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GLOBAL ECONOMY

Spectre of US Steel, Aluminium Tariffs Draws Scrutiny from International Trade Community

The international trade community has been engaged in intense debate over US President Donald Trump's plans to impose a 25 percent tariff on imported steel and a 10 percent tariff on imported aluminium. Trump announced the measures informally last Thursday and said that he will confirm these tariffs this week, despite warnings from key trading partners that this could prompt actions in response.

[Speaking](#) to industry representatives from the US steel and aluminium sectors, Trump said that his administration will "be signing [the tariffs] in. And you will have protection for the first time in a long while, and you're going to regrow your industries. That's all I'm asking. You have to regrow your industries."

At the same meeting, he announced the planned level of tariffs and initially suggested that these would be in place for an "unlimited period," then saying that these would be for "a long period of time."

The tariffs came following US Commerce Department recommendations, which were made public last month. The US agency had put forward options such as global tariffs, a combination of tariff and quotas depending on the country involved, or global import quotas.

The Commerce Department had investigated whether imported steel and aluminium had posed national security risks to the United States, such as in national defence or critical infrastructure, under a type of probe known as "Section 232." That name refers to the provision in a 1962 trade law that outlines how these investigations should work. (See Bridges Weekly, [22 February 2018](#))

Details on when these tariffs might take effect and their actual duration were not clear at press time, though an announcement is expected later today. Also unclear is whether the tariffs will have any country exclusions. Trump hinted in a [Twitter post](#) on Monday 5 March that Canada and Mexico, which are partners with the US in the North American Free Trade Agreement (NAFTA), could potentially face an exemption depending on the results of separate negotiations to modernise that accord.

"We have large trade deficits with Mexico and Canada. NAFTA, which is under renegotiation right now, has been a bad deal for USA. Massive relocation of companies [and] jobs. Tariffs on steel and aluminium will only come off if new [and] fair NAFTA agreement is signed," said Trump.

The director of the White House's Trade and Manufacturing Policy office, Peter Navarro, said on Wednesday that Canada and Mexico are likely to have temporary exemptions from the tariffs.

Domestic divides abound

The tariffs announcement has fuelled an intense national debate over whether the tariffs will be high enough to boost steel and aluminium manufacturing to necessary levels, as well as what additional costs these tariffs will create for downstream producers that use these inputs in their manufacturing processes and consumers who buy these products.

"People have no idea how badly our country has been treated by other countries, by people representing us that didn't have a clue," said Trump last week to industry leaders, repeating past rhetoric criticising the US trade policy adopted by prior administrations.

"Or if they did, then they should be ashamed of themselves because they've destroyed the steel industry, they've destroyed the aluminium industry, and other industries, frankly, when you look at all the plants, the car plants, automobile plants that moved down to Mexico for no reason whatsoever, except we didn't know what we were doing," he continued.

Many lawmakers from Trump's own Republican Party have pushed back against the planned tariffs, with many high-profile legislators openly criticising the move and urging the president to reconsider.

"We are extremely worried about the consequences of a trade war and are urging the White House to not advance with this plan," said Speaker of the House Paul Ryan, via a statement delivered by spokesperson AshLee Strong on Monday 5 March.

"The new tax reform law has boosted the economy and we certainly don't want to jeopardise those gains," said the statement. Ryan is a Republican from Wisconsin and has been one of the champions behind the tax overhaul legislation that was signed into law in late 2017. Similar concerns were raised on Tuesday by Senate Majority Leader Mitch McConnell, a Republican from Kentucky.

Some lawmakers have cautiously welcomed the move, with caveats pending the structure of the tariffs and other information that had not been confirmed by the administration.

"I am pleased that the President recognises the importance of addressing these challenges and finally intends to take action," [said](#) US Senator Ron Wyden, a Democrat from Oregon who serves as the ranking member on the Senate Finance Committee. "Until the details are known, however, it is too soon to tell whether the measures announced today will end China's overcapacity and bring back good paying American jobs or simply provide a short-term boost to corporate profits."

Industry reactions have been similarly mixed, with companies like US Steel backing the move. Car manufacturers, [retail associations](#), and a host of other manufacturing groups whose use steel and aluminium as production inputs have warned that the tariffs could make their processes more costly and lower their competitiveness.

"We are concerned with the unintended consequences the proposals would have, particularly that it will lead to higher prices for steel and aluminium here in the United States, compared to the price paid by our global competitors. This would place the US

automotive industry, which supports more than seven million American jobs, at a competitive disadvantage," said the American Automotive Policy Council, a [coalition](#) whose members include companies like General Motors and Ford.

US trading partners balk at move

Trump's announcement last week prompted swift reactions from a host of US trading partners, as well as from the head of the World Trade Organization, with many officials warning that these tariffs could upend global markets, complicate production processes, and spark retaliatory actions that could spiral quickly out of hand.

"The WTO is clearly concerned at the announcement of US plans for tariffs on steel and aluminium. The potential for escalation is real, as we have seen from the initial responses of others. A trade war is in no one's interests. The WTO will be watching the situation very closely," said WTO Director-General Roberto Azevêdo in a statement last week.

At an informal meeting of the WTO's Trade Negotiations Committee this week, Azevêdo reiterated concerns that unilateral trade measures could have frightening consequences for the global trading system.

"In light of recent announcements on trade policy measures, it is clear that we now see a much higher and real risk of triggering an escalation of trade barriers across the globe," he said.

"Once we start down this path, it will be very difficult to reverse direction. An eye for an eye will leave us all blind and the world in deep recession. We must make every effort to avoid the fall of the first dominoes. There is still time," Azevêdo told heads of delegation in Geneva.

Trade officials from Canada and the European Union are among those which have warned that unilateral US tariffs on steel and aluminium will trigger responsive action.

"The EU will seek dispute settlement consultations with the US in Geneva at the earliest opportunity. The Commission will monitor market developments and if necessary will propose WTO-compatible safeguard action to preserve the stability of the EU market," [said](#) EU Trade Commissioner Cecilia Malmström last week.

The EU trade chief also announced on Wednesday 7 March a multi-pronged response if the tariffs move forward.

"We cannot see how the European Union, friends and allies in NATO, can be a threat to international security in the US. We found that assumption deeply unjust," [said](#) Malmström following a meeting of the bloc's College of Commissioners. She also expressed the EU's "serious doubts" over whether the planned US tariffs were in line with WTO rules.

If the duties are confirmed, then the move "has to be met with a firm and proportionate response," she said. She added that the EU views its three proposed "tracks" as being in line with WTO rules, and said these would be applied only if the US moves forward with the tariffs.

One track involves using the WTO's dispute settlement arm, noting that the EU is in touch with other potential partners on the subject. Given how long disputes take at the WTO, she said there is preparatory work underway on other tracks, should the EU's expectation be realised that "a significant amount of trade in steel" ends up being diverted to the bloc's market. This includes safeguard measures to protect against a sudden import surge.

She also suggested that the US tariffs would be “an economic safeguard measure in disguise, not a national security measure.” If so, she said that would mean that the EU would be able to use the provisions of the WTO’s safeguard rules in response.

There is a provisional list of products that could be targeted by the EU for duties, which will soon be shared with member states and then with the public before being finalised. Bourbon whisky, peanut butter, cranberries, orange juice, some steel and industrial goods, and others are being considered, Malmström confirmed.

Already prior to this announcement, Trump said that he was prepared to respond to any EU actions in kind.

“If the EU wants to further increase their already massive tariffs and barriers on US companies doing business there, we will simply apply a tax on their cars which freely pour into the US. They make it impossible for our cars (and more) to sell there. Big trade imbalance!” [said](#) Trump via Twitter over the weekend.

Canadian officials issued their own pledges warning of some type of response, both in a statement issued last week on the subject, as well as during a joint NAFTA press conference on Monday 5 March in Mexico City. Canada is the largest source of imported steel for the United States and is also a buyer of US steel. (For more on the NAFTA talks, see related story, this edition)

“It is entirely inappropriate to view any trade with Canada as a national security threat to the United States. We will always stand up for Canadian workers and Canadian businesses. Should restrictions be imposed on Canadian steel and aluminium products, Canada will take responsive measures to defend its trade interests and workers,” [said](#) Canadian Foreign Minister Chrystia Freeland last week, reiterating those sentiments on Monday.

China, which is the world’s largest steel producer, has also criticised the measures, with a senior official from the country’s Ministry of Commerce suggesting that Beijing would partner up with other “affected countries to safeguard its own benefits” if the US measures end up hurting China.

“To restrict the trade of steel and aluminium products with the excuse of national security will severely destroy the multilateral trading system represented by the WTO and is sure to impact on normal international orders,” [said](#) Wang Hejun, the head of MOFCOM’s trade remedy and investigation bureau.

ICTSD reporting; “Paul Ryan ‘Worried About the Consequences of a Trade War’,” ROLL CALL, 5 March 2018; “Trump’s steel and aluminum tariffs have angered nearly ever US industry,” VOX, 2 March 2018; “Trump to offer temporary tariff exemption for Canada and Mexico,” WASHINGTON POST, 7 March 2018.

TRADE AGREEMENTS

NAFTA Countries Close Out Three More Chapters as Political Calendars Tighten Up

Trade negotiators from Canada, Mexico, and the United States finished work on three more chapters of an updated North American Free Trade Agreement (NAFTA) during their seventh round of talks in Mexico City. Their ministers warned, however, that many challenging decisions remain before they can conclude a full NAFTA deal.

The latest round of talks concluded on 5 March and did not feature a trilateral statement from ministers, unlike some of the prior rounds. The negotiations to modernise NAFTA began in August last year with the initial goal of finishing them in 2017, with officials later revising that timeframe.

During the closing press conference in the Mexican capital on Monday, ministers welcomed the completion of those three chapters, which involved good regulatory practices, publication and administration, and sanitary and phytosanitary (SPS) measures, as well as annexes on chemicals and proprietary food formulas.

Together with the previously closed chapters on competition, small and medium-sized enterprises (SMEs), and anti-corruption, NAFTA negotiators now have six completed chapters.

"These chapters are important and provide further evidence that all three countries want to upgrade and modernise NAFTA," [said](#) US Trade Representative Robert Lighthizer. He qualified that statement, however, by indicating that the final deal will be much more comprehensive.

"To complete NAFTA 2.0, we will need agreement on roughly 30 chapters. So far, after seven months we have completed just six. Now granted, these things tend to converge more towards the end of a negotiation," the US trade official continued.

While the eighth NAFTA round will return to the Washington metropolitan area, officials have not announced set dates, nor have they publicly confirmed a schedule for the longer term.

Lighthizer: bilateral options possible

Lighthizer also warned on Monday that the three parties are racing against the clock, given Mexican general elections in early July, Canadian provincial elections in Ontario and Québec, and US congressional midterms in early November.

"All of this complicates our work. I fear that the longer we proceed, the more political headwinds we will feel," he told reporters. Lighthizer also indicated that he would want a concluded NAFTA ready for consideration by the current Congress.

In other words, his office would need to go through the various domestic processes outlined under US Trade Promotion Authority, such as notifying Congress three months ahead of signature and publishing the text, before a completed deal can be taken up by legislators. This Congress is in place through early January 2019, leaving a limited timeframe for all these steps to occur.

The US trade chief continued that while reaching an updated deal among all three NAFTA countries would be the ideal, he would be ready to negotiate bilateral accords with Washington's NAFTA partners, if need be.

At the time, he did not specify details on how this might work, and whether there would be bilateral talks with both Canada and Mexico, or just one of the two. The other NAFTA ministers did not take up this possibility in their remarks to reporters, though Mexico's top trade official has since ruled out that option publicly.

Ildefonso Guajardo Villareal, Mexico's Economy Secretary, acknowledged on Monday that the road ahead will be challenging, while noting that negotiators are also close to finalising chapters on e-commerce, telecommunications, technical barriers to trade, energy, and a pharmaceuticals annex.

"I do agree with Ambassador Lighthizer that six chapters out of 30 are not many for six months' work. However, the seventh round in Mexico has contributed exactly the same number of chapters that we had accumulated in six previous rounds," said Guajardo at the [closing press conference](#).

"In this round we've increased our efficiency by 100 percent and this makes sense with what Ambassador Lighthizer just said to us. As we get closer to the end, undoubtedly the timing will allow us to start complying with our objectives and to start resolving our differences," the Mexican official added.

Guajardo also acknowledged the challenging political timing, while cautioning against compromising on substance.

"There is no doubt that the timing is very important. There will be political calendars in all three countries, but what we have to be very much aware of is that the final result will be sufficiently strong for us to all be able to give our countries a treaty that is in the national interest of all three of us," he said.

Meanwhile, Canadian Foreign Minister Chrystia Freeland again highlighted the value of updating NAFTA, while stressing that the final version must benefit all three countries, especially given the important role that the agreement already plays in governing trade across North America.

"This can and should be a shared project. That's because trade is not a zero-sum game," said Freeland, arguing that making the NAFTA trading coalition more competitive overall "is essential to our economic prosperity and to our ability to compete globally."

"We are beginning to make headway on some of the more challenging issues," she added, noting that talks had continued on the "creative ideas" that Canada had presented during the previous round in Montreal in response to US proposals on automobile rules of origin, dispute settlement, and a sunset or review clause, among others. (See Bridges Weekly, [1 February 2018](#))

Technical level talks on those subjects are reportedly expected to continue between now and the next formal round, according to statements from various negotiators in recent days.

Freeland also highlighted the "solid progress" seen on other subjects in this round, noting that NAFTA negotiators "have been toiling away at some of these bread-and-butter chapters for months without a lot of fanfare."

"That discussion has been constructive and it continued here in Mexico City. We are making progress, but we do have significant work ahead," she added.

Steel, aluminium tariff threat in the background

The prospect that Canada and Mexico could soon face US tariffs on imported steel and aluminium also loomed over the final days of the talks, following an informal announcement from US President Donald Trump that these would be forthcoming. The tariffs, while not finalised, would presumably apply globally.

"As a key NORAD and NATO ally, and as the number one customer of American steel, Canada would view any trade restrictions on Canadian steel and aluminium as absolutely unacceptable," said Freeland at the closing press conference.

The term NORAD refers to the North American Aerospace Command, in charge of governing aerospace issues such as air sovereignty, air defence, and related subjects between the US and Canada. NATO is the North Atlantic Treaty Organization, an intergovernmental coalition involving the US, Canada, and various European countries.

"Should restrictions be imposed on Canadian steel and aluminium products, Canada will take appropriate responsive measures to defend our trade interests and our workers and we will continue to stand up for steel and aluminium workers and industry," said Freeland.

Guajardo [said](#) on social media site Twitter that "México shouldn't be included in steel [and] aluminium tariffs. It's the wrong way to incentivise the creation of a new [and] modern NAFTA."

Canada and Mexico are among the top four sources of steel exports bound for the United States, along with Brazil and South Korea. China, while the world's largest producer overall, ranks as the tenth largest source for the US.

White House officials have since suggested that Canada and Mexico could face temporary tariff exemptions, though details were not confirmed at press time. An announcement from the US president is set for later on Thursday.

ICTSD reporting; "U.S. pushes NAFTA talks pace, warns of political headwinds," REUTERS, 5 March 2018; "Factbox: Top steel exporters to the United States," REUTERS, 1 March 2018; "NAFTA talks on autos eyed for next week: Mexico negotiator," REUTERS, 4 March 2018; "Mexico minister says NAFTA must remain a trilateral accord," REUTERS, 6 March 2018.

GLOBAL ECONOMY

EU, ASEAN Ministers Call for Greater Efforts to Advance Trade Talks

Officials from the EU and the Association of South East Asian Nations (ASEAN) pledged on Friday 2 March to speed up their efforts to negotiate free trade agreements, both at the bilateral level and eventually at the region-to-region level, following a meeting in Singapore.

Singapore's Minister for Trade and Industry Lim Hng Kiang Lim, who holds ASEAN's chair in 2018, [welcomed](#) the discussions, saying that "the time is right" for both blocs to pursue broader and deeper economic integration.

"I look forward to constructive engagement over the course of our consultations today on ways that can help us deepen our region-to-region economic integration," the Singaporean official said.

Lim added that he looks forward "to help pave the way towards the eventual resumption of negotiations for an ASEAN-EU FTA," referring to a process that kicked off in 2007 and has been on hold for the past nine years.

A [joint media statement](#) from both sides says that ministers are asking senior officials to continue work at setting up a "framework" which would set the stage for doing so.

EU Trade Commissioner Cecilia Malmström, who co-chaired the Singapore consultations together with Lim, described the ASEAN coalition as a "natural partner" and a key economic pillar in the region.

"It is no news that as a mood of protectionism takes hold in some places, the EU looks to its friends in Asia more and more," she said in a [keynote speech](#) at the ASEAN Business Conference, which occurred in parallel.

Bilateral talks

As noted previously, the EU and ASEAN have explored the option of negotiating a sweeping trade accord between the two respective regions in the past.

While that approach has since shifted towards the negotiation of deals between the EU and individual ASEAN members, officials indicated last year on multiple occasions that they hope to resume the region-to-region negotiations. (See Bridges Weekly, [16 March 2017](#) and [5 October 2017](#))

How these bilateral deals will eventually translate into a region-to-region accord is not yet clear. ASEAN has enacted FTAs as a bloc with other countries and is in the process of negotiating collectively a trade deal with its six FTA partners, which would be known as the Regional Comprehensive Economic Partnership (RCEP).

In 2014, the EU [struck](#) a comprehensive trade deal with Singapore, the bloc's largest economic partner in ASEAN. While the ratification process was put on hold until legal rulings could clarify which areas of the deal fell under the EU's exclusive or shared competences, Malmström says that she now hopes it will be formally approved soon. (See Bridges Weekly, [18 May 2017](#))

"In mid-April, the European Commission hopes to submit it for final approval, and after that it will be in the hands of our Parliament," she said.

"We hope that it can enter into force by the end of the year," Malmström told business leaders on Friday.

In her speech in Singapore, the EU trade chief also mentioned deals with Vietnam and Indonesia. Published in 2016, the text of the EU-Vietnam accord is currently [undergoing](#) legal review. "We have a deal with Vietnam we want to submit too," Malmström said. (See Bridges Weekly, [4 February 2016](#))

Negotiations between EU and Indonesia kicked off that same year. The two sides have held four rounds of talks to date, with the [latest](#) taking place in Surakarta this February. During that meeting, the teams reviewed the agreement's content in full, and reportedly made headway on sanitary and phytosanitary (SPS) measures, as well as technical barriers to trade (TBT), investment, and services, according to an EU summary issued after the meeting.

The EU recently issued a plan on how to better address sustainable development within its trade deals, including on labour rights. It referred to the trade talks with Indonesia as an example of where the EU is seeking a wider inclusion of "themes," such as working conditions and "responsible" supply chain governance. (See Bridges Weekly, [1 March 2018](#))

"These agreements are important in their own right, but they are also part of a bigger picture. We see them as building blocks on the way to broader integration," Malmström said. The EU is also negotiating agreements with Malaysia, the Philippines, and Thailand. The remaining ASEAN members are Brunei, Cambodia, Laos, and Myanmar.

Indonesia, Malaysia highlight palm oil

Amid these efforts, some public disagreements remain, including over how to treat the sensitive situation involving palm oil. Indonesian Trade Minister Enggartiasto Lukita said recently that he hopes that an EU-ASEAN FTA can both increase opportunities for small and medium-sized enterprises (SMEs) and address the public debate over the merits and risks of palm oil as fuel.

"The FTA between ASEAN and EU must contain programs that can boost SMEs. Points in the agreement must also help counter the negative campaign against palm oil," he said, according to [comments](#) reported by Indonesian media.

Those sentiments were echoed by Malaysia's Plantation Industries and Commodities Minister Datuk Seri Mah Siew Keong, who told industry officials this week that palm oil should be a priority of the trade agenda, according to news outlet The Edge Markets.

"It is our most important export. In this free trade agreement with EU, this must be resolved first. There will be no conclusion on EU trade talks, without a resolution on palm oil," he added.

Earlier this year, lawmakers in the European Parliament [drafted](#) rules to end the use of palm oil in motor fuels from 2021. The Malaysian government has warned that the move, should it become law, would restrict trade unfairly and hurt countries which export the fuel.

Indonesia and Malaysia are the world's largest exporters of palm oil, with [data published](#) by the Massachusetts Institute of Technology (MIT) suggesting that they account for 88 percent of global exports. Palm oil is Indonesia's top export, valued at US\$14.4 billion in 2016.

The trade picture

[According to](#) European Commission data, the EU is ASEAN's second largest trading partner after China, while the 10-country Asian bloc is the EU's third largest external trading partner, surpassed only by the US and China.

The same data suggests that the top exports from EU to ASEAN include chemical products, machinery, and transport equipment, while ASEAN's main exports to the European bloc also include machinery and transport equipment, as well as farm goods, apparel, and textiles.

The [joint media statement](#) issued on Friday suggests that ASEAN-EU two-way trade reached €226.8 billion in 2017. The EU also is ASEAN's largest external source of foreign direct investment flows with €26.3 billion in 2016.

ICTSD reporting; "Trade minister hopes ASEAN-EU FTA will help SMEs, overcome negative campaign on palm oil," THE JAKARTA POST, 4 March 2018; "Resolve palm oil issue first ahead of Asean-EU FTA, says Mah," THE EDGE MARKETS, 6 March 2018; "European move to ban palm oil from biofuels is 'crop apartheid' –Malaysia," REUTERS, 18 January 2018.

WASHINGTON

2018 USTR Trade Agenda Highlights WTO Reform, FTA Talks

US Trade Representative (USTR) Robert Lighthizer released the latest version of the annual President's Trade Policy Agenda last week, outlining the administration's plans for the coming year. The document focuses on topics such as WTO reform and negotiations, trade agreements with other countries, and trade law enforcement.

The trade policy agenda is sent to Congress every year and is followed by hearings during which the US trade chief discusses and debates the agenda with lawmakers.

This year's edition comes at a pivotal year, given the various ongoing trade negotiations and investigations underway, as well as the upcoming US midterm elections and a July 2018 deadline for renewing Trade Promotion Authority (TPA) legislation. It also sets US trade negotiating objectives and empowers the executive branch to negotiate these international agreements. It also allows Congress to vote on these deals under a straight up-or-down vote, no amendments, subject to certain conditions, in what is known as "fast track" procedure.

The 2018 USTR Agenda highlights trade law enforcement and strengthening the US economy, along with national security, among its main pillars.

The document is especially critical of the trade policy of recent administrations, and repeatedly highlights the importance of safeguarding the national interest and ensuring "freer and fairer trade for all Americans."

The 2018 USTR Agenda described the past year's trade policy actions as setting in motion "a new era in American Trade Policy."

"We are already seeing the results of President [Donald] Trump's agenda pay off for American workers, farmers, ranchers, and businesses," [said](#) Lighthizer.

FTA negotiations, TPA renewal request coming up

Since taking office last year, Trump has withdrawn the US from the Trans-Pacific Partnership Agreement (TPP), along with launching negotiations to update the North American Free Trade Agreement (NAFTA) and amend the Korea-US Free Trade Agreement (KORUS).

The document highlights these talks and notes the US' interest in trade deals with other partners, including the possibility of negotiations with the UK in the post-Brexit era, as well as with TPP individual members or member groups.

The document confirms that Trump Administration would like to see Congress extend TPA until 2021. The current version of TPA was signed into law in 2015 under then-President Barack Obama and includes the possibility of a one-time renewal in 2018 for an additional three years, so long as Congress does not disapprove. (See Bridges Weekly, [2 July 2015](#))

On the NAFTA talks, which just wrapped up their seventh round this week, the 2018 Agenda emphasised the value of "strong provisions" on digital trade, sound regulatory practices, and state-owned enterprises, among others, as well as binding labour and environmental provisions. (For more on NAFTA, see related story, this edition)

Regarding the KORUS agreement, the US administration would like to see an “expedited timetable” to resolve concerns related to implementation, while also flagging tariffs and automobile non-tariff barriers as particular areas of interest. The KORUS amendment talks were requested late last year.

The report also voiced dissatisfaction with how existing rules on areas such as labour, competition, customs, pharmaceuticals, and medical devices have been implemented.

The text pledges that the administration will watch the outcomes of the UK-EU Brexit negotiations closely, including what they mean for Washington. It also outlines plans for continued efforts by a US-UK working group to lay the groundwork for a potential trade deal once the UK is no longer a EU member state.

Aside from its stated interest in negotiating new trade deals or updating past ones, the new Trump Administration has also launched various investigations into trade practices from US partners, including the self-initiation of a Section 301 investigation into China's alleged forced technology transfers and intellectual property rights practices.

It has also undertaken safeguard probes under Section 201 of the Trade Act of 1974 and national security-related trade investigations under Section 232 of a 1960s era law. The former has led to duties on imported solar cells or modules and imported washing machines, while the latter is expected to see tariffs confirmed on steel and aluminium within days. (See related story in this week's edition)

WTO dispute settlement, trade remedies

The 2018 USTR Trade Policy Agenda also devotes a significant section to the WTO, both in terms of negotiations as well as its dispute settlement mechanism. It also raised related US enforcement actions.

The US has come under scrutiny by various other WTO members over the past year, partly due to its decision to block the start of processes to select new judges for the organisation's Appellate Body.

Washington has cited concerns such as alleged judicial overreach in Appellate Body rulings that “have added to or diminished rights or obligations” of WTO members, as well as working procedures which have allowed Appellate Body members whose terms have expired to continue working on cases that they were already involved in.

The Appellate Body is the WTO's highest court and now has three of its seven seats vacant.

The report reiterates those concerns along with naming some others, such as the Appellate Body's frequent struggles to release rulings within the 90-day timeframe dictated by trade rules. The USTR document also criticises dispute panels and the Appellate Body for often making findings that are “unnecessary to resolve a dispute or on issues not presented in the dispute,” along with questioning the legal standard that the Appellate Body uses when reviewing facts. Additionally, it does not agree with the practice of Appellate Body reports being used as “precedent” for subsequent cases.

The US report also lists its offensive and defensive approaches for enforcement regarding particular disputes. This includes the debate over China's non-market economy (NME) status and what that means for trade remedy investigations. The US has taken issue with the interpretation of a provision in China's accession protocol which set a 15-year limit to using third-country prices in these probes in the place of “non-market prices or costs,” under certain circumstances.

In the report, the US also cites as justification the General Agreement on Tariffs and Trade (GATT) documents and practice prior to the WTO's establishment, as well as some WTO rules on trade remedies. The USTR document suggests the GATT and WTO already allow for the possibility of using third-country prices in lieu of allegedly non-market prices.

WTO negotiations

In the area of WTO negotiations, the USTR document criticises some members for being "too rigid in perceiving that new agreements and other forms of outcomes can only occur at ministerial conferences, and that all work must be tied back to the [Doha Development Agenda] mandate, with very few exceptions."

It also refers repeatedly to the debate over differentiation, noting that at the WTO, members can designate themselves as developing countries. The document argues that this move "undermines the predictability of the WTO rules and diminishes the certainty of negotiated outcomes under new liberalisation agreements."

The text therefore calls for addressing this issue, while calling for members to look for ways to reach trade liberalisation-focused results whenever possible, and not just wait for the WTO's biennial ministerial conferences to do so. The document highlights agriculture, fisheries, and e-commerce as areas of particular interest for Washington.

"The Administration's major focus at the WTO on agriculture in 2018 will be to enhance notifications and transparency to inform discussions about the problem that face agricultural trade today and to begin consideration of new ways forward in negotiations on agriculture," the text says.

Meanwhile, on fisheries, it calls for "strong prohibitions" on subsidies to illegal, unreported, and unregulated (IUU) fishing as well as those which contribute to overfishing and overcapacity. It similarly highlights the importance of transparency, such as through subsidy programme notifications, and says that major producers and exporters must be covered in a final deal. It names China and India in that respect.

The document also highlights the new initiative involving around 70 WTO members to explore ways forward on digital trade, with the possibility of launching formal trade negotiations in the future. The US is one of the members involved and has called for establishing "commercially meaningful" rules in this area.

ICTSD reporting.

TRADE AGREEMENTS

EU Trade Talks with Mexico, Mercosur Press Onward

Negotiations to clinch a trade deal and association agreement between the EU and Mercosur are slated to be extended further, though officials say they hope an agreement in principle can be wrapped up in the short term. Separate talks to update a decades-old trade deal between the EU and Mexico have also been prolonged, with another round planned within weeks.

Delegations from the EU and Mercosur, the Latin American trade bloc composed of Argentina, Brazil, Paraguay, and Uruguay, concluded two weeks of talks in Brussels in early February, and met again in Asunción for another series of negotiations which ended last week.

A pact between the European group and the four South American countries has been long in the making, with negotiations beginning 19 years ago and recently resuming in 2016.

Reports suggest that the two sides are continuing to haggle over market access for key agricultural goods, such as beef, as well as major manufacturing outputs such as automobiles and their component parts. Since the end of the Brussels exchange in February, several reports have claimed that the EU offered to increase beef quota from 77,000 tonnes to 99,000 tonnes. That number has been deemed by Mercosur members to be insufficient. (See Bridges Weekly [18 January 2018](#) and [1 February 2018](#)).

Partly in exchange for opening its market to Mercosur beef imports, the EU hopes to benefit from cars and auto part sales within the bloc's domestic retail economies. However, the debate has also sparked protests by thousands of farmers in EU member state France, [according](#) to the Fédération National des Syndicats d'exploitants Agricoles's (FNSEA). The FNSEA is France's largest agriculture workers' union

The FNSEA argues that increasing market access for South American beef might displace thousands of French farmers, introduce beef produced under allegedly lower sanitary, social, and environmental conditions, and allow rural concerns to be swept aside in support of larger interests.

French Minister of Agriculture Stéphane Travert spoke on France 24 to reassure farmers, saying, "there will be no reduction in our social, quality, and environmental standards that arrive on French territory," according to an informal translation of his remarks. He added that negotiations are still ongoing over beef import quotas.

Phil Hogan, EU Agricultural Commissioner, told French-language outlet Ouest-France on 24 February that "I can assure farmers that there will be balanced results in this agreement that will reflect our sensibilities on beef and ethanol in particular."

He also said that a final deal would be contingent on beef imports from the South American bloc meeting EU environmental and health rules.

In remarks reported by France 24, Paraguay's Foreign Minister Eladio Loizaga set the stage for the talks in Asunción, Paraguay, that began on 20 February and concluded this past Friday. "We still need to conclude sensitive pending items," he said, while adding that there was agreement on "90 percent" of the issues.

Pressure for the parties to come to agreement is rising as the Brazilian presidential elections approach. However, officials said that talks in Asunción did not make sufficient headway towards a conclusion, despite showing solid political momentum.

"These negotiations are not easy. We are advancing slowly, we believe that we will come to a satisfactory conclusion for both blocs, as much for Mercosur as for the European Union," said Loizaga to journalists last week.

Edita Hrdá, Managing Director of Americas of the European External Action Service (EEAS), similarly highlighted the importance of political will going forward and welcomed the advances seen to date, according to a [press release](#) from the Paraguayan Foreign Affairs Ministry.

"There are always advances if there is the will, and here we see willpower from both parties," Hrdá said, according to an informal translation of her remarks.

Paraguayan officials noted that although an agreement had not been reached at the end of the round on 2 March, an agreement could be reached in two to three weeks through extending the Asunción meetings. A more formal timeframe was not public at press time.

EU, Mexico trade negotiators prepare for tenth round

European and Mexican negotiators have also met repeatedly through the month of February to bring their efforts to update their free trade agreement closer to the finish line. (See Bridges Weekly [27 July 2017](#) and [18 January 2018](#))

The talks, which began in 2016, have reportedly hit stumbling blocks in areas such as geographical indications, a type of intellectual property protection typically used for food and drink products. It is a type of marker tied to the product's region of origin and denotes certain reputational characteristics. Examples include manchego cheese, which is reportedly one of the sticking points between EU member state Spain and Mexico. Spain wishes to see the manchego designation protected, while Mexico has said that it produces a cheese that should qualify for the same name.

After a round in Mexico City which concluded on 16 February, the Mexican Secretary of Economy reported in a [press release](#) that significant advances had been made in other areas, such as technical barriers to trade, anti-corruption, state-owned enterprises, and trade in services.

Negotiators had hoped to reach an agreement in principle last month. However, they will advance to a tenth round of negotiations in the coming weeks. "Consensus is pending on specific issues in the chapters on goods, rules of origin, and intellectual property," the Mexican Ministry said in their [press release](#).

ICTSD reporting; "EU, Mercosur to resume talks on trade deal Wednesday," FRANCE 24, 19 February 2018; "Stéphane Travert: 'Les standards de qualité ne seront pas abaissés pour les viands qui entreront en France,'" FRANCE 24, 26 February 2018; "EU-Mercosur trade talks close with key gaps remaining," REUTERS, 9 February 2018; "Consommation. L'Europe promet qu'il n'y aura pas de viande aux hormones sur nos tables," Ouest-France, 25 February 2018; "EU, Mexico say progress made after trade talks, deal not yet finalized," REUTERS, 20 February 2018; Paraguay dice que la negociación entre Mercosur y la UE va lenta pero hacia un óptimo final," AGENCIA EFE, 28 February 2018; "EU, Mercosur extend trade talks, Paraguay sees deal soon," REUTERS, 2 March 2018; "Inicia novena ronda de negociación del tratado de libre comercio con UE," NOTICIEROS TELEVISIA, 13 February 2018; "Mexico aims for EU free-trade deal by end of February," 7 February 2018; "Cheese is the beef as EU-Mexico trade talks resume," EUROACTIV, 9 January 2018.

EVENTS & RESOURCES

Events

Coming Soon

12-13 March, Baku, Azerbaijan. ACHIEVING ENERGY SECURITY IN CENTRAL ASIA: ROLE OF RENEWABLE ENERGY. This event is being organised by the Asian Development Bank Institute (ADBI) and the Central Asia Regional Economic Cooperation (CAREC) Institute. It will involve two days of training for CAREC country officials, with a specific focus on the relationship between renewable energy and regional energy security. To learn more, visit the ADBI [website](#).

14 March, London, UK. CHINA'S OUTLOOK AND CHANGING ROLE IN SOUTH ASIA. This Chatham House event will feature as its guest speaker Ganeshan Wignajara, Chair, Global Economy Programme, Lakshman Kadirgamar Institute for International Relations and Strategic Studies, Sri Lanka. The speaker will examine the economic relationship and prospects between China and the South Asian region, along with taking a specific focus on Beijing and New Delhi. He will also place the issue in the wider geopolitical context. To learn more, visit the Chatham House [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.

12 March: Committee on Budget, Finance, and Administration

13 March: Organizational meeting of the Investment Facilitation for Development Initiative

14 March: Committee on Government Procurement

14 March: Informal Committee on Trade and Civil Aircraft

14 March: Informal Committee on Government Procurement

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](#).

16 March, Manila, Philippines. GENDER MONTH 2018 DISTINGUISHED SPEAKER: HELEN CLARK. This event is being hosted by the Asian Development Bank (ADB) and will feature as

its guest speaker Helen Clark, former New Zealand Prime Minister and former Administrator of the UN Development Programme. Event organisers aim to use the event to highlight the significant value of female leadership, voice, and agency in achieving sustainable development objectives and improving the Bank's operations. For more information and to register, visit the event [website](#).

19-20 March, London, UK. ENERGY TRANSITIONS 2018. This Chatham House conference will bring together policymakers, private sector leaders, and industry experts to discuss pertinent questions facing the energy industry. Although there has been progress toward greener energy production and usage, it remains unclear what opportunities and obstacles that producers, economies, and sectors will face across the energy supply chain in the future. Sessions include topics such as "The Geopolitics of the Shift to Renewables" and "Closing the Investment Gap." For more information and to register, visit the event [website](#).

19-20 March, Geneva, Switzerland. MULTI-YEAR EXPERT MEETING ON ENHANCING THE ENABLING ECONOMIC ENVIRONMENT AT ALL LEVELS IN SUPPORT OF INCLUSIVE AND SUSTAINABLE DEVELOPMENT, AND THE PROMOTION OF ECONOMIC INTEGRATION AND COOPERATION, SECOND SESSION. This UN Conference on Trade and Development (UNCTAD) meeting will discuss how digital technologies are changing long-standing boundaries of services and industry. It will focus on how policies can be adapted to facilitate the use of digital platforms for economic diversification and growth. For more information and to register, visit the event [website](#).

19-21 March, Kigali, Rwanda. THE SUSTAINABLE ENERGY FORUM FOR EAST AFRICA 2018. This forum, organised by the East African Centre for Renewable Energy and Energy Efficiency (EACREEE) with the collaboration of other international organisations and the Rwandan government, aims to examine ways to facilitate economic transformation in East African Community (EAC) states through equitable access to sustainable energy. Participants will be from public and private sectors, NGOs, civil society, and international organisations. The three-day meeting aims to promote an exchange of ideas and cooperation between stakeholders. For more information and to register, visit the event [website](#).

19-23 March, Geneva, Switzerland. INTERGOVERNMENTAL COMMITTEE ON INTELLECTUAL PROPERTY AND GENETIC RESOURCES, TRADITIONAL KNOWLEDGE AND FOLKLORE. During the 35th session of this World Intellectual Property Organization (WIPO) intergovernmental committee, the group will prepare several documents, reports, and recommendations focusing on genetic resources and aim to advance negotiations in this subject area. To register, watch the webcast, or view relevant documents, visit the event [website](#).

21-23 March, Bonn, Germany. GLOBAL FESTIVAL OF ACTION FOR SUSTAINABLE DEVELOPMENT. This festival aims to bring together the global community that is working to implement the Sustainable Development Goals (SDGs), celebrating the effort and spurring momentum for the next stages in the process. To do this, a range of stakeholders from activists to UN representatives will share their ideas and experiences to better approach sustainable development problems and solutions. This festival culminates in the awarding of UN SDG Action Awards. For more information and to live stream the event, visit the event [website](#).

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

Resources

PROMOTING CAPABILITY ENHANCING DEVELOPMENT. Published by the International Centre for Trade and Sustainable Development (ICTSD) (March 2018). This policy brief examines the results of the WTO's Eleventh Ministerial Conference (MC11) in Argentina last year, with a specific focus on the negotiations regarding special and differential treatment (S&DT). The policy brief also outlines potential paths forward for WTO members in this area. The publication is available for download at the ICTSD [website](#).

UPDATING THE MULTILATERAL RULE BOOK ON E-COMMERCE. Published by the International Centre for Trade and Sustainable Development (ICTSD) (March 2018). This policy brief looks at the e-commerce discussions being held in the WTO context, particularly given the joint statement by 70 members at the Eleventh Ministerial Conference (MC11) last December to conduct exploratory work which could pave the way towards future negotiations. The brief also outlines options for policymakers to consider as they work to shape future rulemaking in this area. The publication is available at the ICTSD [website](#).

ADVANCING MULTILATERAL TRADE NEGOTIATIONS ON FISHERIES SUBSIDIES. Published by the International Centre for Trade and Sustainable Development (ICTSD) (March 2018). This policy brief examines the current state of play in the WTO negotiations to discipline harmful fisheries subsidies, particularly given the outcomes of the global trade body's Eleventh Ministerial Conference (MC11) last December. Along with reviewing the main issues in the talks, the paper also looks ahead to the next phase of the negotiations and what decisions WTO members will need to consider as they craft a deal. The publication is available for download at the ICTSD [website](#).

REFORMING FOSSIL FUEL SUBSIDIES THROUGH THE TRADE SYSTEM. This policy brief looks at the recent joint statement on fossil fuel subsidy reform that was issued by a group of countries on the sidelines of the WTO's Eleventh Ministerial Conference (MC11) last December. The publication aims to support members' efforts at advancing this discussion. The brief is available for download at the ICTSD [website](#).

THE DISPUTE SETTLEMENT CRISIS IN THE WORLD TRADE ORGANIZATION: CAUSES AND CURES. By Tetyana Payosova, Gary Clyde Hufbauer, and Jeffrey J. Schott for the Peterson Institute for International Economics (PIIE) (March 2018). This report examines the current difficulties facing the WTO's dispute settlement system, particularly its Appellate Body. This report digs into the causes behind contemporary challenges facing this judicial body and offers suggestions on how to overcome them. To download the report, visit the PIIE [website](#).

EMISSIONS TRADING WORLDWIDE: STATUS REPORT 2018. By the International Carbon Action Partnership (ICAP) (February 2018). This annual report on carbon markets features in-depth articles from policymakers and carbon market specialists. It presents the latest developments in emission trading schemes (ETS) happening around the globe. It concludes that the continual spread of ETSs and reforms of major systems will help lower emissions and build buy-in for these programmes. To download the full report, visit the ICAP [website](#).

CAN THE DIGITAL REVOLUTION TRANSFORM AGRICULTURE? By Heinz Strubenhoff and Roy Parizat for the Brookings Institution (February 2018). In this paper, the authors discuss various technological innovations that might aid farmers, particularly in Sub-Saharan Africa, to produce more with less labour inputs. Important examples of initiatives include a tractor-sharing project that resembles Uber in the way farmers borrow and pay for the equipment, and a food tracking application to support food safety in China. To access the full document, visit the Brookings Institute [website](#).

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