INTERNATIONAL TRADE POLICY DEVELOPMENTS

Q4 2024 Report

MAJOR DEVELOPMENTS

TRUMP'S NEW ECONOMIC TEAM AND HIS OVERALL TARIFF STRATEGY

Donald Trump won the 2024 U.S. presidential election, marking a major political comeback. He has already announced key economic appointments, including Jamieson Greer as U.S. Trade Representative, Kevin Hassett as National Economic Council Director, and Howard Lutnick as Commerce Secretary, signalling a focus on tariffs, tax cuts, and deregulation.

Trump plans significant tariffs on the U.S.'s three largest trading partners, including 25% on Canadian and Mexican imports, an additional 10% on Chinese goods, alongside earlier pledges to revoke China's "Normal Trade Relations" trade status and impose tariffs of over 60%. Whether any exemptions or exclusions could apply depends on the U.S. statutory framework and remains an open question until the proposed tariffs (if any) are imposed.

> "UK and South Korean negotiators met in Seoul for the third round of talks."

UK RESUMES SOUTH KOREA FTA TALKS

On 5 November, UK and South Korean negotiators met in Seoul for the third round of talks to upgrade their bilateral free trade agreement, the first since Keir Starmer's Government took office in July. While described as a "re-start," the Government's trade objectives largely align with those of its predecessors. The current deal, inherited from the 2011 EU-Korea agreement, lacks digital trade provisions—a priority for the UK, as 71% of its services trade with South Korea is digital. The UK also aims to leverage South Korea's strengths in R&D, including semiconductors, 6G technology, and ICT infrastructure.

WTO DIRECTOR-GENERAL REAPPOINTED

On 29 November, the WTO General Council reappointed Dr. Ngozi Okonjo-Iweala for a second four-year term starting 1 September 2025.
The Council praised her leadership amid global economic challenges and her role in achieving key outcomes at MC12 and MC13. Observers noted the process was expedited due to uncertainty over the incoming U.S. Administration's stance on the WTO.

"The WTO General Council reappointed Dr. Ngozi Okonjo-Iweala for a second four-year term"

THE NEW EUROPEAN COMMISSION TEAM

On 27 November, the European Parliament approved the new European Commission, which took office on 1 December. The Commission faces a challenging agenda focused on international security, trade, and competitiveness.

Maroš Šefčovič was appointed Commissioner for Trade and Economic Security, tasked with managing EU trade relations with the UK, Switzerland, and Mercosur, as well as addressing disputes with the U.S. and trade challenges with China. France's Stéphane Séjourné became Executive Vice-President for Prosperity & Industrial Strategy, Luxembourg's Christophe Hansen took Agriculture, Ireland's Michael McGrath oversees the Corporate Due Diligence Directive, and Wopke Hoekstra (the Netherlands) leads climate and net zero policies.

WHAT TO WATCH IN QUARTER AHEAD

- **20 January**
  U.S. Presidential Inauguration
- **Mid-February**
  European Commission Work Programme 2025
- **24 February - 09 March**
  APEC First Senior Officials' Meeting
- **26 March**
  UK Economic and Fiscal Forecast

UNITED STATES, CANADA & MEXICO

TRUMP'S NEW ECONOMIC TEAM AND HIS OVERALL TARIFF STRATEGY

Donald Trump secured a historic return to the White House, winning the 2024 U.S. presidential election after a decisive victory in key swing states. This marks a remarkable political comeback following his 2020 loss to Joe Biden. At 78 years old, Trump celebrated what he described as a "magnificent victory" and an "unprecedented mandate" during a speech to supporters – despite winning just 49.8% of the popular vote.

> "Trump's second-term trade policies could be even more disruptive."

President-Elect Trump unveiled key appointments to his economic team, naming Jamieson Greer as the U.S. Trade Representative (USTR), Kevin Hassett as Director of the National Economic Council (NEC), and Howard Lutnick as Commerce Secretary.

These appointments signal the Administration's focus on economic nationalism and deregulation as the President-Elect outlines his transition agenda.

Greer, a lawyer at King & Spalding in Washington DC, previously served as Chief of Staff to Robert Lighthizer, who held the USTR position during Trump's first term. Lighthizer was a central figure in implementing tariffs, resolving trade disputes with China and Europe, and renegotiating the North American Free Trade Agreement (NAFTA) into the United States-Mexico-Canada Agreement (USMCA). Trump's selection of Greer aligns with his renewed threats to impose significant tariffs, including a 25% levy on imports from Canada and Mexico and an additional 10% tariff on goods from China, alongside earlier pledges to revoke China's permanent "normal trade relations" status (granted after China joined the WTO in 2001) and to impose additional tariffs of over 60% on Chinese-originating goods. These measures suggest that Trump's second-term trade policies could be even more disruptive.

Hassett, a former chair of the Council of Economic Advisers during Trump's first term, is regarded as a pragmatic and well-respected choice. As NEC Director, Hassett will coordinate economic policy, focusing on extending tax cuts, promoting deregulation, and advancing Trump's energy agenda, particularly in the oil sector. He has previously endorsed Trump's tariff strategies and tax reforms.

Lutnick, the billionaire CEO of Cantor Fitzgerald, is a long-time ally of Trump. He raised over US$75 million for Trump's 2024 campaign efforts. His nomination follows a tradition of Commerce Secretaries drawn from the President's major donors. Lutnick will play a pivotal role in overseeing tariffs, trade negotiations, and key economic initiatives. Trump announced that Lutnick would have "direct responsibility" for the USTR. Many (especially in Congress) have noted that the statute governing the Office of the USTR would prohibit such an arrangement; by law, USTR reports directly to the President and not to another Cabinet Secretary.

A strong advocate of tariffs, Lutnick views them as leverage for negotiating trade deals, though it appears that he also believes goods not produced in the U.S. should be exempt. He also supports lower corporate taxes and the expansion of U.S. energy production.

Peter Navarro, who served as White House National Trade Council director during the first Trump Administration (and later served a prison term for defying a congressional subpoena), will also return to the White House as senior counsellor for trade and manufacturing. During his first term, Trump said, "few were more effective or tenacious than Peter in enforcing my two sacred rules, Buy American, Hire American."

> "Trump said, "few were more effective or tenacious than Peter in enforcing my two sacred rules, Buy American, Hire American.""

Donald Trump's tariff philosophy, as shaped by former USTR Lighthizer, portrays the U.S. as a victim of predatory industrial policies by other nations, leading to persistent trade deficits. Trump advocates tariffs to offset these policies and reform what he perceives as an unfair global trade system.

The Trump team has outlined two potential tariff strategies. The first involves Normal Trade Relations tariffs (those that apply across-the-board to imports from all countries except Russia, Belarus, North Korea, and Cuba). Trump's proposal would raise the U.S. tariff floor to 10%-20% for all imports – and requires an act of Congress, i.e., legislation. Further proposals involve higher rates for specific products from specific countries and, depending on the statute involved, could be achieved by an agency investigation followed by a Presidential Proclamation.

> "Goods from countries bypassing the U.S. dollar in international transactions may face tariffs as high as 100%."

For example, imports from China could face a further 60% tariff under Section 301 of the Trade Act of 1974, while goods from countries bypassing the U.S. dollar in international transactions may face tariffs as high as 100% - presumably under the International Emergency Economic Powers Act of 1977 (IEEPA) – the same basis on which the 25% tariffs on goods from Canada and Mexico would presumably be imposed.

At this stage it is not clear whether Congress will support President-Elect Trump's proposal to pass legislation to impose tariffs in addition to the existing Normal Trade Relations tariffs, but initially he can do so anyway using various delegated authorities. The primary branch of government for authorising tariffs remains Congress: it is possible but unlikely that the Republican controlled Congress will complicate the incoming President's plans on tariffs at the outset.

TRUMP THREATENS BRICS COUNTRIES WITH 100% TARIFFS

U.S. President-Elect Donald Trump has also issued a warning to the BRICS countries, threatening 100% tariffs on their exports to the U.S. unless they abandon plans to create an alternative currency to the U.S. dollar. In a statement on Truth Social, Trump declared that efforts by BRICS countries to challenge the dollar's status as the world's reserve currency would not be tolerated. Whether these tariffs materialise depends on which statutory basis Trump chooses as the vehicle. Most believe that only IEEPA could provide the legal basis for such an action - absent an Act of Congress, which can address any manner of tariffs in any form or fashion, even if U.S. lawmakers defy the commitments the U.S. made as a WTO member to observe "bound" tariff rates that do not exceed previously agreed-to caps.

The BRICS group, which includes Brazil, Russia, India, China, and South Africa, recently expanded to incorporate Egypt, Ethiopia, Iran, and the UAE. Discussions of a shared BRICS currency were introduced during a summit in South Africa in 2023, with leaders like Russian President Vladimir Putin criticising Western nations for "weaponising" the dollar through sanctions.

"Trump has also issued a warning to the BRICS countries, threatening 100% tariffs on their exports to the U.S. unless they abandon plans to create an alternative currency."

TRUMP TARIFF THREAT LEADS TO RESIGNATION OF CANADA'S FINANCE MINISTER; ONTARIO LAUNCHES AD CAMPAIGN

Canadian Finance Minister and Deputy Prime Minister Chrystia Freeland resigned on 16 December, citing differences with Prime Minister Justin Trudeau over how to react to "aggressive economic nationalism, including a threat of 25% tariffs" by the incoming U.S. Administration. She called for "pushing back against 'America First' economic nationalism with a determined effort to fight for capital and investment" and "building a true Team Canada response."

Freeland, who led negotiations for Ottawa when Trump (in his first term) launched an overhaul of NAFTA, pointed out that several provincial Premiers had urged Trudeau to include trade restrictions on critical minerals as part of a robust response to tariffs.

Meanwhile, the Canadian province of Ontario has launched a multimillion-dollar advertising campaign aimed at strengthening economic and cultural ties with the U.S. in response to President-Elect Donald Trump's threat to impose 25% tariffs on all Canadian imports. The campaign highlights Ontario's significant trade relationship with America, showcasing historical and economic connections.

The ad emphasises Ontario's importance as a manufacturing, agriculture, and technology hub, as well as the integration of its automotive industry with the U.S. market. In 2023, Ontario's trade with the U.S. was valued at C$493bn (US$360bn), with goods and services worth C$3.6bn crossing the border daily.

Doug Ford, Ontario's Premier, has called on Canada's Federal Government to prioritise U.S. relations, even suggesting a bilateral trade agreement that excludes Mexico. Ford criticised Mexico as a "backdoor" for Chinese goods into North America and urged Ottawa to align its tariffs on China with those of the U.S. In this context, it might be noted that Canada imposed a 100% "surtax" on imported Chinese electric vehicles to align with the U.S., effective 1 October 2024.

Ford's remarks followed a meeting between Canadian Prime Minister Justin Trudeau and President-Elect Trump at Mar-a-Lago where discussions included trade, fentanyl trafficking, immigration, and energy. Trump noted that the talks addressed securing fair-trade agreements that protect American workers and reduce the trade deficit with Canada.

MEXICO ALSO FACES TRUMP TARIFFS

U.S. President-Elect Donald Trump warned Mexican President Claudia Sheinbaum of potential 25% tariffs on Mexican imports if her Administration does not address the flow of criminals and drugs across the U.S.-Mexico border. Because these tariffs (as with those on goods from Canada) are intended to be imposed on 20 January 2025 (the day Trump takes office), the only legal basis to do this appears to be IEEPA - thus circumventing the standard consultation procedure (and possible binational panel to arbitrate the dispute) first created under NAFTA and continued under USMCA.

Ricardo Monreal, leader of Mexico's ruling party in the lower House of Congress, criticised the tariff threat, arguing it would not address the root causes of border issues and would instead harm ordinary citizens through economic retaliation.

Mexico's economy is heavily reliant on the U.S., with 83% of its exports, including cars, trucks, and electronics, going to its northern neighbour. U.S. investments in Mexico total US$236 billion, while remittances from Mexicans in the U.S. reached US$63 billion in 2023. Despite these ties, newly inaugurated President Sheinbaum initially took a confrontational stance, criticising Trump for his accusations of insufficient border control and illegal gun exports from Mexico.

However, Sheinbaum later maintained that Mexicans have "nothing to fear." She hoped to continue the conciliatory strategy of her predecessor, Andrés Manuel López Obrador, who successfully negotiated migration controls to avoid tariffs during Trump's first term.

Visiting Washington on 6 December, Mexican Deputy Secretary for International Trade Rosendo Guttierez Romano, said that the Mexican Government is determined to allay U.S. concerns - whether about immigration, the drugs trade or China - to protect its trade agreement with the U.S. Guttierez is regarded as likely to play a critical role in the review of the USMCA, currently scheduled for 2026 but already under active discussion on Capitol Hill.

> “Mexicans have 'nothing to fear'.”

Mexico’s ability to navigate Trump’s agenda is further complicated by internal challenges. Sheinbaum has yet to appoint a new ambassador to Washington and faces criticism for cutting security spending and pursuing controversial domestic reforms that could violate the USMCA. Experts warn that Trump’s demands, including tighter border controls and action against drug trafficking, will make negotiations more difficult. With the U.S. threatening a border wall and mass deportations, Mexico’s path forward remains uncertain.

Further Information

Tracking Trump’s Cabinet and Staff Nominations, The New York Times, 16 December (Link)

The Price of Donald Trump’s Protectionism, Centre d’Études Prospectives et d’Informations Internationales, November (Link)

President-Elect Trump Announces Further Proposed Tariff Hikes on “Day One” and Export Controls on China Ramp Up, BDO, 11 December (Link)

Trump Announces His Pick for Commerce Secretary, BDO, 25 November (Link)

Tariffs and Trade Take Center Stage in Administration, BDO, 14 November (Link)

Trump's high tariffs would create an administrative nightmare while disrupting the U.S. economy, Peterson Institute for International Economics, 10 October (Link)

Can tariffs be a good thing?, Peterson Institute for International Economics, 12 November (Link)

EUROPEAN UNION

EU-MERCOSUR AGREEMENT

On 6 December, the European Commission and the four Mercosur countries (Argentina, Brazil, Paraguay, and Uruguay) concluded negotiations in Montevideo on updates to the EU-Mercosur association agreement, initially finalised in 2019 but never ratified. European Commission President Ursula von der Leyen announced the updated "Partnership Agreement."

> “EU exporters will benefit from increased access to Mercosur markets, with phased reductions on wine tariffs and 30,000-tonne cheese TRQ .”

The agreement retains its core elements of political cooperation and free trade, with the latter’s terms largely unchanged. Key updates address environmental concerns, incorporating the Paris Agreement as an “essential element,” allowing suspension of the entire agreement for noncompliance. Side agreements were also negotiated, including assurances that EU car manufacturers in South America will maintain local production, commitments to combat deforestation, and partnerships on critical minerals.

The EU has since published the text of the agreement, which includes significant agricultural concessions, such as tariff rate quotas (TRQs) for beef (99,000 tonnes over five years), poultry (180,000 tonnes), sugar (180,000 tonnes duty-free), and ethanol (650,000 tonnes). While these concessions are significant, their commercial impact is expected to be modest. EU exporters will benefit from increased access to Mercosur markets, with phased reductions on wine tariffs, a 30,000-tonne cheese TRQ, and protection for 357 European geographical indications like “prosecco” and “parmesan.”

To address sustainability concerns, the agreement includes a 16-page annex on trade and sustainable development, committing parties to prevent deforestation and protect forest cover by 2030. While largely declarative, these pledges aim to address criticisms over environmental impacts. The agreement also introduces a "rebalancing mechanism" that allows either party to withdraw benefits if unforeseen measures impair their rights, though this does not apply to existing EU policies such as the Deforestation Regulation.

The agreement will remove over 90% of tariffs on goods exchanged between the two blocs, saving EU exporters over €4bn in tariffs annually. It will also lead to simplified customs procedures and allow EU companies to bid for public contracts on equal-access terms with Mercosur companies.

The agreement now enters a lengthy ratification process. Legal verification and translation into all official EU languages, including harmonisation with Spanish and Portuguese versions, are expected to take months, delaying formal adoption until mid-2025.

"The agreement includes a 16-page annex on trade and sustainable development, committing parties to prevent deforestation and protect forest cover by 2030."

Following this, the European Commission must decide whether to present the agreement as a single package or separate the trade components for faster ratification. The latter approach, while practical, risks backlash over perceived undemocratic processes.

Opposition is already evident, with countries such as Austria, Belgium, France, Ireland, the Netherlands, and Poland expressing concerns over agriculture and sustainability. Reaching consensus within the Council will require delicate negotiations, with abstentions likely as a compromise for dissenting states. The European Parliament will also play a critical role, with contentious debates expected along party lines. The European People's Party (EPP) will be pivotal, while other groups, such as the Socialists & Democrats (S&D) and Renew Europe, remain divided. Protests from farmers and environmental groups are expected to escalate, driven by fears of Mercosur imports and deforestation.

THE NEW EUROPEAN COMMISSION TEAM

On 27 November, the European Parliament approved the new European Commission political leadership with 370 votes in favour, 282 against, and 36 abstentions. This is the first time since 1999 that all proposed Commissioners successfully passed their parliamentary hearings, demonstrating solid, albeit not overwhelming, support. The College of Commissioners, which took office on 1 December following formal Council approval, faces a challenging agenda focused on international security, trade, and competitiveness.

Maroš Šefčovič was appointed Commissioner for Trade and Economic Security, continuing his work from the outgoing Commission. He is tasked with prioritising EU trade relations with the UK and Switzerland, as well as leading negotiations with the South American Mercosur bloc. European Commission President Ursula von der Leyen expressed her confidence in Šefčovič, describing him as uniquely qualified to secure “free and fair trade” while protecting the EU’s economic security. His responsibilities include addressing anticipated tariff disputes with the incoming U.S. Administration and navigating complex trade relations with China.

The new team included several key appointments. Stéphane Séjourné of France was named Executive Vice-President for Prosperity and Industrial Strategy, overseeing Šefčovič’s work. Luxembourg’s Christophe Hansen was appointed Commissioner for Agriculture, while Ireland’s Michael McGrath was tasked with implementing the Corporate Sustainable Due Diligence Directive. Dutchman Wopke Hoekstra was named Commissioner for Climate, Net Zero, and Clean Growth, with responsibility for overseeing the EU’s Carbon Border Adjustment Mechanism.

In her address to the European Parliament, von der Leyen outlined the Commission’s priorities, including the publication of a "competitiveness compass" to address Europe’s innovation gap with the U.S. and China, strengthen security and independence, and advance decarbonisation. She also pledged to launch a clean industrial deal, initiate a strategic dialogue on the future of Europe’s car industry, further develop a competitive circular economy, and work towards establishing a European savings and investment union.

EU REQUESTS WTO CONSULTATIONS WITH CHINA ON BRANDY

On 25 November, the European Commission formally requested consultations with China at the WTO over Beijing’s anti-dumping duties on EU brandy, which range from 30.6% to 39%. The Commission described the duties, enacted on 11 October, as "unfounded and retaliatory," linking them to the EU's recent countervailing duties on Chinese-made electric vehicles.

The Commission argued that China’s actions violate several provisions of the WTO Anti-Dumping Agreement. It criticised China for failing to demonstrate a genuine threat of injury to its domestic industry, improperly assessing economic factors, and disregarding alternative causes such as shifts in demand. The EU also accused China of basing its findings on speculation and providing insufficient evidence or transparency in its investigation. China's commerce ministry defended the tariffs as legitimate and compliant with WTO rules, stating they were based on domestic industry requests after a "fair and impartial investigation."

If no resolution is achieved within 60 days of consultations, the EU may request a WTO panel to address the dispute. Both parties are members of the WTO's Multi-Party Interim Appeal Arbitration Arrangement, enabling the case to proceed despite the WTO Appellate Body's inactivity.

EU-U.S. TRADE IN TRUMP'S SECOND TERM

EU leaders congratulated Donald Trump on his election as President, with European Commission President Ursula von der Leyen highlighting the importance of the transatlantic partnership and shared interests between the EU and the U.S.. French President Emmanuel Macron and German Chancellor Olaf Scholz also expressed their commitment to continuing cooperation.

The EU has prepared for potential trade challenges under the new U.S. Administration, having introduced instruments like the anti-coercion mechanism and Enforcement Regulation to address possible tensions. During the campaign, Trump pledged to impose tariffs on imports, including a 10%-20% rate on EU goods and 60% on Chinese products. Analysts suggest this could revive unresolved trade disputes, such as those concerning steel, aluminium, and aircraft, or be used to encourage policy shifts from the EU on defence and trade with China. The EU has indicated it may respond, for example, by renewing currently suspended tariffs on U.S. goods, if necessary.

Trade organisations, including BusinessEurope and the American Chamber of Commerce to the EU, have emphasised the need to maintain and strengthen the transatlantic economic relationship, which supports substantial trade and investment, including €3.7 trillion in U.S. investments in Europe and over 4.9 million jobs.

During his parliamentary hearing, EU Trade Commissioner-designate Maroš Šefčovič expressed the EU's intent to engage constructively with the new U.S. Administration, aiming to maintain a cooperative approach to transatlantic relations.

Further Information

Parliament approves von der Leyen's right-leaning Commission for Dec. 1 start, Politico, 27 November, (Link)

How the European Union should respond to Trump's tariffs, Bruegel, 09 December, (Link)

EU-Mercosur agreement: Don't dream it's over, Borderlex, 09 December, (Link)

UNITED KINGDOM

UK RESUMES SOUTH KOREA FTA TALKS

UK and South Korean negotiators convened in Seoul to commence a new round of discussions aimed at upgrading the two countries' bilateral free trade agreement. This marked the third round of talks since the formal launch of negotiations in November 2023, following the UK's departure from the European Union.

The current Labour Government referred to this round as a "re-start" of negotiations, the first since Keir Starmer assumed power after the July elections. However, the Government's objectives for new trade agreements appear largely aligned with those of its predecessor.

The existing UK-South Korea free trade agreement is a continuation of the EU-Korea deal established in 2011, which lacks provisions for digital trade. Addressing this gap is a priority for the UK, given that 71% of its services trade with South Korea is conducted digitally. The UK seeks to capitalise on South Korea's strengths in research and development, particularly in semiconductors, 6G technology, and ICT infrastructure, to enhance global digital capabilities.

> "The UK seeks to capitalise on South Korea's strengths in research and development"

UK-U.S. RELATIONS

The return of Donald Trump to the U.S. presidency has significant implications for the UK, potentially influencing trade dynamics and diplomatic relations. While Trump's presidency could revitalise stalled UK-U.S. free trade agreement (FTA) negotiations, it also raises the risk of new trade barriers, including tariffs. Trump's pledge to impose at least 10% blanket tariffs on imports has heightened concerns in London, given the importance of the U.S. as the UK's largest single trading partner, with £192 billion in goods and services exported in 2023.

Prime Minister Keir Starmer extended a congratulatory message to Trump, reaffirming the importance of the UK-U.S. "special relationship." However, the Labour Government faces immediate challenges in mitigating potential economic damage. Diplomatic groundwork has already begun, with officials seeking to secure tariff exemptions. UK Secretary of State for Business and Trade Jonathan Reynolds has pointed out that, unlike many of the countries being targeted by Trump, the UK runs a deficit in goods trade with the U.S.

> "Prime Minister Keir Starmer extended a congratulatory message to Trump, reaffirming the importance of the UK-U.S. "special relationship."

Negotiations for a UK-U.S. FTA were paused in 2020 after five rounds of talks under Trump's first term. While the prospect of resuming discussions is appealing, especially as a means to avoid new tariffs, a Labour Government is expected to be less accommodating than its Conservative predecessors on contentious issues such as agricultural market access and food safety standards.

Trump's stance toward the centre-left Administration in Westminster may be less cooperative than during his dealings with the previous Conservative Government. Lurking in the background is also the question of the future of the UK's trade relationship with the EU. Starmer wants to reduce friction with the EU to boost trade with the UK's neighbour, but getting closer to the EU could annoy the U.S.

AUSTRALIA AND BRUNEI RATIFY UK CPTPP ACCESSION

Australia and Brunei have ratified the UK's accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), bringing the total number of ratifications to nine. The Department for Business and Trade confirmed that CPTPP provisions will now apply to UK trade with both countries.

For Brunei, the agreement took effect on 15 December, coinciding with the UK's formal accession to the partnership. In Australia's case, the agreement came into effect on 24 December, 60 days after completing its internal ratification process.

While the UK's trade with Brunei is minimal, trade with Australia was already largely liberalised under the existing bilateral free trade agreement. Other CPTPP members, including Chile, Japan, Malaysia, New Zealand, Peru, Singapore, and Vietnam, ratified the UK's accession before 15 October, allowing CPTPP rules to apply from 15 December. Canada and Mexico are the only remaining members yet to ratify the UK's accession. The Department for Business and Trade noted that UK businesses cannot trade under CPTPP terms with these countries until their respective parliaments pass the necessary legislation. In the meantime UK businesses can trade with those countries under the respective bilateral trade agreements (UK-Canada and UK-Mexico FTAs).

BUSINESS AND TRADE SECRETARY JONATHAN REYNOLDS PLEDGES TO BOOST UK SME EXPORTS

The UK Government plans to prioritise boosting exports by small and medium-sized enterprises (SMEs) in its forthcoming trade strategy paper, set to be published in the first half of 2025. Business and Trade Secretary Jonathan Reynolds told MPs that the strategy would include practical, achievable targets to increase SME participation in international trade, recognising their critical role in economic growth.

Reynolds highlighted that Brexit-related barriers have disproportionately affected SMEs, with many reporting reduced exports compared to pre-pandemic and pre-Brexit levels, according to a survey by the British Chambers of Commerce. He emphasised that upcoming 'reset' negotiations with the EU aim to simplify trade for smaller businesses, although the proposals would not replicate EU Single Market membership.

The trade strategy, described by Reynolds as "hard-headed and practical", will focus on improving market access for businesses and balancing the UK's services-led economy with the significant contribution of manufacturing to exports. He acknowledged the absence of a coherent trade strategy under the previous Government and promised the new document would address this gap.

Additionally, the paper will redefine the role of the UK Board of Trade, which will assess trade performance and work to minimise barriers. Reynolds envisioned the Board as a group of ambassadors for UK business, offering market expertise and promoting trade opportunities globally.

UK TRADE REMEDIES AUTHORITY RECOMMENDS ANTI-DUMPING DUTIES OF UP TO 83% ON CHINESE EXCAVATORS

The UK Trade Remedies Authority (TRA) has recommended imposing an anti-dumping duty of up to 83.5% on imports of excavators from China. This measure is aimed at addressing significant undercutting of UK producers by low-cost Chinese imports and could benefit UK manufacturers by up to £3.4 million annually.

The proposed duty ranges from 33.03% for Chinese producers that participated in the investigation to 83.5% for those that did not. The investigation was initiated in response to an application from JCB, a UK-based multinational, and focused on excavators weighing 11 to 80 tonnes. UK producers supply 10%-25% of the domestic market but have seen their market share decline by 11% during the injury period. Chinese imports were found to undercut UK prices by an average of 23.39%.

The TRA also launched a countervailing investigation into subsidised Chinese excavators, proposing an additional duty of up to 2.93%. Both measures aim to address the harm caused by unfair competition. Interested parties could comment on the anti-dumping findings until 16 December 2024 and the countervailing findings until 9 January 2025 via the TRA's public file.

The TRA found no UK production of excavators weighing over 80 tonnes and determined that such imports do not harm UK industry. Anti-dumping and countervailing duties are designed to protect domestic industries from unfair pricing and subsidisation by foreign governments.

In recent months, China has been the focus of most TRA investigations, with 11 of 19 new cases initiated or reopened targeting Chinese products. Of the 16 trade remedy measures confirmed in the past 15 months, 14 have been directed at China.

Further Information

What will trade under Trump look like for the UK and EU?, Flint Global, 05 December, (Link)

ASIA-PACIFIC

CANADA HOSTS 8TH COMPREHENSIVE AND PROGRESSIVE AGREEMENT FOR TRANS-PACIFIC PARTNERSHIP COMMISSION

Canada hosted the eighth Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) Commission meeting in Vancouver, British Columbia, from 27-28 November 2024. The meeting, chaired by Mary Ng, Canada's Minister of Export Promotion, International Trade, and Economic Development, focused on advancing free, open, and rules-based trade while supporting Canadian businesses, particularly SMEs and women-led and Indigenous-led firms.

During the meeting, CPTPP members reviewed progress under the 2024 General Review and agreed on several initiatives, including launching a working group to negotiate Costa Rica's accession. Members reaffirmed their commitment to expanding the CPTPP and outlined priorities for 2025, such as fostering collaboration on inclusive trade, innovation, and economic resilience, as well as exploring updates to the agreement's chapters on electronic commerce and financial services.

Minister Ng held bilateral discussions with representatives from several member economies, including Australia, Brunei, Chile, Japan, New Zealand, Singapore, the UK, and Vietnam. These discussions emphasised the importance of predictable and rules-based trade in fostering resilient and inclusive economies.

On the margins of the Commission meeting, Canada organised a two-day inclusive trade symposium, engaging government experts and businesses to share insights on maximising the benefits of the CPTPP. A policy forum, co-led with the Asia Pacific Foundation of Canada (APF Canada), explored strategies for keeping the CPTPP at the forefront of trade policy. Minister Ng led a keynote panel discussion with representatives from Australia, Chile, Mexico, and New Zealand on increasing exporters' use of the agreement and supporting underrepresented groups.

APEC MINISTERS “DRIVE FORWARD EQUITABLE TRADE AND INCLUSIVE GROWTH GOALS”

Ministers from the 21 APEC member economies convened in Lima in November for the 2024 APEC Ministerial Meeting, focusing on multilateral cooperation to address economic and social challenges while ensuring equitable benefits for the region’s three billion people. Under the theme, “Empower. Include. Grow.” the meeting prioritised advancing regional economic integration, leveraging innovation and digitalisation, and promoting sustainable and resilient development.

Co-chaired by Peru's Foreign Minister Elmer Schialer and Foreign Trade and Tourism Minister Desilu León, the session featured contributions from international organisations, including the OECD, World Bank, and WTO, to provide insights on the global economic outlook. Minister Schialer emphasised APEC's commitment to balanced, inclusive, and sustainable growth, urging members to turn these priorities into tangible outcomes that address shared challenges and foster regional cooperation.

Key discussions included support for the WTO, updating the Free Trade Area of the Asia-Pacific (FTAAP) agenda, and enhancing connectivity and resilient supply chains. Ministers also focused on expanding market access for micro, small, and medium-sized enterprises, empowering women through trade, and facilitating economic inclusion for vulnerable groups.

Minister León underscored the enduring importance of trade and investment to APEC’s mission and its role in navigating global challenges. She expressed confidence in APEC’s commitment to trade liberalisation and facilitation as drivers of economic efficiency, competitiveness, and improved living standards across member economies.

Remarkably, given that APEC’s membership includes the U.S., China and Russia, a separate statement was produced on a “New Look at the Free Trade Area of the Asia-Pacific agenda”. This advanced some guiding elements to foster a cooperative agenda on the concept of a free trade area. However, this is more a question of keeping an idea alive than expecting concrete progress.

The APEC Economic Leaders (including President Biden attending his last APEC gathering) also issued the “Machu Picchu Declaration” reaffirming their commitment to ensuring that the Asia-Pacific remains the world’s most dynamic and interconnected region.

South Korea will host APEC in 2025.

Further Information

CPTPP grants Costa Rica candidate status, divided over China, Taiwan bids, Borderlex, 29 November, (Link)

WTO

DIRECTOR-GENERAL REAPPOINTED

On 29 November, the WTO General Council agreed by consensus to reappoint Director-General Dr. Ngozi Okonjo-Iweala for a second four-year term, set to begin on 1 September 2025. The Chair of the General Council said:

> "The General Council commends Dr. Ngozi Okonjo-Iweala for her outstanding leadership during her first term. Amid significant global economic challenges, she strengthened the WTO's ability to support its members and set a forward-looking agenda for the organisation. Her leadership was instrumental in securing meaningful outcomes at pivotal moments, including the 12th and 13th Ministerial Conferences (MC12 and MC13), where major milestones were achieved."

Some observers noted that the reappointment process had been accelerated in view of uncertainty surrounding the incoming U.S. Administration's attitude towards the WTO.

APPREHENSION ABOUT EROSION OF THE RULES-BASED WTO SYSTEM

Geneva-based representatives of some of the WTO's strongest supporters are beginning to express concerns informally about future adherence to WTO trade rules. Compliance has generally held up well thus far, despite the hostile external environment for trade. However, there is a growing apprehension that, when the biggest trading economies flout the rules, others will feel less obliged to comply. Basic WTO rules still provide the foundation for predictable international trade.

In this connection, an effort has been under way to renew the WTO's Appellate Body to give the system some teeth. However, while there has been limited progress on reform of some elements of the WTO's dispute settlement system, there appears to be little prospect of success as regards the Appellate Body, appointments to which the U.S. steadfastly continues to object.

This is in turn switching attention back to whether participation in the "Multi-Party Interim Arbitration Arrangement" (MPIA), which was put in place by a limited number of WTO members as a stopgap when the Appellate Body ceased to function, can be expanded.

DATES FOR 14TH MINISTERIAL CONFERENCE AGREED

The WTO's 14th Ministerial Conference will take place in Cameroon from 26-29 March 2026.

STILL NO CONSENSUS ON FISHERIES SUBSIDIES

An effort to conclude an agreement on Fisheries Subsidies by the end of 2024 ended in failure. The Chair of the talks – the ambassador of Iceland – reported that, while the text he had tabled was viewed by the vast majority as a good basis on which to finalise an agreement, "a couple of members continued to call for a fundamentally different approach". It is understood that India is the main hold-out. The Chair therefore proposed that there should be a pause for reflection.

COMING UP

The WTO has not yet announced its calendar for upcoming meetings in 2025. However, there will be meetings of the Dispute Settlement Body at the end of every month, as well as a full programme of meetings of regular bodies and committees. The General Council is due to meet again in February. Much attention will focus on the attitude of the new U.S. Administration towards the WTO. Whether this becomes apparent earlier or later remains to be seen. On the one hand, Trump's trade team will want to hit the ground running. On the other, they may have higher priorities, and it could take time to nominate an ambassador to the WTO.

GLOBAL VALUE & SUPPLY CHAINS

NATIONAL BUREAU OF ASIAN RESEARCH: GLOBAL SUPPLY CHAINS BEYOND MATERIAL FLOWS

In the second instalment of its four-part 2024-25 essay series on trade and supply chains in Asia, the National Bureau of Asian Research emphasises the importance of incorporating financial, informational, and human flows into supply chain strategies. The essay sheds light on the evolving dynamics of de-risking between major economies, particularly the U.S. and China.

The essay examines the dynamics of supply chain de-risking, driven by two primary factors: renewed concerns among the U.S. and its allies about supply chain resilience and China's strategic efforts to reshape the global order. The analysis argues that de-risking is not a unilateral endeavour for developed economies but a global and interactive process involving multiple actors and flows.

A key insight is the need to move beyond the singular focus on material flows that dominates recent discussions on supply chains. Instead, it emphasises the importance of integrating material, information, financial, and human flows to understand the evolution of global supply chains. These interconnected flows shape how countries, particularly the U.S. and China, navigate supply chain resilience. While the U.S. emphasises reshoring, nearshoring, and friendshoring to enhance its supply chain security, China is diversifying its market presence by expanding into Russia and the global South, creating broader implications for the global economy.

"A key insight is the need to move beyond the singular focus on material flows that dominates recent discussions on supply chains."

The essay outlines several policy implications. First, policymakers must recognise that de-risking is inherently a multilateral process, requiring strategic interaction among various global actors. Effective de-risking strategies should address all four types of flows—material, information, financial, and human—to ensure comprehensive supply chain resilience. Political stability and continuity of policies are critical to successful de-risking, particularly in the face of shifting Administrations and economic policies. Coordination across these flows is essential to manage the complexity and potential lack of visibility in global supply chains.

Finally, the essay underscores the critical role of emerging economies in supply chain de-risking. These economies not only stand to benefit from diversified and resilient supply chains but also play a pivotal role in achieving these goals. Policymakers must consider their participation and contributions in creating a balanced and robust global supply chain framework.

"Policymakers must consider their participation and contributions in creating a balanced and robust global supply chain framework."

EU'S DEFORESTATION REGULATION

On 3 December, EU negotiators reached a compromise to delay the implementation of the EU Deforestation Regulation by one year to 30 December 2025. However, no amendments to the existing rules were made, rejecting proposals from some EU politicians to introduce a "no risk" category for certain countries which would reduce compliance checks.

The delay aims to give companies worldwide more time to adapt, with large operators and traders expected to comply by the new deadline and small enterprises granted an additional six months. The European Commission also committed to simplifying requirements for countries with sustainable forest management practices and ensuring the online compliance system is operational by December 2025. The Commission plans to propose country risk classifications at least six months before the Regulation takes effect.

The Regulation is designed to eliminate deforestation from EU supply chains for commodities including beef, soy, palm oil and cocoa. While some have hailed it as a major step in combating climate change, countries like Brazil and Indonesia have criticised the measures as protectionist, arguing they could exclude small-scale farmers from the EU market.

"The Regulation is designed to eliminate deforestation from EU supply chains for commodities including beef, soy, palm oil and cocoa."

S&P GLOBAL SUPPLY CHAINS: RESILIENCE AMID SLOWDOWNS AND SHIFTING DYNAMICS

The S&P Global Supply Chain Q4 report provides a comprehensive analysis of global supply chains as they face a complex environment marked by recovery in some areas and deceleration in others. Towards the end of 2024, trade activity was showing signs of improvement, yet manufacturing growth continued to slow, with the S&P Global Manufacturing PMI for new orders dropping to its lowest level since mid-2023. Export orders, a key indicator of international demand, have been on a 29-month decline, with September 2024 experiencing the sharpest contraction since August 2023. These trends signal ongoing challenges for global manufacturing sectors, particularly in developed economies and industries like automotive and consumer goods.

Logistics networks, while resilient, are grappling with disruptions caused by weather events and labour strikes. Shipping activity in 2024 was notably impacted by early shipments aimed at circumventing East Coast port strikes, creating unusual seasonal patterns.

Container shipping rates have declined significantly across major routes, with rates from North Asia to Europe and the U.S. falling by over 50% since mid-2024. This drop reflects a softening in demand and easing of supply chain pressures, though it also underscores the volatility faced by logistics providers.

The role of China in global supply chains is evolving. Its share of U.S. imports fell to 13.5% in 2024 from 18% in 2019, influenced by factors such as tariffs, reshoring initiatives, and diversification into alternative suppliers. While China's dominance in certain sectors like consumer electronics and furniture has diminished, it has gained ground in areas such as lithium-ion batteries and pharmaceuticals. However, risks remain, as illustrated by the introduction of China's "Unreliable Entities List," which threatens the operations of foreign firms in the country and could disrupt supply chain linkages.

Investments in supply chain resilience and sustainability have slowed, raising concerns about the preparedness of firms to manage risks.

> "Businesses are urged to adopt comprehensive resilience strategies, respond proactively to regulatory changes, and leverage innovation to navigate the challenges of this evolving landscape."

Sectors like consumer discretionary and technology have reported declining positivity in discussions around supply chain strategies, with technology firms seeing the lowest level of optimism since 2010. Challenges such as AI-related product availability and shifting regulatory landscapes are compounding these concerns.

Delivery times have worsened globally, with delays reported in major markets including Europe, Asia, and North America.For example, in September 2024, delivery times in the UK and the Eurozone while mainland China and the U.S. also experienced increasing delays, reflecting ongoing supply chain inefficiencies.

Environmental and regulatory factors are adding to the complexity. In Europe, new carbon border adjustment mechanisms (CBAM) are prompting industries, particularly in emissions-intensive sectors like steel and aluminium, to reassess their supply chain strategies. Meanwhile, the plastics industry is facing challenges related to sustainability, including waste management and emissions.

Despite these pressures, prices for recycled plastics in Asia are expected to recover modestly in early 2025, reflecting a cautious optimism in the market.

Overall, the report highlights the intricate interplay of economic, geopolitical, and environmental factors shaping global supply chains. Businesses are urged to adopt comprehensive resilience strategies, respond proactively to regulatory changes, and leverage innovation to navigate the challenges of this evolving landscape.

EVERSHEDS-SUTHERLAND GLOBAL SUPPLY CHAIN HORIZONS - OCTOBER 2024

The latest Eversheds-Sutherland Global Supply Chain Horizon highlights significant developments across global supply chains, focusing on cross-border agreements, regulatory changes, and policy shifts that are shaping supply chain dynamics globally. The update underscores key transformations in major regions, including Europe, Asia, the UK, and the U.S., and their potential impacts on businesses and industries.

The UK, U.S., and Australia signed a Supply Chain Resilience Pact in September, aimed at addressing critical supply chain vulnerabilities. The agreement establishes a Supply Chain Resilience Cooperation Group to share information, assess risks, and respond to threats and disruptions. This partnership is expected to bolster security, reduce regulatory barriers, and create business opportunities among the three states. Additionally, the EU-Singapore Digital Trade Agreement, finalised in July, seeks to promote cross-border data flows and build trust in digital trade, enhancing the capacity of businesses to manage supply chain logistics and reducing barriers to trade.

China has implemented new regulations impacting rare earths and exports of critical resources. As from 1 October, its rare earth management rules require licences for mining, smelting, and exporting these resources, introducing stricter oversight. Export restrictions on antimony and drones, effective since September, add further constraints, with licensing requirements for items deemed critical or dual use. These measures could disrupt global supply chains for high-tech industries and increase operational costs. Meanwhile, China's publication of a White Paper on Energy Transition outlines plans to achieve carbon neutrality by 2060, signalling a shift to greener operations and potential regulatory costs for businesses reliant on fossil fuels.

Regulatory activity has intensified, with several new Directives and Frameworks aimed at sustainability and compliance. The EU Corporate Sustainability Due Diligence Directive (CSDDD), which mandates businesses to mitigate human rights and environmental risks across their supply chains, was enacted in July. The Ecodesign for Sustainable Products Regulation (ESPR), effective from 2027, will require products to meet circular economy standards, including digital product passports and green procurement policies. Additionally, the Right to Repair Directive, focusing on extending product lifecycles, and the Industrial Emissions Amendment Directive, which expands compliance obligations to sectors like battery manufacturing, aim to create more sustainable and resilient supply chains. These changes require businesses to adopt greener practices and align with stricter compliance standards.

The UK Government has been active in addressing supply chain sustainability and product safety. Consultations on single-use plastic regulations concluded in September, aiming to strengthen eco-friendly practices. The Product Regulation and Metrology Bill, introduced in September, seeks to modernise safety standards for emerging technologies, including lithium-ion batteries and AI-powered products. Proposed expansions to the UK Emissions Trading System (ETS) could also impact businesses, requiring investments in emissions reduction technologies and adjustments to operational strategies.

The U.S. has introduced measures targeting critical supply chain risks and sustainability. A new rule, effective September, imposes export controls on emerging technologies like quantum computing and advanced semiconductor equipment, aiming to enhance supply chain resilience and competitiveness. The U.S. also signalled a policy shift by backing a potential UN global treaty to reduce plastic production, which may prompt businesses to transition to alternative materials. Additionally, consultations on the Toxic Substances Control Act (TSCA) could result in stricter regulations for chemicals used in manufacturing, potentially increasing operational costs and driving product reformulation.

Further Information

Extra time for deforestation: lessons for future EU environmental legislation, Bruegel, 14 November, (Link)

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