

# BRIDGES WEEKLY

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## GLOBAL ECONOMY

### US Steel, Aluminium Tariffs Take Effect As Trading Partners Debate Options

The US has confirmed which countries will be subject to temporary exemptions from tariffs on steel and aluminium, even as heated debate continues in multiple trade forums over what these measures will mean for those sectors and for the wider global economy.

Late last week, US President Donald Trump issued two presidential proclamations on [steel](#) and [aluminium](#), respectively, which updated the previous proclamations announcing the duties. Both documents said that the US will now hold additional talks with Australia, Argentina, Brazil, South Korea, and the European Union, as well as Canada and Mexico "on satisfactory alternative means to address the threatened impairment to the national security by imports" of those products.

"Each of these countries has an important security relationship with the United States and I have determined that the necessary and appropriate means to address the threat to the national security posed by imports from steel articles from these countries is to continue these discussions and to exempt steel articles imports from these countries from the tariff, at least at this time," the proclamations say.

It also suggests that other countries could earn similar exclusions, provided they make their case to the US accordingly. The proclamation also says that the exemption for the above-mentioned countries will expire on 1 May, unless those countries manage to negotiate an arrangement with the US that would "remove the threatened impairment to national security."

Trump has argued that the tariffs are needed to address national security concerns, following an investigation by the US Department of Commerce under Section 232 of the 1962 Trade Expansion Act. Several trading partners have questioned the merits of using a national security justification for unilateral trade measures, suggesting that this could set a hazardous precedent. Various traditional allies of the United States have also said that their long history of collaboration on security issues should be proof positive that their imports are not posing a national security risk to Washington.

For those countries not exempted, the ad valorem tariffs are set at 25 percent for imported steel and at 10 percent for imported aluminium. (See Bridges Weekly, [15 March 2018](#))

The top ten sources of imported steel into the US are Canada, Brazil, South Korea, Mexico, Russia, Turkey, Japan, Germany, Taiwan, and China, in that order, according to US [government statistics](#). Together, these 10 countries make up over three-quarters of US steel imports, as measured by volume.

While some of these countries were temporarily excluded from tariffs, the US did not exempt China, Japan, Russia, South Africa, Turkey, or Taiwan, prompting trade ministries from many of these countries to issue statements criticising the move. Some have warned, for example, that excluding some countries from the duties while applying them to others could create an additional hindrance for their exporters.

"[South Africa] notes with concern that it is not excluded from the application of the duties on steel and aluminium. The imposition of the duties will have a negative impact on productive capacity and jobs in a sector already suffering from global steel overcapacity," said a [statement](#) from South Africa's Department of Trade and Industry.

### **EU prepares for steel influx, launches safeguard investigation**

Across the Atlantic, the steel tariffs continue to invite scrutiny from the European Union, which is one of the US' largest trading partners. Steel, as well as other developments in international trade, were among the headline items on the European Council's agenda on 22-23 March.

"The European Council regrets the decision by the United States to impose import tariffs on steel and aluminium. These measures cannot be justified on the grounds of national security, and sector-wide protection in the US is an inappropriate remedy for the real problems of overcapacity, on which the EU already has offered the US its full cooperation in multiple fora, including the Global Forum [on Steel Excess Capacity]," said leaders in the Council's [conclusions document](#).

They also called upon Trump to ensure that the 28-nation bloc is exempted from tariffs on a permanent basis, rather than being bound by a 1 May negotiating deadline.

Individual leaders have also weighed in publicly, with French President Emmanuel Macron [telling reporters](#) on Friday that the temporary exemption "does not appear satisfactory to us" following the Council meeting in Brussels. He also called for EU leaders to follow three principles: to avoid a deleterious "trade war," to protect and update the rules-based international order under the WTO, and to present a "united and determined" front going forward.

"If we are attacked, we will react without weakness, everyone should be aware of that, and I believe I can say that the American strategy is a bad approach to a real problem, which we have repeatedly discussed, that of dumping and overcapacity in sectors such as steel," the French leader said.

Despite being excluded temporarily from the duties, the EU's executive arm has launched on its own initiative a [safeguard investigation](#) into imported steel, arguing that cheap imports of the metal have already been overloading the European market – a situation that could worsen as a result of deflected trade that would otherwise have landed in the United States.

The investigation announcement, included in the [Official Journal of the European Union](#), refers to import increases over the past five years and falling steel prices, stating that there is "sufficient evidence showing that the volume and the prices of these imports have caused

or are threatening to cause significant overall impairment of the position of the Union industry."

It also warns that the market remains "fragile" and that even those steel products facing less risk remain "vulnerable to a further increase in imports, which is likely to be imminent given the context of an overall steel overcapacity, the increasing number of trade defence measures taken by third countries on steel products, and the recent Section 232 measures by the United States of America."

The European Commission is due to decide on what actions to take, if any, based on the investigation's findings within the next nine months, though this timeframe can be extended if necessary.

### **China requests WTO safeguard talks**

In related news, China filed requests for consultations under the WTO's Agreement on Safeguards this week, arguing that these US tariffs are "safeguard measures," rather than national security ones. China has filed individual requests on [steel](#) and [aluminium](#).

Both documents are dated 26 March and are virtually identical, aside from the product at issue and level of ad valorem tariff involved. The documents state that Beijing views the tariffs as being in violation of global trade rules, including the WTO's Safeguards Agreement and the General Agreement on Tariffs and Trade (GATT).

Furthermore, the documents say that Beijing is looking to discuss possible compensation, given that WTO rules usually permit members to impose safeguards so long as they compensate exporting countries which are implicated by the measures.

Lastly, Beijing says that it "reserves the right to raise additional issues, make further factual and legal arguments, and pursue any other remedies" under WTO rules on safeguards or dispute settlement.

While China is [responsible](#) for only about two percent of imported steel into the North American country, it is still the world's largest steel producer and ranks within the US' top ten sources of foreign steel. It has also been a vocal critic of the duties, and released a list of 128 products from the US last week that could face tariffs as a result. This list is now subject to public comment, and officials from the Chinese Ministry of Commerce have called for continued discussions with Washington to address the issue.

"As the world's two largest economies, it is the only correct choice for China and the United States to cooperate with each other," said [a statement](#) from a ministry spokesperson.

### **Tariff debate draws in WTO members**

The Section 232 tariffs also took centre stage at WTO headquarters during a meeting of the Goods Council, which is the body that deals with goods trade as well as issues involving the organisation's General Agreement on Tariffs and Trade (GATT).

Geneva trade officials familiar with the meeting confirmed that dozens of countries spoke about the tariffs, referring specifically to the systemic implications these types of unilateral measures could have. China and Russia had asked that the item be placed on the Goods Council agenda. Among those concerned were the EU, Australia, Japan, and Brazil, among a host of others.

WTO Director-General Roberto Azevêdo issued a public statement following the first half of the meeting, which began on Friday 23 March and concluded on Monday 26 March.

"I encourage members to continue working through the WTO's many forums and mechanisms to deal with their concerns and explore potential solutions. Actions taken outside these collective processes greatly increase the risk of escalation in a confrontation that will have no winners, and which could quickly lead to a less stable trading system," [said](#) the WTO chief, without referring to the US measures specifically.

The two-day meeting also featured intense discussions over a separate US investigation into allegedly unfair Chinese intellectual property practices, particularly regarding forced technology transfers. That "Section 301" investigation, and the resulting actions, have similarly stoked fears that unilateral trade measures could have damaging implications for the global trading system.

Trump signed a presidential memo last week confirming plans to impose hefty tariffs on various products as a result, though the product list is still pending, along with indicating that investment restrictions could also be forthcoming. The US has now filed a [related WTO case](#), arguing that China's "discriminatory licensing requirements" have violated the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), such as its provisions on national treatment and patent rights for patent owners from abroad. (See Bridges Weekly, [22 March 2018](#))

At the Goods Council, China argued that the US was enacting a "very bad precedent" via the Section 301 action, arguing that Washington cannot "unilaterally" determine violations of global trade rules, as it appeared to do under this investigation. Beijing also urged fellow members to work together to "prevent the resurrection of 301 investigations and lock this beast back into the cage of the WTO rules," according to a copy of the Chinese delegation's statement seen by Bridges.

ICTSD reporting.

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## TRADE AGREEMENTS

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### **South Korea, US Clinch Agreement in Principle to Update KORUS Trade Pact**

Seoul and Washington have reached an agreement "in principle" that would revise the Korea-US Free Trade Agreement (KORUS), South Korea's trade ministry confirmed this week. The tentative agreement reportedly includes concessions from the Asian country on trade in automobiles and establishes a quota on Korean steel exports bound for the United States.

South Korea will be the first country to be granted an indefinite exemption from the metal tariffs levied by the US under Section 232 of its Trade Expansion Act, which entered into force on Friday 23 March. (See Bridges Weekly, [8 March 2018](#) and related story in this edition).

In lieu of the 25 percent tariff on imported steel, the partners negotiated a quota to limit Korean steel exports to the United States to 2.68 million tonnes per year, which officials say amounts to approximately 70 percent of the average of US-bound exports over the last three years.

"We welcome the results of negotiations on the Korea-US FTA and steel tariffs," said Yoon Young-chan, senior presidential press secretary, according to comments reported by Yonhap.

"We express our respect to our negotiating team for their perfect win-win negotiations," he continued, adding that the agreement served to solidify "the foundation of Korea-US cooperation."

Korean Trade Minister Kim Hyun-chong told reporters on Monday 26 March that the result would effectively resolve issues that had been sources of significant uncertainty for his country, referring to the reprieve from US steel tariffs and the KORUS amendments.

"Although there are some technical issues that need to be addressed at a working level, I believe they will be settled shortly," he added. The revised agreement will need to be formally signed and ratified by the domestic legislatures of both countries before it takes effect.

Citing concerns over its trade deficit with Seoul, Washington requested talks to amend the deal last year. Two special sessions of a "joint committee" under the FTA were held in August and October 2017. Officials have since engaged in three formal negotiating rounds since January. (See Bridges Weekly, [22 March 2018](#))

Addressing trade deficits with major partners and updating existing trade deals has been one of the top priorities of the current US administration, which has warned that it would consider terminating deals such as KORUS unless it sees sufficient changes to address Washington's concerns.

"We're going to have a wonderful deal with a wonderful ally," US President Donald Trump said at a White House [press conference](#) on Friday 23 March, hinting that a KORUS update was imminent. "It was a deal that was causing a lot of problems for our country in terms of employment and in terms of lots of other things."

The US is South Korea's second-largest trading partner after China, with two-way trade reaching US\$119.3 billion in 2017. The KORUS FTA has been in force since March 2012.

### Revised deal

Under the terms of the draft agreement, the US was able to secure improved market access and eased import restrictions for automobiles. In 2016, the US deficit in the sector alone was US\$24 billion – nearly 90 percent of the total goods deficit, according to a [USTR statement](#) from October 2017.

The deal will allow US automakers to export 50,000 vehicles that do not comply with domestic safety regulations per manufacturer each year to Korea – double the figure previously agreed under KORUS. These vehicles do meet US safety standards and would be treated as such. Kim said that he expected minimal impacts on the import volume from this concession, given that the existing threshold has not been met for six years and Ford and General Motors shipped less than 10,000 units apiece to Korea under the allowance last year.

Many US auto companies have found the Korean market challenging to break into, where American vehicles comprise 6.8 percent of all imported cars sold in the country according to Yonhap, citing data from the Korea Automobile Importers and Distributors Association.

The US further extended its 25 percent duty on Korean pick-up trucks until 2041, 20 years later than permitted under the deal's previous timeframe, according to the [Korean Ministry of Trade, Industry and Energy](#).

"We reached an agreement by accepting some of the US demands in regard to market access," Kim said. "We took consideration of the fact that no companies are currently exporting domestically-produced pickup trucks to the US."

Korean negotiators were able to avoid higher content requirements for US auto parts, officials say.

Rules of origin for cars has been a key topic for the US in its more recent trade negotiations. For example, Washington has proposed setting higher regional and domestic content thresholds for cars in order to qualify for preferential treatment in the negotiations to modernise the North American Free Trade Agreement (NAFTA) with Mexico and Canada.

Seoul and Washington also agreed to hold additional talks to amend South Korea's pharmaceutical pricing system. Meanwhile, no new concessions were made in terms of opening up Korea's agriculture markets, designated by Seoul as a non-starter given the challenges its farm sector already faces in response to foreign competition. American agricultural exports to Korea amounted to US\$6.2 billion in 2016, representing the US' fifth largest agricultural export market.

In return, the US has reportedly agreed to introduce a new clause aimed at instituting additional improvements to investor-state dispute settlement (ISDS), a priority for Seoul. Korean officials say that the changes would help prevent potential abuse of the international arbitration system by multinational companies and better safeguard the right to regulate in the public interest. Other changes also include amendments to certain KORUS provisions involving trade remedy investigations, another area of interest for South Korea.

In addition, a side agreement on currency and greater transparency in exchange rate policy is reportedly expected within the coming days, according to multiple media reports. The planned accord would not fall within the scope of KORUS' dispute settlement rules.

## Steel quota

Korean steel entering the US will be capped in exchange for exclusion from the American steel tariffs. South Korea shipped 3.6 million tonnes of steel products to the US last year, making it the third largest steel exporter behind Canada and Brazil. Korea is also the world's top importer of steel from China, fuelling concerns that US industry could be adversely affected through "transshipping" Chinese steel.

Six other trade partners have been excluded from the metal tariffs on a temporary basis until 1 May, including the US' NAFTA partners, Brazil, Argentina, Australia, and the European Union. They have been asked to negotiate a long-term response to the US' concerns in order to avoid the tariffs for a longer period. The unilateral trade measures have drawn intense pushback from the wider trading community, both for their commercial implications for a major sector as well as the potential systemic impact for the multilateral trading system. (See related story, this edition)

"This resolved the instability and the unpredictability faced by exporting companies," Kim said of the steel agreement.

ICTSD reporting; "Cheong Wa Dae welcomes S. Korea's exemption from U.S. steel tariffs," YONHAP, 26 March 2018; "S. Korea further opens auto market in return for U.S. steel tariff exemption," YONHAP, 26 March 2018; "Speedy KORUS FTA deal eases trade uncertainties for now," YONHAP, 26 March 2018; "U.S., South Korea reach revised FTA," ASSOCIATED PRESS, 26 March 2018; "Korea, US reach agreement on FTA revision, steel tariffs in principle," THE KOREA TIMES, 27 March 2018; "Korea evades steel tariffs, wins quota from US in quick FTA tweak," ASIA TIMES, 26 March 2018; "US and South Korea near side agreement on currency," FINANCIAL TIMES, 28 March 2018; "Korea agrees to import more US cars," KOREA TIMES, 26 March 2018.

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## TRADE AGREEMENTS

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### **Preparations for Post-Brexit Trade Deals Continue with US, Australia**

Trade officials from the United Kingdom have been meeting with their US and Australian counterparts over the past fortnight to continue setting the stage for deeper economic ties and possible trade agreements in the post-Brexit era.

The meetings come after the EU and UK clinched a "[transition deal](#)" through 31 December 2020 that would allow London to enter formal negotiations for new foreign trade agreements upon leaving the European Union next year. (See Bridges Weekly, [22 March 2018](#))

#### **SMEs, tariffs on US-UK working group agenda**

US Trade Representative (USTR) Robert Lighthizer met with his UK counterpart, Secretary of State for International Trade Liam Fox, on 14 March for continued bilateral talks on crafting a deeper US-UK trading relationship, which was followed by working group meetings on 21-22 March.

Among the key announcements from last week's discussions was a new forum dedicated to small and medium-sized enterprises (SMEs), with the launch of a special SME dialogue and several related publications.

For example, on 14 March, [British](#) and [American](#) officials released a toolkit for SMEs focusing on protecting intellectual property rights (IPRs). Both toolkits include information on patents, copyrights, and trademarks along with other key IP topics to support the export of creative and innovative products and services between the countries.

On 20 March, an inaugural SME dialogue was held between UK and US business representatives and government officials. The UK and the US [jointly released](#) a brochure on doing business in their respective countries. The comprehensive document gives strategies and information touching on a variety of issues, from e-commerce to financing.

"The launch of both the SME Dialogue and the Toolkit on IP Protection for SMEs are two practical outcomes of our discussions so far. We look forward to continuing to expand opportunities for our businesses and workers, including for small and medium sized enterprises," [said](#) Lighthizer.

The next round of the SME Dialogue will be held in the United Kingdom, though dates were not publicly available at press time. Other topics discussed in Washington last week included agricultural goods, intellectual property rights, and regulatory issues, the USTR [said](#).

While not normally on the working group agenda, the US' new tariffs on steel and aluminium were also raised at last week's meeting, according to a joint [statement](#), given their potential implications for London. The UK is currently exempted from these tariffs through at least 1 May, as part of the EU-wide exemption that Washington announced last week.



Whether this exemption could be extended remains uncertain, pending additional EU-US negotiations, and the prospect that these tariffs could eventually take effect have stoked tensions between Brussels and Washington. (For more on the tariffs, see related story, this edition)

### **FTA talks in focus**

Also high on the working group's agenda were preparations for the potential launch of formal trade talks, which is an idea that has gained political traction in recent months under the current administration of US President Donald Trump. For example, at the World Economic Forum meeting in Davos in January, US Treasury Secretary Steven Mnuchin said Britain would be at the "front of the queue" to negotiate a free trade agreement.

The open interest in a UK-US trade deal is a change in tack from past [statements](#) by Trump's predecessor, Barack Obama, who had suggested that the UK would not be a top priority for a new trade deal should the island nation decide to leave the European Union. While the Obama Administration said that it preferred multi-country accords, the Trump Administration has said that bilateral agreements with individual countries are its favoured approach.

The working group was set up last year, and one of its objectives was to begin early discussions that could facilitate formal trade talks shortly after Britain's exit from the EU. As trade between the countries is already worth approximately US\$215 billion per year (£150 billion) with each side having around US\$1 trillion invested in each other's economies, proponents say that the deal could be commercially significant for both sides.

The working group met twice last year, with the first meeting in July tackling topics such as trade strategy, WTO issues, financial services, data and e-commerce, and industrial tariffs, according to the meeting [agenda](#) released under a US Freedom of Information Act. Both sides expressed optimism about the group's ability to make big strides in strengthening ties following this initial meeting.

The two sides held a second meeting in November 2017. "The Working Group will cover a range of topics, including industrial and agricultural goods; services, investment, financial services and digital trade; intellectual property rights and enforcement; regulatory issues related to trade; labour and environment/sustainable development; and small and medium-sized enterprises (SMEs)," the UK Department for International Trade [press release](#) said.

### **Australia's Ciobo: Trade talks to kick off immediately after Brexit**

Australian officials, meanwhile, have confirmed that they want to move swiftly to formal UK trade talks as soon as Brexit takes effect next year.

During the week of 26 March, Australia's Minister for Trade, Tourism, and Investment, Steven Ciobo, met with UK's Fox and the UK Secretary of State of Environment, Food, and Rural Affairs, Michael Gove, to discuss next steps for the planned accord, building on progress in their bilateral working group.

That working group on the subject was established in September 2016 to prepare for a future free trade pact between the nations. The group meets biannually at the senior level along with consultation and outreach to stakeholders, the governments [said](#) at the time. This past November, ministers instructed the working group to identify practical steps to enable companies in both countries to do business with one another more easily.

"The aspiration between both Australia and the UK is that we will commence negotiations basically on day one of the commencement of the interim period with the view to having a high quality, comprehensive free trade agreement between us ready to go essentially on the first of January 2021 so that that way we have a seamless transition from UK being part of

the EU and then when the UK sits outside of the EU for us to have that relationship," Ciobo [told reporters](#) in the UK on Monday, according to a transcript provided by his office.

Ciobo hinted at a lengthy agenda for his meetings with UK officials. Topics included agricultural products, US steel tariffs, and the bilateral free trade agreement. He also suggested that the new EU-UK transition deal was providing welcome clarity on the evolution of the Brexit process and its potential outcomes, which would in turn facilitate talks between London and Canberra.

"What we see is strong alignments in terms of the desire for both Australia and the UK on a bilateral FTA. What we want to do is grow trade and investment between Australia and the UK. If we grow trade and investment, we grow the economy, and we grow jobs," Ciobo said.

A potential UK-Australia FTA would also fly in the face of inward-focused trade pressures that have emerged in recent months, according to Ciobo. "This is a great opportunity for Australia and the UK to, in many respects, be the torchbearers when it comes to liberalised trade investment," he [said](#).

The countries' bilateral trade was valued at A\$29 billion (US\$22.4 billion) in 2016, according to Australian government [statistics](#), with the two countries trading significantly in gold, alcoholic drinks, cars, and medicines, among others. They also trade heavily in services and are leading sources of foreign direct investment for each other's countries.

Meanwhile, Australia is also heading into formal negotiations with the European Union, with the goal of clinching a comprehensive trade accord between them. Ciobo noted that the Australia-EU process is more advanced, and the formal launch of trade talks is pending the finalisation of EU domestic procedures. He also expressed his hope that this could occur within the next few months. (See Bridges Weekly, [25 January 2018](#))

ICTSD reporting; "Brexit: US ready for an 'attractive' UK trade deal," BBC, 25 January 2018.

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## EUROPEAN UNION

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# EU Leaders Push to Update Climate Action Strategy, Eyeing Paris Agreement Implementation

Leaders from the EU's member states are looking to revamp their approach to slashing emissions of greenhouse gases and have asked the bloc's executive branch to put forward an updated strategy by early next year.

The [request](#) was made during an EU Council meeting in Brussels, Belgium, held from 22-23 March. The updated plan, leaders said, would facilitate the bloc's continued efforts towards meeting the goals of the UN's Paris Agreement on climate change.

"The European Council invites the Commission to present by the first quarter of 2019 a proposal for a Strategy for long-term EU greenhouse gas emissions reduction in accordance with the Paris Agreement, taking into account the national plans," the Council [said last week](#).

The EU has set a bloc-wide objective of slashing carbon emissions by 40 percent by the year 2030, relative to the levels seen in 1990. The European Commission proposed this objective in early 2014, prompting a legislative process and negotiations among the EU institutions before it became law. (See Bridges Weekly, [23 January 2014](#))

It has also set out longer term objectives, such as a 60 percent emissions cut by 2040 and a mid-century goal of 80 percent. The latter goal, according to the Commission would be achieved solely through domestic action, and was enacted under a roadmap released seven years ago. The EU has also made a commitment to be part of a wider group of developed countries that will work to cut emissions by 80-95 percent in that same timeframe.

However, given that many of these targets predate the UN's Paris Agreement on climate change, which was adopted in 2015 and entered into force in 2016, EU leaders and other officials have been weighing whether the bloc should reconsider these targets and, if so, when and how.

In addition, the EU also has in place a series of energy-related targets, aimed at goals such as upping the share of renewables in the bloc's energy mix. The EU is also working to advance a suite of laws aimed at meeting its current climate action commitments, such as by setting emissions limits for backup power subsidies, with the relevant legislation making its way through the bloc's co-decision processes. (See Bridges Weekly, [1 March 2018](#))

The bloc-wide climate and energy targets [are meant to be paired](#) with renewable national plans, starting with the 2021-2030 period, accounting for the different situations of individual EU member states while ensuring that the collective 2030 goals are met. A governance proposal addressing how these plans will work, along with reviews of progress in achieving them, is making its way through the EU's legislative process.

"EU steps up climate action as we forge ahead with the low-carbon transition. No time to lose, [the EU Commission] will deliver," said Miguel Arias Cañete, the EU Commissioner for Climate Action and Energy, on social media site [Twitter](#) in response to the Council conclusions.

### **Macron, Rutte: more ambition needed**

National leaders from some EU member states have already been calling for ramping up the bloc's climate action commitments, citing both the importance of being international leaders in this field as well as the imperative to prevent the devastation that could result from a warming planet.

French President Emmanuel Macron and German Chancellor Angela Merkel gave their own press conference following the Council meeting, with Macron publicly endorsing the Council's call for an updated long-term strategy, along with stressing the importance of sustainable finance to meet climate action objectives.

Macron also highlighted the importance of trade agreements in this context, reiterating past comments that the EU should avoid inking such deals with any country that is not a signatory to the climate accord, according to a [transcript](#) of his remarks provided by the Elysée Palace.

"We cannot have trade negotiations which do not recognise the rules which we have imposed on ourselves," he said. The European Commission issued a plan last month that put forward various steps to improve the sustainability dimension of free trade pacts, such as by ensuring that these deals "reaffirm a shared commitment to the effective implementation of the Paris Agreement." (See Bridges Weekly, [1 March 2018](#))

Other EU leaders have also called for more ambition in the bloc's climate action work, with Dutch Prime Minister Mark Rutte saying earlier this month that existing targets are far from sufficient. Rutte noted, for example, that the Paris Agreement had set an indicative target of limiting global temperature increases to 1.5 degrees Celsius relative to pre-industrial levels, if possible, and to at least make sure that any increase stays "well below" a two degree Celsius rise.

"This means that we need to set a more ambitious EU target. Forty percent is too low to keep warming below two degrees, let alone one and a half degrees. So we need to raise the bar," said Rutte during a [speech in Berlin](#) at Bertelsmann Stiftung, a German foundation, in reference to the EU's carbon reduction goal for 2030.

The Dutch premier suggested that the EU revise this emissions reduction target further, increasing it to 55 percent within the same timeframe.

"By adopting this target, the EU will be doing its share to get closer to the global ambition of keeping warming to one and a half degrees. So let's not delay. The current Commission could start making preparations," said Rutte, who also suggested that such a move could be ready for EU leaders to approve this coming June.

The Council conclusions did not spell out what should feature in this new proposal for long-term climate action, however, and crafting EU-wide climate and energy targets has traditionally been a challenging negotiating exercise, given the varying economic make-ups of different EU member states and different levels of reliance on both traditional and newer sources of energy.

### **Sustainable finance**

Along with its domestic climate action plans and its focus on inking trade deals with a clear reference to climate action, the EU has also been working towards addressing a significant bloc-wide investment gap towards achieving its climate and energy objectives. Officials dedicated a high-level conference last week and an action plan released in early March towards the issue.

Among the topics for discussion was how to leverage greater levels of investment from sources outside the public sector, along with making the EU a more desirable destination for foreign investment flows with a sustainability dimension.

According to the [European Commission](#), the EU faces at least an €180 billion annual shortfall when it comes to undertaking the necessary steps for meeting its 2030 targets in these policy areas – a number that could rise even further when also factoring in sectoral targets.

“Europe’s financial sector must lead the green transition and make our union the global destination for sustainable investment. There is no greater return on investment than a healthy planet and economy,” [said](#) European Commission President Jean-Claude Juncker late last week.

A [statement](#) from the Commission also makes specific reference to the US’ planned exit from the Paris Agreement, suggesting that this is yet one more reason for the EU to take a leadership role in this field, specifically by becoming “the destination for low-carbon technologies and sustainable investments, securing a substantial competitive advantage.”

The EU Action Plan then outlines a series of steps aimed at making it easier for facilitating financial sector involvement, such as a standardised system for classifying sustainable investments, or looking at ways to make it easier and clearer for banks to factor in sustainability considerations in decision making. Other objectives include addressing corporate information asymmetries, such as by developing updated “guidelines on non-financial reporting” that could make it easier for companies to report on environmental and social issues, among others.

The EU has also outlined a [proposed timeframe](#) for addressing these issues over the coming two years, some of which would require passing new legislation.

“Global investments hold the key to fighting climate change- So now is the time to ensure our investments go in the right direction. Investments made during the next years will in many cases have an effective life-span well beyond 2050,” [said Cañete](#) last week.

“We owe it to today’s and to the future generations that we do not create stranded assets, but rather put our money into projects that are compatible with our decarbonisation objectives and take into account the inevitable impacts of climate change,” the EU climate official added, stressing that public funds cannot achieve this alone.

ICTSD reporting.

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## TRADE AGREEMENTS

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# Trilateral Trade Talks Resume Between China, Japan, and South Korea

Trade negotiations between China, Japan, and South Korea resumed from 22-23 March, nearly one year after officials held their previous round. The three countries are also part of a broader effort to clinch a 16-country regional trade deal, which is vying for conclusion this year.

### China-Korea-Japan FTA

The conference between senior officials was held in Seoul, South Korea, and was headed by China's Vice Minister of Commerce Wang Shouwen, Japan's Deputy Minister for Foreign Affairs Yamazaki Kazuyuki, and South Korea's Deputy Minister for Trade and Investment Kim Young-sam.

Talks for a free trade agreement (FTA) between the three countries [began](#) in November 2012 at the 21<sup>st</sup> Association of Southeast Asian Nations (ASEAN) conference. Since then, meetings have been held in rotation between the three countries. Together, the large Asian economies make up one-fifth of the world's total GDP.

Increasing trade and investment flows across the board is another key objective of the negotiations, particularly given these countries' major roles in the wider regional and global economy, as well as the potential to link up value chains. Throughout the 13 negotiating rounds held to date, frequent topics of discussion have included trade in goods and services and investment, according to the [Ministry](#) of Foreign Affairs of Japan.

During the latest exchange, officials focused particularly on services, including financial services, as well as telecommunications, according to a [press release](#) Issued by China's Ministry of Commerce (MOFCOM).

"[The ministers] agreed that concluding the negotiations of China-Japan-South Korea [FTA](#) as soon as possible accords with the three parties' interests, [and] is of great importance to deepen regional economic cooperation and realise the trade and investment liberalisation and facilitation in East Asia," [said](#) the MOFCOM statement.

The timeframe for inking a trade accord, however, remains unclear. Several political issues have reportedly challenged trade negotiators' efforts to move the accord forward, such as unrelated territorial disputes, and meetings have been held sporadically in recent years, compared to the various rounds held annually after the talks first kicked off in 2012.

South Korea and China already have a bilateral agreement between them, which took effect in December 2015. That deal involved successive tariff cuts aimed at eliminating duties on over 90 percent of each sides' tariff lines, along with [covering](#) topics such as e-commerce, services trade, and public procurement. Officials held talks in Seoul last week on the next phase of the bilateral pact, [given the objective](#) of undertaking additional negotiations involving services and investment that would build on existing commitments.

### Regional economic dynamics

Following the Asian financial crisis in the 1990s, China, Japan, and South Korea [began](#) cooperating more closely with ASEAN, joining forces with the 10-country coalition to [form](#)

ASEAN Plus Three (APT, or ASEAN+3) in 1997 in a bid to “foster East Asian regionalism.” [In addition](#) to economic collaboration, the group also works together on social issues, energy, agriculture, tourism, and a host of other subjects of mutual interest.

To deepen this partnership, trade talks were launched at the same conference that saw the formal beginning of the Regional Comprehensive Economic Partnership (RCEP) negotiating process, featuring those three countries, as well as Australia, India, New Zealand, and the Association of Southeast Asian Nations. (See Bridges Weekly, [21 November 2012](#); [3 August 2017](#))

A deal between the 16 RCEP nations would comprise more than three billion people and account for approximately 30 percent of world trade, according to an ASEAN [factsheet](#). Leaders from that group have also said that finalising these talks could help counter the current pushback against globalisation that has grown in prominence in recent years, along with shoring up economic growth and political ties in the region.

“We noted that, despite the recent global economic slowdown, rising protectionism, and anti-globalisation sentiments, our economies have remained resilient and continued to grow apace relative to the rest of the world. We acknowledged the valuable contribution of trade openness and regional economic integration which cushion the region from the more volatile global macroeconomic environment, allowing us to maintain our robust economic performance,” RCEP leaders [said](#) late last year.

RCEP ministers met last month, noting that while their commitment to the project remains strong, differences remain on various key issues.

“The ministers underscored the immense potentials of an RCEP agreement to not only enhance economic growth, provide more jobs and improve the livelihood of people in the RCEP region in an inclusive way, but also contribute significantly to the growth of global trade,” according to the ministers’ joint [press release](#).

“There is still a lot to do but it’s possible to finish by this year,” an unnamed ASEAN official told Kyodo News this month. While RCEP negotiators are due to reconvene in April and June, ahead of another July ministerial, the timing for the next trilateral meet for China, South Korea, and Japan has not yet been announced, though China has been confirmed as host.

ICTSD reporting; “South Korea, China, Japan hold 13<sup>th</sup> round of FTA talks,” ARIRANG NEWS, 22 March 2018; “After delay, RCEP leaders resolve to wrap up pact in 2018,” NIKKEI ASIAN REVIEW, 14 November 2017; “RCEP negotiators make progress in Singapore as Japan pushes for year-end deal on trade pact,” JAPAN TIMES, 4 March 2018; “S. Korea, China, Japan hold new trade talks amid rising protectionism,” YONHAP NEWS AGENCY, 23 March 2018; “China-Japan-Korea Free Trade Agreement: A Road to Asian Economic Integration,” INTERNATIONAL AFFAIRS REVIEW, 1 March 2017; “China-Japan-South Korea Hold FTA Talks Despite Political Tension,” THE DIPLOMAT, 5 March 2014.

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## EVENTS & RESOURCES

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# Events

### Coming Soon

3-5 April, Manchester, UK. WORLD SYMPOSIUM ON CLIMATE CHANGE AND BIODIVERSITY. This event is being organised by the Hamburg University of Applied Sciences and Manchester Metropolitan University. It will look at various facets of biodiversity and climate change, bringing together scholars, activists, government representatives, and practitioners to exchange experiences and debate next steps. For more information and to register, visit the event [website](#).

4 April, London, UK, and online. GROWTH IN A MULTILATERAL WORLD: THE ROLE OF INCLUSIVE TRADE AND QUALITY INVESTMENT. This Chatham House event will feature Ángel Gurría, Secretary-General of the Organisation for Economic Co-operation and Development (OECD), who will discuss the importance of developing an "inclusive growth agenda" in the current economic and geopolitical landscape. Gurría will focus particularly on the roles that trade and investment can play in this context. Please note that the event will also be webcast live. To learn more, visit the Chatham House [website](#).

5 April, Paris, France. OECD GLOBAL FORUM ON DEVELOPMENT. This event is being hosted by the Organisation for Economic Co-operation and Development (OECD) and will examine progress and policies that empower women and youth to become agents of change. It will include collaboration between government representatives, business leaders, NGOs, and civil society members during a series of keynote addresses and panels on the subject. For more information or to register, 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 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.

9 April: Committee on Agriculture – Special Session

9 April: Committee on Regional Trade Agreements

9 April: Council for Trade in Services – Special Session

10 April: Committee on Regional Trade Agreements

11 + 13 April: Trade Policy Review Body – Montenegro

### Other Upcoming Events

10 April, Geneva, Switzerland. NEGOTIATIONS ON FISHERIES SUBSIDIES: TAKING STOCK AFTER MC11. This seminar is being organised by the International Centre for Trade and Sustainable Development (ICTSD) and will look at the next stage in the WTO fisheries negotiations, in light of the outcome from the organisation's Eleventh Ministerial Conference (MC11) last December. The seminar will examine different options under consideration and is one of the first set of dialogues under ICTSD's "WTO: Paths Forward"



initiative. Please note that attendance is by invitation only. Additional information is available at the ICTSD [website](#).

11 April, Geneva, Switzerland. LAUNCH OF THE RESPONSIBLE MINING INDEX. This event presented by the Graduate Institute will involve a discussion on the results from the first Responsible Mining Index. The document looks at how to use the potential of minerals and metals to benefit the economy as well as their impact on environmental and developmental issues. For more information and to register, visit the event [website](#).

17 April, Brussels, Belgium. 2018 STATE OF THE EU ETS REPORT – LAUNCH EVENT. This event is being organised by the European Roundtable on Climate and Sustainable Transition (ERCST) and the International Centre for Trade and Sustainable Development (ICTSD), as well as Nomisma Energy, I4CE, the Wegener Centre at the University of Graz, and EcoAct. The meeting will feature the launch of the third “State of the EU ETS” report, reviewing the European Union’s Emissions Trading System in terms of its functioning and delivery. To learn more and to register, visit the ICTSD [website](#).

18 April, Geneva, Switzerland. INDUSTRIAL DEVELOPMENT STRATEGIES AND THE WTO. This event is being organised by the International Centre for Trade and Sustainable Development (ICTSD) and is part of ICTSD’s “WTO: Paths Forward” initiative. It will examine ways to address low-income countries’ efforts at industrialisation, touching on subjects such as subsidies, local content requirements, and transfer of technology. The discussion will be informal, aiming to exchange knowledge and develop new ideas. Please note that event attendance is by invitation only. More information is available at the ICTSD [website](#).

18 April, Brussels, Belgium. LAUNCH EVENT – DEVELOPING THE EU LONG-TERM CLIMATE STRATEGY. This event is being organised by the European Roundtable on Climate and Sustainable Transition (ERCST) and the International Centre for Trade and Sustainable Development (ICTSD), as well as Bruegel. The meeting will present a “roadmap,” including both a technical document and a policy-focused one, for developing and delivering the EU’s new long-term strategy for decarbonisation, building on the results of past workshops. More information, including an agenda and registration link, can be found at the ICTSD [website](#).

January 2019, location TBC. FIRST CARBON PRICING LEADERSHIP COALITION (CPLC) CONFERENCE. This event will be the first research conference on carbon pricing held by the Carbon Pricing Leadership Coalition (CPLC). It will bring together researchers, policy makers, and practitioners in this field, aiming for an exchange of ideas and information that can help resolve the gaps that exist between theory and existing practice. More information will be made available closer to the date. To learn more, visit the CPLC [website](#).

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## Resources

INVESTMENT POLICY MONITOR, NO. 19. Published by the UN Conference on Trade and Development (UNCTAD) (March 2018). This update to UNCTAD's investment policy monitor reviews the November 2017-February 2018 period, looking at new restrictions and regulations, as well as international investment treaties. It also notes ongoing discussions among some WTO members for a possible framework on investment facilitation. The publication is available at the UNCTAD [website](#).

WTO ANALYTICAL INDEX. Published by the World Trade Organization (WTO) (March 2018). This updated version of the WTO's Analytical Index provides a detailed breakdown of each aspect of WTO law, including jurisprudence by the organisation's Appellate Body and rulings by dispute panels, among other subjects. The latest edition incorporates the WTO's Trade Facilitation Agreement, given its entry into force last year. The publication is available at the WTO [website](#).

2018 GLOBAL FOOD POLICY REPORT. Published by the International Food Policy Research Institute (IFPRI) (March 2018). This latest edition of IFPRI's flagship report provides an overview of last year's top developments in the field of international food policy, along with looking ahead to possible trends and key issues for the coming year. It includes a review of topics such as the role of trade and investment in food security, along with addressing subjects such as migration and domestic agricultural support. The publication is available at the IFPRI [website](#).

OECD STATISTICS ON INTERNATIONAL TRADE IN SERVICES, VOLUME 2017 ISSUE 2. Published by the Organisation for Economic Co-operation and Development (OECD) (2017). This report examines the latest services trade data for OECD countries and key trading partners, with statistics provided over the years 2012-2016. The dataset has been developed jointly by the OECD and WTO. The publication is available at the OECD's [iLibrary](#).

TRUMP'S LONG-AWAITED STEEL AND ALUMINUM TARIFFS ARE JUST THE BEGINNING. By Chad Bown for the Peterson Institute for International Economics (PIIE) (March 2018). This article for PIIE's Trade & Investment Policy Watch reviews some of the key dimensions of the Trump Administration's steel and aluminium tariffs, which took effect earlier this month following a national security-focused investigation by the US Commerce Department. The article is available at the PIIE [website](#).

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