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TRADE AGREEMENTS

EU, Mexico Reach "Agreement in Principle" to Update Trade Accord

The EU and Mexico have finalised an "[agreement in principle](#)" to update their 18-year-old trade deal, with the revisions due to increase agricultural market access substantially, along with integrating an investment court system and opening up greater levels of access for bidding on government contracts.

The new accord, which officials say still requires more "technical" work to be finalised, modifies the EU-Mexico Global Agreement, an accord that features economic and political cooperation provisions and was adopted in 1997. While the agreement's terms on goods trade entered into force in 2000, the provisions on services trade took effect the following year.

"We have updated an old agreement and made it in record time – only two years of negotiation. It's a modern, up-to-date agreement that will benefit our consumers, our companies, small and big, and also boost the relationship between our countries," [said](#) EU Trade Commissioner Cecilia Malmström.

"This is a sign that we are not only creating economic possibilities, but we are also sending a signal to the world that Mexico and the European Union are open for business, that we believe in open, fair, and sustainable trade, and that we can make win-win trade agreements that are good for our respective citizens," she added.

The revised deal covers goods and services trade, rules of origin, customs and trade facilitation, sanitary and phytosanitary (SPS) measures, animal welfare and anti-microbial resistance, energy and raw materials, technical barriers to trade (TBT), investment, public procurement, competition, intellectual property rights, sustainable development, transparency, good regulatory practices, small and medium-sized enterprises (SMEs), anti-corruption, and dispute settlement.

Officials say that they hope to resolve technical matters by December, meaning that other processes such as signature and ratification would begin in 2019 at the earliest. Brussels and Mexico City began formal negotiations in 2016, with the first round taking place in June of that year.

Officials at the time said that updating the accord was essential to bring its terms in line with changing trade realities, including in terms of sustainability objectives such as climate action that have a trade dimension. (See Bridges Weekly, [23 June 2016](#))

Outcomes on public procurement, agriculture, GIs

While the agreement covers nearly 20 overarching topics, officials have highlighted a few select areas as being among the key advances in the wider negotiating process, particularly when compared to the 2000/2001 version.

Among these is agricultural market access, where the two sides have agreed to slash tariffs on a host of products, such as European pasta and chocolates, as well as some cheeses, pork, and poultry products, [along with](#) Mexican orange juice, tuna, agave syrup, and various types of produce. Various other goods will be facing the introduction of tariff-rate quotas (TRQs), where an agreed tonnage of the product can be imported at zero tariffs, or at least significantly reduced duties.

Among the agricultural goods subject to these tariff-rate quotas are Mexican beef, bananas, eggs, ethanol, and raw sugar meant for refining, as well as European fresh cheese, milk powder, pork, and some poultry products.

EU officials have lauded the gains seen in public procurement, with Mexico committing to reach deals with state entities to take bids for contracts from European companies. Mexico, whose public procurement market is worth an estimated €30 billion, had previously limited access for any foreign bidders to only federal-level contracts.

The two sides have also agreed to protect several hundreds of geographical indications, covering a series of wines, beers, and various food items. Geographical indications are a type of intellectual property protection, which use place names to denote certain reputational characteristics, such as quality. Common examples are Mexican tequila or French champagne.

The text of the agreement in principle, published by the European Commission, did not clarify whether manchego cheese was included in these 340 protected geographical indications, despite this product having been particularly contentious in the negotiations. (See Bridges Weekly, [8 March 2018](#))

In the area of services, a [statement](#) from Mexico's Economy Secretariat highlighted the increased market access agreed in areas such as telecommunications or temporary movement of workers with digital-related skills.

Other provisions in the deal include references to the UN's Paris Agreement on climate change and joint work across different environmental policy areas that relate to climate action, along with the protection of labour rights and the affirmation of existing international environmental commitments under multilateral environmental agreements (MEAs).

Interlocking web of trade accords

Both the EU and Mexico have been engaged in a series of other trade negotiating processes, meant to deepen their commercial ties with key partners, advance sustainability objectives, and help engender a greater push towards trade rulemaking that is fit for 21st century needs.

Just last week, the EU's executive arm submitted two trade deals with major partners in the Asia-Pacific region to the European Council. These two accords involve Japan and Singapore, respectively. The EU-Japan agreement has been touted as the most ambitious commercial accord that Brussels has ever crafted with a major trading partner, with negotiations wrapping up last year. (See Bridges Weekly, [6 July 2017](#))

Meanwhile, the Singapore deal is a key point of entry into the Southeast Asian market, particularly as Brussels continues its work to deepen trade ties and ink accords with other members of the 10-country Association of Southeast Asian Nations (ASEAN) and thus pave the way for a region-to-region agreement.

EU Commission officials say they hope that the Japan agreement can be signed by leaders as early as this summer during a high-level summit due to be held in the Belgian capital city, allowing for both sides to begin the necessary steps for domestic ratification. This deal would not cover investment protections and disputes, which are the subject of another negotiating process that is still ongoing.

Mexico's trade agenda also includes forays into the Asia-Pacific marketplace, not least with the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), an 11-country accord that is now at the ratification stage. Mexico's Senate ratified the deal this week, making it the first CPTPP member to do so.

As a member of the Pacific Alliance, Mexico and its partners Colombia, Chile, and Peru are all looking to clinch trade deals with new "associate member" countries, negotiating this arrangement with Australia, Canada, New Zealand, and Singapore.

Mexico is also negotiating an update to the North America Free Trade Agreement (NAFTA) with the United States and Canada, with meetings on that front continuing at ministerial levels this week. (For more on the NAFTA talks, see related story, this edition)

Given this trading landscape, leaders from both the EU and Mexico have said that cementing their economic partnership further will have strategic benefits that go beyond pure market access gains.

"The modernisation of this (EU-Mexico) instrument will make our markets grow, and consolidate us as primary partners of one of the most relevant economic blocs in the world," said Mexican President Enrique Peña Nieto in [a post](#) on social media site Twitter.

ICTSD reporting.

GLOBAL ECONOMY

IMF, World Bank Spring Meetings: Trade, Development Financing Top Packed Agenda

Trade, investment, and development financing dominated the Spring Meetings of the International Monetary Fund (IMF) and World Bank Group (WBG) last week, as finance and development officials debated over how to ensure improving economic growth forecasts are not short-lived.

The 16-22 April gathering, held in Washington, featured meetings of the two steering bodies of these institutions: the International Monetary and Financial Committee (IMFC) and the Development Committee. The former is specific to the IMF, while the latter is a joint IMF-WBG committee. The meetings traditionally provide officials the opportunity to discuss the direction of both organisations' work, as well as various topics of international relevance, such as global economic and development trends.

Heading into this year's Spring Meetings, growth prospects have shown some promise. The IMF's latest economic forecasts suggest that global growth will hit 3.9 percent both this year and next, a slight uptick from the 3.8 percent seen last year.

IMF report warns on trade tensions

The estimates, part of the Fund's semi-annual World Economic Outlook (WEO), came with the qualifier that this pickup in pace would not be permanent, given certain risk factors such as burgeoning levels of public debt and a recent increase in trade restrictions by some major players.

The WEO also referred specifically to some of the geopolitical forces that have amplified public debate on the state of the global economy, along with what it means for people's lives.

"Anxiety about technological change and globalisation is on the rise and, when combined with wider trade imbalances, could foster a shift toward inward-looking policies, disrupting trade and investment," the IMF report warned.

"Recent import restrictions announced by the United States, announced retaliatory actions by China, and potential retaliation by other countries raise concerns in this regard and threaten to damage global and domestic activity and sentiment," the report continued, adding that the US' recent overhaul of the tax code could also "exacerbate income polarisation" in one of the world's largest economies.

High on the meeting's agenda were recent trade policy actions that economists and officials alike say could have implications for the medium-term future of both global and national-level economic growth.

"That major economies are flirting with a trade war at a time of widespread economic expansion may seem paradoxical – especially when the expansion is so reliant on investment and trade," said Maurice Obstfeld, IMF Economic Counsellor and Director of Research, in a [blog post](#) about the latest WEO forecasts.

He added, however, that ongoing efforts to craft new regional trade deals could, depending on their approach and content, help shore up the multilateral trading system.

"There is room to strengthen the current system rather than risk bilateral fragmentation of international trade. Plurilateral arrangements, if consistent with multilateral rules, can also provide a useful springboard to more open trade," Obstfeld added, referring specifically to the African Continental Free Trade Area (AfCFTA) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) in this respect.

IMFC: "window of opportunity" for policy reforms

The IMFC's closing communiqué nodded to the current growth landscape, including the prospect of "downside" risks and growing tensions on trade. They also noted that upcoming "demographic headwinds" could complicate longer-term efforts at better levels of inclusive growth.

Officials also said that countries should use the current "window of opportunity" to take on key policy reforms, and pledged that they would "continue to use all policy tools to achieve strong, sustainable, balanced, inclusive, and job-rich growth."

On trade, they made a specific reference to the leaders' communiqué from last year's G20 summit in Hamburg, Germany, with its pledges to maintain open markets, tackle protectionism and "unfair practices," and keep in mind "reciprocal and mutually advantageous trade and investment frameworks." (See Bridges Weekly, [13 July 2017](#))

They also referred to the value of continued "dialogue and actions" and noted that countries are "working to strengthen the contribution of trade to our economies," using language that has become more common in ministerial statements on trade over the past year in different forums.

Financing for development

Another hot-button issue for last week's Spring Meetings was development financing, which was an issue raised on multiple fronts.

Notably, the World Bank Group secured a US\$13 billion paid-in capital increase, split between the WBG's International Bank for Reconstruction and Development (IBRD), which works on projects geared towards poverty reduction and addressing other challenges to sustainable growth efforts, and its International Finance Corporation (IFC), which focuses on the private sector in developing economies.

"This is a transformative package, comprising fundamental institutional and financial reforms," the Development Committee said in its closing [communiqué](#). The financial package is included in the "Sustainable Financing for Sustainable Development Report."

The Development Committee also noted the World Bank's efforts at supporting the achievement of the Sustainable Development Goals (SDGs) and Agenda 2030 for Sustainable Development, along with the Bank's own "twin goals" [adopted](#) in 2013. These aim to eradicate extreme poverty by 2030, as well as to improve incomes and living standards for the world's poorest. The latter goal is often referred to simply as "shared prosperity."

World Bank President Jim Yong Kim noted that this capital increase will be key for the institution to "mobilise additional finance for development to meet the aspirations of the people we serve."

"Our shareholders have asked the Bank Group to step up our leadership role in addressing the multiple overlapping challenges of our time, and this capital package allows for greater responsiveness to risks to global stability and security, particularly in poorer countries and fragile states," he added.

In other development financing news, a [new initiative](#) dedicated to supporting female entrepreneurs saw high-profile support from various donor governments last week. The Women Entrepreneurs Finance Initiative, or We-Fi, also dates back to last year's G20 leaders' summit, and is currently housed at the World Bank.

According to the World Bank, the initiative already has pledges of US\$340 million from donor governments, and is now slated to mobilise US\$1.6 billion to support projects that will make it easier for women leading small and medium-sized companies to get the necessary financial support to thrive and better engage in markets.

The IMFC and Development Committee will convene again during the IMF-WBG Annual Meetings, slated for October in Bali, Indonesia.

ICTSD reporting.

GLOBAL ECONOMY

Trade, Tariffs in the Spotlight As French, US Presidents Meet in Washington

Trade ties between the US and the European Union were in the spotlight this week in Washington, with US President Donald Trump and French President Emmanuel Macron meeting just one week before a deadline for Brussels to negotiate a permanent exemption from US steel and aluminium tariffs.

Macron's visit to Washington also comes just days before his German counterpart, Chancellor Angela Merkel, travels to the US for meetings with Trump. The Macron-Trump meetings were held on Tuesday 24 April, with the French leader then addressing US lawmakers in Congress on Wednesday 25 April.

The French leader's visit has drawn intense public scrutiny, both due to the various policy issues on the agenda, as well as for the fact that Macron's trip marked the first state visit of the Trump presidency. It saw both leaders outline their respective views on how to approach bilateral trade ties, along with debating other areas of shared interest, such as the situations in Syria and Iran, respectively.

Trade law compliance, cooperation

Tensions between the US and EU have been high in recent weeks, amid concerns over US trade policy actions that could have direct or indirect ramifications for European markets, including the bloc's steel sector.

While the EU is one group among several countries that have been given until 1 May to negotiate with the US a permanent exemption from steel and aluminium tariffs, top EU officials have argued that this exemption should not come at the expense of trade concessions from Brussels.

The 28-nation bloc has also indicated that, even should it continue to be exempted from the tariffs, other major steel producing countries that are facing the US duties could begin selling the metal in vast quantities on the European market – thus creating additional strain on the European Union's producers. Brussels has already announced a safeguard investigation to this effect. (See Bridges Weekly, [29 March 2018](#))

"Both President Macron and I understand our responsibility to prioritise the interests of our countries" Trump [said](#) ahead of their discussions. "The friendship between our two nations – and ourselves, I might add – is unbreakable."

Speaking to reporters at a joint press conference on Tuesday, Trump initially noted that the two leaders had spoken about "the robust economic relationship between our countries" and that Washington is looking to examine "increased opportunities for bilateral trade and investment based on the principle of fairness and, importantly, reciprocity."

Macron, for his part, responded to those comments by highlighting overcapacities in certain industrial sectors, as well as "compliance with international trade law," without specifying further. In both respects, the French leader called for cooperation between the two economic partners, suggesting that doing so would be key towards ensuring a business environment that is built on a "long, sustainable, and stable framework."

No announcements emerged on whether the US and EU might be able to reach common ground on a permanent exemption from global tariffs on imported steel and aluminium. The US has predicated those tariffs on alleged concerns over national security, with the investigations conducted under "Section 232" of a 1960s era trade law.

European officials have been among those arguing that the national security concern, at least regarding the EU, is unjustified, given the longstanding security alliance that the bloc has with Washington.

"When you look at the trade relationship between both countries, it is very balanced. There is no unbalanced relationship. Second, we are following and respecting the WTO rules because we are the ones who contributed to the creation of the WTO, and we think it makes sense to respect the rule you decided to create," [said](#) Macron.

Macron also said that the industrial overcapacity issue is not one that originates with Europe – and noted that continued economic cooperation is key among allies that also work together on other challenging foreign policy areas, such as the Syrian crisis and the Iran nuclear deal.

In separate remarks, Trump also reiterated past frustrations at having to negotiate on trade issues with the EU as a whole, rather than being able to resolve issues with individual EU member states.

"[Macron] and I are working on trade. The trade with France is complicated because we have the European Union. I would rather deal just with France. The Union is very tough for us. They have trade barriers that are unacceptable," [said](#) Trump earlier on Tuesday before an "expanded bilateral meeting" with the French leader.

The US and France have a longstanding trade relationship, which both leaders stressed repeatedly during this week's discussions. For example, within the European Union, France ranks as America's third-largest trade partner, according to statistics published by the White House.

Macron highlights environmental issues

Another topic that emerged during this week's discussions was cooperation on environmental issues, including climate action, particularly in light of Trump's stated intention to withdraw the US from the UN's Paris Agreement on climate change when it becomes possible to do so.

While Trump did not refer to the subject in his remarks to reporters, Macron referred repeatedly to France's own position on international climate cooperation, and indicated that the issue was discussed at leaders' level this week.

"We also talked about the climate. And here, also, we know where we stand. France will continue to work on major pieces, including the global compact for the environment. But I think I can say that... our businesses, our researchers can continue to work on — can create solutions in the field," Macron said.

Earlier, during the [arrival ceremony](#) on Tuesday, Macron also suggested that other environmental areas such as oceans preservation and cooperation, biodiversity, and pollution mitigation would be opportunities for both sides to work together, while recognising that Washington and Paris "do not always agree as to the solutions."

The French leader did not indicate whether he and Trump had achieved any breakthroughs in these areas, noting only an interest to continue such discussions. Macron has similarly highlighted the imperative of greater climate action, including through trade policy, in

meetings with other world leaders. He has advocated for trade agreements contingent on honouring the UN's Paris Agreement on climate change, along with an EU floor price for carbon accompanied by a border tax, for example.

ICTSD reporting; "EU Trade Chief Says Merkel, Macron Will Push Trump on Steel," ASSOCIATED PRESS, 23 April 2018.

AGRICULTURE

US Farm Bill Legislation Advances Out of House Committee

The US House of Representatives is set to consider legislation for a new Farm Bill authorising farm subsidy and domestic food aid spending for the next five years, after the bill passed out of the House Agriculture Committee on 18 April.

The US Farm Bill is the omnibus legislation governing agricultural spending in the United States and is up for renewal every five years, leading to a complex negotiating process on how to structure spending on farm support and domestic food aid. The current version under consideration in the House has fuelled intense debate among lawmakers over proposed changes to existing work requirements for food aid recipients that would lead to much stricter conditions for access.

House Agriculture Committee Chair Mike Conaway, a Republican from the US state of Texas, applauded the bill's progress out of the panel in a press [statement](#) released after the vote.

"Today's vote was about America's farmers and ranchers. It was about a better future and greater opportunities for SNAP recipients," said Conaway, in a reference to the Supplemental Nutrition Assistance Program (SNAP) of domestic food aid, also known as food stamps.

The vast bulk of Farm Bill spending has been on the food stamp programme. The scheme already has detailed work requirements in place, with limits on how long people who are "able-bodied" and without dependents can access food stamp support in a three-year period, among other rules. SNAP provides support to millions of recipients each year and has previously been [described](#) by the US Department of Agriculture (USDA) as "the foundation of America's national nutrition safety net." There is no requirement that food stamp recipients use that support for domestically sourced products.

A [statement](#) from Agriculture Committee Ranking Member Collin Peterson, a Democrat from the US state of Minnesota, emphasised the lack of bipartisan support for the committee's version of the draft legislation. He also cited concerns over the proposed changes to the food stamp system. "Let me be clear: this bill, as currently written, kicks people off the SNAP programme," Peterson said.

The non-partisan Center on Budget and Policy Priorities has [warned](#) that the current House version of the draft Farm Bill would "increase food insecurity and hardship," noting that SNAP is the US' "most effective anti-hunger programme, helping 1 in 8 Americans afford a basic diet, with most SNAP participants being children, seniors, or people with disabilities."

Timing in focus

US farm leaders welcomed the legislation's progress in the House, noting the importance of having a new law in place before the existing version expires later this year. The current 2014 Farm Bill, for example, was reached one year behind schedule, leading to the previous version being extended until lawmakers could endorse a new bill.

"We look forward to working with members of both the House and Senate to complete work on a bipartisan, bicameral bill that can be signed into law by the president before the current law expires," said Zippy Duvall, president of the American Farm Bureau Federation, in a [statement](#).

Despite the advances in the House, the Senate Agriculture Committee is not at the same stage in the process. The panel has held a series of hearings, and the committee leader and ranking member have pledged to draft a bipartisan bill in their chamber.

"With low commodity prices, worsening conditions in farm country, and unmet needs in communities across the country, we need to get this Farm Bill right. We're working together as quickly as possible to produce a bipartisan bill that can pass the Senate and be enacted into law," [said](#) Pat Roberts, the Kansas Republican who chairs the committee, and Debbie Stabenow, the Michigan Democrat who serves as ranking member, earlier this month.

Stabenow has separately issued a [statement](#) warning that the approach taken for the House version, which advanced out of committee without bipartisan support, will make the overall Farm Bill process far more challenging.

Traditionally, both the House and Senate Agriculture Committees have drafted their own versions of the Farm Bill following extensive hearings. If and when their versions advance out of committee, those bills move to the floor of their respective chambers for consideration, which includes the possibility of various amendments. Since the versions will likely differ, those same differences would need to be reconciled in order for final, identical versions to be approved by both chambers and signed into law by the president.

The Farm Bill is closely watched both in the US and overseas because of its role in authorising Washington's extensive farm subsidy programmes – including payments classified as "trade-distorting" at the World Trade Organization. The US reported that its trade-distorting domestic support for agriculture amounted to US\$14 billion in 2014, in its most recent report to the global trade body. (See Bridges Weekly, [26 January 2017](#))

Cotton, dairy spending already settled

Key components of the US farm support programmes have already been included in the Bipartisan Budget Act of 2018, which US President Donald Trump signed into law on 9 February.

This budget legislation allows seed cotton to be included under the Price Loss Coverage (PLC) programme, a scheme that was put in place under the 2014 Farm Bill. The PLC provides subsidised insurance pay-outs to producers when prices fall below a predetermined trigger price. US cotton producers have long lobbied for including cottonseed in Washington's farm support programmes. (See Bridges Weekly, [20 June 2016](#))

Trade experts have cautioned that new price-linked cotton support programmes could distort trade and reignite tensions with US economic partners such as Brazil, which successfully challenged some of Washington's cotton support programmes at the WTO, leading ultimately to a negotiated solution. (See Bridges Weekly, [2 October 2014](#))

"Those policies can have detrimental effects on world prices, which penalise foreign producers, many of those in poor developing regions such as Sub-Saharan Africa," said Joseph Glauber, a senior research fellow at the International Food Policy Research Institute (IFPRI), in a January 2018 [research paper](#) for the American Enterprise Institute.

Changes to support for dairy producers under the Dairy Margin Protection Program include an expansion to cover small and medium-sized farms and use of monthly rather than bi-monthly reference prices, making the scheme more sensitive to sudden price shifts.

Glauber told Bridges that while cotton producers mostly appeared to be satisfied with the outcome from the Bipartisan Budget Act, dairy farmer organisations were still eager to improve the dairy margin program or to re-establish a price support programme under the new Farm Bill.

Trade tensions affecting farm sector

Some US agricultural producers have expressed concern that burgeoning trade tensions between the US and key partners could affect the farm sector, especially at a time when they are also seeing competitors expand access for farm goods in key markets in the Pacific region.

Beijing has recently announced that US sorghum exports will be subject to a tariff of 178.6 percent. Trade tensions have been on the rise between the two major economies following US tariffs on imported steel and aluminium, as well as planned tariffs on a host of goods in response to concerns over China's alleged practices of forced technology transfers and other purported violations of intellectual property rights.

Meanwhile, US farm groups are also watching to see whether competitive exporters in countries such as Australia, Chile, and New Zealand will capitalise on new market access arrangements under the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), once it takes effect.

The trade deal was revised and signed by 11 Pacific nations after the Trump Administration withdrew from the original version, which had been negotiated under former US President Barack Obama. (See Bridges Weekly, [19 April 2018](#))

Separately, intensive efforts to update the existing North American Free Trade Agreement (NAFTA) between Canada, Mexico, and the United States continue underway, with reports suggesting that ministers could soon announce an "agreement in principle." (See Bridges Weekly, [19 April 2018](#) and related story, this edition)

WTO dynamic

Farm subsidies have long been a major sticking point in agricultural trade negotiations at the WTO and were one of the main obstacles to achieving progress at the organisation's ministerial conference in Buenos Aires last December.

While the US argues that WTO members such as China are unwilling to undertake any new commitments to reduce trade-distorting support, Beijing and others say that Washington should first agree to lower its own existing ceilings on farm subsidies. (See Bridges Weekly, [30 November 2017](#))

While various members put forward different negotiating proposals in advance of the Buenos Aires conference, ministers were unable to agree on any consensus decisions on agriculture or a roadmap for future work, leaving the future direction of the WTO negotiations unclear. (See Bridges Daily Update, [14 December 2017](#))

Separately, the US and China are involved in a legal case at the WTO, which Washington initiated against Beijing for allegedly exceeding agreed limits on support for rice, wheat, and corn. The case is currently at the panel stage, with a report currently expected for later this year. Those findings can later be appealed, if parties choose. (See Bridges Weekly, [19 January 2017](#))

ICTSD reporting; "China Hits \$957 Million U.S. Sorghum Trade With Fresh Duty," BLOOMBERG, 17 April 2018.

TRADE AGREEMENTS

NAFTA Ministers Ramp Up Efforts to Clinch Deal Within Weeks

The North American Free Trade Agreement (NAFTA) members have undertaken a series of high-level meetings over the past week, in a bid to accelerate and finalise talks to update the 24-year-old trade accord that governs commerce between Canada, Mexico, and the US.

With critical political deadlines approaching, officials have provided varying estimates of when a draft deal might be ready, with some suggesting that one could be wrapped up within days, while others hint that the talks could continue into June. Ministers and other high-level negotiators were meeting in Washington as recently as Tuesday to bridge outstanding gaps in the talks.

The negotiations to update NAFTA began less than a year ago. While the talks had initially progressed quickly, they later slowed as the three parties started to address some of the more politically and technically challenging negotiating areas, leaving unclear when and whether a new deal may emerge.

Recent statements from high-level government officials and key stakeholders indicate that the negotiations are now gaining momentum. For example, Mexican leaders, policymakers, and private sector representatives have lately expressed hope for a successful outcome soon.

"We fully trust and we have optimism as well that we're going to be concluding the renegotiation, modernisation of the North American Free Trade Agreement with North America, as I have said, ensuring benefits for all its partners," said Mexican President Enrique Peña Nieto on Sunday during an event in Hanover, Germany, according to comments reported by Reuters.

Commenting on the Mexican Central Bank's policy scenarios, Alejandro Díaz de León-Carillo, the bank's governor, told CNBC that the "baseline scenario" assumes "that there will be a version of NAFTA." Meanwhile, Canada's Foreign Affairs Minister Chrystia Freeland [described](#) the talks as "energetic and productive," but warned that automotive industry remains a crucial sticking point as negotiators enter the home stretch.

Legislative timeframes

The round-the-clock negotiating schedule comes amid challenging political schedules facing the individual NAFTA parties. For example, the US midterms are due to take place in November, while the Mexican general election is in early July.

Furthermore, under current US trade legislation, the executive branch must give Congress a 90-day notice before agreeing on any new trade deal, among a series of other time-bound deadlines. To do so while the current Congress is in session means that a deal, at least in principle, would need to be confirmed within a matter of weeks.

With talks still underway, parties have yet to announce the resolution of several issues, including automotive rules of origin, investor-state dispute settlement, trade remedies, provisions related to public procurement, and certain agricultural sensitivities, among others. (See Bridges Weekly, [12 April 2018](#))

Reports have suggested, however, that progress in the challenging field of automobile rules of origin has begun to emerge. The US' original position had been treated by its NAFTA partners as controversial, with the three parties debating how to structure content requirements that would allow autos to receive preferential treatment under the accord.

While the US had pushed for regional content requirements, for example, to increase to 85 percent, reports suggest the thresholds being considered are now somewhere between 70-75 percent, depending on the value of the input involved and other factors. The timing for these and other changes are also being considered, given the need to provide business certainty and time for transition.

Migration debate, CPTPP ratification in the background

On Monday, US President Donald Trump publicly suggested that the NAFTA talks should also resolve other bilateral policy issues, namely migration from Mexico to the United States – a suggestion which drew a prompt response from Mexico City officials, who argued against addressing the issue in this context.

"Mexico, whose laws on immigration are very tough, must stop people from going through Mexico and into the US," Trump said on social media site [Twitter](#) on 23 April. "We may make this a condition of the new NAFTA Agreement."

Luis Videgaray Caso, Mexican Foreign Secretary, said on [Twitter](#) that Mexican immigration policy is a subject that his country decides "in a sovereign manner" and that cooperation with Washington on the subject must benefit Mexico as well. "It would be unacceptable to condition the renegotiation of NAFTA on migration issues that are outside this framework for cooperation."

In March, the Trump administration also suggested that Canada and Mexico could win permanent exemptions to steel and aluminium tariffs, which could depend partly on the advances seen in NAFTA. Canada and Mexico are among a group of countries who have an exemption in place until at least 1 May, pending further discussions with the US to find "alternative" ways to address the alleged national security concerns that Washington says come from an influx of these imported metals. (See Bridges Weekly, [29 March 2018](#))

Meanwhile, Mexico and Canada are working to advance the ratification of an 11-country regional trade deal. The accord is known as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), and was signed last month. The original version of the deal had included the US, but Washington later withdrew under the new administration.

Mexico's Senate [ratified](#) the CPTPP on Tuesday, and the country's Economy Secretariat noted that the move makes Mexico the first of the coalition's 11 countries to approve the deal. The CPTPP is set to reshape the rules of the road for Pacific regional trade, creating one of the largest free trade blocs in the world. While US officials have floated the idea of asking to re-join the accord, Trump has lately clarified that he does not plan to pursue this approach. (See Bridges Weekly, [19 April 2018](#))

ICTSD reporting; "Mexican president says optimistic about reworking NAFTA trade deal," REUTERS, 22 April 2018; "Mexico fully expects to reach a consensus on NAFTA trade deal," CNBC, 23 April 2018; "Mexico seeks flexibility for new NAFTA deal as ministers meet," REUTERS, 24 April 2018; "NAFTA Negotiations Resume In Washington, D.C.; Auto Industry Remains In Dispute," BAYSTREET, 24 April 2018; "Trump says may tie Mexican immigration control to NAFTA," REUTERS, 23 April 2018; "NAFTA deal could be done as early as this week: sources," THE CANADIAN PRESS, 24 April 2018.

GLOBAL ECONOMY

Commonwealth Leaders Look to Deeper Economic, Trade Ties

Leaders at the biennial Commonwealth Heads of Government Meeting (CHOGM) last week examined a series of areas for deeper cooperation, including trade and investment, sustainable and inclusive economic growth, climate action, and ocean preservation and conservation.

The Commonwealth meetings took place from 16-20 April in London, UK, with this year's event focusing especially on building a better future for young people, who make up 60 percent of the Commonwealth's population, as well as women.

The Commonwealth is composed of 53 countries of varying economic weight, development levels, and population sizes, from across different world regions, which have historical ties to the United Kingdom. Together, Commonwealth countries account for approximately a third of the world's population and have a combined gross domestic product (GDP) of US\$10.4 trillion according to the Commonwealth's [factsheet](#).

Reviewing trade policy approaches

In the group's [communiqué](#) released after the meeting, leaders devoted a section to the multilateral trading system, where they voiced concerns over "the risks of protectionism to the global economy" and reiterated past support of "free trade in a transparent, fair, and open rules-based multilateral trading system, which takes into account the special requirements of least developed countries and small and vulnerable economies."

Other pledges included lending their support to advancing WTO negotiations, particularly in outstanding areas of the Doha Round agenda, as well as in implementing the global trade club's Trade Facilitation Agreement (TFA), which aims to streamline customs procedures, cut red tape at the border, and lower trade costs.

A later section on inclusive trade referred to the value of "taking a gender-responsive approach to the development of trade policy" and calling for steps to be taken that would help support companies run by women and facilitate cross-border trade.

"The diversity of our different countries, our geography and stages of development gives us a shared resilience and the opportunity for trade between very different economies," Catherine McGuiness of the City of London Corporation [said](#) to the Business Forum. "We in the Commonwealth need to share with each other best practice in delivering [the Sustainable Development Goals] and on other issues, understanding what works and what doesn't."

Before the meeting, some officials called publicly for using the Commonwealth framework to shore up trade ties further. Intra-Commonwealth trade is currently estimated at US\$687 billion, with trading costs between Commonwealth partners on average 19 percent lower compared with other country pairings according to their factsheet.

In a speech to the Commonwealth Business Forum, the UK Secretary of State for International Trade Liam Fox suggested that the UK's impending exit from the EU could be a valuable moment for considering new approaches and partnerships.

"As the United Kingdom leaves the European Union, we have the opportunity to re-invigorate our Commonwealth partnerships and usher in a new era, harnessing the movement of expertise, talent, goods, and capital between our nations in a way that we have not for a generation or more," Fox [said](#).

"In an era when free trade is increasingly threatened by the siren call of protectionism, we have the opportunity to reject insularity in favour of economic openness and co-operation. ... This will mean leading by example, and where better to begin than with our friends and partners in the Commonwealth?" he added.

Meanwhile, New Zealand Minister of Foreign Affairs Winston Peters went further, suggesting that leaders could consider a Commonwealth trade pact in the future.

"There's a whole lot of excitement about that and how we might begin to put some flesh to an idea, which was levelled two years ago, but since 23 June 2016 it's become real and so that was very exciting," he [told](#) Radio New Zealand. That date refers to the Brexit referendum where UK citizens voted to leave the European Union.

Leaders did not officially endorse any such plans for a formal Commonwealth trade agreement in their final communiqué. They did, however, refer to the "importance of a long-term vision on trade and investment" and noted their plans to develop an "appropriate framework" in this respect.

Meanwhile, the Commonwealth meeting also gave leaders the chance to meet bilaterally, including on trade, with high-profile [meetings](#) including that of the prime ministers of the UK and India. A joint statement released afterward referring to plans for developing "new trading arrangements as the UK assumes responsibility for its independent trade policy," without specifying what that might look like.

Connectivity, trade finance and facilitation

During the event, leaders launched the [Declaration](#) on the Commonwealth Connectivity Agenda for Trade and Investment. Within the document, leaders commit to dialogue around physical, digital, regulatory, business-to-business, supply side, and sustainable trade connectivity.

"With members drawn from every geographic region and every level of development, we affirm the role the Commonwealth can play in supporting global growth, creating employment, the sharing of best practices and learning, and promoting development among its members," the leaders [said](#).

To support developing countries in the group participate in international trade, UK Prime Minister Theresa May declared that the UK would begin funding the Commonwealth Standards Network. She also announced the funding of a Trade Facilitation Programme to provide technical assistance to specific Commonwealth countries in implementing the WTO's Trade Facilitation Agreement.

Climate action, oceans

As some of the Commonwealth's members are small developing island nations, climate change was an important aspect of the discussions. Leaders in their communiqué called upon countries to fulfil their requirements under the UN's Paris Agreement on climate change, including transitioning to greater use of renewable energy sources.

"Heads expressed grave concern that without urgent action to mitigate climate change, reduce vulnerability, and increase resilience, the impacts of climate change could push an additional 100 million people into poverty by 2030," leaders said, noting that some Commonwealth members are particularly at risk from the effects of a warming planet.

Along with flagging the importance of implementing international climate commitments, including in the sectors of aviation and shipping, the group also highlighted the value of climate finance, particularly in terms of preparing for disaster risks.

The group also [endorsed](#) a Commonwealth Blue Charter calling for a plan of action to address ocean-related concerns, noting that the “deteriorating health of the world's ocean... poses an existential threat to many Commonwealth countries.”

“Our activities are increasingly putting the health of the planet's valuable ocean ecosystems in peril. This is not an issue that any single country can solve. That is why we, the Leaders of the Commonwealth, are calling for ambitious, coordinated action, while recognising our different abilities, to sustainably manage, protect, and preserve our ocean now, for the sake of present and future generations,” the charter says.

ICTSD reporting; “May woos Modi as UK pursues free-trade deal with India,” 18 April 2018, THE GUARDIAN; “EU hopes Brexit will help deliver an India trade deal,” 12 April 2018, POLITICO; “A British illusion of Commonwealth trade after Brexit,” 18 April 2018, FINANCIAL TIMES.

EVENTS & RESOURCES

Vacancies

The International Centre for Trade and Sustainable Development (ICTSD) is looking to fill the following vacancies.

ICTSD is hiring for its Bridges Graduate Fellows programme, which provides exceptional graduate students an opportunity to put their talents into action while pursuing their studies. Fellows join the Bridges editorial team to source and publish news articles. The fellowship lasts between six months to one year. The position is part-time and home-based. The deadline for applications is 25 May 2018. To learn more about the candidate profile and fellowship responsibilities, please visit the ICTSD [website](#).

ICTSD is hiring for the role of Director: Climate & Energy, which will be dedicated to conceptualising and implementing a comprehensive programme aimed at informing and supporting trade-related policymaking such that it advances climate action and the scale up of clean energy. The role is a full-time salaried position, with a start date as soon as possible. The deadline for applications is 30 April 2018. For additional details on responsibilities and candidate requirements, please visit the ICTSD [website](#).

ICTSD is also hiring for the role of Programme Officer: Environment and Natural Resources. This position involve work on various trade and environment issues, particularly on an agreement disciplining fisheries subsidies, as well as on topics such as biodiversity. It is a full-time, salaried position for one year, from June 2018 to June 2019, though an extension is possible, dependent on funding. The deadline for applications is 27 April 2018. For additional details on responsibilities and candidate requirements, please visit the ICTSD [website](#).

Events

Coming Soon

2 May, London, UK. INTEGRATING SUSTAINABLE DEVELOPMENT OBJECTIVES INTO UK TRADE POLICY. This Chatham House event will examine the future of UK trade policy in the post-Brexit era, in particular regarding sustainability objectives. The event is being held under the UK Trade Policy Observatory, a joint initiative between Chatham House and the University of Sussex. For more information and to register for this research event, visit the Chatham House [website](#).

2 May, Washington, US. THE FUTURE OF TRADE IN US-JAPAN RELATIONS. This event, organised by the Brookings Institution, will feature a panel discussion on US-Japan trade ties. Topics for discussion include bilateral trade between them, as well as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Panellists will include Japanese politicians and trade experts. For more information and to register, visit the event [website](#).

2-3 May, Lisbon, Portugal. SUSTAINABLE ENERGY FOR ALL FORUM. This forum brings together organisations and individuals from around the world to discuss their sustainable energy-related ideas and share how to scale up and finance them. Recent data on progress toward goals of delivery of universal energy access and renewable sources will also be unveiled at the event. For more information, visit the event [website](#).

3 May, London, UK. 11TH INTERNATIONAL FORUM ON ILLEGAL, UNREPORTED AND UNREGULATED FISHING (IUU). This Chatham House event will examine illicit fishing and the different policy approaches underway to address the problem, including in relation to international trade. Participants will include government officials, academics, private sector representatives, and civil society members. For more information and to register interest, visit the event [website](#).

3 May, London, UK. WORKING TO CLOSE THE GENDER GAP. This Chatham House event will examine efforts underway to close the gender gap in terms of economic and social policy, examining the issue through the lenses of the G7 and G20 forums, led this year by Canada and Argentina, respectively. Participants will include academics, civil society officials, and government representatives. For more information about this invitation-only event, visit the event [website](#).

3-6 May, Manila, Philippines. MANILA 2018: 51ST ANNUAL MEETING OF THE ASIAN DEVELOPMENT BANK (ADB). During this annual meeting, the Board of Governors of the Asian Development Bank will discuss poverty reduction and inclusive growth efforts in the region. In addition to the Board members, academia, civil society, the private sector, and development partners will be in attendance. Session topics will include women entrepreneurs in the region, investing for a sustainable future, and global trade imbalances. For more information and 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.

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

27 April: Dispute Settlement Body

30 April: Information Session Public Forum

Other Upcoming Events

6 May, Buenos Aires, Argentina. KEY OPTIONS FOR 2018 G20 TRADE AND INVESTMENT AGENDA FOR SUSTAINABLE DEVELOPMENT. This event is organised by the International Centre for Trade and Sustainable Development (ICTSD) in partnership with the Consejo Argentino para las Relaciones Internacionales (CARI), the Centro de Implementación de Políticas Públicas para la Equidad y el Crecimiento (CIPPEC), and the T20 Task Force on Trade, Investment, and Taxation. It will be a side event to the first meeting of the G20 Trade and Investment Working Group (TIWG) on 7-8 May in Buenos Aires, Argentina. This event is meant to support TIWG officials as they consider the direction of the G20's work on trade and investment, along with other key topics such as the digital economy and the a more sustainable food system. For more information about this invitation-only event, visit the ICTSD [website](#).

14-15 May, Montreal, Canada. ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT (OECD) POLICY FORUM AND MINISTERIAL MEETING ON SOCIAL POLICY.

This OECD event will bring together ministers and experts for discussions on a host of topics, including the changing nature of work, the mainstreaming of gender equality, and how to grapple with demographic challenges that have both societal and economic implications. For more information, visit the event [website](#).

4 June-19 August, webinar. FOURTH EDITION OF VIRTUAL INSTITUTE (VI) ONLINE COURSE ON TRADE AND POVERTY. The third edition of this course for researchers and university lecturers from developing countries and countries with economies in transition aims to provide participants with the knowledge to assess trade and related activities, specifically focusing on how they affect poverty and income distribution. The course is organised by the UN Conference on Trade and Development (UNCTAD) Virtual Institute. Organisers say that the course aims to provide participants with the skills to support domestic trade policymaking that can also facilitate the achievement of the Sustainable Development Goals (SDGs). Scholarships for this course are available; the application deadline is 13 May. For more information and to apply, visit the VI [website](#).

22-26 October, Geneva, Switzerland. WORLD INVESTMENT FORUM 2018. Over the course of 50 events including roundtables, summits, and private sector-led sessions, this annual forum, hosted by the UN Conference on Trade and Development (UNCTAD) will address global challenges for international investment in the era of globalisation and industrialisation. Stakeholders from governments, investment treaty negotiation teams, global companies, and other significant areas will come together to discuss investment-related policymaking, particularly in relation to sustainable development. For more information and to register, visit the event [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](#).

Resources

REGIONAL TRADE AGREEMENT DISPUTE SETTLEMENT MECHANISMS: CHALLENGES AND OPTIONS FOR EFFECTIVE DISPUTE RESOLUTION. By Robert McDougall for the RTA Exchange (April 2018). This paper was produced for the RTA Exchange, a joint initiative by the International Centre for Trade and Sustainable Development (ICTSD) and the Inter-American Development Bank (IDB). The paper examines regional trade agreements (RTA) and their dispute settlement mechanisms in terms of their initiation, method of settlement, procedures for adjudication, enforcement, openness, and institutional arrangements. The author looks at how these mechanisms can evolve in the future and provides policy recommendations to that effect. To download the full report, visit the ICTSD [website](#).

DEVELOPING THE EU LONG TERM CLIMATE STRATEGY – POLICY PAPER. By Andrei Marcu and Georg Zachmann for the European Roundtable on Climate Change and Sustainable Transition (ERCST)/the International Centre for Trade and Sustainable Development (ICTSD) (April 2018). This policy paper is prepared in the context of EU institutional discussions towards developing a long-term strategy for reducing greenhouse gas emissions, particularly in light of the EU's commitments under the UN's Paris Agreement on climate change. The paper outlines possible approaches for the EU to consider in this regard. To download the complete report, visit the ICTSD [website](#).

COMPETING IN AFRICA: CHINA, THE EUROPEAN UNION, AND THE UNITED STATES. By Witney Schneidman and Joel Wiegart for the Brookings Institution (April 2018). The authors of this post examine different major traders and their economic relationships with countries in the African continent. Countries and country groups examined in this context include China, the EU, and the US, in addition to the countries in Africa. The authors review trends in trade and investment and potential prospects given the current geopolitical and economic landscape. To read and download the full policy brief, visit the Brookings Institution [website](#).

NAFTA TERMINATION: LEGAL PROCESS IN CANADA AND MEXICO. By Tetyana Payosova, Gary Clyde Hufbauer, and Eujin Jung for the Peterson Institute for International Economics (PIIE) (April 2018). This policy brief examines the legal possibilities for Canada and Mexico to withdraw from the North American Free Trade Agreement (NAFTA), should they choose to do so. NAFTA also includes the US and is under negotiation for a possible upgrade. The policy brief is available at the Peterson Institute [website](#).

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