

# BRIDGES WEEKLY

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## TRADE AGREEMENTS

### European Parliament Endorses EU-Canada Trade Agreement

EU lawmakers voted on Wednesday 15 February [to approve](#) the Comprehensive Economic and Trade Agreement (CETA), a sweeping trade and investment accord with Canada. The trade deal passed the European Parliament by a sizeable majority, with 408 votes in favour, 254 against, and 33 abstentions.

[The trans-Atlantic deal](#) was negotiated over a span of nearly six years and was later signed by leaders from both sides on 30 October 2016, following a heated debate over subjects such as the inclusion of a new investment court system, which was designed to replace the previous investor-state dispute settlement mechanism (ISDS) that has become a common feature of many trade deals. (See Bridges Weekly, [3 November 2016](#))

Ahead of the 751-member legislative body's vote in Strasbourg, France, the trade deal first went through multiple parliamentary committees, earning the backing of its international trade committee (INTA) and its environment, public health, and food safety committee (ENVI). While it faced a negative result from the committee on employment and social affairs (EMPL), that vote was non-binding, as was that of the environment panel. (See Bridges Weekly, [26 January 2017](#))

The two sides could begin implementing the accord on a provisional basis from as early as April, officials say. This means that most of the deal's chapters would be in force, except for those relating to the investment court system and any others that do not fall under EU exclusive or shared competence.

In order for the deal to be implemented in full, CETA will also need to be ratified at the EU member state level, which depending on the country will involve the national legislature and in some cases regional legislatures as well.

"This trade deal has been subject to an in-depth parliamentary scrutiny which reflects the increased interest of citizens in trade policy. The intense exchanges on CETA throughout this process are testimony to the democratic nature of European decision making," [said](#) European Commission President Jean-Claude Juncker after the vote.

### **Malmström: CETA to "upgrade" bilateral relationship**

EU Trade Commissioner Cecilia Malmström was on hand for Wednesday morning's plenary debate in Strasbourg, discussing the case in favour of the trans-Atlantic trade deal before lawmakers cast their official votes.

"Trade policy is about opening markets – but also about supporting our values. So CETA is a progressive agreement with a progressive partner... which upholds our standards and protects our sensitivities," [said](#) Malmström.

Proponents of CETA have argued that the accord, along with being among the most ambitious ever negotiated by either trading partner, is also a litmus test for the future of European trade policy when it comes to inking deals with other countries. EU officials also say that approving CETA can serve as a sign of unity for a bloc that is increasingly facing demands to respond to domestic and international concerns.

The trade deal has drawn intense scrutiny over the last couple of years, as some critics questioned whether the reforms to the investor-state dispute settlement (ISDS) mechanism under the new "investment court system" go far enough to address concerns over protecting the right to regulate in the public interest and whether the deal will indeed lead to the growth and jobs that have been suggested.

EU officials, however, argue that the accord could yield significant economic gains on both sides, many of which will benefit small and medium-sized businesses by making it easier for these companies to engage in international trade. They have also touted its potential to answer some of the concerns raised more broadly on the merits of globalisation, along with the significant upgrade that the investment court system entails relative to the earlier ISDS mechanism, including the incorporation of an appellate review system. (See Bridges Weekly, [3 March 2016](#))

"We are at a time when many stand against what the EU stands for. Openness; international cooperation; the freedom to trade, and so on. Those who oppose those principles also question the foundation and the future of the EU itself," said Malmström on Wednesday.

A way to counter protectionist forces, she added, would be to continue cooperating with "likeminded partners" such as Canada, both through approving the CETA as well as a separate deal with Canada known as the [Strategic Partnership Agreement](#), which aims to boost political cooperation on topics such as sustainable development, among various others.

The latter agreement was also approved by lawmakers, with 506 votes in favour and 142 against, with 43 lawmakers abstaining.

### **Trudeau to speak in Strasbourg**

Canadian Prime Minister Justin Trudeau is due to address EU parliamentarians on Thursday 16 February, according to a statement released by his office, as part of a trip that will also include two stopovers in Germany.

The Canadian leader is expected to discuss the expected benefits of CETA during his address to EU lawmakers. According to his office, this address will mark the first time that a Canadian leader has addressed the European legislative body.

"CETA is the most progressive trade agreement ever negotiated by Canada or the European Union. CETA sets a high standard for free trade agreements of the future," said Trudeau on 9 February, according to the government's [statement](#).

Across the Atlantic, the CETA implementation bill is working its way through the Canadian parliament, [having passed](#) three readings in the House of Commons and now being considered in the Senate.

### **Brief overview**

CETA spans 30 chapters, covering goods and services trade, public procurement, state-to-state dispute settlement, transparency, environmental and labour issues, state-owned enterprises, e-commerce, investment, and sustainable development, among various other topics.

On goods-related trade, the accord is due to eliminate duties on over 99 percent of industrial products for both sides upon entry into force, though some more sensitive goods such as automobiles and ships will see their tariffs progressively phased out over a set period.

According to a European Commission summary of the accord, CETA [also commits](#) Canada to eliminate agricultural tariffs either immediately or within a seven year period for 91.7 percent of tariff lines, though more sensitive products will either face tariff-rate quotas (TRQs) or are not subject to tariff cuts. The EU, for its part, will have eliminated 93.8 percent of agricultural tariffs within the first seven years, the bulk of these upon CETA's entry into force. Like Canada, the EU will treat some more sensitive imports with either TRQs or exclude them from tariff cuts entirely.

The deal has several chapters specific to trade in services, including domestic regulation, maritime and financial services, and facilitating cross-border trade in legal, accountancy, transport, telecommunications, and tourism services. It also has chapters covering the temporary entry of business professionals from the two trading partners, along with setting up a framework that makes it easier to recognise professional qualifications earned on each side.

CETA also includes a chapter that builds on a previous bilateral agreement on regulatory cooperation, along with working to facilitate their work on the protection of intellectual property rights and covering various geographical indications.

On public procurement, CETA has also been welcomed as yielding significant advances, given that Canada has agreed for the first time ever in a trade accord to open up access to its procurement markets at both the federal and sub-federal levels of government.

ICTSD reporting; "Civil society makes final push to bloc EU-Canada trade deal," EURACTIV, 15 February 2017; "MEPs vote on EU-Canada deal This WEEK," EU OBSERVER, 13 February 2017.

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## BILATERAL TIES

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# Trump, Abe Pledge to Deepen Trade, Investment Relationship

Japanese Prime Minister Shinzo Abe completed a two-day visit to the United States last weekend, holding talks with US President Donald Trump on how to deepen their countries' economic relationship under the new leadership in Washington.

Trade was widely expected to be high on the agenda during the 10-11 February meetings, after Trump confirmed in January that he would be withdrawing the US from the Trans-Pacific Partnership (TPP) Agreement and having duly instructed the Office of the US Trade Representative to take the necessary steps. (See Bridges Weekly, [26 January 2017](#))

Japan is one of the 11 other signatories to the TPP and was the last economy to join those negotiations, becoming a participant in the Pacific Rim trade accord after holding preliminary bilateral talks with the United States. (See Bridges Weekly, [18 April 2013](#))

The Japanese leader had already met with Trump in November, shortly after the latter was elected but before he was inaugurated. (See Bridges Weekly, [17 November 2016](#))

### Cross-sectoral dialogue, TPP

Speaking to reporters, Trump and Abe said that their meeting was just the beginning of a broader effort to address bilateral trade issues, with the two officials announcing that they would be enlisting deputy leaders to spearhead this effort.

More specifically, the US and Japan will be holding a "cross-sectoral dialogue" led by Japanese Deputy Prime Minister Tarō Asō and US Vice President Mike Pence.

The two leaders did not elaborate in greater detail what this dialogue would entail or who else would participate, beyond the fact that it would be focusing on the bilateral economic relationship. Media reports suggest, however, that the discussions will address trade and monetary policy, along with other areas for cooperation.

"On the economy, we will seek a trading relationship that is free, fair, and reciprocal, benefitting both of our countries," said Trump during a joint press conference with Abe at the White House on Friday.

Abe confirmed to reporters that both leaders share a deep interest on boosting their cooperation on trade and investment issues, while also suggesting that the two economic giants have a regional role to play in leading the creation of a "free and fair market based upon rules."

Responding to questions about the TPP, Abe noted that Japan is "fully aware" of the new US administration's move to pull out of the agreement, and reiterated that the bilateral economic relationship will be an essential component of the discussions under this new cross-sectoral dialogue "framework."

"Now, for the free and fair common set of rules to be created for the free trade regime in the region... that was the purpose of TPP, and that importance [has] not changed," said the Japanese leader.

Abe did suggest that trade priorities for Japan would include tackling the issues of state-owned enterprises and the protection of intellectual property rights, and that liberalising regional trade must be done “in a fair manner.”

Neither leader confirmed whether a bilateral trade pact had been discussed, which had initially appeared to be on the agenda for the Washington meet, though was later treated as unlikely by Japanese officials. They also did not confirm whether any progress had been made on TPP-related discussions, which were widely expected to be held. (See Bridges Weekly, [9 February 2017](#))

A [joint statement](#) issued separately did refer to the shared “importance of both deepening their trade and investment relations and of their continued efforts in promoting trade, economic growth, and high standards” in the region. It also said that Abe and Trump would look at how to do so in light of the US’ TPP withdrawal.

“This will include discussions between the United States and Japan on a bilateral framework as well as Japan continuing to advance regional progress on the basis of existing initiatives,” said the joint statement.

Meanwhile, TPP leaders have been invited to a summit next month in Viña del Mar, Chile, to discuss next steps for the deal in the wake of the US’ withdrawal. While Australian Trade Minister Steven Ciobo [said](#) on 9 February that the US has been invited, whether Washington will indeed send any officials has not yet been confirmed.

However, senior administration officials did tell reporters prior to the Trump-Abe meet that the US president’s stance on bilateral trade deals still stands.

“The President I think has made pretty clear that he believes that bilateral agreements are really the way to go for the United States, that in a bilateral agreement you can negotiate terms that are more favourable to the United States than you can negotiate in a multilateral agreement, where sometimes you’re held to the standard of the weakest link in the compact,” said one senior official on a call regarding Abe’s visit, according [to a transcript](#) provided by the White House.

### **Automobiles, infrastructure investment**

Prior to the meetings in Washington, the topic of how to improve automobile trade between the two countries had been raised domestically in both the United States and Japan, and was expected to be a key area of discussion between the two leaders. (See Bridges Weekly, [2 February 2017](#))

During their joint press conference, Abe referred extensively to the role of the Japanese automotive sector and other industries in the American market, noting that many companies have set up plants there in order to produce their goods within the United States.

“Automotive industries and other Japanese businesses have built factories all over the United States, to engage in local production here. Last year, from Japan to the United States, there have been more than US\$150 billion of new investment being made,” said the Japanese leader, adding that these companies have been responsible for significant job creation in the North American economy.

Trump has repeatedly pledged to take measures to prioritise domestic manufacturing, including telling US companies that they could be subject to increased costs or other difficulties at the border should they move their production abroad.

“I’ve been telling companies, car companies and other companies – many companies: Come back into the United States. And they’ve been coming back in,” said the US president,

claiming that factory and manufacturing jobs that have been lost will soon be “coming back.”

He has also publicly criticised the current state of US-Japan automobile trade on prior occasions, arguing that the North American economy has far more difficulty selling its cars to the Asian country than the other way around.

During last week's press conference, Abe also touted the potential of undertaking large infrastructure investments in the United States under the Trump administration, referring specifically to the possibility of developing a high-speed train comparable to the Japanese “shinkansen” system, which is already being considered in Texas.

“Japan, with our high level of technical capability, we will be able to contribute to President Trump’s growth strategy. There will be even more new jobs being born in the United States,” said the Japanese prime minister, suggesting that the shinkansen technology could also do well on the East Coast in connecting the major hubs of Washington and New York City.

ICTSD reporting; “While Trump and Abe Bond, Their Deputies Talk Trade,” BLOOMBERG, 12 February 2017; “Abe and Trump take baby steps on trade,” KYODO, 11 February 2017; “Trump and Abe Agree to Start New Trade and Investment Talks,” BLOOMBERG, 10 February 2017; “Abe to pitch job-boosting steps at Trump summit, including in rail, shale,” THE JAPAN TIMES, 1 February 2017; “A Trump train between Houston and Dallas” HOUSTON CHRONICLE, 5 February 2017.

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## CLIMATE CHANGE

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# EU Lawmakers Approve Draft Plans for Post-2020 Carbon Market Reforms

The European Parliament voted on Wednesday 15 February in favour of reforming the bloc's flagship carbon market, paving the way for negotiations with the other EU institutions on finalising those changes for the 2021-2030 period.

Lawmakers signed off on the reform package with 379 votes in favour, 263 against, and 57 abstaining. However, some of the reforms were modified from an earlier version submitted by that chamber's environment committee.

While the Parliament vote was an essential step for advancing the proposed changes, the legislative body must now begin negotiations with EU member states under the European Council as well as with the European Commission before the reforms can be finalised. Environment ministers under the Council are due to discuss the reforms at their upcoming meeting on 28 February.

The EU's Emissions Trading System (EU ETS), as the carbon market is known, has been in place since 2005 and is currently the largest such cap-and-trade scheme in the world. The EU ETS covers around 45 percent of the bloc's greenhouse gas emissions in all of its 28 member states, as well as Iceland, Liechtenstein, and Norway.

In its current form, the carbon market aims to slash greenhouse gas emissions from energy-intensive industries, ranging from power plants to air travel. Separately, the bloc is also considering a proposal to continue limiting the ETS' aviation coverage to only those flights that take place entirely within the European Economic Area. (See Bridges Weekly, [9 February 2017](#))

### EU officials: ETS reform crucial for Paris objectives

The process to reform the EU ETS for the post-2020 period dates back to July 2015, when the European Commission published its legislative proposal outlining its views on how to strengthen the scheme while also meeting the bloc's climate and energy goals for 2030. These goals form part of its UN climate commitments. (See Bridges Weekly, [23 July 2015](#))

"Today's landmark vote provides a clear outcome after more than a year of discussions in Parliament, and it demonstrates the European Union's commitment to turning the Paris Agreement into reality through concrete action on the ground," [said](#) EU Climate Action and Energy Commissioner Miguel Arias Cañete.

The Paris Agreement that Cañete was referring to is the landmark, global climate deal reached under the UN Framework Convention on Climate Change (UNFCCC) in December 2015, which has been in force since November of last year. (See Bridges Special Update, [6 November 2016](#))

Ian Duncan, the UK member of the European Parliament (MEP) who has served as the "rapporteur" of this reform package within the legislative chamber, welcomed the outcome while also urging EU member states to move promptly on the subject.

"By passing this report we will be reminding member states of the commitment they signed up to. We simply must deliver the ambitions of the Paris Agreement on climate change and

do what is required for our planet. This is bigger than Brexit, bigger than Britain, bigger than the EU. We have to get it right," [said](#) Duncan.

Climate watchers have similarly urged member states to take swift action on advancing the ETS reform process in order to keep the momentum going, particularly in light of the growing interest in countries as far-flung as Canada, China, and Mexico in adopting carbon pricing mechanisms.

"Europe needs to retain its place at the forefront of the climate battle by establishing the policy framework for the next phase in the 2020s – using the market to deliver the most cost-effective emissions reductions to meet Europe's objectives," [said](#) Dirk Forrister, the CEO of the International Emissions Trading Association (IETA), a business group advocating for an emissions trading framework at the international level.

#### **ETS Phase 4**

At stake during Wednesday's vote in the European Parliament plenary was a hard-won compromise that made its way out of the legislative body's environment committee (ENVI) last December.

The proposal adopted at the committee level last year included slashing the number of carbon credits being issued by a rate of 2.4 percent annually – in other words, strengthening what is known as the "linear reduction factor." Currently, this annual limit on carbon allowances is [lowered](#) at a rate of 1.74 percent.

However, the 2.4 percent figure was then revised during Wednesday's plenary vote back to 2.2 percent, which was the level proposed by the European Commission. EU lawmakers did say that this number could potentially be revised upward to 2.4 percent by 2024 or later, pending further scrutiny.

When it tabled its proposed ETS reforms nearly two years ago, the European Commission argued that a 2.2 percent linear reduction factor would be essential to meeting the bloc's goals of cutting greenhouse gas emissions by 40 percent from 1990 levels by the year 2030. Some NGOs such as the UK-based Sandbag have [suggested](#) that a larger reduction factor would serve the EU better in meeting those objectives.

Other aspects of the ENVI proposal included changes to the "market stability reserve" (MSR), a system that is due to take effect from 1 January 2019 and aims to tackle the surplus of carbon allowances. This oversupply has long plagued the EU ETS, keeping carbon prices far below the level that many experts say is needed to spur low-carbon production and investment patterns. The plan for the market stability reserve was adopted in 2015. (See Bridges Weekly, [9 July 2015](#))

The ENVI committee has proposed that the MSR take in 24 percent of any surplus credits annually for its first four years – twice the level that was initially planned. Furthermore, they have suggested culling 800 credits from the reserve in 2021. Both of those were approved by the plenary on Wednesday.

#### **Shipping emissions**

The committee had also put forward a few provisions regarding shipping, a sector which currently falls outside the ETS. Specifically, the ENVI panel had backed creating a fund that would help provide for a series of shipping-related emissions reduction measures.

The plenary [has signed off](#) on this shipping fund, which would be financed by requiring that ship owners begin purchasing credits under the EU's carbon market from the year 2023 onward or pay into the new system. This policy's enactment would be contingent on the



results of climate-related negotiations at the International Maritime Organization (IMO), with the fund to apply only if the international agency fails to reach a deal by that time.

The IMO is the UN body responsible for tackling issues relating to global shipping emissions. The agency reached an agreement last year on a mandatory system for monitoring the use of fuel in the sector, as well as deciding that they would finalise by 2023 a plan for cutting maritime emissions. However, past attempts to clinch an emissions reduction target have consistently struggled to advance, hinting at the difficulties in tackling the climate challenge in this sector. (See Bridges Weekly, [3 November 2016](#))

The move by the European Parliament was welcomed by some environmental groups, including the NGO Transport & Environment.

"This cross-party proposal will end the anomaly of shipping being the only sector in Europe not contributing to the 2030 emissions reduction target. EU governments must follow Parliament's lead and agree that ship CO2 emissions must go in the EU ETS if the IMO does not act," [said](#) Bill Hemmings, aviation and shipping policy director at Transport & Environment.

### **Cement border measure rejected**

In the weeks leading to the Parliament's vote, an ENVI committee proposal regarding the cement industry has increasingly become a lightning rod for debate, with potential implications for both trade and climate policy.

Under the ENVI committee proposal from December, producers of cement would no longer be allocated free permits under the EU ETS. To protect the EU cement sector from cheaper imports that face no domestic carbon costs, cement from foreign sources would be subject to an adjustment at the border by being required to pay a tax.

Proponents of such a move argue that cutting these free permits could yield significant ETS revenue that can support other climate-focused measures, among other benefits.

However, the full plenary ultimately rejected that suggestion on Wednesday – a move that was criticised by various environmental groups. Currently, cement is one of several industries that is allocated free permits, which it can then sell as needed.

"The border tax would have helped create a level playing field and make European cement industry a world leader in low-carbon technologies," [said](#) Agnes Brandt, Senior EU Policy Officer at Carbon Market Watch, a Brussels-based NGO.

Several experts supporting the proposal have further pointed to the fact that cement faces limited international competition compared to other sectors like steel or chemicals, as very little of it is traded.

### **Trade-climate debate heats up abroad**

The debate over such border measures is also taking place on the other side of the Atlantic, as a group of prominent US Republicans who refer to themselves as the "Climate Leadership Council" have put forward a [climate strategy](#) for a carbon tax, starting at US\$40 per tonne, that would grow progressively over time.

The tax would be accompanied by a border carbon adjustment mechanism targeting both outgoing and incoming trade, which they say would "protect American competitiveness and punish free-riding by other nations, encouraging them to adopt carbon pricing of their own." It would further be designed in a revenue-neutral way, rebating the tax revenue to Americans through "dividend checks, direct deposits, or contributions to their individual retirement accounts."

Other aspects of their proposed plan would include cutting back on regulations, including the Clean Power Plan that was introduced under former US President Barack Obama, which they say should face an “outright repeal.”

However, whether such a proposal will make any headway under both a Republican-led Congress and White House remains to be seen, particularly in light of past high-profile failures to establish cap-and-trade schemes at the national level in the US as well as the attitudes expressed by many of the party’s lawmakers against the climate action efforts of the previous Obama Administration.

Moreover, [some experts warn](#) that the border carbon adjustment element may raise controversies at the WTO, suggesting that international trade rules and jurisprudence currently do not appear to provide sufficient clarity on the ability to distinguish products based on their carbon content.

ICTSD reporting; “Utility group apply pressure on EU ahead of ETS vote,” POWER ENGINEERING INTERNATIONAL, 10 February 2017; “MEPs set for crunch vote on EU carbon scheme,” EU OBSERVER, 13 February 2017; “The price is right? Crunch time for EU carbon market reform,” EURACTIV, 10 February 2017; “A Rare Republican Call to Climate Action,” THE NEW YORK TIMES, 13 February 2017; “Carbon market reform vote puts EU cement sector in the spotlight,” EURACTIV, 10 February 2017.

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## TRADE AGREEMENTS

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### Trump Outlines Intent to "Tweak" NAFTA in Bilateral Meeting with Trudeau

Canadian Prime Minister Justin Trudeau and US President Donald Trump held their first official meeting in Washington on Monday 13 February, highlighting in a joint press conference the close ties between their two economies and pledging a mutual commitment to continued cooperation.

Trump also said that he hopes to "tweak" the North American Free Trade Agreement (NAFTA), the decades-old deal aimed at cutting tariffs and otherwise facilitating trade between the US, Canada, and Mexico, which together account for almost half a billion people.

#### **Trump, Trudeau call for deeper ties**

At Monday's meeting, both leaders underlined the importance of continued close integration for the mutual benefit of Canada and the US, where jobs on both sides of the border are highly dependent on a strong trade relationship.

Over US\$2 billion in two-way trade and 400,000 people flow across the border on a daily basis, where Canada is the number one export destination for 35 US states, according to a [joint statement](#) issued alongside the meeting.

"The fact is that millions of good jobs on both sides of the border depend on the smooth and easy flow of goods and services and people back and forth across our border," said Trudeau.

"We continue to understand that we have to allow this free flow of goods and services and we have to be aware of the integration of our economies, which is extremely positive for both our countries," he continued.

Trump echoed this sentiment, identifying a "stronger trading relationship between the United States and Canada" as one of many shared interests. "We have before us the opportunity to build even more bridges, and bridges of cooperation, and bridges of commerce," he affirmed.

The economic policy course charted since Trump's election has adhered to what he terms an "America First" policy which claims to safeguard the interests of US workers and industry and to counter the flight of companies in order to "bring back" manufacturing to American shores. (See Bridges Weekly, [26 January 2017](#))

In this vein, Trump has emphasised "free and fair" trade deals, directing the Office of the US Trade Representative to prioritise bilateral accords rather than the multi-country ones that had been the focus of the previous administration under former US President Barack Obama.

"The US and Canada also recognise the importance of cooperation to promote economic growth, provide benefits to our consumers and businesses, and advance free and fair trade," said the joint statement.

## "Tweaking" NAFTA

In particular, Trump has promised to re-negotiate NAFTA in an effort to ensure more favourable terms for the US, asserting that the deal as it stands is "very unfair to the American worker and very, very unfair to companies that do business in this country."

Wilbur Ross, Trump's pick for Commerce Secretary who would be among those representing the US in future NAFTA discussions, stated in a Senate confirmation hearing last month that he is "pro-trade, but I'm pro-sensible trade, not pro-trade that is to the disadvantage of the American worker." (See Bridges Weekly, [19 January 2017](#))

Both Ross and Robert Lighthizer, Trump's nominee for US Trade Representative (USTR), are still pending confirmation by the US Senate. The Office of the USTR is traditionally tasked with negotiating trade deals, though Trump has indicated that the Commerce Department will play a greater role in such discussions under his administration, together with a newly-created National Trade Council under the White House. (See Bridges Weekly, [26 January 2017](#))

NAFTA, which entered into force under former President Bill Clinton in 1994, has been described by Trump on the campaign trail as the "single worst trade deal ever approved." Along with dealing with trade in goods, the agreement also includes provisions on technical barriers to trade, government procurement, investment, services, and intellectual property rights.

"We'll be tweaking it. We'll be doing certain things that are going to benefit both of our countries," said Trump in a [joint press conference](#) with his Canadian counterpart. The US leader emphasised an "outstanding trade relationship with Canada," which he characterised as "a much less severe situation than what has taken place on the southern border."

Trump has particularly singled out automakers as shifting production to Mexico. Automakers and oil and gas producers are Canada's largest exporters to the US, where these sectors alone amounted to 30 percent of total shipments last year.

"I think it's going to be a very exciting period of time for the US, and for the workers of the US because they have been truly the forgotten men and forgotten women. It's not going to be forgotten anymore," Trump stated.

He pledged, however, to "work with Mexico" in order to reach a "fair deal for both parties."

The two leaders did not specify during their press conference what they would seek to change under NAFTA, though some trade watchers have suggested that these upgrades could include an effort to address softwood lumber, an area that has been a long-standing trade irritant between the two sides. While the US and Canada had a bilateral accord that kept tensions at bay for several years, that accord and a subsequent standstill on any new trade remedies on Canadian-produced lumber have since expired. (See Bridges Weekly, [23 June 2016](#) and [15 October 2015](#))

Separately, Trump and Trudeau did indicate an interest in increasing infrastructure investment, boosting regulatory cooperation, improving labour mobility, and continuing their joint work on energy and environmental issues given that they hold "the world's largest energy trading relationship" and have shared goals in areas such as energy infrastructure and security.

In their joint statement, they also pledged that on the controversial issue of the Keystone XL pipeline, they "remain committed to moving forward on energy infrastructure projects that will create jobs while respecting the environment."

One of Trump's earliest executive orders upon taking office in January was to invite TransCanada to resubmit its application to build the cross-border pipeline, which Obama had rejected on environmental grounds. (See Bridges Weekly, [26 January 2017](#))

ICTSD reporting; "Trump hammers America's 'worst trade deal'," CNN, 27 September 2016; "Here's what Donald Trump could want from Canada on NAFTA," THE CANADIAN PRESS, 3 February 2017; "NAFTA talks will be wide open, says Trump's commerce nominee Wilbur Ross," THE GLOBE AND MAIL, 19 January 2017; "Trump is ready to renegotiate NAFTA. Here's what that might look like," VOX, 9 February 2017; "Trump expects only 'tweaking' of trade relationship with Canada," REUTERS, 13 February 2017; "Magna, Suncor Gird for Nafta War as Trump Meets Trudeau," BLOOMBERG, 13 February 2017.

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## AGRICULTURE

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### **EU Reports Trade-distorting Farm Subsidies Unchanged for 2013-14 Marketing Year**

The EU has reported that its trade-distorting farm subsidies remained essentially unchanged at €10.6 billion in the 2013-14 marketing year, according to new official figures submitted by the bloc to the WTO.

The data covers the last year of support before the 2014 reform of the Common Agricultural Policy (CAP) was implemented.

Highly trade-distorting "amber box" payments amounted to €6 billion, the new data shows. The EU has agreed at the WTO that this category of support should not exceed €72.4 billion.

The EU also reported that it provided €2 billion in trade-distorting payments which would otherwise have been counted as amber box payments, but which fell below a "de minimis" ceiling set at five percent of the value of production.

Another €2.7 billion was provided in the form of production-limiting "blue box" support. Although seen as trade-distorting, these payments are not subject to any cap or ceiling at the WTO.

"I'm not particularly surprised by the numbers," said Alan Swinbank, Emeritus Professor of Agricultural Economics at the University of Reading, in comments emailed to Bridges. Swinbank added that the only substantive amber box notifications concern common wheat, skim milk powder, and butter.

#### **Supporting farm incomes**

After successive policy reforms aimed at improving the market orientation of farming in the EU, the bloc now classifies the bulk of its support as "green box," a WTO category for payments which are not meant to cause more than minimal trade distortion.

The bloc notified €68.7 billion as green box payments for the 2013-14 marketing year, the new figures show.

Of these payments, the lion's share was made up of payments to support farm incomes which are considered to be "decoupled" from production. These represented €31.8 billion in 2013-14, according to the new figures.

The EU has introduced successive reforms in recent decades which have moved the bloc away from direct intervention in agricultural markets through instruments such as price support, and towards direct payments to producers.

Another €7.9 billion was provided to support environmental programmes, the bloc indicated. The 2014-20 support package emphasised the importance of addressing environmental concerns, such as maintaining permanent grassland, protecting "ecological focus areas," and crop diversification. (See Bridges Weekly, [27 June 2013](#))

However, as WTO rules require payments under environmental programmes to be limited to the extra costs or loss of income incurred in complying with a government scheme,

experts expect that many of these payments will be reported to the WTO as decoupled income support payments.

The new EU figures complement other recent farm subsidy notifications from Russia and the US, as well as new data from Washington correcting previously submitted data. (See Bridges Weekly, [9 February 2017](#) and [26 January 2017](#))

### **Brussels consultations**

The new farm subsidy data comes shortly after the European Commission announced a new consultation process aimed at soliciting views for the bloc's post-2020 farm policy.

"We are asking all stakeholders and those interested in the future of food and farming in Europe to participate in shaping a policy for all the people of Europe," said EU Agriculture and Rural Development Commissioner Phil Hogan, in a [press statement](#).

Sources told Bridges that the consultation on the future of the EU's Common Agricultural Policy would take place in parallel to talks on the bloc's next seven-year budget framework.

New priorities such as migration and climate change are likely to be among the issues competing for scarce resources, as the EU charts a course for future action without the UK. (See Bridges Weekly, [19 January 2017](#))

"2017 is a big year for CAP reform," said Tom Quinn, EU Agriculture and Bioenergy Policy Officer with the environmental agency Birdlife International.

Quinn said that environmental groups would continue to call for the new policy to ensure that public money is spent on public goods.

In previous rounds of CAP reform, environmentalists in the EU have supported the move away from trade-distorting payments linked to production, and towards a focus on rewarding farmers for protecting the environment.

ICTSD reporting.

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## ASIA-PACIFIC

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### China Foreign Minister Meets with New Zealand, Australia Officials on Trade

The past fortnight has seen ministerial-level meetings in Canberra and Auckland on trade, as China's foreign minister travelled to the Australian and New Zealand cities to discuss deepening trade ties with the two nations respectively, [officials say](#).

Chinese Foreign Minister Wang Yi paid official visits to both countries from 7-10 February, following an invitation by Australia's Foreign Minister Julie Bishop and her New Zealand counterpart Murray McCully.

[Speaking to reporters](#) prior to the trip, Chinese Foreign Ministry spokesperson Lu Kang said that "visiting Australia and New Zealand at the beginning of the Chinese New Year highlights the importance China gives to growing relations with these two countries."

"We were setting the scene for a range of high level meetings and engagements," said McCully in comments to Reuters, in which he also described the importance of demonstrating "leadership" in the field of trade liberalisation.

For his part, Wang reportedly urged the two trading partners to continue working together to "protect the international trade system, build the open economy, and try to start upgrading the negotiation of the free trade agreement."

Beijing and Wellington are currently working towards updating an existing free trade agreement (FTA), though official negotiations have not yet been launched. Officials confirmed that the planned FTA upgrade was one of the topics during the ministerial-level discussions, with formal talks expected to kick off in the coming months.

The plan [to revamp](#) the China-New Zealand FTA was announced last November on the sidelines of the Asia-Pacific Economic Cooperation (APEC) leaders' summit in Peru. The original FTA dates back to 2008. (See Bridges Weekly, [24 November 2016](#))

#### Australia-China FTA: one year in

Wang also met last week with Australian Foreign Minister Julie Bishop to co-chair a "Foreign and Strategic Dialogue" between the two sides, covering issues ranging from trade to boosting cooperation in the use of low-carbon technologies.

Australia and China also have an FTA in place, which entered into force in December 2015. Both officials said that they hope to build on their trading relationship going forward, including in terms of the existing FTA framework. (See Bridges Weekly, [22 October 2015](#))

"At a time of economic transition and uncertainty around the world, Australia reassures China that we are a reliable partner and that we will continue to place a strong trade and economic relationship as one of our highest priorities," Bishop told reporters following the meeting, [according to a transcript](#) released by her office.

"Our economies are highly complementary and already there have been significant benefits for both countries under the China-Australia Free Trade Agreement which has just celebrated its first anniversary – on 20 December last year," the Australian foreign minister added.



Furthermore, she noted that both officials are looking at facilitating the FTA's progress going forward into its future implementation phases.

Wang similarly affirmed the value of deeper trade cooperation, both in terms of reaping the benefits from the bilateral trade accord as well as on the wider international stage in pushing against protectionist pressures.

"We speak highly of the notable results that we have achieved in the implementation of the China-Australia FTA in the past year and we have agreed to transform and upgrade our economic relations and cooperation so that we can shift faster from mining underpinned prosperity to a more diversified and more sustainable pattern of cooperation so that we can open up this new phase of FTA-driven prosperity," said the Chinese foreign minister.

Australia, China, and New Zealand are also all participants in the 16-country Regional Comprehensive Economic Partnership (RCEP) talks, which will be holding their next round later this month in Japan. The planned trade deal includes the 10-country Association of Southeast Asian Nations (ASEAN) and its six FTA partners.

Both Wang and Bishop said that they are hoping to see progress in these Asia-Pacific trade talks going forward, with the Chinese foreign minister referring to the goal of reaching "an early agreement" that could help support deeper regional integration on trade.

ICTSD reporting; "China, New Zealand pledge support for free trade to counter global protectionism," REUTERS, 10 February 2017; "Australia's relationship with China 'could not be stronger', Bishop says," SBS NEWS, 8 February 2017; "Chinese foreign minister to visit Australia in wake of Trump tiff," SOUTH CHINA MORNING POST, 4 February 2017; "China, New Zealand pledge to support for free trade," THE BUSINESS TIMES, 10 February 2017.

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## EVENTS & RESOURCES

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# Events

### Coming Soon

20 February, London, UK. TWILIGHT OF THE LIBERAL WORLD ORDER? This Chatham House event will feature as its guest speaker Robert Kagan, a senior fellow at the Brookings Institution, who will discuss the implications of the new US administration's foreign policy stance on international legal norms and the liberal world order. To learn more and to register, please visit the Chatham House [website](#).

21 February, online. WEBINAR: CREATING AN ECONOMY THAT WORKS FOR WOMEN. This webinar will be organised by the Overseas Development Institute (ODI) and will feature a series of speakers from international agencies, academia, and civil society groups for a discussion on how to facilitate and support women's economic empowerment. The webinar also aims to help determine any proposals for concrete government action that can be presented at the 61<sup>st</sup> Commission on the Status of Women. To learn more and the register, please visit the ODI [website](#).

21 February, Tokyo, Japan. GROWTH TAKE-OFF IN THE PEOPLE'S REPUBLIC OF CHINA. This event is being organised by the Asian Development Bank Institute (ADBI) and will examine the trajectory of China's growth "take-off" and the direction of its slowdown. The event is designed for policymakers, academics, and the wider public. To learn more and to register, please visit the event [website](#).

22 February, Geneva, Switzerland. SUSTAINABLE DEVELOPMENT CRITERIA FOR INVESTMENT. This workshop is being organised jointly by the International Centre for Trade and Sustainable Development (ICTSD) and the World Economic Forum (WEF), with support from the Government of the Netherlands. Participants will examine the sustainability characteristics of foreign direct investment (FDI), focusing on the existing sustainability criteria and what could help support them. Please note that attendance at this event is by invitation only. Additional details are available at the event [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.

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

16 February: Informal Committee on Import Licensing

17 February: Dispute Settlement Body

20 February: Dispute Settlement Body

22 February: Informal Open-ended Dispute Settlement Body – Special Session

22 February: Symposium on Government Procurement

### Other Upcoming Events

28 February, Geneva, Switzerland. MAKING TRADE MORE INCLUSIVE. This event will be held at the Graduate Institute and will feature a series of high-level speakers, including WTO Director-General Roberto Azevêdo, International Labour Organization Director-General Guy Ryder, and Belgian Deputy Prime Minister and Minister of Foreign Affairs Didier Reynders, among others. The high-level segment of the event will be followed by an expert-level discussion, as well as an audience Q&A and a reception. To learn more and to register, visit the Graduate Institute [website](#).

1 March, Geneva, Switzerland. G20 TRADE AND INVESTMENT AGENDA: CHINA, GERMANY, AND BEYOND. This event is being organised jointly by the International Centre for Trade and Sustainable Development (ICTSD) and the Friedrich Ebert Stiftung (FES) Geneva office, in partnership with T20 Germany. The meeting aims to provide experts and government officials the opportunity to evaluate potential priorities for this year's G20 leaders' meeting, particularly regarding trade and investment. Other topics for discussion will also include the WTO negotiations, in light of the upcoming ministerial conference in Buenos Aires, Argentina, being held later this year. Please note that attendance at this event is by invitation only. More information is available at the ICTSD [website](#).

9-13 April, Grahamstown, South Africa. ELSA MOOT COURT COMPETITION. The African Regional Round of the European Law Students' Association (ELSA) Moot Court Competition on WTO Law is being sponsored by the International Centre for Trade and Sustainable Development (ICTSD), ELSA, and Rhodes University. The student-organised event aims to support the development of technical and legal capacity for aspiring trade officials. To learn more about the competition, please visit the ICTSD [website](#).

30 May – 14 July, Geneva, Switzerland. INTERNATIONAL ORGANIZATIONS, LAW AND DIPLOMACY: SUMMER PROGRAM IN WASHINGTON AND GENEVA. The American University Washington College of Law will be hosting summer courses in both Washington and Geneva, with tracks that cover the function of international organisations; intellectual property and trade; and labour and human rights. To learn more about the course offerings, fees, and application deadlines, please visit the American University [website](#).

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## Resources

TRADE AND ECONOMIC IMPACTS OF DESTINATION-BASED CORPORATE TAXES. By Will Martin for the International Food Policy Research Institute (IFPRI) (2017). This new paper examines current proposals in Washington that relate to "destination-based corporate taxes" and what this could mean both for the domestic economy as well as for US trade policy. The publication is available for download at the IFPRI [website](#).

INVESTMENT DISPUTE SETTLEMENT NAVIGATOR UPDATE. Published by the UN Conference on Trade and Development (UNCTAD) (February 2017). This semi-annual update of UNCTAD's "navigator" tool tracks the latest known cases of investor-state dispute settlement (ISDS), looking at which countries and treaties were involved, along with the subject matter and status of the disputes. The tool can be accessed [here](#).

AN EMPIRICAL ASSESSMENT OF THE ECONOMIC EFFECTS OF WTO ACCESSION AND ITS COMMITMENTS. By Vicky Chemutai and Hubert Escaith for the World Trade Organization (WTO) (January 2017). This new working paper examines the debate over how to quantify the effects on countries that join the Geneva-based global trade body. The authors include an "accession commitment index" to help facilitate these discussions, and review implications for trade/GDP ratio as well as investment. The paper can be downloaded [here](#).

OECD DUE DILIGENCE FOR MEANINGFUL STAKEHOLDER ENGAGEMENT IN THE EXTRACTIVE SECTOR. Published by the Organisation for Economic Co-operation and Development (OECD) (February 2017). This new publication aims to help facilitate stakeholder engagement across several extractive industries, specifically by providing suggested guidance that will help bring these actors into planning and decision-making processes. The publication can be downloaded here in PDF [form](#).

TRADE IN RAW MATERIALS. Published by the Organisation for Economic Co-operation and Development (OECD) (February 2017). This new video examines some of the various raw materials that play a key role in the products that consumers rely on. Along with reviewing these raw materials, the video also discusses the implications of this increased demand for trade and environmental policy. The video is available on the OECD's YouTube [channel](#).

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