INTERNATIONAL TRADE POLICY DEVELOPMENTS

Q1 2025 Report

MAJOR DEVELOPMENTS

U.S. IMPOSES SWEEPING METALS TARIFFS

The Trump Administration introduced 25% tariffs on all steel, aluminium, and derivative imports on 12 March, affecting key partners such as Canada, Mexico, and the EU. Canada retaliated, Mexico deployed troops to the border as part of broader negotiations, and the EU announced $26 billion in retaliatory tariffs on U.S. goods starting on 15 April (but suspended the tariffs for 90 days following President Trump's pause on the reciprocal tariffs (see below).

U.S. LAUNCHES RECIPROCAL TARIFF REGIME

The U.S. imposed broad new "reciprocal" tariffs, effective 5 April, aimed at penalising countries with large trade surpluses. On 9 April, President Trump paused tariff hikes for non-retaliating countries for 90 days but raised the tariffs on Chinese goods.

U.S. INCREASES TARIFFS ON CHINA

A 10% U.S. tariff on all Chinese imports took effect on 4 February, rising to 20% on 4 March, prompting China to introduce retaliatory tariffs on U.S. agricultural goods and restrict exports to American aviation and tech firms.

On 2 April, the U.S. announced a further 34% tariff on imports from China, which was then matched by retaliatory tariffs of the same magnitude by China. On 7 April, the U.S. added a 50% tariff on Chinese goods, bringing the total to 104%. The U.S. then announced on 9 April that the China tariffs are increased to 125% and shortly thereafter President Trump raised the tariffs to 145% (which includes a previous 20% "fentanyl tariff"). On 11 April, the Chinese government raised tariffs on U.S. goods to 125%, indicating that any further U.S. tariff actions would be ignored rather than reciprocated. Both sets of tariffs are now in effect.

DE MINIMIS EXEMPTION AND FTZ TREATMENT

Imports from Canada, Mexico, and China qualifying for de minimis entry were temporarily exempt from the new tariffs - 25% on most imports from Canada and Mexico (10% for Canadian energy), and an increase from 10% to 20% on all Chinese imports - with the suspension delayed until tariff collection systems are in place. The orders also barred duty drawback and required goods entering U.S. Foreign Trade Zones (FTZs) after 4 February 2025 to be admitted in Privileged Foreign Status, ensuring that tariffs apply even after processing.

UK DECLINES TO RETALIATE OVER U.S.TARIFFS

The UK, while keeping its options open, has thus far chosen not to mirror EU retaliatory tariffs following U.S. metals duties and a new U.S. baseline tariff of 10% on UK exports, with Business Secretary Jonathan Reynolds calling the U.S. move "disappointing" but reiterating the UK's pragmatic approach to securing a trade deal with the U.S..

INDIA-U.S. LAUNCH "MISSION 500" TO DOUBLE BILATERAL TRADE BY 2030

President Trump and Prime Minister Modi unveiled a new initiative in February 2025 to boost bilateral trade to U.S.$500 billion by 2030. Both countries committed to negotiate the first tranche of a comprehensive, multi-sector Bilateral Trade Agreement by fall 2025.

EU RESPONSE TO U.S. TARIFFS

On 3 April, the EU condemned new 20% U.S. tariffs on steel and aluminium and prepared €26 billion in countermeasures targeting industrial and agricultural goods. After gaining member state approval on 9 April, the EU paused the measures on 10 April following President Trump's decision to pause the tariffs.

EU AND SOUTH KOREA CONCLUDE DIGITAL TRADE AGREEMENT

The EU and South Korea agreed on a Digital Trade Agreement (DTA) on 10 March, enhancing legal certainty, cross-border data flow protections, and online consumer rights while complementing their 2010 free trade agreement (FTA) and ongoing digital partnership.

EU AND MALAYSIA RESUME TRADE TALKS

After a 12-year pause, the EU and Malaysia relaunched FTA negotiations on 10 March, aiming to enhance trade, attract EU investment, and address previous tensions over palm oil by including commitments on labour and environmental standards.

TRADE TENSIONS TRIGGER WTO DISPUTES

China, Canada, and the EU initiated WTO consultations with the U.S. over new tariffs, with China and the EU also engaged in a separate dispute over EU duties on Chinese electric vehicles (EVs)—one of the first cases to proceed under the MPIA (Multi-Party Interim Appeal Arbitration) system.

EU PUBLISHES REGULATORY SIMPLIFICATION PACKAGE

Published on 26 February 2025, the Omnibus Proposal introduces reforms to simplify the CSRD, CSDDD, CBAM, EU Taxonomy, and investment programs, aiming to cut red tape by 25% overall and 35% for small and medium-sized entities. Omnibus I and II address sustainability reporting and investment rules, while Omnibus III (agriculture) and Omnibus IV (SMEs and digitalisation) are expected in May 2025.

WHAT TO WATCH IN QUARTER AHEAD

- **28 April**
  Canadian Federal Election
- **19 May**
  EU-UK summit
- **19-21 June**
  WTO Trade Policy Review of Canada

UNITED STATES, CANADA & MEXICO

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TARIFF MEASURES UNDER NEW RECIPROCAL TRADE POLICY

On 2 April, the President Trump announced the introduction of new "reciprocal" tariffs. A baseline tariff of 10% will be levied on all imports from all countries, excluding Canada and Mexico, while countries with larger trade deficits with the U.S. were hit with much higher numbers. The formula used to calculate the tariffs, released by the Office of the U.S. Trade Representative (USTR), took the U.S.'s trade deficit in goods with each country as a proxy for alleged unfair practices, then divided it by the amount of goods imported into the U.S. from that country. The measures are being implemented under the authority of the International Emergency Economic Powers Act of 1977 (IEEPA) and took effect on 5 April.

The 2 April announcement came just two days after the Office of USTR released its annual National Trade Estimate Report on Foreign Trade Barriers on 31 March, which catalogued a wide range of tariffs and regulatory practices deemed harmful to U.S. exporters. The report outlined concerns with digital services taxes, carbon border mechanisms, food safety standards, and restrictions on agricultural imports, particularly in the EU and Canada. While the report did not explicitly identify European value-added taxes (VATs) as trade barriers, it did flag VAT-related practices in other jurisdictions such as Argentina, Mexico, and the UAE as distorting trade. Observers viewed the report as a precursor to the 2 April tariff framework, providing a broad justification for the Administration's reciprocal tariff strategy.

The EU faced a general 20% tariff rate (in addition to the pre-existing levels of duties), while the UK, Ukraine, and Turkey were each subject to an additional 10% tariff. Among the most affected countries were long-standing U.S. allies and key Asian economies, including South Korea (25%), Japan (32%), and Taiwan (46%). Several South and Southeast Asian countries are also subject to high tariff rates, such as Bangladesh (37%), Cambodia (49%), Laos (48%), Myanmar (44%), and Vietnam (46%).

In response to the 2 April reciprocal tariff announcement, the Chinese government issued an official statement condemning the tariffs as a violation of international trade rules and a "typical unilateral bullying practice." China's State Council Tariff Commission announced that, effective 10 April, it would impose an additional 34% tariff on all imported goods originating from the US, on top of existing tariff rates. The retaliatory measures were authorised under Chinese domestic trade and customs laws, with exemptions only for goods that departed US ports before the effective date and that arrive in China between 10 April and 13 May. Bonded, tax reduction, and exemption policies remain in place, but no reduction will apply to the additional tariffs. The move significantly escalates trade tensions and reflects China's firm stance against what it describes as a serious infringement of its rights and interests under global trade norms. The UK and EU's responses to the announcement are included in the following sections.

Initial reactions from trade and economic experts on the new reciprocal tariffs were broadly critical. Adam S. Posen, president of the Peterson Institute for International Economics, warned that the new tariff regime was unlikely to deliver the job gains promised by the Administration and might instead reduce U.S. competitiveness in key global markets. Posen noted that the uncertainty surrounding corporate investment, compounded by the open-ended nature of tariff threats, increases the risk of recession in the US—while also pushing up inflation, regardless of growth trajectory. He further cautioned that retaliatory measures by trading partners, while economically damaging across the board, would disproportionately harm those countries, and may only influence U.S. policy in limited scenarios. Structural changes to global supply chains in response to the tariffs are already underway, though their full impact is not expected to become visible for several months.

President Trump used the IEEPA as the legal authority to impose the reciprocal tariffs, describing "large and persistent annual U.S. goods trade deficits" as a national emergency. This is the second tariff action that President Trump has initiated based on IEEPA, the first being the President's decision to impose tariffs on Canada, Mexico, and China, citing their failures to address immigration and fentanyl.

The announcement came amid signs of growing Congressional scrutiny of the executive branch's trade powers. On 2 April, the Senate narrowly approved a resolution to terminate the national emergency underpinning tariffs on Canadian goods, introduced under the IEEPA. The resolution, supported by all Democrats and four Republicans, would end the 25% tariff on Canadian goods and the 10% tariff on Canadian energy. However, it is expected to stall in the House, where similar resolutions have been blocked by the Republican majority.

Separately, Senate Finance Committee members Maria Cantwell (D-WA) and Chuck Grassley (R-IA) have introduced the Trade Review Act of 2025, a bipartisan bill that would require Congressional approval for most new or increased tariffs imposed by the President, excluding traditional trade remedies. Under the proposed legislation, any such duties would expire within 60 days unless approved by a joint resolution of Congress. Grassley, a long-serving Republican from an agricultural state and a former chair of the Finance Committee, described the bill as a step toward restoring Congress's constitutional authority over trade.

"President Trump used the IEEPA as the legal authority to impose the reciprocal tariffs, describing 'large and persistent annual U.S. goods trade deficits' as a national emergency."

It is worth noting that a number of sectors were excluded from the reciprocal tariffs: steel and aluminium, automobiles and auto parts (both sectors having already been subjected to specific duties), copper, pharmaceuticals, semiconductors, lumber, some critical minerals, and energy and energy-related products. There is speculation that some or all of these are slated for investigation, or further investigation, under Section 232 of the U.S. Trade Expansion Act of 1962, which allows the President to impose import restrictions based on a determination by the Department of Commerce that certain imports threaten to impair U.S. national security. Their relief may therefore be short term.

> "If the U.S.-China dispute continues to escalate, bilateral trade could decline by up to 80%."

On 9 April, President Donald Trump announced a 90-day pause on the higher U.S. tariffs for countries that have not introduced retaliatory measures, while simultaneously increasing tariffs on Chinese imports, marking a significant escalation in the ongoing trade dispute between the U.S. and China. The announcement came just hours after a broad package of new levies took effect on approximately 60 of the U.S.'s trading partners. As part of a revised approach, the President authorised a universal "lowered reciprocal tariff" of 10% to remain in place as negotiations continued; however, previous tariff rates on steel, aluminium, and auto imports remain unchanged. At the same time, tariffs on Chinese goods were raised to 125%, citing a lack of progress in trade talks and characterising China's countermeasures as disrespectful (the 125% was then raised to 145% because the 125% rate includes a previously imposed 20% to prevent the import of fentanyl, where it stands today). In response, on 11 April, the Chinese government raised tariffs on U.S. goods from 84% to 125%. In its announcement, the Chinese State Council Tariff Commission indicated that if the U.S. continues to impose tariffs on Chinese exports, China will no longer respond in kind and will instead disregard them entirely.

According to forecasts by the World Trade Organization, if the U.S.-China dispute continues to escalate, bilateral trade could decline by up to 80% - equivalent to approximately $466 billion. WTO Director-General Dr Ngozi Okonjo-Iweala cautioned that the latest developments pose significant risks and emphasised the importance of de-escalation to preserve global trade stability.

TIMELINE OF TARIFF DEVELOPMENTS IN Q1 (IN REVERSE CHRONOLOGICAL ORDER)

On 26 March, President Trump announced a new Executive Order imposing 25% tariffs on imported automobiles, stating that the measure would support domestic manufacturing. The tariffs took effect on 3 April for fully imported vehicles and are set to expand to include applicable auto parts in stages through 3 May.

While the White House framed the move as a boost to US industry, industry observers have warned it may place financial pressure on automakers that depend on global supply chains. The European Automobile Manufacturers' Association (ACEA) described the decision as "deeply concerning." Director General Sigrid de Vries urged the administration to consider the negative consequences for both global automakers and US industry, noting that European firms have long invested in US facilities, supported job creation, and contributed significantly to US exports. BMW alone exported over $10.1 billion (€9.4 billion) in vehicles from its South Carolina plant in 2023.

On 12 March, the Trump Administration introduced a 25% tariff on all steel and aluminium imports, as well as derivative products, prompting retaliatory measures from Canada and the EU. Meanwhile, the U.S. has imposed 25% tariffs on imports from Mexico and Canada, with some exemptions, and increased tariffs on Chinese goods to 20%, citing concerns over fentanyl shipments.

The 25% tariffs on U.S. steel and aluminium imports took effect on 12 March. The U.S. is the world's largest steel importer, with Canada, Brazil, and Mexico among its top suppliers. Canada is also the largest supplier of aluminium to the U.S., providing almost 60% of U.S. imports. While the U.S. initially announced no exemptions, the Trump Administration later reconsidered, briefly threatening to double tariffs on Canadian metals before Canada agreed to suspend additional energy charges on U.S. electricity customers.

Canada responded by introducing a 25% tariff on additional U.S. goods, including steel products, sports equipment, and computers.

Former Prime Minister Justin Trudeau described the tariffs as a threat to Canada's economy, while his successor, Mark Carney, strongly criticised the move and vowed to defend Canadian trade interests.

Mexico also delayed imposing retaliatory tariffs but deployed 10,000 troops to the U.S. border as part of trade negotiations. President Claudia Sheinbaum described the tariffs as unjustified and pledged a response, though Trump later announced exemptions for certain North American carmakers, which Mexico welcomed.

> "Former Prime Minister Justin Trudeau described the tariffs as a threat to Canada's economy."

A 10% tariff on all Chinese imports took effect on 4 February, with Trump later increasing it to 20% a month later on 4 March. In response, China introduced its own tariffs of 10%-15% on U.S. agricultural goods, and imposed export controls on American aviation, defence, and technology firms. Imports from Canada, Mexico, and China that qualify for de minimis entry were temporarily exempt from the new tariffs. While the original orders had suspended access to Section 321 de minimis treatment—potentially subjecting low-value imports to full tariffs and formal entry procedures—this suspension was delayed due to logistical concerns.

Amendments issued in February and March 2025 postponed the ban until the Secretary of Commerce confirms that systems are in place to collect tariffs effectively. The three tariff orders also prohibited duty drawback for tariffs imposed under these measures. Additionally, products admitted into U.S. FTZs on or after 4 February 2025 must enter in Privileged Foreign Status, meaning the additional tariffs apply even if the goods are transformed within the FTZ.

Reaction from U.S. business and industry has so far been mixed. In February, USTR asked for comment "on a country-by-country basis, to assist…in reviewing and identifying any unfair trade practices by other countries, and in initiating all necessary actions to investigate the harm to the U.S. from any non-reciprocal trade arrangements." Among hundreds of responses, some trade groups, such as the National Council of Textile Organisations, backed a tariff-focused strategy. Others, like the Computer and Communications Industry Association, said that the overriding goal should not be restrictions on foreign products and services but rather the removal of barriers.

The Retail Industry Leaders Association called for carefully tailored action so as not to impact household goods and family budgets. Some U.S. farm group representatives have begun to sound warnings about the effects of retaliation – for example, by China – on their exports, as happened during the first Trump presidency.

> "The Retail Industry Leaders Association called for carefully tailored action so as not to impact household goods and family budgets."

OECD INTERIM REPORT MARCH 2025

The Organisation for Economic Co-operation and Development (OECD) has warned that escalating trade tariffs imposed by U.S. President Donald Trump will slow global economic growth and contribute to higher inflation. In its latest forecast, the OECD predicts that Canada and Mexico will experience the most significant economic impact, while U.S. growth will also be affected.

The OECD has more than halved its growth projections for Canada, now forecasting growth of 0.7% for both 2025 and 2026, compared to a previous estimate of 2% per year. Mexico's economy is expected to enter a recession, contracting by 1.3% in 2025 and a further 0.6% in 2026, in contrast to earlier forecasts of 1.2% and 1.6% growth. The U.S. economy is also set to slow, with growth expectations revised down to 2.2% in 2025 and 1.6% in 2026, compared to previous projections of 2.4% and 2.1%.

Despite U.S. tariffs on Chinese imports, the OECD has raised its forecast for China's economy, expecting 4.8% growth in 2025. Globally, economic growth is forecast to decline from 3.2% in 2024 to 3.1% in 2025, largely due to rising trade tensions. The OECD also warns that inflation will remain higher than previously anticipated, with rates across 20 of the world's largest economies expected to reach 3.8% in 2025, up from the previous forecast of 3.5%.

The OECD stated that "significant risks remain," highlighting concerns over further fragmentation of the global economy and the potential for higher and broader trade barriers to further slow growth and increase inflationary pressures.

The impact of tariffs on businesses is also becoming apparent. Tesla and other U.S. exporters have raised concerns about their exposure to retaliatory measures from other countries, warning that U.S. firms could face disproportionate consequences.

In Europe, the OECD has downgraded its UK growth forecast to 1.4% for 2025 and 1.2% for 2026, down from 1.7% and 1.3%, respectively. However, these estimates remain more optimistic than the Bank of England's latest forecast, which projects UK growth at 0.75% in 2025. Across the euro area, growth is expected to gradually increase—from 0.7% in 2024 to 1.0% in 2025 and 1.2% in 2026. Meanwhile, growth in Korea and Australia is expected to remain resilient. Korea's GDP is projected to rise from 1.5% in 2025 to 2.2% in 2026, while Australia's economy is forecast to grow by 1.9% in 2025 and 1.8% in 2026. India continues to stand out with strong momentum, with GDP growth projected at 6.4% in FY 2024-25 and 6.6% in FY 2025-26.

Further Information

Trump's trade war timeline 2.0: An up-to-date guide, 12 March, Peterson Institute for International Economics (link)

EUROPEAN UNION

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EU-U.S. TARIFFS

On 3 April, European Commission President Ursula von der Leyen condemned the US's decision to impose a 20% tariff on EU goods under the new "reciprocal" tariff framework. Calling the measures unjustified and highly disruptive, she warned of serious consequences for global trade, European consumers, and cross-Atlantic business ties. Speaking from Samarkand, von der Leyen stated that the EU is "prepared to respond" and is finalising a new round of countermeasures in addition to the €26 billion package already under development in response to earlier steel and aluminium tariffs.

Previously, the EU said it would reinstate retaliatory tariffs that were originally imposed in 2018 during the first Trump Administration, as a tariff truce negotiated with the Biden Administration in 2021 has now expired.

These countermeasures, initially proposed to be effective from 1 April but then postponed until 13 April, would apply to a range of industrial and agricultural products, including bourbon whiskey, jeans, Harley-Davidson motorcycles, and metals.

In addition to reinstating these previously suspended tariffs, the Commission proposed an additional list of products on which it aims to impose duties, following consultations with EU member states and stakeholders. This expanded list reflects the broader scope of the new U.S. tariffs, which now cover derivative products, including machinery parts and windows.

> "Countermeasures could apply to U.S. goods worth up to €26 billion."

The updated EU countermeasures target a wider range of products, including further metal products, textiles, leather goods, household appliances, plastics, wood products, soap, and various agricultural goods such as poultry, beef, seafood, dairy, sugar, coffee, beer, wine, fruit, vegetables, and tobacco products. In total, these countermeasures could apply to U.S. goods worth up to €26 billion, compared with the U.S. tariffs, which Brussels values at approximately $28 billion, equivalent to nearly 5% of all EU exports to the U.S..

On 9 April, the European Commission announced that the EU will implement retaliatory tariffs, following approval by 26 of the 27 member states on 9 April. However, on 10 April, Commission President von der Leyen welcomed President Trump's decision to pause reciprocal tariffs, and in a separate statement, she decided to mirror the U.S. President's decision and suspend the countermeasures approved by member states on 9 April against the tariffs on metals to allow more room for negotiations. A negative result from the negotiations would, however, lead to the imposition of counter tariffs, the Commission President specified.

EU CONCLUDES MODERNISED TRADE PACT WITH MEXICO

The EU and Mexico have concluded negotiations on a modernised global agreement, revisiting and adapting the 2020 agreement that was never formally adopted. The revised deal came just days before Donald Trump's return to the U.S. presidency, in a context of heightened trade tensions. It includes adjustments to commitments on energy and agriculture, updated rules of origin for electric vehicle (EV) components, and a new investment protection system.

A key revision involves Mexico's energy commitments. Following Mexico's restructuring of its energy sector, which reversed earlier liberalisation efforts, the EU agreed to remove provisions from the energy and raw materials chapter that previously ensured non-discriminatory access for EU companies. The agreement now places the EU on equal footing with Mexico's other preferential trade partners, such as Japan, South Korea, the UK, and the U.S.. A review in three years will assess potential improvements in sectoral integration.

Under the modernised agreement, Mexico will remove all tariffs on EU food and agricultural imports. Currently, it applies tariffs of up to 20% on products such as pasta, blue cheese, potatoes, apples, and canned peaches. Chocolate and confectionery face tariffs of over 20%, while eggs and most pork products are subject to 45% tariffs. Tariffs of 100% apply to economically important poultry products. The agreement maintains protection for 336 EU geographical indications (GIs), with spirits already covered under a prior bilateral deal.

On rules of origin, the EU and Mexico agreed to revised provisions for EVs and batteries, aligning with Mexico's position as a major exporter of EVs and the EU's focus on battery production. The revised rules aim to incentivise Mexico to source EV components from the EU rather than China, while maintaining preferential tariff access.

The agreement also strengthens sustainable development provisions, incorporating a review clause that will take effect when the agreement enters into force. The EU seeks to enhance compliance mechanisms, including the possibility of sanctions as a last resort, and to integrate the Paris Climate Agreement as a fundamental element. Domestic advisory groups, made up of civil society representatives, will oversee implementation.

A new investment protection framework introduces a bilateral investment court system, similar to those in the EU's agreements with Canada, Chile, Singapore, and Vietnam, streamlining legal protections for investors.

The final text will now undergo translation and legal review, with the Commission expecting a faster ratification process than the EU-Mercosur agreement. However, no decision has been made on whether to split the agreement into separate trade and investment components to facilitate ratification.

In 2023, EU-Mexico trade in goods reached €82 billion, while trade in services totalled €22 billion in 2022, making Mexico the EU's second-largest trading partner in Latin America. EU Trade and Economic Security Commissioner Maroš Šefčovič described the agreement as removing trade barriers, expanding investment opportunities, and supporting job creation on both sides.

EUROPEAN COMMISSION ANNOUNCES ANTI-SUBSIDY DUTIES ON MOROCCAN ALUMINIUM WHEELS

On 14 March, the European Commission announced the imposition of anti-subsidy duties of up to 31.4% on aluminium wheel imports from Morocco, citing evidence that these companies benefited from Chinese subsidies under the Belt and Road Initiative. The decision marks the second instance of the EU applying countervailing duties in response to cross-border subsidisation, following similar measures imposed on glass fibres from Egypt in 2020.

The move follows a decision by the Court of Justice of the European Union (CJEU) in November 2024, which upheld the EU's legal approach in the Egyptian case. The CJEU's decision has reinforced Brussels' resolve to address Chinese subsidies globally when they are found to negatively impact EU industrial production.

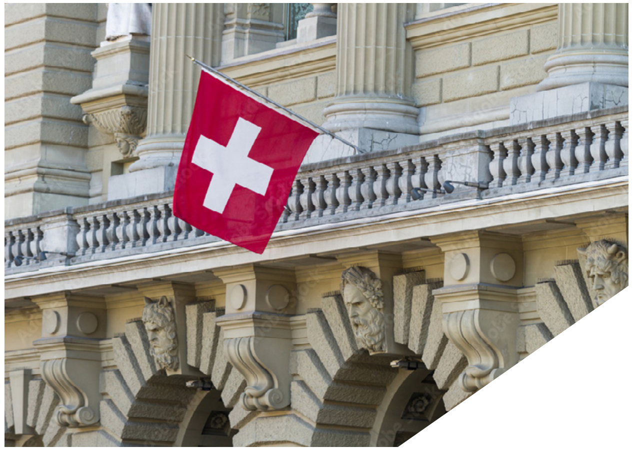
The new duties, announced on 14 March, come as part of the EU's broader efforts to counter the effects of China's state-supported industrial policies.

The Commission framed the decision as protecting the European automotive sector, particularly in the context of its anti-subsidy investigation into Chinese EVs, launched last summer.

> "The EU automotive industry relies on external suppliers."

However, the decision has faced opposition from major European automakers, including Renault and the European Automobile Manufacturers' Association (ACEA). Both parties argue that the EU automotive industry relies on external suppliers due to limited domestic production capacity, making such trade restrictions a challenge for manufacturers.

The duties also impact Morocco, a key EU trade partner that has developed into a competitive automotive production hub, benefiting from trade preferences under the EU-Morocco Association Agreement. These latest measures come on top of existing anti-dumping duties introduced in 2014 on the same products.



EU AND SWITZERLAND UPDATING BILATERAL AGREEMENTS

On 20 December 2024, President of the European Commission Ursula von der Leyen and President of the Swiss Confederation Viola Amherd confirmed the completion of negotiations on a broad package of agreements that aim to deepen and expand the EU-Switzerland relationship. This opens the way for the signing and ratification processes to proceed.

After rejecting EEA membership in 1992, Switzerland's relationship with the EU evolved incrementally. This led to the country's integration into the EU's single market in most goods - but not in services - while it remained outside the Customs Union. The Swiss also accepted free movement of persons and contributed financially to EU cohesion efforts. Over time, however, Brussels grew frustrated by Switzerland's 'pick-and-choose' sectoral approach. In the EU's view, Switzerland benefited from reciprocal market access while retaining too much discretion in applying EU laws.

The new package updates five agreements which already give Switzerland access to the EU internal market: air transport, land transport, the free movement of persons, conformity assessment and trade in agricultural products. New agreements have been reached on food safety, health, and electricity. Another significant development is the inclusion of new institutional provisions. These include a mechanism for Switzerland to dynamically align with EU rules through decisions of the Joint Committee (the body responsible for overseeing relevant agreements); a dispute resolution mechanism that uses an independent arbitration panel, with the CJEU only involved in questions concerning EU law; and a commitment by Switzerland to interpret agreements consistently with ECJ case law.

In a nod to Swiss concerns about applying EU rules without representation, Switzerland will be granted a consultative role in the EU's pre-legislative processes, akin to the 'decision-shaping' rights of EEA members.

In a commentary in March, the Centre for European Reform think tank notes that these modifications in the relationship signal increased EU flexibility and could be seen as a new model for partial integration into the Single Market. This might also have lessons for a mooted future "reset" of relations between the EU and the UK.

EUROPEAN COMMISSION RECOMMENDATION ON OUTBOUND INVESTMENTS

The European Commission has published a Recommendation urging EU member states to review outbound investments in semiconductors, artificial intelligence, and quantum technologies to assess potential risks to economic security. This initiative aims to ensure that critical technologies and know-how do not fall into the wrong hands, thus preventing negative impacts on the EU's security.

The Recommendation follows a White Paper and public consultation that highlighted the need for greater scrutiny of outbound investments. It aligns with the EU's Economic Security Strategy and complements existing measures such as foreign direct investment (FDI) screening. Given the cross-border nature of economic security, the Commission also emphasises the importance of cooperation with international partners on outbound investment screening.

EU member states are asked to review investments in these key technologies over a 15-month period, covering both ongoing transactions and those dating back to 1 January 2021. A progress report is due by 15 July 2025, with a comprehensive report on findings and implementation expected by 30 June 2026. The Commission will use these assessments to determine whether further action is necessary at the EU or national level.

Further Information

Experts react: The U.S. and Europe are trading tariffs. What's next?, 12 March, Atlantic Council, (link)

Thinking European first and its implications, 11 March, Bruegel (link)

UNITED KINGDOM

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FIRST POST-BREXIT TRADE DEFENCE MEASURES UP FOR REVIEW

The UK's Trade Remedies Authority (TRA) has launched industry consultations on trade defence measures due to expire in early 2026, marking the first review of EU-inherited trade measures since Brexit. These measures, originally adopted from EU trade defence instruments, were extended for five years following the UK's departure from the Customs Union in January 2021 and will automatically lapse unless renewed.

The review window opened in January 2025, with the TRA urging affected industries to submit expiry review requests between January and October 2025 to prevent the automatic expiration of protections in January 2026.

The measures under review cover welded steel tubes and pipes, glass fibre, and wire rods from China, rainbow trout from Türkiye, and biodiesel from the U.S. and Canada.

UK-U.S. TARIFFS

Prime Minister Keir Starmer has stated that "nothing is off the table" in response to the tariffs imposed by the US, while reiterating the UK's preference for continued negotiations over retaliatory measures wherever possible. The UK government has expressed relief that British exports will face a lower 10% tariff - the minimum outlined by the White House - compared to the 20% tariff imposed on EU exports and significantly higher duties for other countries.

A government source highlighted that, while the UK opposes all tariffs, the reduced rate validates its diplomatic engagement with Washington and could help protect thousands of jobs.

Business and Trade Secretary Jonathan Reynolds suggested that the UK is close to finalising a deal with the U.S. that may further ease the tariff burden, confirming in a BBC interview that reports of an agreement awaiting President Trump's approval were "not an inaccurate reflection." However, no details of the potential deal were provided.

In a televised address, Starmer stressed that decisions in the coming weeks would be based solely on the national interest, adding: "Nobody wins in a trade war." He described the situation as "a new stage" in the UK's preparations for the global economic disruption triggered by the U.S. tariffs. The Prime Minister reiterated the government's intent to reach a deal, while confirming all options remain under consideration.

The divergence between UK and EU tariff rates may complicate trade dynamics, particularly in Northern Ireland. Under the Northern Ireland Protocol, importers must pay EU tariffs when they are significantly higher than UK rates. A divergent UK-EU approach to the U.S. tariffs could expand the number of goods affected by this requirement. The European Commission is consulting Northern Irish stakeholders on the matter.

The UK opted not to join the EU in imposing retaliatory tariffs on U.S. imports following Washington's decision to introduce a 25% tariff on all U.S. steel and aluminium imports, including those from the UK. The UK government's decision reflected its focus on securing an economic agreement with the U.S., despite expressing disappointment over the new U.S. trade measures.

Business and Trade Secretary Jonathan Reynolds described the U.S. decision to impose tariffs as "disappointing" but emphasised that the UK was taking a pragmatic approach to negotiations.

He confirmed that he would support the UK steel industry's application to the TRA, which will assess whether additional measures are needed to protect domestic producers who may come under further pressure through the trade diversion effects of the U.S. tariffs.

Further Information

The case for a U.S.-UK trade and investment agreement, Atlantic Council, 27 January (link)

ASIA-PACIFIC

INDIA'S ONGOING FTA NEGOTIATIONS

As of March 2025, India is actively engaged in bilateral trade and FTA negotiations with several key partners, aiming to expand market access, strengthen economic ties, and enhance trade opportunities.

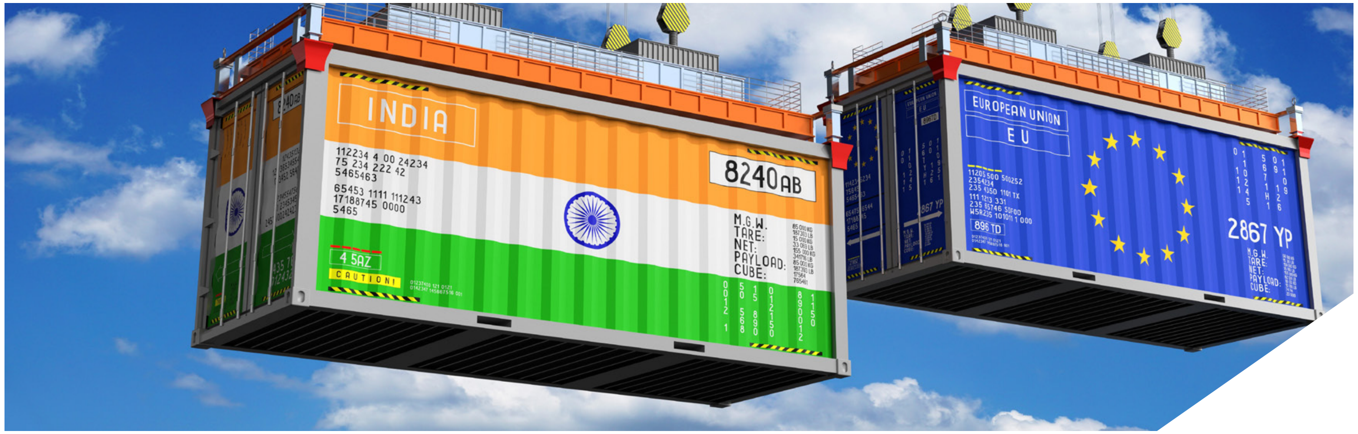
Talks with New Zealand have resumed after a decade-long pause, following a meeting between India's Commerce and Industry Minister Piyush Goyal with New Zealand's Trade Minister Todd McClay on 16 March 2025. With bilateral trade surpassing U.S.$1 billion between April 2024 and January 2025, the negotiations seek to deepen economic cooperation and drive mutual growth. To support this renewed engagement, Minister McClay launched a public consultation on 24 March to gather views for the negotiation on the FTA.

India and the U.S. are working to double bilateral trade to U.S.$500 billion by 2030 through a new initiative, "Mission 500." In February 2025, President Trump and Prime Minister Modi outlined a shared vision to expand trade and investment, making their citizens more prosperous, their nations stronger, and their economies more innovative and resilient.

> "India and the U.S. are working to double bilateral trade to U.S. $500 billion by 2030 by 2030 through a new initiative, 'Mission 500."

They also committed to deepening the trade relationship in a way that promotes fairness, national security, and job creation. To support this goal, both sides announced plans to negotiate the first tranche of a mutually beneficial, multi-sector Bilateral Trade Agreement (BTA) by fall 2025.

FTA negotiations with the UK are expected to resume in early 2025, following an update from British Prime Minister Keir Starmer in November 2024. Since January 2022, both sides have completed 14 rounds of discussions.



> "Von der Leyen announced a renewed push to finalise a FTA with India by the end of 2025."

India and the EU continue to advance their FTA negotiations, with European Commission President Ursula von der Leyen announcing a renewed push to finalise a FTA with India by the end of 2025, describing it as potentially the largest deal of its kind globally. During her visit to New Delhi, accompanied by almost the entire College of European Commissioners, von der Leyen emphasised the strategic importance of a closer EU-India partnership, highlighting shared interests in trade, technology, security, and defence. The FTA talks, which resumed in 2021 after an eight-year hiatus, have progressed slowly, but both sides now appear more determined to conclude a deal.

India's negotiations with Oman on a Comprehensive Economic Partnership Agreement (CEPA) are also progressing. India's Commerce Minister Shri Piyush Goyal visited Muscat on 27-28 January 2025 to discuss the agreement, which was formally launched in November 2023.

India signed a Trade and Economic Partnership Agreement with the European Free Trade Association (EFTA), comprising Iceland, Liechtenstein, Norway, and Switzerland, on 10 March 2024. The agreement is expected to come into force by the end of 2025 following ratification by EFTA member states.

In Southeast Asia, India and ASEAN are reviewing the ASEAN-India Trade in Goods Agreement (AITIGA), originally signed in 2009. The 7th AITGA Joint Committee meeting took place in February in Jakarta, Indonesia, where both sides discussed updates to the agreement. The 8th meeting of the Joint Committee is tentatively scheduled to take place in New Delhi in April 2025.

India is also in discussions with Qatar for a potential FTA. During a state visit to New Delhi on 18-19 February 2025, Qatari Emir Sheikh Tamim bin Hamad Al-Thani and Indian Prime Minister Narendra Modi explored ways to double bilateral trade over the next five years.

All these initiatives are indicative of nothing short of a transformation in Indian trade policy, which traditionally shunned trade agreements. However, it remains to be seen how ambitious the results will be. India has also declined to re-engage with the Regional Comprehensive Economic Partnership (RCEP), which includes China. India took part in the initial RCEP negotiations but later opted out. India's membership in the U.S.-led Indo-Pacific Economic Framework for Prosperity (IPEF) adds another layer of uncertainty to the evolving trade landscape. With President Trump's return to office, doubts have emerged about the level of U.S. commitment, particularly in light of his earlier decision to withdraw from the Trans-Pacific Partnership and his broader scepticism toward multilateral trade initiatives. Even absent a full U.S. withdrawal, potential shifts in American trade and climate policy could affect the framework's coherence and long-term effectiveness.

"India has also declined to re-engage with the Regional Comprehensive Economic Partnership (RCEP), which includes China."

MALAYSIA AND THE EU CONFIRM RELAUNCH OF TRADE AGREEMENT NEGOTIATIONS

On 20 January, Malaysia and the EU announced the resumption of negotiations for an FTA, 12 years after talks were suspended due to differences over Malaysia's palm oil industry. The decision followed Prime Minister Anwar Ibrahim's visit to Brussels.

The agreement is expected to generate economic benefits across multiple sectors and support supply chain stability. It is also anticipated to facilitate EU investment in Malaysia, particularly in manufacturing and renewable energy, while expanding Malaysia's exports to the EU, including electrical and electronic products, optical and scientific equipment, and palm oil and its derivatives.

European Commission President Ursula von der Leyen stated that the negotiations aim to strengthen economic ties while incorporating commitments on labour rights, climate action, and environmental protection. The resumption of discussions marks an effort by both parties to advance trade and investment relations.

SOUTH KOREA AND THE EU AGREE DIGITAL TRADE PACT

On 10 March, the Republic of Korea and the EU concluded negotiations on a Digital Trade Agreement (DTA), reinforcing their commitment to a strong and future-oriented economic partnership. Announced during the 12th Trade Committee meeting under the EU-Korea FTA, the agreement establishes high-standard digital trade rules that promote consumer trust, legal certainty for businesses, and secure cross-border data flows, while preventing unjustified barriers to digital trade.

The agreement includes provisions on data protection, cross-border data flows, digital trade-in goods and services, electronic contracts, authentication, trust services, source code protection, and online consumer rights. By recognising the legal validity of electronic contracts and encouraging electronic signatures, the agreement will facilitate direct and more efficient services for South Korean customers from European businesses.

European consumers will benefit from stronger consumer protections and measures addressing unsolicited communications.

To further enhance economic cooperation, Korea and the EU have also agreed to deepen their 2010 FTA by establishing a specialised committee on emerging trade and economic issues. This platform will allow for cooperation on strategic topics such as economic security, overcapacity, and supply chain resilience.

With negotiations concluded, both sides will now proceed with the necessary legal and procedural steps for formal signature and ratification. On the EU side, this includes legal scrubbing, translation into all EU languages, and approval by the Council and European Parliament. The DTA complements the 2010 EU-Korea FTA and the EU-Korea Digital Partnership, setting a benchmark for digital trade rules in the Indo-Pacific region.

Further Information

The EU and India are close to finalising an FTA. Here's what to know, 7 March, World Economic Forum (link)

WTO

THE WTO AT 30 (1995-2025) AND U.S. INTERESTS

On 3 March, USTR released its 2025 Trade Policy Agenda and 2024 Annual Report, featuring a focus on "The World Trade Organisation at Thirty and U.S. Interests." The Administration appears to pick up where it left off during the President's first term in taking a critical line towards the WTO, while not walking away from it. The organisation "has lost its way," the report says, criticising the "intransigence of certain WTO Members" for "prevent[ing] the U.S. from realising all of the benefits envisioned at the WTO's creation."

USTR identified five main concerns with the WTO: ongoing imbalances among members' tariff rates, non-market policies and practices, dispute settlement, a lack of reform and a failure to "negotiate meaningful outcomes."

"The United States has tried – and will continue to try – to solve [these] problems. But patience wears thin," the report says. "[T]he United States has engaged in good faith over a long period of time to try to find solutions. Going forward, the United States will continue to look for new avenues to make the WTO more relevant and viable in light of the realities of today, but it will do so with an appreciation that meaningful reform will require participation by other Members, including those that have benefited from the failure of the WTO to fulfil its objectives."

> "The organisation 'has lost its way,' the report says, criticising the 'intransigence of certain WTO Members' for 'preventing the U.S. from realising its benefits."

TARIFF ACTIONS STIMULATE A FLURRY OF TRADE DISPUTE ACTIVITY

On 4 February, China requested WTO consultations with the U.S. with respect to the latter's tariff measures, consisting of a 10% initial tariff, on goods originating in China. The case was later updated to include the additional 10% U.S. tariff announced later.

Canada also launched two requests for consultations on tariffs with the U.S., on 4 March and 12 March.

In replies dated 14 March, the U.S. accepted the requests for consultations – the first step in a WTO dispute – from Beijing and Ottawa. The language for both is similar although, in the U.S. response to Canada, Washington disagreed with Ottawa's push for expedited talks.

The U.S. response to Canada said: "Without prejudice to the U.S. view that the actions cited by Canada are issues of national security not susceptible to review or capable of resolution by WTO dispute settlement, or whether each of the items in Canada's letter constitutes a 'measure' within the meaning of Article 4 of the [Dispute Settlement Understanding], the U.S. accepts the request of Canada to enter into consultations," The response to China was almost identical.

On 21 March, the EU notified the WTO of its wish to join the consultations requested by Canada on U.S. steel and aluminium tariffs. The EU noted that it had a substantial trade interest and that the U.S. measures also applied to the EU.

The WTO's Appellate Body is non-operational because the U.S. refuses to make appointments to it. This means that any decision with which it disagrees can be appealed "into the void." However, it appears – so far – to be willing to engage in the initial stages of disputes.

Meanwhile, on 14 March, China asked for the establishment of a dispute settlement panel to assess whether the EU's countervailing duties on Chinese EVs violate WTO rules. China said that bilateral consultations held in December had failed to resolve the dispute and, accordingly, they wished to move to the next stage of the dispute settlement process.

While it would take a considerable time for a panel to be constituted and to report, this dispute is noteworthy in that both China and the EU are parties to the "Multi-Party Interim Appeal Arbitration Arrangement" (known as the MPIA). The MPIA was set up by a group of WTO members after the Appellate Body became non-operational, in order to continue to provide an avenue for binding dispute settlement. China and the EU are both committed to the MPIA (unlike the U.S.).

> "China asked for the establishment of a dispute settlement panel to assess whether the EU's countervailing duties on Chinese EVs violate WTO rules"

WTO IMPROVES DATA ON TRADE IN SERVICES AND TARIFFS

New data on bilateral trade in services covering over 200 economies from 2005 to 2023 was released by the WTO and the OECD on 17 February. The Balanced Trade in Services (BaTIS) dataset, available on the WTO Global Services Trade Data Hub, provides insights into trade in 26 services sectors, covering digitally deliverable and delivered services , total commercial services, and other breakdowns. Interactive data visualisations allow users to customise the information provided. Another online platform - WTO Tariff & Trade Data - providing enhanced access to official tariff and trade figures for over 150 economies, was launched on 4 March. The database — currently in its beta version for preliminary release — includes bilateral trade datasets, time series views, and reports on export and import patterns by product and trade partners. This is a timely analytical resource given the current focus on tariff policies and actions.

COMING UP

- The Dispute Settlement Body will meet in late April, May, and June (dates to be confirmed)
- The General Council will meet in May (date to be confirmed)
- 19-21 June - The Trade Policy Review of Canada

GLOBAL VALUE & SUPPLY CHAINS

THE EU'S PACKAGING AND PACKAGING WASTE REGULATION ENTERS INTO FORCE

On 11 February, the EU's Packaging and Packaging Waste Regulation came into force, introducing measures to reduce the environmental impact of excessive packaging while promoting sustainability and a circular economy in the EU. The Regulation aims to cut greenhouse gas emissions, water use, and environmental costs, while also fostering a single market for waste and secondary materials, increasing recycling, and reducing dependence on primary resources.

Key provisions encourage reuse and refill alternatives to single-use packaging, improved consumer information, and ensured packaging was more sustainable and easier to sort and recycle. The Regulation also creates new business opportunities, generates jobs, and drives innovation in packaging solutions, while enhancing efficiency in the recycling sector. Additionally, new restrictions on hazardous substances provide further protection for consumer health and the environment.

> "The EU's Packaging Waste Regulation came into force to boost sustainability."

The Regulation also introduces a framework for further implementing and delegated acts, which the Commission must adopt by 31 December 2026. These acts will establish the methodology for calculating and verifying the percentage of recycled content from post-consumer plastic waste, set sustainability criteria for plastic recycling technologies, and define the assessment, verification, and certification processes for recycled content collected or processed in third countries. Beyond 2026, additional implementing and delegated acts will set out reuse methodologies, reporting requirements, and the methodology for the recycled-at-scale assessment to ensure long-term compliance and effectiveness.

"The Commission aims to reduce administrative burdens for businesses by 25%, and 35% for SMEs by 2029."

SIMPLIFICATION OMNIBUS PACKAGE

On 26 February 2025, the European Commission published the Omnibus Proposal, as promised in the Commission Work Programme, introducing new proposals intending to simplify the Corporate Sustainability Reporting Directive (CSRD), the Corporate Sustainability Due Diligence Directive (CSDDD), the Carbon Border Adjustment Mechanism (CBAM), EU Taxonomy, and various EU investment programs. Through the reform, the Commission aims to achieve part of its stated goal of reducing administrative burdens for businesses by 25%, and at least 35% for SMEs by the end of the 2024-2029 mandate.

Omnibus I, also known as the first Omnibus package on sustainability, tackles the simplification goal by proposing two Directives: one to review the dates of application of CSRD and CSDDD, and another to adjust the scope and application of the reporting requirements of CSRD and CSDDD, and a regulation aimed at simplifying and strengthening CBAM. EU Taxonomy will be reviewed through delegated acts, which have dedicated consultations open for feedback.

Omnibus II, the second Omnibus on investment simplification, consists of a single proposal for a regulation. The text aims to simplify and optimise the use of several investment programs from the InvestEU Regulation, the European Fund for Strategic Investments Regulation (EFSI Regulation), and legacy financial instruments. This is done to increase the investment capacity of the instruments by an additional €50 billion, to ease member states contributions, and to generate savings from simplified administrative requirements of around €350 million.

Omnibus III on agriculture is currently planned for adoption on 14 My 2025, and Omnibus IV, which includes provisions on small mid-caps and the removal of paper requirements, is expected to be adopted on 21 May 2025.

INDUSTRY GROUPS WARN THAT PROPOSED PORT FEES ON CHINESE SHIPS DOCKING AT U.S. PORTS WOULD ADVERSELY AFFECT SUPPLY CHAINS

Following a petition filed in 2024 by several major U.S. unions, USTR launched an investigation under Section 301 of the Trade Act of 1974 into alleged unfair trade practices by China targeting the maritime, logistics, and shipbuilding sectors.

In February 2025, USTR issued a notice of proposed action stating that to eliminate China's "acts, policies, and practices, and in light of China's market power over global supply, pricing, and access in the maritime, logistics, and shipbuilding sectors, USTR proposes to impose certain fees and restrictions on international maritime transport services related to Chinese ship operators and Chinese-built ships, as well as to promote the transport of U.S. goods on U.S. vessels." The port fees concerned could be as high as $1.5 million per ship. In addition, USTR proposed that a certain percentage of U.S. exports be restricted to export by U.S.-flagged ships and U.S. operators. Comments were invited on the proposed action up to 24 March, when a hearing would be held.

Responses from major industry groups, particularly in agriculture and energy, have sounded the alarm. The International Chamber of Shipping (a global trade association representing shipowners and operators) said that the proposed measures would impact 98% of internationally trading liner ships that call at U.S. ports. The American Farm Bureau Federation predicted that the fees would dramatically raise transportation costs for U.S. agricultural exporters, while the American Soybean Association warned that U.S. could lose competitiveness compared with Australia, Brazil, and Canada. One coal exporter warned that its U.S. coal exports are likely to cease within 60 days if the fees are implemented. The National Mining Association reported that some of its members had lost nearly all export orders for the remainder of the year due to uncertainty. The International Chamber of Shipping said that 23% of LNG carriers calling at U.S. ports would fall within the scope of the proposed fees, while the American Association of Port Authorities warned that the fees could lead to cargo being diverted to Mexican and Canadian ports before being shipped by road and rail to the U.S..

However, representatives of the unions that backed the investigation praised the proposed remedies. The President of the United Steelworkers International said that the proposed measures "provide a strong base upon which to rebuild our shipbuilding capacity, protect our logistics interests and restore maritime power."

Further Information

Streamlining or hollowing out? The implications of the Omnibus package for sustainable finance, 3 March, Bruegel (link)

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