June, along with future events on these policy issues later down the road. Please note that this is an invitation-only event. For additional details on the topics of discussion, please visit the ICTSD [website](#).

8 February, Washington, US, and online. A NEW APPROACH TO DEVELOPMENT FINANCE. This Center for Global Development (CGD) event will feature a panel discussion on what changes are needed to mobilise the necessary investment for addressing today's development challenges and making sure that the Sustainable Development Goals (SDGs) are met. Attendance is possible either in person or online via webcast. Registration is required for both options. To learn more, please visit the CGD's [website](#).

9 February, Geneva, Switzerland. DRIVING CLEAN ENERGY TECHNOLOGIES THROUGH TRADE POLICY. This event is being organised jointly by the International Centre for Trade and Sustainable Development (ICTSD) and the World Energy Council. This dialogue will feature a discussion relating to global value chains and non-tariff measures in the context of clean energy and energy efficiency, placing these topics and others in the broader context of how trade policy can be used to support greater clean energy supply. To learn more and to register, please visit the ICTSD [website](#).

9 February, London, UK. DISUNITED KINGDOM: DEVOLUTION, DEALS AND BREXIT. This Chatham House event will feature a panel of analysts, academics, and commentators for a discussion on what the upcoming Brexit talks will mean for the internal relationships between different parts of the United Kingdom, specifically the issue of devolved administrations. The talk will include an analysis of the possibility for a "differentiated Brexit," including in relation to the EU's single market. For more information and to register, please visit the Chatham House [website](#).

9 February, Washington, US. NAFTA 2.0? This event by the Washington International Trade Association (WITA) will examine the history and results of the North American Free Trade Agreement (NAFTA) to date along with the prospects for re-opening the accord under the current political context. Please visit the Eventbrite page for the event to register and see an updated list of speakers. The webpage is available [here](#).

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.

14 + 16 February: Trade Policy Review Body – Sierra Leone

Other Upcoming Events

14 February, London, UK. CHINA IN 2017 AND RISKS TO THE GLOBAL ECONOMY. This Chatham House event will feature a presentation by George Magnus, Associate at the China Centre at Oxford University. The gathering will focus specifically on policy opportunities and challenges facing Beijing this year, in light of the political transition in the US and the upcoming 19th National Congress in China. Please note that attendance at this event is by invitation. For more information, please visit the Chatham House [website](#).

16 February, Washington, US. PURSUING REGULATORY EXCELLENCE: BREXIT, TRUMP, AND BEYOND. This event is being hosted jointly by the Brookings Institution and the University of Pennsylvania Law School's Penn Program on Regulation. The event will feature a presentation of a new Brookings book entitled "Achieving Regulatory Excellence" and a discussion of how government regulation may evolve given the political developments being seen in the US and the European Union. For more details and to register, please visit the Brookings [website](#).

16 February, Washington, US. THE FUTURE OF US-CHINA TRADE AND INVESTMENT RELATIONS. This event by the Washington International Trade Association (WITA) will focus on the potential direction of US-China trade ties in the future. A full list of speakers is forthcoming, with registration possible through the gathering's EventBrite page. More information is available [here](#).

21-23 February, Nadi, Fiji. ADB TRADE FINANCE TRAINING SEMINAR FOR PACIFIC BANKS, PART 2. This training seminar is being organised by the Asian Development Bank (ADB) as part of an ongoing project for providing delegates based in the region with additional training on trade finance. The event's objectives include increased awareness and space for policy dialogue about the options for addressing trade finance gaps, among others. Please note that attendance is by invitation. More details, including a full list of speakers, is available [here](#).

23 February, Geneva, Switzerland. WHAT NEXT – AFTER BREXIT? This event is being organised by the Graduate Institute of International and Development Studies and The Europaeum university network. The guest lecturer will be William Hutton, the Principal of Hertford College at Oxford University and the Chair of the Oxford Europaeum Group. The discussion will focus on what Brexit and other recent international political developments could mean for policy areas such as trade. More information and registration details are available [here](#).

27 February – 3 March, Geneva, Switzerland. INTERGOVERNMENTAL COMMITTEE ON INTELLECTUAL PROPERTY AND GENETIC RESOURCES, TRADITIONAL KNOWLEDGE AND FOLKLORE. This committee meeting at the World Intellectual Property Organization (WIPO) will focus on advancing discussions and negotiations on protecting traditional cultural expressions, as part of a larger effort on potentially developing international instrument(s) in this area as well as traditional knowledge and genetic resources. More information about the event, including a draft agenda and details about webcasting, can be found at WIPO's [website](#).

Resources

THE UNITED STATES WTO COMPLAINT ON CHINA'S AGRICULTURAL DOMESTIC SUPPORT: PRELIMINARY OBSERVATIONS. By Lars Brink and David Orden (January 2017). This paper examines the US-China dispute on agricultural domestic support which was filed in September 2016 ([DS511](#)), with the authors reviewing which issues may feature in the upcoming panel deliberations on the subject. A panel was established in January 2017 to hear the case. The paper can be downloaded in PDF form [here](#).

BORDER TAX ADJUSTMENTS: ASSESSING RISKS AND REWARDS. By Gary Clyde Hufbauer and Zhiyao (Lucy) Lu for the Peterson Institute for International Economics (January 2017). This policy brief reviews the relationship between border tax adjustments and WTO rules, along with what this type of tax policy can mean for exchange rates. The brief makes note of the debate in the United States on the subject, given proposals by Republican Party lawmakers and statements from President Donald Trump. The policy brief can be downloaded [here](#).

PLURILATERAL TRADE AGREEMENTS: AN ESCAPE ROUTE FOR THE WTO? By Rudolf Adlung and Hamid Mamdouh for the World Trade Organization (WTO) (January 2017). This new working paper examines the different types of "plurilateral" trade deals possible under the umbrella of the WTO, along with the benefits of drawbacks of both in the current policy climate. The authors also include related recommendations. The paper is available for download [here](#).

THE REVISED WTO AGREEMENT ON GOVERNMENT PROCUREMENT (GPA): KEY DESIGN FEATURES AND SIGNIFICANCE FOR GLOBAL TRADE AND DEVELOPMENT. By Robert D. Anderson and Anna Caroline Müller for the World Trade Organization (January 2017). This new working paper examines the revision of the Government Procurement Agreement (GPA) which was completed in 2012, looking at the text's elements and their related implications in recent years. The paper can be downloaded at the WTO [website](#).

AFRICA'S NEW CLIMATE ECONOMY: ECONOMIC TRANSFORMATION AND SOCIAL AND ENVIRONMENTAL CHANGE. By Milan Brahmbhatt, Russell Bishop, Xiao Zhao, Alberto Lemma, Ilmi Granoff, Nick Godfrey, and Dirk Willem te Velde for the Overseas Development Institute (ODI) (November 2016). This report examines recent developments throughout the African continent which have economic, environmental, and social implications, along with outlining related action areas. The full report is available for download at the ODI [website](#).

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