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TRADE AGREEMENTS

NAFTA Parties Wrap Up Anti-Corruption Chapter, Acknowledge Continued Divides

Ministers from the North American Free Trade Agreement (NAFTA) countries said on Monday 29 January that they had essentially wrapped up a chapter on anti-corruption and advanced in various other negotiating areas, while acknowledging that deep divides still remain on the more contentious topics.

The news came following the sixth round of talks to modernise the accord, which was held in Montreal, Canada, and concluded on 29 January. The NAFTA talks involve Canada, Mexico, and the United States, and formal negotiations to update the trade deal have been underway since last August.

Ministers did not release a trilateral statement after this round, though they have done so on previous occasions. Instead, they each gave a closing statement to reporters outlining their views on the progress made and the challenges ahead.

"The road towards the sixth round has not been an easy one. However, reaching this stage of the negotiations allowed us to assess some of the main outcomes of the process in its entirety," [said](#) Mexican Economy Secretary Ildefonso Guajardo Villareal at the closing press conference.

For example, he noted that Canada's new ideas on certain difficult topics were important to recognise. "We still have substantial challenges to overcome, yet the progress made so far put us on the right track to create landing zones to conclude this process," said Guajardo.

He also told reporters that the talks are "at a much better moment," referring to progress in various area, particularly those that "aim to modernise NAFTA."

For example, he said that the anti-corruption chapter would have provisions that were more ambitious than those seen elsewhere, and suggested that the next negotiating round could see a series of chapters and annexes concluded.

These could include chapters on telecommunications, digital trade, and sanitary and phytosanitary measures, as well as sectoral annexes on chemicals and pharmaceuticals. Customs and trade facilitation are also advancing smoothly, he said, suggesting that the final outcome could go beyond both the WTO's Trade Facilitation Agreement and the Trans-Pacific Partnership's (TPP) rules in this area.

The three parties have also closed a sectoral annex on information and communication technologies, Guajardo said, without going into further detail.

Canada and Mexico are both members of the TPP, now known as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which was concluded last week and is due to be signed in March. While the US was a member of the original TPP, it has since withdrawn under the administration of US President Donald Trump. (See Bridges Weekly, [25 January 2018](#))

Guajardo also flagged the substantial interest from a range of stakeholder communities on both the current NAFTA and a future updated version, suggesting that this interest is a positive result from the process. The discussion, he told reporters, is "a necessary debate that should go on even [after] we conclude these negotiations to keep the new NAFTA 2.0 strong in the years ahead."

Over the past week, reports have suggested that officials are privately expecting the talks to drag on throughout the year, rather than concluding at the end of March. If so, it would mark the second extension of the NAFTA negotiating timeframe, after ministers confirmed late last year that they would not be ready to clinch a deal before the end of 2017.

The next round will be from 26 February to 6 March in Mexico City, according to a [statement](#) from the Mexican Economy Secretary. The following round will return to Washington, though officials have not yet announced dates for that event.

Lighthizer, Freeland debate trade deficits, proposals

Lighthizer and Freeland's respective statements reiterated both past debates over how to interpret the current US-Canada trading relationship, as well as how to approach some of the more contentious areas of the NAFTA negotiations.

During the press conference, Lighthizer zoned in on the goods trade between the US and Canada, citing Canadian data which showed a goods surplus for the US' northern neighbour, whether or not energy products are considered.

"Now I ask Canadians because we're in Canada, is it not fair for us to wonder whether this imbalance could in part be caused by the rules of NAFTA? Would Canada not ask this same question if the situation were reversed? So we need to modernise and we need to rebalance," said Lighthizer.

His Canadian counterpart, Foreign Minister Chrystia Freeland, told reporters in Montreal that the latest round had advanced into detailed discussions on what she termed the US' "unconventional proposals" from the fourth NAFTA round in October. (See Bridges Weekly, [19 October 2017](#))

Freeland also responded to the trade deficit figures raised by her US counterpart, along with the approach taken by Washington in some negotiating areas.

"Now, Canada does not consider trade deficits and surpluses to be the ultimate arbiter of whether trade is good or bad, but it is worth noting that in overall trade, including goods and services, Canada had a trade deficit with the United States of nearly US\$8 billion in 2016 out of total bilateral trade worth US\$634.8 billion. That's close to balanced, but it's a small deficit for Canada," she said.

She added that data was from the US Bureau of Economic Analysis in the Department of Commerce, and noted that while Canada has a major surplus in energy goods, “those Canadian energy exports are helpful to the American economy and they crucially support US energy security.”

Lighthizer openly criticised some of Canada’s suggestions in the latest round, which were in response to proposals that the US negotiators put forward in October, such as on rules of origin for automobile production; investor-state dispute settlement (ISDS); and the potential inclusion of a “sunset” clause in an updated NAFTA.

The US has called for increasing the threshold of both regional content and US-specific content in automobiles in order for those goods to qualify for preferential treatment under NAFTA. It has also asked to eliminate Chapter 11 of the original NAFTA on ISDS, and it has suggested including a “sunset” clause that would require current parties to opt in to continuing with NAFTA every five years.

“We find that the automobile rules of origin idea that was presented, when analysed, may actually lead to less regional content than we have now and fewer jobs in the United States, Canada, and likely Mexico. So this is the opposite of what we are trying to do,” said Lighthizer, referring to the Canadian ideas put forward in the latest round.

Freeland, meanwhile, said that Canada’s proposals were “creative ideas we believed could move us forward on some of the unconventional US proposals.”

“These US proposals are unprecedented and in some ways represent an approach quite different from anything that Canada has encountered before as a trading nation,” she added. Freeland described Canada’s approach on rules of origin as one meant to find a path forward that would attract “new investment to the North American industry, fostering value-added R&D jobs, next-generation autonomous electric cars, and North American steel and aluminium production.”

Canada has reportedly suggested that the US push for higher content thresholds could be met by counting money spent on inputs such as technologies towards that threshold. Canada has also called for having a “meaningful five-year review process to ensure that NAFTA is working well for all partners and adapting to technological change,” rather than a sunset clause, along with attempting to address ISDS by allowing the US to opt-out of the mechanism while Canada and Mexico would still be subject to it.

Bilateral tensions come to the fore

The two trade ministers also raised some bilateral irritants that are technically not part of the NAFTA talks, such as US trade remedies on imported softwood lumber, as well as a wide-ranging WTO case filed by Canada in January on various aspects of US trade remedies. (See Bridges Weekly, [18 January 2018](#))

As for softwood lumber, “Canada considers this to be on a separate track from NAFTA,” Freeland said, calling for reaching a negotiated solution to replace the now-expired Softwood Lumber Agreement (SLA). The SLA had governed bilateral trade in the timber for several years and prevented new trade remedies.

She also rebuffed Lighthizer’s criticism of Canada’s decision to take legal action in response, [telling reporters](#) that “there is an easy solution, and that is to return to the negotiating table and to negotiate a settlement on softwood lumber.”

ICTSD reporting; “Canadian auto plan in doubt after lifting NAFTA talks,” REUTERS, 30 January 2018; “Canadian NAFTA auto rules of origin idea ‘opposite’ of U.S. goals: Lighthizer,” IPOLITICS, 29 January 2018.

GLOBAL ECONOMY

Davos Meet Wraps Up, As Speakers Outline Approaches to Global Economic Cooperation

The World Economic Forum's (WEF) Annual Meeting in Davos, Switzerland, wrapped up on Friday 26 January, capping several days of high-level speeches and meetings on the global economy, inclusive growth, sustainability, and multilateralism.

The early days of the Forum saw addresses from Indian Prime Minister Narendra Modi, Canadian Prime Minister Justin Trudeau, German Chancellor Angela Merkel, and French President Emmanuel Macron, among others. (See Bridges Weekly, [25 January 2018](#))

Their speeches had touched on topics such as trade, multilateralism, climate change, women's economic empowerment, and international cooperation, which were recurring subjects across this year's Davos agenda.

In the later days, US President Donald Trump took the stage for his highly-anticipated closing speech, as did other world leaders such as UK Prime Minister Theresa May and Argentine President Mauricio Macri, who is also the current chair of the G20.

The final day of the event also featured an informal meeting of trade ministers from various WTO members, which is held every year on the WEF sidelines and is hosted by Switzerland.

US President: America is "open for business," warns about "unfair" trade practices

On Friday 26 January, Trump [told](#) the audience in the closing plenary that his administration supports free and open trade, so long as it is "fair and reciprocal."

"The global economy cannot flourish unless all countries follow the rules and are held responsible when they don't," he added. The US leader also discussed his "America First" approach to trade and economic policy, while telling Forum participants that "America first does not mean America alone."

The Forum's theme, which was on "creating a shared future in a fractured world," had fuelled discussions over how Trump would broach the subject of international economic cooperation, given some of the trade policy actions that his administration has taken over the past year.

In Davos, Trump discussed his interest in undertaking reforms on both the domestic and international levels, including for the international trading system "so that it promotes broadly-shared prosperity and rewards to those who play by the rules."

"We cannot have free and open trade if some countries exploit the system at the expense of others," Trump said, reiterating past talking points on free, fair, and reciprocal trade.

Trump also indicated that he might be willing to consider deepening existing relationships with the Trans-Pacific Partnership (TPP) countries. The deal has now been renamed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), with the remaining 11 members agreeing last week to suspend certain provisions of the deal – several of which pertained to previous US demands on intellectual property – and move forward with signature and ratification. (See Bridges Weekly, [25 January 2018](#))

"We have agreements with several of them already," he said at the time. "We would consider negotiating with the rest, either individually, or perhaps as a group, if it is in all of our interests."

While some CPTPP members, such as Australia, have suggested that the US could eventually re-join, whether this would be a possibility in practice given Trump's comments about wanting to reshape the deal to better suit his administration's priorities are not clear.

The US leader also touted the recent tax reforms approved by Congress and signed into law, along with the ongoing work to cut what he deems are burdensome regulations – saying that such policy changes should fuel greater interest in investing in his country.

"There has never been a better time to hire, to build, to invest and to grow in the United States," he said. "America is open for business and we are competitive once again."

Macri outlines G20 agenda

The future of globalisation and multilateralism was a major theme during last week's meetings in the Swiss alpine city. Argentine President Mauricio Macri spoke on Thursday 25 January at the plenary session, where he [outlined](#) the case for global trade and international cooperation, noting his country's recent history with populism and its negative effects.

"Our citizens understand that if we continue to be isolated from the world, all we will do is make our poverty problems more acute," he said. Macri also welcomed the prospective agreement between the EU and Mercosur as an "unparalleled opportunity" for both. Argentina is one of Mercosur's members, with the South American group also including Brazil, Paraguay, and Uruguay. (See Bridges Weekly, [18 January 2018](#) and related story, this edition)

Macri then devoted much of his speech to describing his country's intended G20 agenda for 2018, as this year's summit is scheduled to take place under the Argentine presidency. He [urged](#) G20 members to guarantee that "technological change does not increase social exclusion or disintegration." He said that education would be "at the centre of this debate," stressing a need for higher investment in skills for the workforce.

Infrastructure development was another theme of his agenda. "It is essential to mobilise private investment to fill the global infrastructure gap," he said. The final priority is agricultural production. Macri stressed the challenge to guarantee food security and to secure "responsible land management."

He also noted that this year marks the 10-year anniversary of the first G20 leaders' summit, noting that unlike 2008, "global economic growth is stable but has not reached everyone, and has undermined the confidence that many had placed in globalisation; we realise every day that we must redouble our efforts."

Trade ministers reflect on MC11, look to next steps

Another key event on the Davos agenda was the annual WTO "mini-ministerial" meeting, an informal gathering of trade ministers, vice ministers, or senior officials from various countries or country groups. The meeting has often served as an early indicator of the global trade club's direction in the year ahead.

This trade ministers' meeting also gave a first opportunity to reflect on the outcomes of the WTO's Eleventh Ministerial Conference (MC11) in Buenos Aires, Argentina, last December, which saw trade ministers unable to agree on multilateral, negotiated outcomes, while some groups of members announced initiatives on the event sidelines to pursue more structured discussions in new areas. (See Bridges Daily Update, [14 December 2017](#))

Marie-Gabrielle Ineichen-Fleisch, the Swiss State Secretary for Economic Affairs who served as the meeting's chairperson, [noted](#) that officials expressed "particular concern" about the impasse on selecting new members for the current vacancies on the WTO Appellate Body, the seven-member group that serves as the organisation's highest court.

Under WTO rules, a minimum of three Appellate Body members must serve on any case and sign off on the final report. Three of those seven seats are now vacant, and a fourth member is due to see his first term expire on 30 September unless it is renewed.

The US has blocked the start of selection processes to fill these slots for several months, including at the [most recent meeting](#) of the Dispute Settlement Body on 22 January. (See Bridges Weekly, [2 November 2017](#) and [30 November 2017](#))

In addition, WTO Director-General Roberto Azevêdo, who attended the meeting, [reflected](#) on the "disappointing" outcome of the December ministerial conference, urging members to follow up on their promises to continue backing the multilateral trading system. "Everyone seems ready to pledge their support for the system. But while political support is essential, it is not sufficient. Words need to be matched by deeds," he continued.

Trade ministers, meanwhile, discussed "the need to complete the negotiations by 2019" on disciplines on harmful fisheries subsidies, according to the personal concluding remarks by Ineichen-Fleisch. An outcome in this area had eluded officials in Buenos Aires, despite a ramp up in negotiating activity during the months leading up to the ministerial. (See Bridges Daily Update, [14 December 2017](#))

Other issues also raised included micro, small and medium-sized enterprises (MSMEs), electronic commerce, investment facilitation, services domestic regulation, and trade and gender. Those were areas which saw groups of members express interest at MC11 in advancing discussions, and in cases such as e-commerce actual negotiations for new rules. The initiatives are open to any interested WTO members.

"Proponents of these initiatives indicated that they would pursue the work on these issues in an open and inclusive manner, consistent with the spirit and principles of the WTO," the chair's concluding remarks noted.

The statement also referred to long-standing divergences among the membership over how to address traditional negotiating issues, along with debates on the subject of "differentiation" among developing countries and how to ensure and improve the "functioning of the multilateral trading system and the existing WTO framework."

The meeting [included](#) officials from Argentina, Australia, Brazil, Cambodia as coordinator of the Least Developed Countries (LDC) Group, Canada, China, Colombia, Costa Rica, the EU, Guyana as the coordinator of the African, Caribbean and Pacific (ACP) Group, Hong Kong, India, Indonesia, Japan, Kenya, Korea, Mexico, New Zealand, Nigeria, Norway, Pakistan, Russia, Saudi Arabia, Singapore, South Africa as the coordinator of the African Group, Switzerland, Thailand, Turkey, and the US.

It also included among its attendees the WTO Director-General and the current chair of the WTO General Council, Ambassador Xavier Carim of South Africa.

India also confirmed that it would be convening its own WTO "mini-ministerial" on 19-20 March in New Delhi.

ICTSD reporting; "U.S. gives Davos trade meeting no clues on ending WTO crisis," REUTERS, 26 January 2018; "Davos 2018: Macri says Argentina wants to play 'significant' role on world stage," FINANCIAL TIMES, 25 January 2018; "Trump Tells Davos 'America First' Will Benefit the World," BLOOMBERG, 26 January 2018.

UNITED STATES

US President Touts Trade Deal Renegotiation, Rules Enforcement in Annual Address

US President Donald Trump touted improvements in economic growth and unemployment over the past year and called for continued efforts on trade deal negotiation and enforcement during his first "State of the Union" address on Tuesday 30 January, telling lawmakers and other public officials that "fair" and "reciprocal" trade agreements will remain an important component of his economic agenda.

The State of the Union address is an annual exercise during which the president outlines their proposed legislative agenda for the year to Congress. The event is attended by lawmakers, as well as Supreme Court justices and cabinet officials, among others. The only year where presidents do not give such an address is the first year of their term, where they instead give an inaugural address after taking the oath of office.

During his inaugural address just over one year ago, Trump described his hopes for an "America First" agenda that would create more jobs at home, while lambasting an "American carnage" that he claimed had led other economies to thrive while putting US manufacturing at a severe disadvantage.

That approach, which has led to a series of trade actions in the 12 months since, has drawn scrutiny around the globe, amid concerns that the US may be stepping back from international leadership on trade – or at least taking a significantly different approach from previous administrations. (See Bridges Weekly, [26 January 2017](#))

On Tuesday, the US leader touted figures of a growing economy and falling unemployment, though financial analysts have noted that some of that growth is the result of policies enacted prior to the new administration taking office. Trump highlighted the rise in manufacturing jobs, such as in automobile production, based in the United States – a nod to his earlier pledges to focus more production at home and push against having manufactured goods imported from abroad.

"This is all news Americans are totally unaccustomed to hearing – for many years, companies and jobs were only leaving us. But now, they are roaring back, they are coming back, they want to be where the action is. They want to be in the United States of America," he said.

Trump has been vocal over his concerns about past trade deals and whether they have been "unfair" to the US, with his administration focusing particularly on whether these accords have led to trade deficits with major partners. Over the past year, his administration has entered into negotiations to modernise the North American Free Trade Agreement (NAFTA) and amend the Korea-US Free Trade Agreement (KORUS FTA), partly to that end.

"America has also finally turned the page on decades of unfair trade deals that sacrificed our prosperity and shipped away our companies, our jobs, and our wealth. Our nation has lost its wealth, and we're getting it back so fast. The era of economic surrender is totally over," he said on Tuesday evening.

Trump also reiterated past rhetoric on wanting trade deals that are "fair" and "reciprocal," terms that have also fuelled debate within the international trading community. Various US trading partners have suggested that focusing primarily on trade deficits can ignore the

nuances of trading relationships, and have warned against heated rhetoric and unilateral actions. For example, several countries have openly criticised the safeguard tariffs which the US recently imposed on imported solar cells and modules as well as residential washing machines, and also ongoing national security-focused investigations into imported steel and aluminium. (See Bridges Weekly, [25 January 2018](#))

"We will work to fix bad trade deals and negotiate new ones. And they'll be good ones. And they'll be fair. And we will protect American workers and American intellectual property, through strong enforcement of our trade rules," Trump added.

There was no specific reference to NAFTA or KORUS, though NAFTA negotiators finished their sixth round of talks on Monday and meetings of KORUS officials are also scheduled this week. The NAFTA talks saw officials confirm some headway in their discussions, while still being at odds over the US' proposed approach to rules of origin and investor-state dispute settlement, among other topics. (For more on NAFTA, see related story, this edition)

On intellectual property, Trump did not go into further detail on what new actions this might entail. The US is undertaking a "Section 301" investigation into alleged forced technology transfers and intellectual property rights violations, with a focus on China. (See Bridges Weekly, [21 September 2017](#))

The remainder of the speech focused little on trade, with Trump touching on topics such as greater infrastructure investment, labour force training, immigration reform, and national defence. He also referred to foreign aid, saying that he wished to see US lawmakers craft legislation "to help ensure American foreign assistance dollars always serve American interests, and only go to friends of America, not enemies of America."

Trump referred, in this context, to his decision late last year to recognise Jerusalem as Israel's capital and begin moving towards relocating the US embassy there, an announcement that drew widespread criticism from various countries. Regarding those countries which criticised the US, he said that "in 2016, American taxpayers generously sent those same countries more than US\$20 billion in aid every year."

Looking ahead

Coming up on trade, the Office of the US Trade Representative is due to release in March the annual "President's Trade Policy Agenda," which will outline in further detail the administration's goals in this field for the coming year. This is normally followed by congressional hearings on the subject.

That report may give further clarity on whether the US will aim to resume trade talks with the EU, for example, which have been on hold since late 2016. It may also clarify how Trump will approach his expected request for the renewal of Trade Promotion Authority, the legislation that delegates the authority to negotiate trade deals to the US executive branch, subject to the approval and negotiating objectives set by Congress.

US Trade Representative Robert Lighthizer issued a [statement](#) welcoming Trump's comments, saying that "the President's policies are clearly helping to fuel an economic boom that is creating millions of jobs and putting more money in people's pockets."

"His unwavering commitment to promoting America's interests and insisting on fair and reciprocal trade will deliver even more prosperity to the American people. As the President has said, America is no longer turning a blind eye to unfair foreign trade practices," he said.

ICTSD reporting; "Trump's first State of the Union address, annotated," THE WASHINGTON POST, 30 January 2018; "Trump to seek extension of 'fast track' trade authority," REUTERS, 29 January 2018.

TRADE AGREEMENTS

EU, Mercosur Ministers Ramp Up Efforts to Close Trade Deal During Brussels Meeting

Ministers have been meeting in Brussels this week, hoping to get within the final stretch of sealing a long-awaited trade deal uniting the EU and the four members of Mercosur, the South American coalition that includes Argentina, Brazil, Paraguay, and Uruguay.

Talks for the trade pact first began nearly two decades ago. A potential trade agreement with Mercosur, spanning a combined GDP of €2.2 trillion (US\$2.7 trillion) and 260 million consumers, would be among the EU's largest scale pacts.

Cecilia Malmström, EU Commissioner for Trade, and Phil Hogan, EU Commissioner for Agriculture, and their Mercosur counterparts met on Tuesday 30 January seeking to give political impetus and direction to wrap up negotiations, aiming to find mutually agreeable trade-offs on challenging issues including beef, ethanol, and trade in autos.

Though a deal had not been announced at press time, reports suggest that new offers were exchanged and that officials would reconvene in the coming days to continue their deliberations.

The proposed trade deal strives to lower trade barriers, strengthen labour and environmental protections, and create opportunities for growth and jobs, according to the European Commission.

The agreement would cover trade in goods, services, rules of origin, technical barriers to trade, sanitary and phytosanitary measures, government procurement, intellectual property, sustainable development, and small and medium-sized enterprises (SMEs), as part of a larger Association Agreement between the regional blocs also incorporating a political and cooperation pillar.

EU goods exports to Mercosur amounted to €42billion (US\$52.1 billion) in 2016 and services exports reached €22billion (US\$27.3 billion) in 2015, according to the bloc's [statistics](#). The EU already has framework agreements for economic cooperation in place with each Mercosur member implicated in the agreement, which date back to the early 1990s.

According to a European Commission [press release](#), the proposed trade pact would be of great political significance, sending "a signal to the rest of the world on the importance of open, mutually beneficial, and rules-based trade."

The EU has also recently concluded trade agreements with Vietnam, Japan, and Canada, which are at different stages in the ratification and implementation process. While the EU-Canada deal is now provisionally in force, the accords with Japan and Vietnam are still undergoing legal review before proceeding to the relevant approval processes.

Brussels is also negotiating updates to its trade deals with Chile and Mexico, along with planning to launch formal talks with Australia and New Zealand. (See Bridges Weekly, [18 January 2018](#) and [25 January 2018](#))

"Crucially, it will also provide for joint action in the field of sustainable development," the press release continues, referring to the planned EU-Mercosur accord. "The rules-based trade the partners are aiming for will also necessarily imply maintaining high EU standards,

including food safety rules, for all products entering the European market." The deal also includes a direct reference to the UN's Paris Agreement on climate change inked in 2015 and now in force. (See Bridges Weekly, [28 April 2016](#))

A narrowing window

After missing a target to reach agreement before the close of 2017, officials are zeroing in on "the endgame," with a looming election battle in Brazil adding pressure for a rapid conclusion to talks. Campaigning is slated to begin in early March before Brazilians go to the polls in October. It will then be the EU's turn to shift to election mode in 2019, when new commissioners and parliamentarians will be selected.

"The window will be closing soon because Brazil is closing down, basically, for the elections," Malmström told reporters in Davos, Switzerland, last week, according to comments cited by [Politico](#), underlining the importance of maintaining the momentum so as not to draw out negotiations longer than necessary.

The most recent EU-Mercosur negotiating round took place from 29 November and 8 December in Brussels. Further political-level discussions on the sidelines of the Eleventh WTO Ministerial Conference in Buenos Aires were inconclusive. (See Bridges Weekly, [7 December 2017](#) and Bridges Daily Update, [13 December 2017](#))

State of play

Though negotiations have come a long way, they have stumbled largely due to difficult market access issues. The EU has been reluctant to open its ethanol, sugar, and beef markets to South American competition, and has pressed in return for lowered tariffs on autos and industrial goods. In December, the EU reportedly offered Mercosur an annual quota of 600,000 tonnes of imported ethanol and 100,000 tonnes of imported sugar at reduced duties.

Brussels had also proposed lowering tariffs on up to 70,000 metric tonnes of beef in December, a figure that the Mercosur bloc determined was too low, with some members pushing for at least 130,000 tonnes. The EU is now looking to revise its offer upwards to 90,000 or even 100,000 tonnes, according to [Politico](#).

Divergences in willingness to open up beef markets are apparent even across EU members, with Ireland, Belgium, and France among those expressing particular sensitivity – especially as the UK's impending exit has sparked concerns that farmers could face other costly hurdles in the near term.

"This is the death for the European sector, given that the cost of production is already much too high compared to the selling price. Additional meat imports to the European market will only make the problem worse," said Hugues Falys from the Belgian Farmers' Federation, according to [Euronews](#).

Following a bilateral meeting with Argentine President Mauricio Macri, President Emmanuel Macron underlined concern for the French agricultural sector. "France is determined to look after its beef market and production in the context of Brexit, and is not willing to allow destabilisation in a sector considered excellent," he said last week, according to comments cited by [MercoPress](#).

"I'm persuaded that our negotiators will find the technical path to allow us to arrive to a reciprocal understanding," he continued.

Mercosur has also emphasised the imperative of EU concessions on beef. "If we don't get a significant agricultural offer, we cannot achieve this agreement," Rigoberto Gauto Vielman, Paraguayan Ambassador to the EU, told the European Parliament earlier this month,

according to comments reported by [Bloomberg](#). Mercosur accounts for roughly three-quarters of EU beef imports.

In return, the EU also aims to benefit from improved access to certain service sectors and protected geographical indications for certain premium European food and drink products, among other requests.

ICTSD reporting; "EU prepares for next step in drive to open up global trade," BUSINESS DAY, 29 January 2018; "Farmers have a beef with Brussels," EURONEWS, 29 January 2018; "Europe and Mercosur scheduled to resume trade negotiations this month," MERCOPRESS, 6 January 2018; "EU races against the clock to seal beef-for-cars trade deal," POLITICO, 25 January 2018; "Macri and Macron agree in most issues, but not in the EU/Mercosur talks," MERCOPRESS, 27 January 2018.

GLOBAL ECONOMY

UK, China Leaders to Weigh Deeper Trade Ties, Economic Integration

UK Prime Minister Theresa May is travelling through China this week for a series of talks with Chinese officials, with the meetings slated to focus on potential areas for deeper trade and economic integration, as well as trade irritants or concerns.

The meetings began on Wednesday 31 January, with May and Chinese Premier Li Keqiang discussing trade, security, and other areas of cooperation. The trip has already been preceded by public statements on what officials wish to see from the discussions, with the UK leader due to meet with Chinese President Xi Jinping on Thursday.

May told reporters on the way to China that the UK would be interested in inking a trade deal with Beijing in the future, and in the meantime will be looking at ways to eliminate some existing trade barriers between them, according to comments reported by multiple media outlets.

How leaders will broach the subject of a trade agreement over the coming days remains to be seen. Another issue that will be closely watched is how leaders address the subject of the Belt and Road Initiative, the Chinese-led infrastructure plan that has already drawn interest from dozens of countries and international organisations and would lead to projects connecting China's easternmost regions to the furthest reaches of Europe. (See Bridges Weekly, [18 May 2017](#))

The UK has not yet endorsed the plan, and whether it will do so in the future remains in question. In a joint press conference with Li on Wednesday, she noted that her country "is a natural partner for the Belt and Road Initiative with our unrivalled expertise."

May also noted that she and Li have spoken about how their respective governments "can continue to work together to identify how best we can cooperate on the Belt and Road initiative across the region and ensure it meets international standards," according to a [transcript](#) of her remarks released by her office.

Prior to the trip, May penned [an op-ed](#) for the Financial Times which noted that UK-Chinese trade has already been a boon for domestic businesses, opening markets and providing sources of valuable capital for forthcoming investments.

May also referred to Chinese President Xi Jinping's pledges for further economic reform, as outlined during the country's high-level "Party Congress" late last year. (See Bridges Weekly, [2 November 2017](#))

"The sheer economic weight of China means that the way in which this happens will have a huge role in shaping the future in which we live," she said in her piece, explaining her interest in pursuing greater economic cooperation with Beijing.

She flagged the UK's interest in supporting regional infrastructure investment, such as through participating in the Chinese-led Asian Infrastructure Investment Bank (AIIB), where it is one of the non-regional [members](#). However, she also referred to areas where the two sides could cooperate more, such as industrial overcapacity, particularly in steel, as well as intellectual property rights concerns and WTO rule enforcement.

Meanwhile, an article in Chinese state-run newspaper Xinhua [suggested](#) that the meeting would “chart a new course for bilateral relations,” highlighting the large bilateral trade flows that already exist between them.

Brexit in the background

May's trip to the Asian economic powerhouse comes as her country continues its Brexit negotiations with the remaining 27 EU member states, with the latter group having endorsed final directives for EU negotiators on how to address a planned “transition period” for when the UK leaves the bloc, including on trade.

According to a Commission [press release](#) explaining the directives, the EU says that “as the UK will continue to participate in the customs union and the single market (with all four freedoms) during the transition, it will have to continue to comply with EU trade policy, to apply EU customs tariff and collect EU customs duties and to ensure all EU checks are being performed on the border.”

The release further says that during the transition period, which it says should end by 31 December 2020, the United Kingdom “will not become bound by international agreements in its own capacity in fields of competence of EU law, unless authorised to do so by the EU.”

Negotiators from the EU say that they hope to wrap up talks later this year, in order for their legislature to approve a Brexit deal in time for the expected date of the UK's exit, which is March 2019. How the UK will respond to these negotiating demands will be a closely watched subject in the coming months. (See Bridges Weekly, [18 January 2018](#))

In the nearly two years since the Brexit referendum, the UK has already been exploring where it could ink new trade deals or otherwise deepen economic ties with non-EU countries once it has left the bloc. Domestic officials, including May, have met with top officials from Australia, Canada, India, New Zealand, Switzerland, and the US, for example, to weigh options, with plans already on track for UK-Australia and UK-New Zealand trade deals to be negotiated in the post-Brexit era. (See Bridges Weekly, [6 April 2017](#))

ICTSD reporting; “U.K.'s May walks tightrope between trade and politics on trip to China,” JAPAN TIMES, 31 January 2018; “The global trading system works when we all play by the rules,” FINANCIAL TIMES, 30 January 2018; “Highlights of China-UK economic and trade ties,” XINHUA, 31 January 2018.

SUSTAINABILITY

WTO, UN Environment Eye New Avenues for Collaboration

The heads of the World Trade Organization and UN Environment [said](#) late last week that they would be kicking off a formal new dialogue between their institutions, aimed at creating greater synergies between work on their respective policy areas, as well as connecting the various stakeholders which engage in those subjects.

WTO Director-General Roberto Azevêdo and UN Environment Executive Director Erik Solheim confirmed that this process would include holding a "high-level event" in Geneva, Switzerland, this year. The WTO has its headquarters in Geneva, and while UN Environment is headquartered in Nairobi, it also has a large office in the Swiss city.

According to a joint press release from the two agencies, the dialogue would purport to foster new ideas regarding trade and environment which can help support the implementation of Agenda 2030 and the Sustainable Development Goals (SDGs), which were endorsed by world governments at the United Nations in late 2015. (See Bridges Weekly, [1 October 2015](#))

On the WTO side, Azevêdo [said](#) that the new scheme reflects the "very same notion that inspired the creation of the WTO more than 20 years ago: that trade can serve as a powerful tool to improve human well-being in all its dimensions – economic, social, and environmental."

Both organisations have worked together regularly in the past, and have some overlapping areas of focus. The news comes two years after UN Environment announced on the sidelines of the WTO's 10th Ministerial Conference in Nairobi its [Environment and Trade Hub](#).

The initiative, which was [launched](#) at the 2015 Trade and Sustainable Development Symposium held in parallel with the WTO ministerial, includes capacity-building at national, regional, and international levels to support the crafting of environmentally-sound trade policy measures and use trade towards meeting environmental objectives, among other areas of work. (*Editor's note: the Trade and Sustainable Development Symposium in Nairobi was held by ICTSD, the publisher of Bridges, in cooperation with various other partners.*)

Among its more recent high-profile work relating to trade, UN Environment held the third session of its United Nations Environment Assembly (UNEA) in Nairobi in December 2017, aimed at mobilising member states to ramp up their efforts at combatting pollution by 2019. The [final ministerial declaration](#), entitled "Towards a Pollution-Free Planet," reaffirmed countries' commitment to "foster inclusive and sustainable economic productivity, innovation, job creation, and environmentally sound technologies."

It proposed to do so by encouraging sustainable lifestyles, consumption, and production patterns. The statement also referred to the role of trade in addressing pollution and meeting sustainability objectives, among other tools such as science and education.

Meanwhile, the WTO has an existing body known as the Committee on Trade and Environment (CTE), which was launched following a 1994 "Decision on Trade and Environment." The CTE's work involves examining the interlinkages between the two policy areas, such as the field of biodiversity, along with suggesting possible changes in the trade arena that could support sustainability objectives.

UN Environment is an official observer to the CTE, and participates in committee meetings and related seminars, including by providing updates on the UN body's work in relation to international trade policy.

WTO members have also been negotiating specific rules under the CTE's "special session," as part of the larger [Doha Development Agenda \(DDA\)](#) launched over 16 years ago. Among the topics that members have considered in this session are the relationship between the global trade body's rules and "multilateral environmental agreements" (MEAs) reached elsewhere, along with tackling trade barriers in environmental goods and services.

On environmental goods, a group of 18 WTO members representing nearly 50 countries have been negotiating tariff cuts to a list of environmental goods, though those talks have been on hold since late 2016. The proposed accord would be known as the [Environmental Goods Agreement \(EGA\)](#), and participants in the initiative regularly report on negotiating progress at the CTE's meetings.

ICTSD reporting.

EVENTS & RESOURCES

Events

Coming Soon

5 February, Washington, US, and online. WHAT WILL IT TAKE TO MOVE BEYOND GDP? This Brookings Institution and World Bank event will feature an expert panel discussion, which will address the use of GDP as an economic indicator when measuring a country's prosperity. Panellists will examine what other indicators could be used to provide a better, more comprehensive measure. The event can be attended in person or viewed online via webcast. To learn more and to register, visit the Brookings [website](#).

6 February, Washington, US. AGRICULTURAL DEVELOPMENT AND ECONOMIC TRANSFORMATION: PROMOTING GROWTH WITH POVERTY REDUCTION. This event is being organised by the International Food Policy Research Institute (IFPRI) and will feature a book launch on the subject of economic transformation, with a particular focus on the farm sector. It will also tie this discussion to the issue of poverty reduction. The guest speaker will be John W. Mellor, author of the book and a Professor Emeritus at Cornell University. More information is available at the IFPRI [website](#).

6 February, London, United Kingdom. TRADE TRENDS IN LATIN AMERICA. This Chatham House event will feature a presentation by Paolo Giordano, principal economist at the Inter-American Development Bank (IDB), on recent trends in trade involving the Latin American region, as well as future prospects. Please note that attendance is by invitation only. For more information on this event and related meetings, visit the Chatham House [website](#).

7 February, Washington, US, and online. THE FUTURE OF DEVELOPMENT FINANCE: A CONVERSATION WITH WORLD BANK GROUP PRESIDENT JIM YONG KIM. This event is being organised by the Center for Global Development (CGD) and will feature as its guest speaker World Bank Group President Jim Yong Kim. Among the subjects up for discussion are development financing in the current context, including the Bank's work in this area, as well as multilateralism and related topics. The event will also be webcast live. To learn more and to register, visit the CGD [website](#).

8 February, Geneva, Switzerland. RTA DISPUTE SETTLEMENT PROVISIONS: OPTIONS FOR EFFECTIVE ENFORCEMENT. This event is being organised by the International Centre for Trade and Sustainable Development (ICTSD) and the Inter-American Development Bank (IDB). The meeting will examine dispute settlement mechanisms in regional trade agreements (RTAs), including how these mechanisms work, the challenges that arise in their use, and the differences between these mechanisms across RTAs. More information is available at the ICTSD [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.

8 February: Working Party on the Accession of Bosnia and Herzegovina

9 February: Dispute Settlement Body

Other Upcoming Events

12 February, London, UK. FOSSIL FUELS EXPERT ROUNDTABLE: FORECASTING FORUM 2018. This Chatham House event will look at the prospects for fossil fuels in 2018, along with how certain developments at the political or other levels could affect these forecasts. Please note that meeting attendance is by invitation only. To learn more, visit the Chatham House [website](#).

21 February, Geneva, Switzerland. WORLD BANK REPORT ON THE CHANGING WEALTH OF NATIONS. This event is being held by the Graduate Institute's Centre for Finance and Development (CFD), together with the World Bank and Indosuez Wealth Management. It will feature the launch of two publications involving wealth at the individual country level, with a panel discussion featuring experts in international and environmental economics. To learn more and to register, visit the Graduate Institute [website](#).

21-22 February, New Delhi, India. UNDERSTANDING THE DIGITAL ECONOMY: WHAT IS IT AND HOW CAN IT TRANSFORM ASIA? This event is being hosted by the Asian Development Bank Institute (ADBI) and will bring together finance and economic officials, along with experts, private sector representatives, and policymakers, to discuss digital transformation and the digital economy in Asia. Event partners include the ASEAN-India Center (AIC) and Research and Information Systems for Developing Countries (RIS). Please note that attendance to this event is by invitation only. To learn more, visit the ADBI [website](#).

26 February, Geneva, Switzerland. WHO-WIPO-WTO TECHNICAL SYMPOSIUM ON SUSTAINABLE DEVELOPMENT GOALS: INNOVATIVE TECHNOLOGIES TO PROMOTE HEALTHY LIVES AND WELL-BEING. This event will take a specific focus on health technologies, looking at issues such as global health data, the relationship between policy choices and technological innovation, and related topics. The event will be opened by the directors-general of the World Health Organization (WHO), the World Intellectual Property Organization (WIPO), and the World Trade Organization (WTO). More information is available [here](#).

Resources

THE USE OF THE EU'S FREE TRADE AGREEMENTS: EXPORTER AND IMPORTER UTILIZATION OF PREFERENTIAL TARIFFS. Published by the Swedish National Board of Trade and the UN Conference on Trade and Development (January 2018). This report aims to examine how parties to trade agreements use preferential tariffs and includes a breakdown from both importer and exporter perspectives. It also looks at current thinking on preference utilisation in these accords, and takes a specific focus on the EU's free trade deals. The report can be accessed [here](#).

INVESTOR-STATE DISPUTE SETTLEMENT: UNFAIR TO WHOM? Published by the Peterson Institute for International Economics (January 2018). This Peterson Perspectives interview features Gary Clyde Hufbauer as its guest speaker, with a specific focus on investor-state dispute settlement (ISDS) mechanisms in trade accords and the concerns raised in this area, as well as the potential benefits of such tools. He also examines changes that could lead to better iterations of ISDS mechanisms. The interview can be viewed online [here](#).

PODCAST: TRUMP'S TANGLED WAR ON TRADE. Published by CQ Roll Call (January 2018). This podcast looks at the potential direction of US trade policy in the coming year, given the recent moves by the current administration in the areas of trade negotiations and tariffs. The podcast is available at the CQ Roll Call [website](#).

TPP REDUX: WHY THE UNITED STATES IS THE BIGGEST LOSER. By Jeffrey J. Schott for the Peterson Institute for International Economics (PIIE) (January 2018). This article examines the potential fall-out for the US from the withdrawal last year from the Trans-Pacific Partnership (TPP) Agreement, which is now moving forward without the United States. It looks at potential gains in real income that could have materialised for the US had it remained in the trade deal, among other subjects. The article is available [here](#).

ECONOMIC SURVEY 2017-2018. Published by the Indian Ministry of Finance (January 2018). This publication reviews the current state of the Indian economy across a host of areas, looking also at subjects such as climate change, agriculture, gender, science, and technology. The survey, along with related infographics, online courses, and past studies, can be found at the finance ministry [website](#).

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