

# BRIDGES WEEKLY

Global trade news from a sustainable development perspective

VOLUME 21, ISSUE 6, 23 FEBRUARY 2017

## WORLD TRADE ORGANIZATION

WTO's Trade Facilitation Agreement Takes Effect .....1

## CARBON MARKETS

Singapore to Launch Carbon Tax in 2019 .....4

## AGRICULTURE

China Signals Cautious Farm Policy Reforms Will Continue.....6

## TRADE AGREEMENTS

EU, Japan Officials Eyeing "Early Conclusion" of Trade Deal.....9

## TRADE AGREEMENTS

New Zealand, Australia Leaders Press for TPP to Move Forward...11

## EUROPEAN UNION

As Brexit Preparations Continue, May Highlights UK's Trade Future and Europe Ties .....13

## DISPUTES

WTO Disputes Roundup: Bombardier Row Gets Underway, Panama-Colombia Case Continues .....15

## EVENTS & RESOURCES

Events .....18

Resources .....20

## WORLD TRADE ORGANIZATION

# WTO's Trade Facilitation Agreement Takes Effect

The World Trade Organization announced on Wednesday 22 February that the Trade Facilitation Agreement (TFA) has now entered into force, having surpassed the minimum requirement of 110 ratifications from members.

"The Trade Facilitation Agreement is the biggest reform of global trade this century," [said](#) WTO Director-General Roberto Azevêdo on Wednesday in confirming the news.

"It sends a message about the power of trade to support jobs and growth around the world – in developed and developing countries alike," he continued.

The landmark agreement aims to cut customs-related red tape, easing the flow of trade between countries by simplifying customs procedures, speeding up the clearance of goods, supporting cooperation among customs officials, and otherwise making it quicker and more efficient for goods to cross borders.

The four ratifications announced on Wednesday included Chad, Jordan, Oman, and Rwanda, according to the Geneva-based trade body. Together with the previous 108 ratifications received, there are now 112 WTO members which have approved the deal in their domestic legislatures and submitted their "instruments of acceptance" to the organisation.

Under WTO rules, any new or revised trade agreements require approval by two-thirds of the organisation's membership, which now numbers 164 members.

### An innovative deal

The TFA's entry into force has already drawn a public welcome by numerous WTO members in the hours since the news first broke, with officials citing the deal's potential to slash trade costs, facilitate the involvement of smaller companies on the international trading scene, and support the increased participation of poorer countries in global value chains.

While estimates vary, some agencies such as the Organisation for Co-operation and Development (OECD) [have placed](#) the potential reduction in trade costs at approximately 11-15 percent for low-income and upper middle income countries, though this level would depend on the country involved and the agreement's actual implementation in practice.

[WTO data](#) further suggests that African and least developed economies are the ones which stand to see the greatest savings as a result of the deal.

Notably, the TFA is the first WTO agreement that is structured in a way that allows developing country members to determine which commitments they are able to implement straight away, versus those which will require a transition period and potentially technical assistance and/or capacity-building.

"TFA is an innovative, modern agreement. We now need to implement it [and] deliver on its benefits," said Harald Neple, the Norwegian Ambassador to the WTO who currently chairs the organisation's General Council, according [to a post](#) on social media site Twitter.

"Better border procedures and faster, smoother trade flows will revitalise global trade to the benefit of citizens in all parts of the world. Small companies, that have a hard time navigating daily bureaucracy and complicated rules, will be major winners," [said](#) EU Trade Commissioner Cecilia Malmström.

Other officials in the trade and development community have also suggested that this reduction in trade costs could yield benefits on other fronts as well, specifically by freeing up or creating resources to fulfil other essential needs.

"New technologies and institutional reforms can improve governance, reduce entry barriers, and pull the informal sector into the formal sector. And with less paperwork to dodge, and fewer palms to grease, public revenues go up. This generates new resources for spending on essential services," said Joakim Reiter, the Deputy Secretary General of the UN Conference on Trade and Development (UNCTAD), in a [press release](#).

Azevêdo similarly noted that the potential gains from the TFA could be manifold, especially for developing and least developed countries (LDCs).

"Developing countries could increase the number of products they export by 20 percent, while LDCs could see an increase of up to 35 percent," said the WTO chief, suggesting that these countries could also have an easier time accessing other overseas markets and thus insulate themselves from "external economic shocks."

Many in the business sector have also responded favourably to the news, [with](#) the International Chamber of Commerce 's (ICC) Chairman Sunil Bharti Mittal terming it a "watershed moment for global trade."

"The entry into force of the agreement could not come at a more important moment given the imperative to make global growth more inclusive," Mittal added, noting that the TFA's work to address onerous customs systems could be a boon to smaller companies, including in developing economies.

### **Over 12 years in the making**

Negotiations for the TFA were concluded in December 2013 at the WTO's Ninth Ministerial Conference in Bali, Indonesia, following round-the-clock negotiations among trade ministers to finalise the first new multilateral deal since the WTO opened its doors in the mid-1990s. The trade deal has been open for ratification since November 2014. (See Bridges Daily Update, [7 December 2013](#) and [27 November 2014](#))

The process to negotiate such a trade facilitation deal kicked off in 2004, following previous working-group level discussions on which of the so-called "Singapore issues" should be added to the WTO's Doha Round of trade talks. (See Bridges Weekly, [28 November 2013](#))

While the future of the Doha agenda topics remains in flux, the TFA was able to move forward as part of an "early harvest" of issues that seemed the readiest for an agreed outcome.

Though the ratification process has now taken a few years, that time has allowed for other preparatory efforts to get underway, including the announcement of funding commitments from various countries and other financial streams to help provide the technical support and capacity building that some developing countries will need to implement certain provisions.

Within the WTO, [a preparatory committee](#) has also been at work over that timeframe to undertake steps such as collecting the relevant notifications from members of which TFA provisions they will implement immediately – the "Category A" commitments – and which ones may require additional time or support.

There have also been various training courses in place to help prepare WTO members in implementing the TFA in practice, including [advanced courses](#) hosted at the global trade body for the chairs of national trade facilitation committees.

A Trade Facilitation Agreement Facility (TFAF) [has also been in place](#) since late 2014 to help WTO members determine their support needs and who they could partner with to address them, among other functions.

ICTSD reporting.

---

## CARBON MARKETS

---

# Singapore to Launch Carbon Tax in 2019

Singapore revealed plans on Monday 20 February to put in place a carbon tax from 2019, making it the first Southeast Asian economy to introduce a mandatory carbon pricing scheme.

Recognising the island nation's vulnerability to sea level rises, Finance Minister Heng Swee Keat, who announced the carbon tax during his budget speech this week, described it as the "most economically efficient and fair way" to meet Singapore's greenhouse gas (GHG) reduction target under the UN's Paris climate agreement.

Under the new global climate accord, which was reached in the French capital in late 2015 and entered into force last November, Singapore has committed to reduce its emissions intensity by 36 percent below 2005 levels by 2030.

### Policy design

While the exact tax level and implementation schedule remain to be hammered out following industry and public consultations, the government is considering a carbon tax between S\$10 (US\$7) and S\$20 (US\$14) per tonne of climate-warming GHG emissions. Six GHGs, including carbon dioxide (CO<sub>2</sub>), methane, and hydrofluorocarbons, will be covered.

The tax will apply to power stations and other large emitters producing over 25,000 tonnes of CO<sub>2</sub> equivalent per year. The government estimates that some 30 to 40 companies fall in this category.

The city-state favoured a carbon tax over an emissions trading scheme, describing it as more practical instrument for a nation of its size. Carbon taxes price emissions at a level set by the government, whereas emissions trading schemes cap overall emissions and allow the trading of emission units, which then drives the formation of a carbon price.

"A carbon tax can provide greater price certainty and stability that will incentivise investment in energy efficiency and low-carbon solutions," explained Singapore's National Climate Change Secretariat.

Some experts suggest, however, that Singapore would be a suitable candidate for an emissions trading scheme.

"Singapore which is massively trade-exposed has the opportunity to become a hub for carbon trading as London has done," argued Jeff Swartz from the International Emissions Trading Association (IETA) in comments to the Financial Times. IETA is a non-profit group focused on supporting businesses in the field of carbon markets.

### Green growth, competitiveness considerations

The government says that it hopes that the carbon tax will drive growth and jobs in the clean energy sector.

"[The carbon tax] may also spur the creation of new opportunities in green growth industries such as clean energy," Heng said, adding that the tax revenues will help fund industry measures to reduce emissions.

The chairperson of the Singapore Environment Council, Isabella Loh, shared this view. "Singapore should aspire to be a global leader in the research and development of renewable technologies as this will boost [its] economy by creating jobs and attracting investments," Loh told Channel News Asia.

The [Singapore Environment Council](#) is an independent, domestic non-profit that supports the advancement of environmental causes at the national level.

Meanwhile, Singapore's oil refineries, which already face stiff competition from China, are reportedly contemplating the impact of the carbon tax on their operations. Petroleum refining is one of the country's main sources of GHG emissions. As one of Asia's biggest refining centres and main oil trading hubs, some fear that the carbon tax may put pressure on the competitiveness of Singapore's economy.

Royal Dutch Shell and ExxonMobil, who run two of the country's three oil refineries, were generally supportive of the carbon tax, but highlighted the need to safeguard the sector's competitiveness.

Shell said that the company supports a strong and stable government-led carbon price, but pointed to the importance of policy design which "must ensure companies can compete effectively with others in the region who are not subject to the same levels of carbon dioxide costs."

ExxonMobil, while warning of the additional cost for the industry, stated its commitment to work with the government during the consultation process.

"A uniform price of carbon applied consistently across the economy is a sensible approach to emissions reductions," Exxon's spokesman said.

### **Global carbon pricing trends**

The overall impact on Singapore's competitiveness may however be limited by the relatively low tax level as well as the increasing global move towards carbon pricing. According to the [World Bank](#), 40 countries and 20 sub-national entities operate a carbon pricing scheme, and many more are planned.

China, which has piloted several regional trading markets, is slated to launch the world's largest carbon market later this year. (See Bridges Weekly, [9 September 2015](#)) Other Asia-Pacific nations currently pricing carbon include Japan, New Zealand, and South Korea. Beyond this region, both Canada and Mexico last year announced the introduction of mandatory carbon pricing schemes from 2018. (See Bridges Weekly, [15 December 2016](#))

The EU, which currently hosts the world's largest carbon market, last week voted in favour of reforms to strengthen its scheme from 2021 onward, while a group of prominent US Republicans recently put forward a proposal for a revenue-neutral carbon tax starting at US\$40 per tonne. (See Bridges Weekly, [16 February 2017](#))

The spread of carbon pricing creates opportunities for cooperation, including through the potential linking of programmes, which many experts [say](#) could help lower competitiveness concerns and drive deeper emissions cuts. Singapore has already indicated its openness to linking its carbon tax with other carbon pricing mechanisms "where feasible."

ICTSD reporting; "Singapore carbon tax set to squeeze oil groups," FINANCIAL TIMES, 21 February 2017; "Big emitters face carbon tax from 2019," BUSINESS TIMES, 21 February 2017; "Carbon tax regime timely, could boost Singapore's economy: Stakeholders," CHANNEL NEWS ASIA, 20 February 2017; "Singapore Plans Southeast Asia's First Carbon Tax From 2019," BLOOMBERG, 21 February 2017; "Budget 2017: Singapore to impose carbon tax on large direct emitters," CHANNEL NEWS ASIA, 20 February 2017.

---

## AGRICULTURE

---

# China Signals Cautious Farm Policy Reforms Will Continue

China's flagship farm policy statement has reiterated Beijing's commitment to pursuing "supply side" reforms to the agricultural sector, while also emphasising the need for farmers to benefit from stability and continuity.

Beijing set out the broad direction of planned reforms in a [white paper](#) known as "policy document no. 1," the annual document issued by the country's Central Committee and State Council following the start of the Chinese New Year. In a sign of the importance that China accords to farming and rural development, the 2017 edition is now the fourteenth to focus on the topic in consecutive years.

"Pushing forward the supply side reform in the agricultural sector and increasing the sector's comprehensive benefits and competitiveness has become our major goal when formulating government policies," said Tang Rengjian, deputy head of the Central Rural Work Leading Group, at a [press conference](#) earlier this month.

Tang added that the reform programme would emphasise environmental sustainability in agriculture, as well as seeking to improve farm incomes.

### Maize: "the first tough battle"

China will maintain and "improve" its minimum price purchase policy for two staple grains – rice and wheat – according to the new document.

Although Beijing has sought to support farm incomes by buying grains at minimum prices, a combination of low tariffs, falling international commodity prices, and high domestic prices have led to mushrooming public stockpiles.

The policy has raised tensions with some trading partners, who have cited concerns that Chinese policies may artificially suppress international prices and distort global trade. In September, the US brought a case at the WTO against China's support schemes for rice, wheat, and maize, alleging that these breached Beijing's commitments at the global trade body. (See Bridges Weekly, [15 September 2016](#) and [19 January 2017](#))

At the same time, China has independently taken steps toward reforming existing support policies, announcing changes to maize subsidies in 2016 and to cotton in 2014. These efforts replaced minimum support prices with a system of target prices, which are generally seen as less trade-distorting, and which trigger direct payments to producers if prices fell below these thresholds. (See Bridges Weekly, [4 February 2016](#) and [23 January 2014](#))

Tang described the maize market reforms as "the first tough battle" in reforming the supply of farm goods in China.

However, he clarified that the government did not plan to change the minimum purchase price policy on wheat and rice in 2017.

### Trade policy measures

As well as spelling out reforms to domestic policies, the new white paper makes clear that Beijing is determined to address problems arising from domestic farm subsidy programmes run by other governments.

Beijing will “fully establish laws and regulations regarding countervailing subsidies, anti-dumping and safeguard measures for agricultural trade; and conduct trade remedy investigations for agricultural products according to law,” says the document, which also states that China will seek to establish a “fair” competitive agricultural import market environment.

The statement “is a strong signal that China will be more active in responding to and also initiating trade remedies,” said Wusheng Yu, associate professor at the Institute of Food and Resource Economics of the University of Copenhagen in Denmark, in comments to Bridges.

Fred Gale, a senior economist with the US Department of Agriculture's Economic Research Service, similarly told Bridges that the word “fair” may be seen as a loaded term in this context.

“That could be signalling that they think US products in particular are unfairly cheap,” he said.

In the area of agriculture, the US is a net exporter to China. Meanwhile, Washington recently reported to the WTO that its trade-distorting subsidies amounted to US\$14 billion in 2014, while Beijing has said it provided ¥123 billion (US\$18 billion) in 2010 (See Bridges Weekly, [26 January 2017](#) and [13 May 2015](#)).

More recent WTO data for both countries are not available, due to delays in reporting farm support to the global trade body. Trade officials have repeatedly urged all WTO members to ensure their farm subsidy notifications are up-to-date, in part to help facilitate talks aimed at reforming global rules on agricultural trade ahead of the organisation's eleventh ministerial conference this December in Buenos Aires, Argentina. (See Bridges Weekly, [12 May 2016](#))

China's new policy document states that the country will “actively participate in the formulation of international trade rules.”

### Tackling rural poverty

Beijing has long argued that its fast-growing farm subsidies are essential for tackling widespread rural poverty in the world's most populous nation – and that it is unreasonable to compare the low levels of per capita support with that provided to far wealthier producers in other world regions.

“The battle against poverty has seen a good start as we were able to lift ten million people out of poverty last year,” said Tang, who added that in rural areas per capita disposable incomes had risen 6.2 percent in real terms – a faster rate than for urban residents.

The new policy document states that the government aims to lift another ten million people out of poverty in 2017 as well.

“With a per capita income of US\$8,000, China is currently on the way to transforming from a middle-income country to a high-income one,” said Tang.

Gale told Bridges that Beijing was now seeking to address rapid changes arising from fast-growing populations in urban areas “with first world incomes, and a lot of people in the countryside who are not that well off.”

### **Greening Chinese agriculture**

The new policy document emphasises the importance of supporting innovation, fostering higher-quality farm goods, and diversifying the rural economy – continuing a focus in recent years on the need for China to “modernise” its agricultural sector. (See Bridges Weekly, [26 February 2015](#))

In part, the new focus appears to reflect a concern about the need to improve China's agricultural competitiveness, as well as to bring down the fiscal costs associated with the country's growing farm subsidy schemes.

“In the context of economic downturn and financial difficulties, how to raise funds for the development of agriculture and rural areas is indeed a big headache,” said Tang.

At the same time, the new policy document emphasises the importance of more sustainable agricultural production techniques, mentioning in particular the need for more efficient use of water, as well as conservation projects in wetlands and other sensitive areas.

“We will put our priority on quality instead of quantity,” Tang said.

Yu told Bridges that the government may find environmental programmes easier to implement in the new market context of “over-supply or excessive stock of key agricultural products,” given the reduced pressure to raise farm output levels.

ICTSD reporting.



---

## TRADE AGREEMENTS

---

### EU, Japan Officials Eyeing "Early Conclusion" of Trade Deal

EU Trade Commissioner Cecilia Malmström and Japanese Foreign Minister Fumio Kishida said this weekend that they hope their two sides can complete negotiations for a free trade deal in the near term, after previously having attempted to conclude the talks last year.

The EU and Japan have been negotiating a free trade agreement since early 2013, having agreed two years earlier to examine whether such an accord would be beneficial. They have also been negotiating a "strategic partnership agreement" during that time. (See Bridges Weekly, [27 March 2013](#))

Meeting in the German city of Bonn on 19 February, the two officials reportedly discussed topics such as the relationship between domestic policy changes underway in the Asian economy and the broader trade talks, along with the current geopolitical scene, according to a [press release](#) from the Commission.

"While it was not possible to conclude by the end of 2016, as we had hoped, tremendous progress has been registered over the last few months," said the EU trade chief. Malmström also suggested that the unresolved areas that remain "are the most difficult to be solved," while suggesting that a compromise may not be too far off.

Kishida, for his part, reportedly told journalists this weekend that the two sides have "reaffirmed that it is extremely important (to reach) a broad agreement.... As soon as possible in order to counter protectionist moves."

According to comments reported by the Kyodo news service, Kishida also said that he and Malmström are planning to organise another negotiating round soon. The last round was held in September 2016, with ministerial-level and technical meetings taking place in the time since.

Malmström has repeatedly [cited](#) the EU-Japan negotiations as one of the key elements on the 28-nation bloc's current trade agenda, along with talks with the South American bloc Mercosur, together with other bilateral efforts involving countries ranging from Mexico to the Philippines.

"We will pursue our trade agenda in the coming months with those likeminded nations," said the EU trade chief in a separate speech last month outlining the direction of the bloc's policy for the coming year, particularly in the wake of the US election last November and other developments on the geopolitical stage.

#### Seventeen rounds in

At their most recent round in September, the European Commission reported that "good progress" had been made in areas such as investment, services, and customs and trade facilitation.

With regards to services trade, while advances were reported across a host of topics, the area of e-commerce did not see any "major breakthroughs." On investment, that topic and corporate governance have reportedly moved forward steadily, while negotiators are still hammering out the investment dispute resolution terms.

Regarding the issue of goods market access, while discussions touched upon areas ranging from agriculture and fisheries to manufactured goods, [the Commission report](#) did not cite specific advances, but rather that the two sides “continued the clarification of their respective priorities and sensitivities.” Agriculture is widely considered to be among the most sensitive areas in these talks for both sides.

On non-tariff measures, an area of intense focus even before the bilateral negotiations kicked off, the Commission report referred to problems in terms of not having enough applications by industry or negotiating parties, while talks on Brussels’ “car annex” proposal are ongoing. For the latter, there is a “convergence of views” conceptually, though the EU’s executive arm said that more work is needed to develop textual proposals reflecting this progress and also determining how to implement such provisions.

The two sides are also said to be near agreement on a text for the chapter on technical barriers to trade.

Other areas still requiring much work following the latest round of talks included sanitary and phytosanitary (SPS) measures, which are those which related to food safety or animal or plant health.

Negotiators are also working on areas such as public procurement, intellectual property, competition policy, and trade and sustainable development, among other topics.

ICTSD reporting; “Japan, EU agree to push bilateral trade deal,” KYODO, 18 February 2017; “EU pushes for 2017 conclusion to free trade talks with Japan,” EURACTIV, 21 February 2017; “Fate of EU trade deal hangs on Japan’s elderly farmers,” POLITICO, 26 January 2017.

---

## TRADE AGREEMENTS

---

### **New Zealand, Australia Leaders Press for TPP to Move Forward**

The future of the Trans-Pacific Partnership (TPP) Agreement was high on the agenda last week as Australian Prime Minister Malcolm Turnbull and New Zealand Prime Minister Bill English met in Queenstown, New Zealand, for discussions on trade and other subjects.

The two Oceanic nations are both signatories to the TPP, a sweeping trade deal that was concluded in 2015 and signed in early 2016.

While the trade agreement negotiations were conducted by 12 countries, the United States has since withdrawn its participation from the accord under the new administration of President Donald Trump, prompting questions over what this means for the deal's future. (See Bridges Weekly, [26 January 2017](#))

#### **Turnbull, English warn against protectionism**

In an [announcement](#) on 13 February previewing the bilateral meeting, the Australian leader affirmed that neighbouring New Zealand has been the source of "a very successful and collaborative relationship built on shared history and values that we will continue to strengthen to the benefit of both our countries."

Following their 17 February discussions, the two leaders affirmed in a [joint statement](#) the value of TPP as "a key promoter of regional economic integration and a driver of economic growth, competition, innovation, and productivity."

Speaking to reporters at a [joint press conference](#), English and Turnbull emphasised their shared commitment to free trade, with the former highlighting the importance of trade liberalisation for small nations like New Zealand.

"New Zealanders are very aware we won't get rich by selling to ourselves," said English, adding that he and his Australian counterpart are eyeing regional trade liberalisation and other trade initiatives as a source of economic growth and job creation.

"We're focused on finding ways to take the TPP forward now that the United States has withdrawn. We've agreed it's important to reach out to our TPP partners to continue to work to secure the significant economic and strategic benefits the TPP would deliver," he added.

Turnbull emphasised Australia's commitment to free trade as a matter of national interest, reiterating his opposition to what some fear may be a growing international trend toward protectionism.

"Protectionism leads to poverty. We have seen that film before. We saw it at the time, nearly 90 odd years ago, in the Great Depression. It was protectionism – because of the concerns created by the Depression – countries started putting up trade barriers. It only made it worse. So we are pursuing our rational national self-interest in promoting trade," said Turnbull.

Some commentators have argued that in order for the TPP to go forward successfully, the deal would need another trade giant, such as China, to fill the void left by the US'

withdrawal. Though English expressed regret for the US decision to withdraw, the New Zealand leader did not announce any immediate efforts beyond reaching out to and collaborating with the remaining TPP signatories to forge a path forward.

The two prime ministers both suggested that the upcoming meetings over the next few months between the 11 TPP signatories will be critical, particularly in terms of capturing the gains made through negotiations over the past several years.

All TPP signatories, including the US, along with non-TPP countries South Korea and China, have reportedly been invited to a mid-March summit in the Chilean coastal city of Viña del Mar. The final list of participants has not yet been confirmed publicly.

"Australia's certainly very keen to see us hold onto those gains from the TPP, but to do that requires us to form a new agreement with however many countries it might be," Australian Trade Minister Steven Ciobo explained in an CNBC interview earlier this week.

The Australia trade minister already reported having conversations with officials from Canada, Chile, Japan, Malaysia, Mexico, New Zealand, and Singapore.

In an interview with Newstalk ZB, English suggested that Singapore has been among those expressing possible interest in moving the TPP forward, while noting "we'll see where it goes from there, but it's not going to be that easy."

Along with future priorities in the areas of regional and international trade, English and Turnbull also discussed collaborative efforts in a number of fields, including innovation and science, Trans-Tasman economic integration, people and social policy, security and defence cooperation, cyber security, and regional and international cooperation.

ICTSD reporting: "NZ and Australia to work together to salvage TPP-English," RADIO NEW ZEALAND, 17 February 2017; "Bill English: TPP still a goer for NZ, Aus," NEWSTALK ZB, 20 February 2017; "TPP 11 to move forward?" CNBC, STREET SIGNS ASIA, 19 February 2017.

---

## EUROPEAN UNION

---

### As Brexit Preparations Continue, May Highlights UK's Trade Future and Europe Ties

The UK's House of Lords is discussing this week legislation that, if approved, will give Prime Minister Theresa May the formal sign-off to invoke Article 50 of the Lisbon Treaty, allowing the official launch of Brexit negotiations for the island nation to leave the European Union.

May has pushed for swift passage of the bill domestically to meet her self-imposed 31 March deadline for beginning talks with the European Council to disentangle the UK from the bloc.

Those negotiations, once underway, are expected to be technically complex as the parties involved hash out the details governing a future trading relationship between the UK and the EU single market, among various other topics. (See Bridges Weekly, [6 October 2016](#) and [30 June 2016](#))

#### Brexit bill

The European Union (Notification of Withdrawal) Bill, or the Brexit Bill, was drawn up following a UK Supreme Court ruling requiring parliamentary consent before launching negotiations. (See Bridges Weekly, [12 December 2016](#))

The bill cleared the House of Commons by 494 votes to 122 earlier this month, with all proposed amendments eventually rejected, resulting in a "clean" bill advancing to the upper chamber.

At the time of this writing, [12 amendments](#) to the bill had been tabled by parliamentarians in the House of Lords, where there is no government majority, with many of these giving a potential sense of where some concerns lie ahead of the actual Brexit negotiations.

Several of these amendments are aimed at ensuring greater parliamentary involvement at various stages of negotiations, stipulating a high level of transparency and parliamentary oversight in negotiations; allowing lawmakers a "meaningful vote" to approve the final UK exit package before it is sent for ratification by the European Parliament; or requiring assessments on the projected impact on the UK economy to be supplied to each House of Parliament.

Another amendment seeks to guarantee a continued strong trade relationship whether through retaining membership in the European Single Market, or access to it through participation in the European Economic Area or membership in the European Free Trade Association.

An additional amendment aims to protecting the rights of EU nationals in the UK, though a similar amendment to grant permanent residency to EU citizens living in the UK was earlier rejected in the Commons by 332 votes to 290.

If any amendments are passed, the bill would return to the House of Commons for renewed debate and a second voting round, which could affect the government's timetable for notifying under Article 50. However, commentators have noted that since the House of Lords represents an unelected body, they can only delay the decision, and will be unlikely to block the vote out of pressure to respect the democratic will of the people.

In the House of Lords, peers are gearing up to speak on the subject, with 191 members of Parliament in line for second reading. In a rare move, May attended the debate herself on Monday.

### **Plans in Brussels**

Meanwhile, Michel Barnier, the EU's chief negotiator, is said to have outlined his own timeline for the talks, suggesting a delay of negotiations until there is progress on determining an exit fee for the UK to pay and on safeguarding the rights of EU citizens residing in the UK, according to the Financial Times. Barnier reportedly expects this process to continue until December.

While neither the final figure nor the sequencing of when payment is due have been decided on, the total sum could potentially amount to €60 billion (US\$64 billion).

Jean-Claude Juncker, President of the European Commission, affirmed in a speech to the Belgian Parliament that the UK would be charged with a "hefty" exit bill.

"This will be a difficult negotiation...To agree on both the terms of exit and the future architecture of the relationship between the UK and the EU, we will need years," he said.

"The British need to know – and they know it already – that it will not be cut-price or zero cost. The British must respect commitments they were involved in making" at the outset, he said.

### **May: UK to continue as free trade "champion"**

Amid a backdrop of rising "Euroscepticism" as several European countries gear up to go to the polls this year, the populist pressures are expected to continue to across the EU over the coming months. (See Bridges Weekly, [9 February 2017](#))

May, in a [17 February article for Le Figaro](#), acknowledged the current climate, referring specifically to the upcoming French elections and the discussions over ensuring that the benefits of economic growth are more widely spread.

"We are having a similar debate in Britain, where we have embarked on an ambitious programme of economic and social reform to spread wealth and opportunity more fairly across our country," she said. "I hope that we can continue to work together with our international partners to shape a global economy that truly works for everyone."

She also made the case for further integration and reaffirmed her earlier proposal of creating a UK-EU free trade agreement, maintaining that the Brexit referendum was not a vote to "step back from the world," but instead to "restore our parliamentary democracy and to become even more global and internationalist in action and in spirit."

"Through this and other free trade agreements we will forge with partners around the world, I am determined that Britain will continue to be a great champion of free trade," May said.

ICTSD reporting; "U.K. Said to Plan Brexit Trigger Close to EU Summit in Early March," BLOOMBERG, 16 February 2017; "Brussels focuses on UK's €60bn exit bill before trade talks," FINANCIAL TIMES, 19 February 2017; "Jean-Claude Juncker: UK faces hefty Brexit bill," BBC, 22 February 2017; "U.K.'s Brexit Bill Will Be 'Hefty,' EU Commission President Says," BLOOMBERG, 21 February 2017; "Respect Brexit decision, peers urged," BBC, 21 February 2017; "UK's House of Lords thrashes out Brexit bill," CNN, 21 February 2017; "Everything you need to know about whether the House of Lords will block Brexit," BUSINESS INSIDER UK, 20 February 2017; "Brexit bill: MPs reject amendment to protect EU citizens in UK," THE GUARDIAN, 9 February 2017.

---

## DISPUTES

---

### WTO Disputes Roundup: Bombardier Row Gets Underway, Panama-Colombia Case Continues

The past month has seen a flurry of activity in WTO dispute settlement, ranging from consultations requests on aviation-related subsidies to panel requests in cases involving goods transit and renewable energy incentives.

#### **Brazil challenges Bombardier subsidies**

Earlier this month, Brazil filed a case against Canada alleging that the latter has provided WTO-inconsistent subsidies to Canadian aircraft manufacturer Bombardier ([DS522](#)), a case that was long expected given Brasilia's earlier [signals](#) on the subject.

In its press [statement](#), Brazil argued that Bombardier-focused state aid was at least US\$2.5 billion last year alone, with the financial support having the effect of making the Canada-based company more commercially viable, while also placing its planes on the market at artificially reduced prices.

Canada and Brazil have previously sparred over airplane subsidies at the WTO, with those cases ([DS46](#), [DS70](#)) dating back decades.

In the consultations request, Brazil claimed that Canada's central and regional governments have provided financial support including loans, grants, equity infusions, tax credits, and other forms of aid to Bombardier to "develop, launch, and preserve" its commercial aircraft programme.

Brazil argues that those measures appear to be subsidies tied to export performance or the use of domestic over imported goods, as prohibited by WTO rules and to the detriment of the South American country's interests.

The complaint has also [received](#) the public backing of Embraer SA, a Brazilian aircraft manufacturer, with CEO Paulo Cesar Silva arguing that "it is essential to restore a level playing field to the commercial aircraft market and ensure that competition is between companies, not governments."

Under WTO rules, Brazil and Canada now have a 60-day minimum window for holding consultations in an effort to resolve their differences. Should these talks fail to reach a resolution, Brazil can then ask that a panel be established to hear the complaint.

#### **Panama seeks US\$210 million in sanctions against Colombia**

Meanwhile, a long-running case between Panama and Colombia has opened a new chapter after the former asked the WTO's Dispute Settlement Body (DSB) to approve a series of countermeasures in both goods and services trade, as well as under WTO intellectual property rules. These would amount to the tune of US\$210 million.

Panama City alleged that Bogotá had failed to correct its compound tariff on imports of textiles, apparel, and footwear, which the WTO's highest court said last year had surpassed Colombia's agreed tariff ceilings ([DS461](#)). Colombia had argued that the measure was a key policy in the larger fight against money laundering, which plays a significant role in the problems of drug trafficking and domestic armed conflict.

Although acknowledging the importance of Colombia's policy objective, the WTO's Appellate Body deemed that Bogotá had not sufficiently shown how the measure was able to help meet such a goal and thus be in line with WTO rules. Colombia was then given until late January to bring the measure in line with WTO law, and [announced](#) the previous month that it had done so in replacing it with an *ad valorem* tariff below the country's agreed ceilings. (See Bridges Weekly, [16 June 2016](#))

However, Panama [said](#) that such changes are insufficient, and in the absence of an agreement on compensation it has requested that the global trade body approve countermeasures in the goods sector, as well as "cross-retaliation" – in other words, retaliation in a sector or under an area of WTO rules other than the disputed one.

Colombia has since [asked](#) for a panel to answer the questions of compliance, along with [requesting](#) WTO arbitration on possible countermeasures. The developments to date have raised questions on "sequencing," a contentious issue in trade law circles due to the apparent ambiguity in WTO dispute settlement rules on the subject.

Colombia reportedly said during Monday's DSB meeting that any disagreement on whether the revised measure in question complies with the WTO ruling should first be addressed by a panel, prior to any steps relating to countermeasures, according to sources familiar with the discussions. However, while Colombia's statement drew the support of some WTO members, others reportedly said that Panama was within its rights to request countermeasures without the use of a sequencing agreement.

### **Russia, Ukraine spar on goods transit**

Early this month, Ukraine requested that a WTO panel be established to review the alleged restrictions on transit of goods from Ukraine through Russia to other countries, arguing that these violate the General Agreement on Tariffs and Trade (GATT 1994) and Russia's commitments made when joining the WTO. ([DS512](#)).

According to a Ukrainian government press release, some [estimates](#) place the level of negatively affected exports at 79 percent in the case of Ukraine-Kazakhstan trade, and 95 percent with Ukraine- Kyrgyzstan trade.

The dispute was launched by Ukraine last September, with Kiev suggesting that Moscow's move came in the wake of the January 2016 application of an EU-Ukraine trade deal, along with the suspension of Ukraine's involvement in a Russian-led trade accord.

According to Ukraine, Russia required that all Ukraine-to-Kazakhstan international cargo being transported by road and rail via its territory be carried out exclusively from Belarus, along with imposing various other impediments to goods transit. These also affected goods in route to Kyrgyzstan, according to Ukraine.

In addition, Kiev claimed that despite no formal legislation, Moscow is imposing similar restrictions on Ukrainian goods passing through Russia to other countries in the region.

Ukraine alleged that those measures violate Russia's WTO obligations to allow other members freedom of goods transit, along with transparency rules on publishing trade regulations. It also claims that these are prohibited quantitative restrictions.

"We strongly believe that the trade aggression of the Russian Federation including restriction of traffic in transit (and *de facto* almost a complete ban) from Ukraine to third countries must obtain an objective assessment of the experts of the WTO and certainly should be abolished," [commented](#) the Ukrainian Deputy Minister of Economic Development and Trade Representative Natalia Mykolska in a press release.



While the request was blocked at Monday's DSB meeting, should Ukraine table it again then a panel will automatically be established.

### **US-India renewables dispute continues**

Separately, the WTO's Dispute Settlement Body also heard this week a first request by India for a panel to be established in a case ([DS510](#)) involving renewable energy incentives in some US states, specifically involving domestic content requirements.

India claims the measures in various US states are in violation of WTO subsidy rules, along with national treatment obligations under the GATT 1994 and the Agreement on Trade-Related Investment Measures (TRIMs).

That request was reportedly rejected at Monday's DSB meeting, sources say, with the US arguing among other reasons that India "does not export significant amounts of renewable energy equipment to [the] United States," according to a copy of [its statement](#) published online by the country's mission to the WTO.

The two trading partners have previously sparred at the WTO on renewable energy issues, with the Appellate Body deeming in a separate case ([DS456](#)) last year that India's own use of domestic content requirements in its National Solar Mission (NSM) was not in line with global trade rules. (See Bridges Weekly, [22 September 2016](#))

In that case, the two sides are still in talks to determine a "reasonable period of time" to bring those measures in line with WTO obligations.

At the global trade body, respondents in a dispute are allowed to block one panel request; if a second request is made, a panel is automatically established.

ICTSD reporting; "Panama seeks \$210 mln trade sanctions against Colombia at WTO," REUTERS, 13 February 2017; "Canada Defends Bombardier Aid as Brazil Pushes WTO Challenge," BLOOMBERG 8 February 2017; "Brazil challenges Canada at WTO over Bombardier funding," REUTERS, 8 February 2017; "Colombia Wants WTO Panel to Weigh Tariff Compliance," LAW360, 14 February 2017.

---

## EVENTS & RESOURCES

---

# Events

### Coming Soon

24 February, London, UK. ZAMBIA'S FINANCIAL STABILITY AND PROSPECTS FOR GROWTH. This Chatham House meeting will feature Zambian Minister of Finance Felix Mutati, who will describe his government's economic growth plans, along with its work to address financial issues, which could include support from the International Monetary Fund (IMF). To learn more and to register, please visit the Chatham House [website](#).

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, London, UK. THE STABILITY OF THE GLOBAL FINANCIAL SYSTEM: AN URGENT NEED FOR FURTHER REFORM. This Chatham House event will feature Isabel Schnabel, Professor of Financial Economics at the University of Bonn and Member of the German Council of Economic Experts. Schnabel is expected to make the case for further regulation and reform of the international financial system, and will describe various possible reforms to the European financial system that could serve as role models for similar efforts elsewhere. This event is only open to Major Corporate Member and Partner organisations. For more information on this event, please visit the Chatham House [website](#).

2-3 March, Tokyo, Japan. OECD-ADB ROUNDTABLE ON CAPITAL MARKET AND FINANCIAL REFORM IN ASIA. This annual roundtable discussion of issues related to capital market and financial reform in Asia, organised by the Asian Development Bank Institute (ADB) and Organisation for Economic Co-operation and Development (OECD), will focus on capital flows and capital market developments in Asia, along with financial technology developments and regulatory responses, as well as providing financial support to green infrastructure investment. This forum is designed for capital and financial market regulators, policymakers, experts, practitioners, and other interested stakeholders. This year's participants include government officials from across southeast Asia, as well as OECD and ADB staff. Please note that attendance for this event is by invitation only. For more information on this event, please visit the ADB [website](#).

2-3 March, Singapore. ICCA 5<sup>th</sup> SUPPLY CHAIN FINANCE SUMMIT. This summit is organised by the International Chamber of Commerce Academy (ICCA) and brings together over 200 of the trade and supply chain finance industry's leading professionals to discuss strategies and vision in this field. For more information regarding resource speakers, session topics, and other event details, along with registration, please visit 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.

24 February: Committee on Budget, Finance and Administration

24 February: Informal General Council – Heads of Delegation

27 + 28 February: General Council

1 + 2 March: Council for Trade-Related Aspects of Intellectual Property Rights

1 March: Informal Open-ended Negotiating Groups on Rules

2 March: Committee on Rules of Origin

### **Other Upcoming Events**

6 March, Brussels, Belgium. **MARKETS IN ARTICLE 6 OF THE PARIS AGREEMENT.** This meeting is being organised by the International Centre for Trade and Sustainable Development (ICTSD) and the European Roundtable on Climate and Sustainable Transition (ERCST). There will be presentations on topics such as carbon market developments in relation to the United Nations Framework Convention on Climate Change (UNFCCC) negotiations. These will be followed by a moderated roundtable discussion. This meeting is intended to brief the Brussels community on EU climate change policy and its potential implications. For more information on this event, please visit the ICTSD [website](#).

21 + 23 March, Jeju, South Korea. **WORKSHOP: GREEN ENERGY, TRANSPORTATION AND GREEN CITIES.** This workshop is organised by the United Nations Institute for Training and Research (UNITAR) and the Asian Development Bank Institute (ADBI) and is designed to provide knowledge on green energy and transportation policy through course-based training. The aim of this workshop is to foster a better understanding of green infrastructure for development as well as green transport and energy infrastructure in developing countries. Please note that attendance at this workshop is by invitation only. For more information on this workshop, please visit the ADB [website](#).

28 March, Geneva, Switzerland. **REGULATORY COHERENCE AND THE MULTILATERAL TRADE SYSTEM: LESSONS FROM THE RTAS AND OPTIONS TO PROMOTE CONVERGENCE.** This dialogue is being organised by the International Centre for Trade and Sustainable Development (ICTSD) and the Inter-American Development Bank (IDB). The objective is to help support trade policymaking in the area of regulatory coherence, particularly given the developments underway with regional trade agreements and the multilateral trading system. Please note that attendance at this event is by invitation only. For more information, please visit the ICTSD [website](#).

28 March, Brussels, Belgium. **EFFORT SHARING REGULATION: WHAT DEAL CAN WE EXPECT?** This meeting is being organised by the International Centre for Trade and Sustainable Development (ICTSD) and the European Roundtable on Climate and Sustainable Transition (ERCST). Taking place at the European Parliament with the participation of Gerben-Jan Gerbrandy, Member of the European Parliament representing the Netherlands and part of the Alliance of Liberals and Democrats of Europe, this meeting aims to facilitate policy discussions regarding the development of the new Effort Sharing Regulation. There is limited available space for this event. For more information, please visit the ICTSD [website](#).

---

## Resources

GLOBAL COMPETITION AND THE RISE OF CHINA. By Caroline Freund and Dario Sidhu for the Peterson Institute for International Economics (PIIE) (February 2017). This new paper explores how global industrial concentration has evolved over the past decade, specifically in regard to China's firms and those of other emerging markets. Considering the major role played by Chinese state-owned enterprises (SOEs) and incumbent industry leaders, this paper examines the global implications of these newer developments. The full document is available for download at the PIIE [website](#).

GLOBAL FISHERIES' SUNKEN BILLIONS. By the World Bank (14 February 2017). This article examines the productivity of fisheries globally and potential consequences of overfishing. Citing a recent World Bank report, this article argues that overexploitation is not a good strategy to manage fish stocks. This article goes on to discuss World Bank fishery partnerships in Peru, Morocco, the Pacific Islands, West Africa and Oman. This article and the associated report is available on the World Bank [website](#).

JOBS AND THE LOW-CARBON ENERGY TRANSITION: PERSPECTIVES FROM CUMBERLAND COUNTY. By Scott Vaughan for the International Institute for Sustainable Development (IISD) (January 2017). This commentary explores the potential of the renewable energy sector as a source of job creation, beginning with the example of Cumberland County. The author argues that the shifts underway in Cumberland County, located in Northwestern Nova Scotia, Canada, could be echoed throughout the world as job losses in the fossil fuel industry are replaced by growth in renewable energy. This commentary is available for download at the [IISD website](#).

A MASSIVE RETALIATION IN TRADE? By Chad P. Bown for the Peterson Institute for International Economics (PIIE) (February 2017). This video discusses the WTO law implications of the "border tax" proposal by some US congressional lawmakers, suggesting that this approach could potentially prompt WTO-authorised retaliation on behalf of key trading partners. The video is available to view on the PIIE [website](#).

SHOCKS FOR DEVELOPING COUNTRIES FROM PRESIDENT TRUMP'S FIRST WEEKS. By Martin Khor for the South Centre (9 February 2017). This article discusses the possible implications of the Trump presidency for developing countries. This article reviews specifically policies and politics related to refugee migration, UN funding, climate and environmental policy, and trade and investment. This article is available to view on the South Centre [website](#).

EXPLORE THE TRADE AND SUSTAINABLE DEVELOPMENT  
WORLD FURTHER WITH ICTSD'S BRIDGES NETWORK

## BIORES

Analysis and news on trade and environment for a global audience  
<http://www.ictsd.org/bridges-news/biores>  
*English language*

## BRIDGES AFRICA

Trade and sustainable development news and analysis on Africa  
<http://www.ictsd.org/bridges-news/bridges-africa>  
*English language*

## PUENTES

Latin America-focussed analysis and news on trade and sustainable development  
<http://www.ictsd.org/bridges-news/puentes>  
*Spanish language*

## МОСТЫ

CIS-focussed analysis and news on trade and sustainable development  
<http://www.ictsd.org/bridges-news/МОСТЫ>  
*Russian language*

## PONTES

Analysis and news on trade and sustainable development for the Portuguese-speaking world  
<http://www.ictsd.org/bridges-news/pontes>  
*Portuguese language*

## 桥

Analysis and news on trade and sustainable development for the Chinese-speaking world  
<http://www.ictsd.org/bridges-news/桥>  
*Chinese language*

## PASSERELLES

Africa-focussed analysis and news on trade and sustainable development  
<http://ictsd.org/news/passerelles>  
*French language*

PUBLISHED BY



International Centre for Trade  
and Sustainable Development  
Chemin de Balexert 7-9  
1219 Geneva, Switzerland  
+41-22-917-8492  
[www.ictsd.org](http://www.ictsd.org)

Bridges Weekly Trade News is made possible  
through generous contributions of donors and  
partners including

DFID - UK Department for  
International Development

SIDA - Swedish International  
Development Agency

DGIS - Ministry of Foreign Affairs  
Netherlands

Ministry of Foreign Affairs, Denmark

Department of Foreign Affairs and Trade,  
Australia

Copyright ICTSD, 2017. Readers are encouraged  
to quote and reproduce this material for  
educational, non-profit purposes, provided the  
source is acknowledged.



This work is licensed under a Creative Commons  
Attribution-NonCommercial-NoDerivatives 4.0  
International [License](https://creativecommons.org/licenses/by-nc-nd/4.0/).

Your support to BRIDGES and the BRIDGES series  
of publications is most welcome; if interested,  
please contact Andrew Crosby, Managing  
Director at +41-22-917-8335.

Contributors to this issue are Sofia Alicia Baliño,  
Emily Bloom, Iva Gobac, Sonja Hawkins, Jonathan  
Hepburn, and Elizabeth Stephani. This edition of  
Bridges Weekly Trade News Digest is edited by  
Sofia Alicia Baliño.

The Publisher and Director is Ricardo Meléndez-  
Ortiz. The Editor in Chief is Andrew Crosby.  
Comments and suggestions are welcome and  
should be directed to the [editor](#) or the [director](#).

ISSN 1563-003X

