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GLOBAL ECONOMY

Australian Prime Minister Touts Rules-Based Trading System, Future Cooperation on US Visit

Last week, Australian Prime Minister Malcolm Turnbull travelled to Washington for a series of meetings on economic cooperation, outlining his views on the future of trade in the Asia-Pacific and offering up a defence for open markets and the rules-based international trading system.

Turnbull held talks with US President Donald Trump on Friday at the White House, the fourth meeting between them since Trump's inauguration in January last year, and addressed a gathering of ministers, diplomats, and US lawmakers at the yearly winter meeting of the National Governor's Association (NGA),

"Our meeting today was a great opportunity to strengthen and deepen the engagement with the US, our most important strategic and economic partner," Turnbull said in a joint [news conference](#) following their meeting at the White House.

Turnbull was accompanied by the largest contingent of Australian premiers, ministers, and CEOs ever to have travelled to Washington.

Rules-based trading system

In his [keynote address](#) to the NGA, Turnbull underlined the shared values that unite Australia and the US, the basis for a strong trading relationship and for thriving enterprise. "Now our shared commitment to open markets, transparency, and the rule of law has generated an enormous reservoir of trust between our businesses, consumers, and regulators and trust enables commerce to flourish."

He also characterised this common ground as enduring in a time of significant change. The past few years have seen technological advances rapidly reshape trade patterns, business models, and structures of production amid shifting geopolitical dynamics.

Turnbull also spoke in support of the open, rules-based trading system as a guarantor of political stability and generator of economic growth. "This remarkable system which obliges nations big and small to play by those rules and to respect each other's

sovereignty has enabled our collective security and prosperity for the entire post-war period."

"But we know we cannot take any of it for granted," he added, noting the importance of continued American leadership. "The rules, the norms, the institutions that enable freedom, security, and opportunity have been painfully difficult to build. But easy to break."

Turnbull's remarks come at a time when economic globalisation and trade and their underlying frameworks have come under close scrutiny, where certain actors interpret the gains as being unevenly distributed. The trade policy pursued under the Trump administration has been predicated on safeguarding domestic industries and balancing out perceived asymmetries in relationships with major trading partners.

"I know it's fashionable to call the passing of American leadership and condemn democracy into a fate of inexorable decline," said Turnbull. "Let me tell you that's not what I'm hearing from our trusted partners in our part of the world. Nor is it what the Trump administration is engraving into its most important policy statements."

To the contrary, Turnbull said, Washington is in fact part of "upgrading a liberal rules-based system, not breaking it," noting the US president's rhetoric from Davos earlier this year: "America first does not mean America alone."

Turnbull also referred to the ongoing debate over the future of the WTO and how governments should approach the next chapter in the global trade club's history following last December's ministerial conference in Argentina.

"We want to work with you to improve the WTO and make it a more effective forum for driving trade reforms and ensuring full compliance with the rules. And we will maintain a dialogue on how our respective systems protect technologies and facilities integral to national security while ensuring our markets remain open and transparent," he said.

He also warned against protectionism, telling reporters that "I think you have to just make the case that trade, more trade means more jobs, more investment, more exports."

Progress in the TPP

The Australian leader also commented on the state of play in the Trans-Pacific Partnership (TPP), a mega-regional trade pact currently spanning 11 countries in the Asia-Pacific, of which the US was previously a member. The US withdrew late last year, and the remaining countries are now preparing to sign a revised version of the deal that suspended some of the original provisions and led to some new side letters between participants. The accord is now known as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). (See Bridges Weekly, [26 January 2017](#))

"We entirely understand and respect the President's decision to honour his election pledge to withdraw from the Trans-Pacific Partnership," Turnbull said. "Prime Minister [Shinzo] Abe of Japan and I were determined to keep that project alive and the TPP-11 will be signed next month in Chile."

The 11 remaining members published the contents of the pact on Wednesday 21 February and are preparing to sign the deal on 8 March in the Chilean capital of Santiago. The Trump administration has recently hinted that there could be scope for the US to return, so long as it sees terms that are more preferable to them. (See Bridges Weekly, [22 February 2018](#))

"We do not expect the United States to return to the TPP any time soon," Turnbull commented. "But by keeping this important trade pact on foot we have created a live option, which would otherwise not exist, for a negotiated US return – a possibility which the President himself has referred to."

He also offered insights into the significance of the deal, as responding to urgent global economic priorities and forging ahead with new rulemaking. "We need to level the playing field for private sector companies, update the rules of the digital world, and ensure greater transparency and stronger rule of law in a world which is often short of both," said Turnbull.

Towards closer economic ties

Australia and the US enjoy close economic ties. Two-way trade has grown by over 50 percent since the Australia-US Free Trade Agreement entered into force in 2005. Furthermore, two-way investment has doubled in the past decade, reaching US\$1.1 trillion in 2016, where the US is currently the biggest investor in Australia – accounting for one quarter of foreign investment in the Oceanic economy.

"Our fair and reciprocal trading relationship is a model for other countries as we seek bilateral agreements," Trump said during the joint news conference. The US's third largest bilateral trade surplus is with Australia, a difference of US\$25 billion.

The leaders agreed last week on a [range of initiatives](#) to deepen economic ties further, including expanding transparent energy markets, intensifying urban infrastructure investment in the US and the broader region, and redoubling cooperation on digital trade. "The President and Prime Minister reaffirmed their nations' commitments to stronger partnerships with Pacific Island countries for a more secure, stable, and economically resilient region," according to a White House press release.

The leaders announced the intention to launch the US-Australia Strategic Partnership on Energy to support energy infrastructure and promote low emission technologies. Washington and Canberra also agreed to intensify cooperation to support the growth of digital trade between the countries, work towards an open and secure Internet, and promote the liberalisation and facilitation of digital trade worldwide.

Eyes on China

In other Asia-Pacific trade news, Liu He, chief economic aide to Chinese President Xi Jinping, is also visiting Washington this week to meet with top US trade officials and business representatives. The visit comes as China sits on a planned package of reforms to open up its services and manufacturing industries and relax caps on foreign shareholding. Discussions are expected to cover trade relations between the world's largest economies and seek to offset tensions over trade disputes.

Trump has noted an improving relationship with Beijing, but also gave voice to concerns with the US' bilateral trade deficit. "We've developed a great relationship with China, other than the fact that they've been killing us on trade for the last long period of time — killing us, absolutely killing the United States on trade," Trump told reporters on Friday.

The Trump administration is expected to introduce new trade actions in the months ahead, which could include tariffs and/or quotas on imports of steel and aluminium. There is also an ongoing investigation into China's intellectual property practices. (See Bridges Weekly, [22 February 2018](#))

ICTSD reporting; "China leader's top economic adviser heads to the U.S. for trade talks," REUTERS, 26 February 2018; "Xi's economic adviser arrives in DC to avert trade chill," FINANCIAL TIMES, 26 February 2018; "Australian prime minister delivers forceful defense of free trade," WASHINGTON POST, 24 February 2018; "Trump, Australia's Turnbull seek common ground on trade, China," REUTERS, 23 February 2018; "Trump is thinking about a huge 25% steel tariff that has Australian companies sweating," BUSINESS INSIDER, 27 February 2018.

SUSTAINABILITY

Malmström Issues Plan to Improve Implementation of Sustainability Chapters in EU Trade Deals

The EU's top trade official released on Tuesday 27 February a plan examining how the bloc can make sure the sustainable development chapters in its trade deals can be applied more effectively. The plan deals with issues such as civil society engagement, implementation and enforcement, and the role of climate action.

The 12-page [document](#) was issued after an informal meeting of trade ministers from EU member states in Sofia, Bulgaria, and was presented as the result of over six months of talks with various stakeholders.

"This represents a revamped approach to our current policy – a collective commitment to reinforce and do more with the tools at hand. I am confident that these actions can be quickly implemented to drive progress for the respect of labour and environment goals," said Cecilia Malmström, the EU Trade Commissioner.

The document notes that the EU's goal in including sustainable development chapters in trade deals "is to maximise the leverage of increased trade and investment on issues like decent work, environmental protection, or the fight against climate change in order to achieve effective and sustainable policy change."

The EU's executive arm also pledged to continue discussing other ways to make sure that these chapters are being implemented properly, including EU lawmakers, member state officials, and others in the discussion.

On implementation and enforcement, the document rules out using a "sanctions-based model" as an enforcement tool, noting that there were differing views on the subject when consulting stakeholders. They also noted the challenges other countries have faced in using such an approach to enforce their sustainable development chapters, suggesting that doing so has meant sacrificing some of the breadth of those chapters' coverage.

"Negotiating partners have been clear that they would not accept a broad scope combined with trade sanctions," the document says, while stating that improving enforcement is a priority going forward. In a separate section on that subject, the document notes that several stakeholders "complained that the existing dispute settlement mechanism has so far not been triggered," and suggested that the EU's executive arm will take further steps to improve the monitoring of implementation.

Climate action, international deals

The text devotes a section to how the bloc should address international accords such as the UN's Paris Agreement on climate change, along with International Labour Organization (ILO) conventions and multilateral environmental agreements (MEAs).

Traditionally, the sustainable development chapters in EU trade deals have made reference to both ILO conventions and MEAs, with these international standards helping ground the rest of the trade deal-specific provisions introduced in that chapter.

The Commission said that its feedback from stakeholders was to continue grounding its sustainable development chapters in the multilateral agreement context, along with taking

steps to boost its work with international bodies to ensure that these multilateral deals are better understood.

"This approach can help to avoid any risk of introducing parallel labour and environmental standards and being seen as undermining the multilateral governance in these areas," the document says.

Along with referring to climate action within the context of MEAs, the document also includes a section devoted specifically to climate change, saying that "there were clear calls throughout the debate to support climate action."

It also notes that newer trade deals will include "stronger and more detailed provisions" on climate action in light of the Paris Agreement, referring to the bloc's latest deals with Japan, Singapore, and Vietnam as examples where this is already being done.

"These will (i) reaffirm a shared commitment to the effective implementation of the Paris Agreement, (ii) commit the parties to close cooperation in the fight against climate change, (iii) and commit the parties to agree on and carry out joint actions," the document indicates.

It also puts forward a series of areas that the EU and its trade agreement partners could aim to work on to support their climate action commitments. Among these includes highlighting the role of smaller and medium-sized companies in the field of clean technology; working together on different trade aspects of climate action; and making it easier to invest in and trade in goods and services involving renewables and energy efficiency.

EU officials have already indicated in public statements over recent weeks that climate action will continue to be a hallmark of its sustainable development chapters, and that this includes reaffirming the Paris Agreement. The issue was raised in response to questions over whether the EU might seek to renew formal negotiations on a trade deal with the US, given that the current American administration has indicated that it plans to pull out of the UN climate agreement at the federal level as soon as possible. (See Bridges Weekly, [15 February 2018](#))

Labour rights and responsible supply chains

Two sections of the Commission non-paper address how the EU envisions its approach to labour provisions and responsible supply chains going forward.

On the former, it notes that the EU has been looking to include a wider scope of topics relating to labour rights, including on supply chain management and different aspects of working conditions, building on what it has achieved in its trade agreement with Canada. That agreement is provisionally in force, minus some sections that require ratification from EU national and regional legislatures.

The document suggests that the EU is negotiating with that wider scope in mind in its discussions for an updated EU-Mexico deal, along with talks for a long-awaited agreement with the Mercosur trading coalition. Its negotiations with Indonesia, one of the 10 members of the Association of Southeast Asian Nations (ASEAN), have also been conducted under that approach.

Separately, the EU's executive arm confirmed that it is working on a project with the ILO and the Organisation for Economic Co-operation and Development (OECD) focusing on responsible business conduct in supply chains. The current project, funded to the tune of several million euros, has focused on select Asian economies of varying sizes, from smaller developing nations like Vietnam to major emerging economies like China and advanced economies such as Japan. It also is looking to do the same with Latin America and perhaps beyond.

Civil society, EU institutions engagement

Throughout the document, the role of civil society, EU member states, and the European Parliament are cited repeatedly as areas for growth. This includes having “domestic advisory groups” of civil society groups look at the sustainability aspects of EU trade deals as a whole, rather than focusing only on the chapter devoted specifically to that subject.

The document also suggests taking further steps to make it easier to coordinate both among the Commission, EU member states, and the European Parliament, as well as with EU officials based in countries where the bloc has an FTA, for example.

Overall, Malmström said while promoting the new plan, “I feel encouraged by the big interest shown in ensuring that EU trade agreements actually deliver in terms of sustainable development,” given the high level of engagement from stakeholders as the EU’s executive arm was developing this new approach.

ICTSD reporting.

GLOBAL ECONOMY

Trade Officials Weigh Impact of New Initiatives in Post-Buenos Aires Era

Trade officials from intergovernmental organisations and various missions weighed in on Wednesday 28 February regarding the WTO's future in light of the various multi-country initiatives that emerged at the organisation's ministerial conference last December. They also weighed what these could mean for the global trade system, and where multilateral approaches are still preferable.

The meeting took place at the Graduate Institute in Geneva and featured WTO ambassadors or deputy heads of mission, Belgium's deputy prime minister, the heads of the World Trade Organization (WTO) and the International Trade Centre (ITC), and the deputy head of the UN Conference on Trade and Development (UNCTAD). It also comes just a few months after the WTO's Eleventh Ministerial Conference wrapped up in Buenos Aires, Argentina.

At the ministerial, WTO members were unable to endorse substantive negotiated outcomes, agreeing only on a decision to continue talks on disciplining harmful fisheries subsidies and separate decisions involving the renewal of long-standing moratoriums on duties on electronic transactions and on non-violation and situation complaints under the organisation's intellectual property rules. (See Bridges Daily Update, [14 December 2017](#))

However, in Buenos Aires various coalitions of countries put forward joint ministerial statements on advancing discussions regarding e-commerce, investment facilitation, and micro, small, and medium-sized enterprises (MSMEs), along with a declaration on gender. These initiatives do not encompass the full WTO membership and only some statements have referred explicitly to the prospect of future negotiations. Those statements on MSMEs and gender, for example, are not aiming for eventual negotiations.

What these new initiatives mean for the global trade club, for participants, and for countries that are not currently taking part, remain open questions in Geneva circles and are expected to feature prominently in trade debates going forward.

Given the results of the Buenos Aires conference, WTO Director-General Roberto Azevêdo called for flexibility in this "new normal," noting that there were ways to be flexible both on the plurilateral front or at the multilateral level. Examples of the former include, for instance, most-favoured nation (MFN) plurilaterals where the benefits are extended to everyone but the commitments taken on only by parties, as opposed to plurilaterals whose benefits and commitments are limited to parties.

Regarding the latter, he flagged the structure of the WTO's Trade Facilitation Agreement (TFA), which allows developing countries to notify which commitments may require transition periods and/or technical assistance and capacity-building before they can be implemented.

The new, multi-country initiatives which emerged from the Buenos Aires conference, he said, appear to have been in response "to the risk of paralysis brought about by objections to any conversation on issues not already covered by the Doha Work Programme," referring to the multilateral negotiating round that was launched at the WTO in 2001 and has not been concluded.

He also said these new initiatives should be housed in WTO and should be open and transparent, where everyone and anyone has chance to shape the conversation "if they so desire," and thus allow for participation to be as open as possible.

"If we drive these conversations away from the WTO, the danger is that they will not be open to all. And they most likely will come back to the WTO later on. When they do, those who were not included in the discussions will have missed the opportunity to make their contributions and shape the outcomes," he said.

"So my preference would always be for any effort to be fully open and transparent, where anyone and everyone has a chance to shape the conversations if they so desire," the WTO chief continued.

"In my view, the future is not plurilaterals. The future is flexibility. Now, plurilateral initiatives may be part of it. But I have set out that there are different ways to achieve flexibility in multilateral agreements as well... Flexibility will not lead to fragmentation," he said.

Questions of participation, dispute settlement

Questions of participation and whether the new initiatives would have adverse impacts on non-participants were also raised by panellists, with various speakers noting the importance of transparency, as well as the approach to the subject matter involved, along with the potential value of a most-favoured nation approach.

"I have no objection to likeminded members discussing new issues" said Chinese ambassador to the WTO Xiangchen Zhang. He added, however, that "only when the multilateral trading system is strong and robust will the plurilateral approach play a positive and supplementary role."

"For the likeminded members, they should not exert pressure on other members who are not ready to participate," the Chinese official added, urging instead that members not involved in these initiatives should be welcome to participate when they chose.

He noted also that the reason behind some members not joining yet is that they have an interest in safeguarding their policy space or lack the capacity to get involved, so there would need to be a targeted solution that would support their participation.

Another issue raised by panellists was whether any negotiated outcomes from these new initiatives should be subject to the WTO's dispute settlement rules.

"For such a plurilateral system to work, the rules that will be agreed upon in this context have to be enforceable through the dispute settlement system of the WTO. They have to be enforceable and we have to make sure that the rules we agreed to are applied in a way which do not lead to deviation with the multilateral rules of the WTO," said EU ambassador to the WTO Marc Vanheukelen.

Chris Wilson, the deputy chief of the US mission to the WTO, noted that there are several questions that remain to be addressed with these new initiatives. These include, for example, what are and should be the limits of most-favoured nation application, along with how much to tie these to the WTO's dispute settlement mechanisms.

"It's our perspective, though, that we don't need to get ourselves tied totally into knots on these questions at this stage," he said.

Multilateral approach to fisheries, agriculture

Multiple ambassadors at Wednesday's meeting also indicated that while plurilateral approaches may work in some areas, other subjects would still require multilateral solutions.

Both the EU and the US referred to disciplining harmful fisheries subsidies and addressing domestic agricultural support and other farm trade topics in this context.

"Of course we should keep plugging away at multilateralism where a multilateral approach is required," said Wilson, while clarifying that fish and agriculture are not the only areas that may qualify for this.

The US official also noted that while plurilaterals may hold promise for future WTO negotiations, the "structural process will not, in our view, necessarily overcome some of what we see as very fundamental obstacles to negotiating successfully in the WTO."

Under the previous Obama administration, the US had been one of a group of "likeminded partners" which had pledged to examine whether a plurilateral approach to the fisheries subsidies issue was possible, while also working on the multilateral track. (See Bridges Weekly, [22 September 2016](#))

Vanheukelen also said that fish and agriculture are "clearly multilateral subjects" and WTO will have to keep working on that track.

Eloi Laourou, Benin's ambassador to the WTO, called for maintaining efforts to reach multilateral deals on fisheries subsidies and domestic support, and that global talks should continue "so that nobody will be left behind," referring to the UN Sustainable Development Goals (SDGs) in that context.

He also added that Benin wants to see results in the multilateral trading system because it cannot immediately be at ease in plurilaterals, citing capacity constraints and the implementation of some past plurilaterals.

Laourou also said that while members should continue promoting the multilateral trading system, this would not prevent those who are interested in pursuing plurilaterals from doing so.

Coming up

The coming month is slated to be a busy one for the WTO calendar, with an informal meeting of delegation heads under the organisation's Trade Negotiations Committee (TNC) and a formal General Council meeting planned for next week.

Also coming up is a mini-ministerial in New Delhi, organised by India. Invitations have gone out to a few dozen countries or groups, including both major advanced economies such as the EU, US, Australia, China, and New Zealand, as well as smaller developing nations across different regions. Multiple sources said, however, that the final list of attendees was not yet clear, as countries weigh whether to go and who to send.

ICTSD reporting.

CLIMATE AND ENERGY

EU Lawmakers Endorse Emission Limits for Backup Power Subsidies

The European Parliament's industry and energy committee (ITRE) voted in favour of imposing an emission threshold for so-called capacity mechanisms, limiting payments to coal-fired and less efficient gas-fired plants from 2020 onwards. The decision was taken during a 21 February vote on draft reforms to the bloc's electricity market that form part of the European Commission's 2016 [Clean Energy Package](#).

The [Clean Energy Package](#) includes a range of measures proposed by the European Commission on 30 November 2016 aimed at providing a stable legislative framework for the clean energy transition. It contains eight legislative proposals to enhance the stability, competitiveness, and sustainability of the EU energy sector and help the bloc deliver on its international climate goals.

Under the 2015 Paris Agreement on Climate Change, the EU has committed to reducing its greenhouse gas emissions by at least 40 percent below 1990 levels by 2030. The Paris Agreement was negotiated under the UN Framework Convention on Climate Change (UNFCCC) and entered into force in late 2016.

The various legislative efforts underway are part of the bloc's efforts to meet these commitments, along with its goal of continuing to play a leadership role in international climate action. Officials note that these changes not only have environmental benefits, but also economic value in terms of generating new jobs in vibrant sectors.

Divisions over power subsidies emissions cap

Capacity mechanisms are used by national governments to reward electrical utilities for maintaining existing capacity or investing in new capacity needed to guarantee energy supply as a back-up for intermittent renewable power. Capacity providers reap these rewards in addition to the income from selling electricity on the market. These capacity mechanisms often provide support to coal-fired power generation, which environmentalists warn undermines the EU's climate goals.

Lawmakers chose to back a European Commission proposal to exclude plants emitting more than 550 grams of carbon dioxide (CO₂) per kilowatt hour (kwh) from receiving public money. If adopted into law, the cap will apply to new infrastructure from 2020 and to existing plants from 2025.

While the measure is technology-neutral on paper, in practice it disqualifies coal power plants and some inefficient gas plants from being eligible for public support. Coal-dependent countries like Poland are therefore strongly opposed to the proposed restriction, setting the parliament up for tough negotiations with EU member states.

With 52 votes in favour and only 10 against the regulation, ITRE was able to bypass a full plenary vote by the European Parliament. The vote, unless challenged in next month's plenary, will form the parliament's position for the upcoming trilateral negotiations of the Council, the European Commission, and the Parliament.

New capacity mechanisms approved

Two weeks before the ITRE vote, the European Commission approved capacity mechanisms in six member states, including Poland. The move was criticised by some members of parliament (MEPs) and environmental groups.

Claude Turmes, energy spokesperson for the Greens/European Free Alliance Group criticised the Commission's competition directorate (DG COMP) for having "waived the Polish capacity mechanism that will pour millions of euros to coal-fired power plants for the next twenty years," adding that "this is a scandalous intervention of DG COMP in the middle of a co-decision process."

Although these capacity mechanisms will have to comply with the post-2020 rules, the Council has already hinted that existing mechanisms could be exempt from the regulation.

Priority dispatch maintained

EU lawmakers also decided to maintain priority dispatch rules, reversing a heavily criticised previous draft amendment which would have terminated the practice. Priority dispatch refers to the [practice](#) of giving renewable energy suppliers priority for accessing the energy grid, relative to other sources of power production such as fossil fuels. That policy has been in place since 2009.

Without priority dispatch, smaller-scale renewables producers would have been exposed to the same forces as big conventional energy firms.

Renewables will now continue to be prioritised as the first source of power drawn into the grid for existing solar and wind plants. After 2020, the measure will be slowly phased out for new plants.

Empowering consumers and household energy producers

The ITRE vote also endorsed a proposal aimed at protecting and empowering consumers. Each member state should have a comparison tool showing and ranking rates and tariffs from all suppliers. Consumers should also be able to terminate contracts without penalties and switch suppliers in less than 24 hours.

Lawmakers have also approved measures to make it easier for small-scale, household power producers to sell excess energy to the grid.

Council approves EU ETS reform rules

The past month has been a busy one in EU climate circles, as the bloc's policymakers work to advance rulemaking in a series of areas ranging from carbon markets to energy efficiency. For example, the European Council [approved](#) on Tuesday 27 February various changes to the EU's flagship Emissions Trading System (ETS), with the revisions due to take effect after the year 2020.

The European Parliament had endorsed the revisions during a vote held in early February. The Council's approval was considered a formality and now paves the way for the changes to become law.

The planned changes, proponents say, would improve the functioning of the EU's carbon market, which has struggled in recent years with a glut of permits and low permit prices. By setting tougher pollution limits for companies and providing funding for supporting the transition to renewables, the changes also aim to help the bloc meet its climate goals under the Paris accord, along with having beneficial effects for public health and the environment. (See Bridges Weekly, [8 February 2018](#))

Meanwhile, trilogue negotiations between the Commission, Council, and Parliament have been held over the past two weeks to advance new rules on energy efficiency targets for 2030, the share of renewables in the bloc's energy mix in that same timeframe, and the governance of the bloc's [Energy Union](#). Those discussions are still ongoing and involve other elements from the November 2016 Clean Energy package.

ICTSD reporting; "Energy Union: consumers to have more choice and greater energy security," EUROPEAN PARLIAMENT, 21 February 2018; "CORRECTED-EU lawmakers back CO2 limits to power reserve subsidies," REUTERS, 21 February 2018; "MEPs take big step towards energy market reform," EURACTIV, 21 February 2018; "Brussels muddies waters on state aid for coal power," EURACTIV, 7 February 2018.

ENVIRONMENT

New Data Aims to Shed Light on Extent of Global Industrial Fishing

New evidence suggests that at least 55 percent of the world's oceans are now being fished by industrial vessels, while warning that the number could potentially be even higher. The statistic is one of the main results presented in a [study](#) spearheaded by Global Fishing Watch, in collaboration with scientists from across the US and Canada.

The overexploitation of the world's fisheries is well documented, but new data has enabled the first comprehensive global analysis of fishing activity and effort. Findings show that the absolute footprint of industrial fishing is four times larger than that of agriculture, despite furnishing only 1.2 percent of total human caloric consumption.

Published last week in *Science*, the academic journal, the study examines the global reach of industrial fishing using satellite data from the International Maritime Organization's (IMO) Automatic Identification System (AIS). The tracking system, [mandated](#) to assist in the prevention of collisions, frequently reports a vessel's identity, position, and speed – information that is also recorded by satellite and land-based receivers. A recent expansion of AIS allowed the authors to analyse the activity of over 70,000 vessels from 2012 to 2016.

The detailed data on vessel identities also sheds light on the fishing activity of specific nations and, in particular, information on those nations fishing the high seas, as well as in countries' exclusive economic zones (EEZs). While the data found most fishing concentrated in the latter, it found that five flag states – China, Taiwan, Japan, South Korea, and Spain – are responsible for over 85 percent of high seas fishing effort, with China alone accounting for 33 percent.

The data also breaks down the different types of fishing, such as with longline gear or purse seine nets. In addition, it examines how much fuel prices may affect the level of fishing activity, along with whether the use of fuel subsidies makes it harder to assess that relationship.

Despite the seemingly dire situation of the world's oceans, experts say that the study provides some hope that a change of course is possible. Tracking vessels over time allowed the authors to uncover global patterns in activity levels throughout the year. They find that fishing activity has "a surprisingly low sensitivity to short-term economic and environmental variation," and instead, responds strongly to "cultural and political events such as holidays and closures."

Speaking to BBC News, lead author David Kroodsma concluded that, "because fishing is an industrial activity tied to politics and culture, this is actually a positive message because it shows we have a lot of human agency in the way we fish the oceans, and it's entirely within our power to change things."

Co-author Juan Mayorga added that "data of this detail gives governments, management bodies, and researchers the insights they need to make transparent and well-informed decisions to regulate fishing activities and reach conservation and sustainability goals."

Addressing fisheries subsidies

The paper comes as world governments work towards meeting the Sustainable Development Goals (SDGs), which includes a goal specific to ocean conservation and preservation. Among the targets of this SDG is one which involves the WTO negotiations on disciplining harmful fisheries subsidies.

WTO members face a deadline of 2020 under [Sustainable Development Goal \(SDG\) target 14.6](#) for prohibiting subsidies contributing to overfishing and overcapacity, and for eliminating subsidies to illegal, unreported, and unregulated (IUU) fishing.

Hopes for a multilateral agreement at the WTO's Eleventh Ministerial Conference (MC11) last December were not met, with trade ministers instead adopting a brief [decision](#) on fisheries subsidies directing members to continue the negotiations "with a view to adopting" a deal by the next ministerial conference in 2019. (See Bridges Weekly, [14 December 2017](#))

Back in Geneva, fisheries negotiators have already met in the new year, but have debated whether the early months of 2018 should focus more on getting better data on different aspects of the fisheries talks, or to resume negotiations where they left off last year.

According to a Geneva trade official, the US has advocated getting better information on IUU vessels and operators, along with the state of overfished stocks, among other topics. China and Russia have similarly advocated for more technical research, while the EU and various others have pushed for moving ahead with negotiations.

Given the technical nature of fisheries management, along with political sensitivities, several areas of the WTO talks have proved challenging to advance. Key issues in the negotiations include disciplining subsidies to vessels engaged in IUU fishing, subsidies that target already-overfished stocks and subsidies that contribute to overcapacity and over-fishing, as well as how to incorporate special and differential treatment (S&DT) into an eventual agreement. (See Bridges Weekly, [30 November 2017](#))

The use of AIS data may have implications for the IUU fishing debate in particular, as members strive to agree on a method to identify, and subsequently discipline, subsidies to, IUU fishing vessels. This type of illegal fishing is a pervasive problem in global fisheries, with some estimates suggesting the value of lost catch is as high as US\$23 billion per year. The central problem of how to identify vessels engaged in IUU fishing in different jurisdictions has been a challenging one to solve.

"It can be seen as one of the first instances of high-tech being turned against illegal fishing (until now, it was the pirates who used it)," David Pauly, an expert of fisheries based at the University of British Columbia, wrote in an email to The Washington Post regarding the study's results. "What is new is that the [study] enables civil society to use satellites to monitor the activity of fishing vessels, and thus to fight against illegal fishing and to increase transparency."

However, the study notes that while the IMO requires that all large, commercial vessels be equipped with the satellite trackers, vessels that do not want to broadcast their location, such as those engaged in IUU fishing, can disable their systems. This poses an opportunity for individual nations to improve their fisheries management efforts by requiring vessels of a certain size flying under their flag to use the trackers, as the United States and several other countries already do.

ICTSD reporting; "New maps show the utterly massive imprint of fishing on the world's oceans," THE WASHINGTON POST, 22 February 2018; "World's fishing fleets mapped from orbit," BBC, 23 February 2018; "Tracking Fishing from Space: The Global Footprint of Industrial Fishing Revealed," GLOBAL FISHING WATCH, 22 February 2018.

GLOBAL ECONOMY

India Budget Proposes Tariff Increases, Draws Scrutiny from Partners

Over the past few weeks, Indian Prime Minister Narendra Modi's government has proposed increased tariff rates on several imports entering the South Asian country, drawing scrutiny from some of its major partners.

The proposed tariff hikes were announced by finance minister Arun Jaitley in February when presenting the [2018-2019 Union Budget](#). The measures build on an earlier series of import duty hikes late last year, expanding its coverage to over 30 other goods.

"In this budget, I am making a calibrated departure from the underlying policy in the last two decades, wherein the trend largely was to reduce the customs duty. There is substantial potential for domestic value addition in certain sectors, like food processing, electronics, auto components, footwear, and furniture," said Jaitley in explaining the planned tariff hikes.

Among the items targeted for tariff increases are mobile phones and parts and television components, to levels of either 15 or 20 percent depending on the good.

The finance official noted that this proposal was part of the government's "Make in India" initiative, a Modi priority since taking office in 2014. Other such initiatives include Digital India and Start Up India, both of which were also cited as policy priorities in the budget. These initiatives focus on measures to incentivize multinationals and domestic companies to produce their goods in India; to foster a robust transition to a knowledge economy; and to support "start up" initiatives, respectively.

The move to increase tariffs has been touted as part of the current government's strategy to boost GDP and exports, along with creating more domestic jobs. Analysts have noted that some of the exports affected come from China, a major trading partner for India.

Modi announced at the World Economic Forum in Davos, Switzerland, earlier this year that he aims to increase his economy's size massively, hitting US\$5 trillion in GDP by 2025. Indian officials have said publicly they also aim to increase the export share of GDP significantly over the coming years.

Trading partners examine tariff increases

The news of the proposed duty hikes has drawn scrutiny from industry groups abroad, as well as officials from major trading partners. Ford, Apple, Harley Davidson executives have been among those questioning the move, according to statements reported by Reuters.

Other tariff increases implemented prior to the new budget have also prompted questions from some Indian trading partners. At a meeting of the WTO's Committee on agriculture last week, Australia, Canada, the EU, Russia, the US, and Ukraine flagged India's move from late last year to increase tariffs on pulses, such as lentils and chickpeas, according to a Geneva trade official.

For example, these countries noted that the change was imposed with immediate effect, though India said that the tariff increases did not go above the ceilings it has agreed to respect at the WTO and was meant to respond to consumer and producer needs.

Focus on agriculture, technology and manufacturing

The budget also tackles a range of other policy priorities, including on agriculture. Jaitley, reinforced that the measures proposed will “direct the benefits of structural changes and good growth to reach farmers, poor and other vulnerable sections of our society and to uplift the under-developed regions.”

According to the document, “India’s agri-exports potential is as high as US\$100 billion against current exports of US\$30 billion.” The document suggests that India will move to liberalise agricultural exports further, among other measures, and devotes an entire section to various facets of agriculture and the rural economy.

Another section deals with micro, small and medium-sized enterprises (MSMEs), with Modi’s government proposing new means of credit support and capital, especially to those operating in labour-intensive sectors. The government also expanded its comprehensive textile sector package to boost the apparel and made-up segments in 2018-19.

In addition, the budget doubles investment in the Digital India programme and outlines plans for increased investments in artificial intelligence, innovative ecosystems, digital manufacturing, big data analysis, and quantum communication.

ICTSD reporting; “Narendra Modi’s rise in import tariffs will hurt India’s economy,” FINANCIAL TIMES, 19 February 2018; “In Free Trade U-Turn, Modi Raises India’s Import Duties,” BLOOMBERG, 15 February 2018; “Suresh Prabhu says 40 pct of GDP to come from exports by 2025,” PTI, 19 February 2018; “Exclusive: U.S. tells India to cut tariffs as trade friction heats up,” REUTERS, 23 February 2018.

EVENTS & RESOURCES

Events

Coming Soon

1-2 March, Geneva, Switzerland. REGIONAL FORUM ON SUSTAINABLE DEVELOPMENT FOR THE UNECE REGION. This forum is composed of keynote addresses and peer learning segments on the implementation of the 2030 Agenda and its Sustainable Development Goals (SDGs). It seeks to give government representatives and other stakeholders the ability to share solutions and best practices in implementing the SDGs in the UN Economic Commission for Europe (UNECE) region. A speakers' list and a list of side events is also online. For more information, visit the event [website](#).

2 March, Washington, US. THE GREAT WALL: TRADE ENFORCEMENT IN THE AGE OF TRUMP. This event organised by the Washington International Trade Association (WIPA) brings together a panel of trade and diplomatic experts to discuss trade policy under current US President Donald Trump, including recent trade remedy measures and ongoing trade investigations. For more information, visit the event [website](#).

3 March, Toronto Canada. PROSPECTORS AND DEVELOPERS ASSOCIATION OF CANADA (PDAC) SUSTAINABILITY FORUM: MINERALS AND METALS IN A LOW CARBON ECONOMY. This forum, co-sponsored by the PDAC, the World Economic Forum (WEF) and the Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development (IGF), will include panels and roundtable discussions on the changing mining sector in the transition towards lower-carbon energy sources, with a focus on minerals and metals. For more information, visit the event [website](#).

5 March, Tokyo, Japan. ASIA LAUNCH OF THE 2017 WORLD INTELLECTUAL PROPERTY REPORT—INTANGIBLE CAPITAL IN GLOBAL VALUE CHAINS. This launch, affiliated with the World Intellectual Property Organization (WIPO) will feature a speech by Carsten Fink, WIPO's chief economist. He will present the organisation's 2017 report, looking at the intersections of intangible capital and the supply chains of coffee, photovoltaic goods, and smartphones. For more information, visit the event [website](#).

5 March, Washington, US. EXPORTER DYNAMICS, SUPERSTART FIRMS, AND TRADE POLICY. This World Bank meeting seeks to delve into the role played by important exporting firms in international trade and growth as illustrated through the Exporter Dynamics Database. Speakers will connect the idea of large firms' positive contributions in export growth with the dearth of such firms in some developing countries. For more information, visit the event [website](#).

6 March, London, UK. THE FUTURE OF UK INTERNATIONAL TRADE. This roundtable discussion with Francesca Adurno, Diage; Milagros Miranda Rojas, Norton Rose Fulbright LLP; and The Rt Honorable Lord Whitty, House of Lords will focus on the UK's trade policy post-Brexit. The conversation will cover questions such as the potential shape of the future UK-EU trade relationship and the UK's new foreign trade policy. Please note that event attendance is for corporate members only. For more information, visit the event [website](#).

6-7 March, Tokyo, Japan. DEVELOPING CLEAN AND EFFECTIVE ENERGY SYSTEMS IN THE 21ST CENTURY. Organised by the Asian Development Bank Institute, this training session will provide energy sector officials with essential policy and technology updates prior to the Asian Clean Energy Forum (ACEF) to take place in June 2018. This training session brings together energy sector officials to implement policy reforms and react to rapid changes in

energy systems. Please note that event attendance is by invitation only. For more information, 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.

1-2 March: Committee on Sanitary and Phytosanitary Measures

2 March: Council for Trade in Services

5 March: Informal TNC Meeting at the level of Heads of Delegation

6 March: Info Session – Next steps on the Buenos Aires Declaration on Trade and Women's Economic Empowerment

7-8 March: General Council

8 March: Delivering Opportunities for Women

Other Upcoming Events

16 March, Buenos Aires, Argentina. TOWARDS MORE EQUITABLE AND SUSTAINABLE MARKETS FOR FOOD AND AGRICULTURE: ADVANCING AGENDA 2030 IN THE G20, WTO AND FTAs. This event is being organised jointly by the International Centre for Trade and Sustainable Development (ICTSD) and the UN Food and Agriculture Organization (FAO). The meeting will look at the rules, policies, and frameworks which govern food and agricultural markets, tying this discussion to the achievement of Sustainable Development Goal (SDG) 2 on ending hunger, improving nutrition, achieving food security, and promoting sustainable agriculture. The discussion will look at the role of the G20, the WTO, and free trade agreements in this context. Please note that event attendance is by invitation only. More information is available at the ICTSD [website](#).

5 April, Paris, France. OECD GLOBAL FORUM ON DEVELOPMENT. This event is being held by the Organisation for Economic Co-operation and Development (OECD) will have as its theme "Inclusive Agendas for Women and Youth," and will look at how removing obstacles for women and young people to pursue economic and other opportunities can play a major role in generating positive change across the board. More information about the event, including an agenda and registration details, can be found at the OECD [website](#).

16-20 April, Geneva, Switzerland. E-COMMERCE WEEK 2018: DEVELOPMENT DIMENSION OF DIGITAL PLATFORMS. This event is organised by the UN Conference on Trade and Development (UNCTAD) and will place a particular focus on digital platforms, looking at what these mean for trade, social interaction, work opportunities, and other aspects of economic activity. More information, including on how to register, is available at the UNCTAD [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

VALUE CHAIN UPGRADING FOR COMPETITIVENESS AND SUSTAINABILITY: A COMPARATIVE STUDY OF TEA VALUE CHAINS IN KENYA, SRI LANKA AND NEPAL. By Sarah A. Mohan for the International Centre for Trade and Sustainable Development (ICTSD) (February 2018). This study looks at tea value chains in selected countries to examine how different policies affect trade competitiveness, sustainability, and related issues. The research paper is available for download at the ICTSD [website](#).

LEAST-DEVELOPED COUNTRIES, TRANSFER OF TECHNOLOGY AND THE TRIPS AGREEMENT. By Jayashree Watal and Leticia Caminero for the World Trade Organization (WTO) (February 2018). This new working paper looks at the WTO's intellectual property rules and the specific obligation that developed countries have in relation to supporting technology transfer to least developed countries. It looks at the history of this provision's implementation and provides recommendations for next steps. The paper is available for download at the WTO [website](#).

OECD COMPANION TO THE INVENTORY OF SUPPORT MEASURES FOR FOSSIL FUELS 2018. Published by the Organisation for Economic Co-operation and Development (OECD) (February 2018). This new publication examines current measures in place across various economies to support fossil fuels, along with how to complement other existing analyses of these measures. The report is available at the OECD's [iLibrary](#).

WHY HAS THE STOCK MARKET RISEN SO MUCH SINCE THE US PRESIDENTIAL ELECTION? By Olivier Blanchard, Christopher G. Collins, Mohammad R. Jahan-Parvar, Thomas Pellet, and Beth Anne Wilson for the Peterson Institute for International Economics (PIIE) (February 2018). Stock markets have increased by 25 percent according to the Standard and Poor's (S&P) 500 index since the 2016 US presidential election. This policy brief seeks to review the causes of this stock market rise to determine whether it is due to an actual increase in dividends or unhealthy price developments. This policy brief can be accessed [online](#).

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