INTERNATIONAL TRADE POLICY DEVELOPMENTS

June-August 2026 Report

BY INVITATION

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BY INVITATION

Grit Köthe, lawyer and partner with BDO Germany, has more than 20 years of experience in advising national and international companies in almost every industrial sector. She specialises in EU and German customs and foreign trade law, special excise duties law, insurance law and VAT law. She and her team support their clients in all matters from compliance and advisory services to legal defence in extrajudicial and judicial proceedings of all instances.

Five Regulatory Frameworks. One Strategic Imperative.

BY GRIT KÖTHE, BDO GERMANY

HOW CBAM, EUDR, PPWR, THE EU BATTERIES REGULATION AND RULES FOR ELECTRICAL AND ELECTRONIC EQUIPMENT ARE RESHAPING GLOBAL SUPPLY CHAINS

For years, sustainability compliance was often treated as a reporting exercise. Today, it has become a market access requirement.

Five regulatory frameworks are accelerating this shift across the European Union: the Carbon Border Adjustment Mechanism (CBAM), the EU Deforestation Regulation (EUDR), the Packaging and Packaging Waste Regulation (PPWR), the EU Batteries Regulation and the regulatory framework for electrical and electronic equipment. Although each addresses a different environmental objective, they send the same message to businesses: transparency, traceability and accountability are now fundamental business capabilities.

CBAM is changing how companies evaluate carbon exposure across international supply chains. Importers can no longer focus exclusively on price, quality and availability. The carbon footprint of goods is becoming a strategic factor in procurement decisions, supplier selection and long-term sourcing strategies.

At the same time, EUDR raises the bar for due diligence. Companies trading in relevant commodities and products must understand exactly where materials originate and be able to demonstrate that they are not linked to deforestation. This requires reliable data, strong governance and close collaboration with suppliers throughout the value chain.

The PPWR adds another dimension. Packaging is no longer merely a logistical necessity; it is becoming a strategic compliance topic.

Requirements relating to recyclability, packaging minimisation, reuse and documentation will influence product design, procurement processes and commercial decisions across industries.

The EU Batteries Regulation extends this logic into the product itself. Businesses placing batteries, including batteries incorporated into products, on the market must look beyond technical performance. Producer responsibility, registration, take-back and recycling obligations make the full battery lifecycle a commercial and operational concern. For manufacturers, importers and distributors, this means clarifying responsibilities early and ensuring that product, market and compliance data remain connected.

Rules for electrical and electronic equipment reinforce the same circular-economy direction. Product compliance does not end when an electrical device is sold. Requirements concerning restricted substances, registration, information, take-back and the environmentally sound treatment of waste equipment can affect product design, supplier documentation, sales channels and after-sales processes. Where an electronic product contains a battery and is sold in packaging, several regulatory layers may apply to the same product at the same time.

Viewed individually, each framework may appear manageable. Taken together, however, they reveal a much broader trend: environmental compliance is moving upstream into product development, procurement and core business operations, while producer responsibility follows the product downstream to collection, recycling and end-of-life management.

The organisations best positioned for the future will not treat CBAM, EUDR, PPWR, batteries and electrical equipment rules as separate compliance projects. They will use them as catalysts to improve data quality, define responsibilities across the value chain, strengthen supply chain transparency and build more resilient business models.

The question is no longer whether sustainability requirements will affect international trade. The real question is how quickly businesses can transform overlapping compliance obligations into a coherent operating model and, ultimately, a competitive advantage.

> The future belongs to companies that can prove what they buy, where it comes from, how it was produced, which obligations attach to it and how it will be managed at the end of its lifecycle.

FIVE DEVELOPMENTS TO WATCH

1 U.S. REPLACES TEMPORARY GLOBAL SURCHARGE WITH "FORCED LABOUR" SECTION 301 TARIFFS

U.S. Trade Representative Jamieson Greer announced final action on 23 July in the Administration's Section 301 investigations into the alleged failure of 60 economies to prohibit and effectively prevent imports of goods produced with forced labour. The decision imposes additional tariffs of either 10% or 12.5% on most imports from the economies concerned, subject to product-specific exemptions. The measures took effect on 24 July.

> "The investigated economies collectively account for 99.4% of U.S. imports."

The 10% rate applies to trading partners that have introduced a forced labour import prohibition, committed to do so through a trade agreement with the United States, or established a partial regime covering certain forced labour goods. This group includes Canada and Mexico. Most of the remaining economies are subject to a 12.5% rate. Different treatment applies to the European Union and Taiwan, where the Section 301 tariff is adjusted so that, when combined with the existing most-favoured-nation (MFN) tariff, the total rate reaches a maximum of 10%. A similar mechanism applies to Japan, South Korea and Switzerland, with a 12.5% ceiling.

The action includes exemptions for goods already subject to Section 232 (national security) tariffs, as well as certain raw materials, products unavailable in sufficient quantities from U.S. or alternative suppliers, and goods whose inclusion could cause wider economic disruption. The investigated economies collectively account for 99.4% of U.S. imports, giving the decision a substantially broader reach than most previous Section 301 actions.

USTR may also establish tariff-rate quotas for certain textile and apparel imports from Bangladesh, Cambodia, Indonesia and Malaysia, linked to those countries' use of U.S. cotton and textile inputs.

The new Section 301 forced labour tariffs were immediately challenged by Democratic officials from 25 states as well as two coalitions of small businesses. They argued that the measures do not genuinely target forced labour but instead use the issue as a pretext to recreate the sweeping tariffs President Trump sought to impose under IEEPA (before these were rejected by the Supreme Court). The U.S. Court of International Trade has scheduled 30 September for a hearing.

The Washington D.C.-based Center for Strategic and International Studies said that in its view "the legal foundation of the latest Section 301 decision is not rock solid". Some experts argue that Congress intended Section 301 as a "rifle shot" statute to combat a set of unfair practices by an individual trading partner.

In their view, a Section 301 determination imposing a uniform set of tariffs across 97-99% of U.S. imports clashes directly with the Constitution, which gave Congress the exclusive responsibility to impose these kinds of broad tariffs. The CSIS accordingly describes this latest tariff action as a "risky gambit".

WHY THIS MATTERS

The measures demonstrate the continuing attempts at diversification of the legal tools underpinning U.S. tariff policy following the Supreme Court's rejection of the IEEPA tariffs and the expiry of the temporary Section 122 surcharge. The unusually broad scope of the forced labour action reinforces Section 301 as the Administration's central instrument for maintaining tariff coverage while pursuing wider policy objectives, but still runs a risk of rejection by the courts.

2 THE GREAT TRANSSHIPMENT SCAM

As noted in the April-May 2026 report, while U.S. direct imports from China have been declining, the trade war has been moving to "connector countries" such as Vietnam and Mexico. This was bound to lead to a sharper focus on whether the significantly increased U.S. imports from such countries constitute in some measure "transshipment" - meaning that the origin of such goods remained as Chinese despite the final shipment to the U.S. apparently originating in a third country.

The White House Office of Trade and Manufacturing Policy (led by arch-tariffier Peter Navarro) has now published a report on what it calls "The Great Transshipment Scam". Its hypothesis is that, following successive trade wars, U.S. tariffs on Chinese goods are significantly higher than tariffs on other countries' goods. The Peterson Institute estimated that at the end of 2025 the average U.S. tariff on Chinese goods was as high as 47.5%.

> "The report identifies more than 40 countries associated with elevated illegal transshipment risk."

This has opened up opportunities for "tariff arbitrage" by passing off what are essentially still Chinese-origin goods as originating in another country through transshipment. While this alleged practice is commercially rational, according to the report it results in huge losses of customs revenue in the U.S. and is regarded by the White House as "illegal".

The report identifies more than 40 countries associated with elevated illegal transshipment risk. These jurisdictions vary significantly in economic scale and function. Some are major trading partners with diversified industrial bases and large volumes of overall commerce. Others are closely integrated into China-linked production and supply networks. A third group consists of smaller jurisdictions that offer specific advantages, including low labour costs, permissive free-zone rules, strategic port access, bonded warehousing, limited customs capacity, niche assembly operations, or preferential access to the U.S. market.

What is described in the report as China's "Shadow Transshipment Network" allegedly operates through both production-side and logistics-side channels. Production-side nodes may perform light assembly, finishing, testing, packaging, labelling, inspection, or component integration before export to the United States. Logistics-side nodes may primarily provide routing, consolidation, warehousing, re-invoicing, relabelling, or new export documentation. Effective enforcement therefore requires distinguishing legitimate manufacturing and substantial transformation from pass-through trade and origin shifting.

Citing various research sources, the report estimates that there are illegal transshipment flows of between $40 billion and $300 billion annually. The resultant U.S. tariff revenue losses are between $10 billion and $136 billion annually (this wide range reflecting tariff arbitrage differentials).

> "Revenue losses are between $10 billion and $136 billion annually."

The U.S. response to all this, according to the report, will be to build on the dramatic advances in artificial intelligence and a clear national mandate, to strengthen every aspect of U.S. borders, putting actors participating in the Great Transshipment Scam on notice that they will be pursued. Emerging AI architecture is fusing anomaly detection, link analysis, capacity validation, and mirrored-flow verification into a single predictive platform – the foundation of what the report calls "America's Detective Border".

WHY THIS MATTERS

It was inevitable that the ongoing reconfiguration of U.S. trade, distorted by tariffs, away from direct imports from China towards new intermediaries would eventually attract attention. However the alleged breadth and scale of this "transshipment network" is perhaps surprising - from the EU, Canada, India, Japan, Mexico, South Korea and Taiwan, to much of ASEAN, and to substantial parts of South and Central America. How disruptive this new U.S. focus on imports from so many sources will be probably depends on the scale of the resources to be deployed by the U.S. Customs and Border Protection: will they rely just on AI at the border or will they, for example, start to demand inspections of foreign factories and facilities? The higher profile of transshipment could also lead to pressure for stricter rules of origin and complicate the USMCA review.

3 EU AND CHINA LAUNCH NEW TRADE AND INVESTMENT CONSULTATION MECHANISM

On 29 June, the EU and China established a new high level Trade and Investment Consultation Mechanism following talks between EU Trade Commissioner Maroš Šefčovič and Chinese Commerce Minister Wang Wentao in Brussels. The meeting produced the first joint EU-China trade statement since 2019 and is intended to manage growing commercial tensions and support a more balanced bilateral relationship.

The mechanism will cover four areas: trade and investment balancing, export controls, intellectual property rights and World Trade Organization reform. An immediate working group will establish a joint monitoring system through which the two sides will exchange data and track trade flows. If the data identify destabilising increases in imports, the mechanism could facilitate discussions at political level on possible tariff, non-tariff or market access measures. The joint statement also confirms that ministers will meet again in autumn 2026.

The initiative reflects growing EU concern about its trade imbalance with China. In 2025, the EU imported EUR 559.4 billion of goods from China while exporting EUR 199.6 billion, producing a deficit of EUR 359.8 billion, equivalent to almost EUR 1 billion per day. EU exports declined by 6.5% during the year, while imports increased by 6.4%. This deficit is only very partially offset by the EU's modest surplus in trade in services.

A roadmap setting out expected deliverables was due to follow the inaugural meeting, with an initial assessment of progress expected in September. Šefčovič is due to visit China in October, when he hopes to present the "first tangible results" from the mechanism. This visit is expected to form the principal autumn test of whether the process can generate practical outcomes.

Export controls will be an early focus. The EU welcomed China's assurance that its controls on rare earth elements and permanent magnets would not disrupt European supply chains.

The two sides also committed to exchanging information on licensing policies and improving arrangements for EU companies requiring access to critical materials.

The inclusion of WTO reform as a topic in the mechanism is interesting. Both the EU and China like to portray themselves as guardians of the system and this may provide scope for finding common ground in some areas of the reform discussions.

Underlying tensions nevertheless remain. In its comments on the Industrial Accelerator Act, the Chinese Ministry of Commerce (MOFCOM) argued that the proposed conditions on foreign investment in batteries, electric vehicles, solar PV, and critical raw materials, together with the preference for EU-origin products in public procurement and support schemes, would create discriminatory barriers for Chinese companies. It also questioned the proposal's compatibility with WTO rules and warned that it could weaken Chinese investment in Europe, disrupt supply chains and slow the EU's green transition.

MOFCOM's criticism carries a double standards argument, namely that the EU is introducing local content, ownership and technology transfer conditions of the type it has frequently criticised in other markets. Beijing has warned that it could take countermeasures if the legislation is adopted without changes and damages Chinese commercial interests.

WHY THIS MATTERS

The mechanism provides businesses with a structured channel through which trade-flow disruptions, market-access barriers, export controls and intellectual property concerns can be escalated. However, it does not place binding limits on either party's use of trade-defence or industrial-policy measures. The September assessment and Šefčovič's October visit will therefore be important indicators of whether the initiative can deliver measurable improvements or merely manage an increasingly difficult trade relationship.

4 ASEAN CONCLUDES LANDMARK REGIONAL DIGITAL ECONOMY AGREEMENT

ASEAN concluded negotiations on its Digital Economy Framework Agreement (DEFA) in early June. The agreement, which ASEAN describes as the world's first region-wide, legally binding digital economy framework, is intended to improve interoperability between the digital markets of its 11 members and support the region's ambition to develop a digital economy worth up to US$2 trillion by 2030.

The DEFA establishes rules covering paperless trade, electronic payments and financial transactions, cross-border data transfers, personal data protection, online consumer protection and digital trade facilitation. It also supports the further development of the ASEAN Single Window and a regional Unique Business Identification Number, which could allow companies to complete cross-border transactions and regulatory processes through more integrated digital systems. Additional provisions address cooperation on digital skills and the recognition of professional qualifications.

ASEAN members also agreed not to impose customs duties on electronic transmissions. However, the agreement preserves some national policy space: duties may continue to apply where digital products are imported on physical carrier media, while Indonesia will retain the ability to require customs declarations and other administrative filings for certain digital imports. The agreement is also expected to prohibit only "unnecessary" data localisation requirements, allowing members some flexibility to maintain domestic data governance measures.

WHY THIS MATTERS

The DEFA could reduce regulatory and administrative fragmentation across Southeast Asia's digital markets, making cross-border digital trade easier for businesses operating across multiple ASEAN jurisdictions. Its commercial significance will nevertheless depend on how consistently members implement the common rules, particularly in relation to data transfers, electronic documentation and domestic digital import requirements.

5 EU INTRODUCES €3 DUTY ON LOW-VALUE IMPORTS

From 1 July, the EU began applying a temporary €3 customs duty to business-to-consumer distance sales imported in consignments with an intrinsic value of no more than €150. Regulation (EU) 2026/382 formally removes the previous customs duty exemption for low-value consignments, while the €3 rate provides an interim system until normal product-specific tariffs can be administered through the planned EU Customs Data Hub. VAT remains payable under the existing rules, so the new duty is an additional import cost rather than a replacement for VAT.

The EU has linked the reform to internal market protection and enforcement against undervalued imports which the Commission claims creates an unfair competitive advantage for non-EU-based sellers. With approximately 4.6 billion consignments valued below €150 entered the EU in 2024, with 91% originating in China, the flat duty is therefore origin-neutral in law but is likely to fall predominantly on Chinese e-commerce flows.

The duty is charged for each distinct category of goods within a consignment, identified through the applicable tariff classification, rather than simply once per parcel or for every physical unit. A parcel containing several identical products under one tariff subheading may attract €3, while a mixed parcel containing three separately classified product categories will attract €9. The amount payable can therefore depend on both the composition of the order and the declaration used.

The measure applies whether VAT is accounted for through the Import One Stop Shop, special arrangements or the standard import VAT procedure. From 1 November 2026, declarations must also include specified merchant and manufacturer product identifiers, requiring more accurate data to pass from sellers and platforms to customs declarants. A separate EU handling fee, expected to be €2 per small parcel, is due to apply from November to recover customs processing and supervision costs. The rate and detailed arrangements remain subject to a Commission delegated act.

Industry reaction has appeared divided depending on where the costs and benefits fall. European retailers and wholesalers regard the duty as a correction to an uneven system under which bulk importers paid customs duty while direct shipments below €150 did not. Their priority is a uniform EU charge, since national fees can cause parcels to be redirected through another Member State without reducing their overall entry into the Single Market.

Ecommerce Europe has supported removing the threshold but argued that the charges should not be presented as a substitute for enforcement, while several postal operators have expressed concern around the practical burden, including incompatible data requirements and potential liability for unpaid duty.

The €3 duty is expected to remain until 1 July 2028, when the Customs Data Hub is scheduled to support the application of normal EU tariff rates from the first euro of value.

WHY THIS MATTERS

The change materially alters the economics of very cheap imports. A €3 duty represents 30% of a €10 product but only 3% of a €100 product, before VAT, delivery charges or any handling fee. Large platforms may absorb part of the cost, consolidate product categories or move inventory into EU warehouses, while smaller sellers may pass it through, withdraw marginal products, or even withdraw from the market altogether. The measure should reduce the tariff advantage of direct imports, but it also creates new classification and data obligations across platforms, carriers and customs representatives. It is a bridge to the permanent customs regime, not a complete solution to undervaluation, unsafe products or enforcement pressure at the border.

UNITED STATES, CANADA & MEXICO

USMCA REVIEW ENDS WITHOUT EXTENSION AS NEGOTIATIONS CONTINUE

The United States declined to extend the United States-Mexico-Canada Agreement (USMCA) for a further 16-year period following the agreement's first mandatory Joint Review on 1 July. U.S. Trade Representative Jamieson Greer said the Administration was not prepared to renew the agreement in its current form without addressing its perceived shortcomings and the United States' trade deficits with Canada and Mexico.

The decision does not terminate the USMCA. The agreement remains fully in force until 2036, and the three parties may agree to extend it at any point. However, the absence of a joint decision to renew means that the agreement will now be subject to annual reviews, potentially creating a prolonged period of negotiations and uncertainty over the rules governing North American trade.

U.S. concerns include the rules of origin applying to automobiles and other industrial products, the treatment of steel and aluminium, agricultural market access and the use of inputs from outside North America.

> "The USMCA underpins approximately US$1.6 trillion in annual trade."

The Administration is particularly focused on preventing companies from non-parties, including China, from benefiting indirectly from USMCA preferences through investment or limited processing in Mexico or Canada.

Negotiations with Mexico have continued through a series of bilateral rounds. A third round held in Mexico City from 21 to 23 July covered automobiles, steel and aluminium products, agriculture, labour, electronic payment services and economic security. The discussions also focused on the need to strengthen North American manufacturing and address what USTR described as "free-riding" by non-parties. A fourth bilateral round is scheduled to take place in Washington in September.

Discussions with Canada have developed more slowly and remain complicated by U.S. tariffs affecting Canadian automobiles, steel, aluminium and lumber, as well as Canada's retaliatory measures. Canada has nevertheless reiterated its commitment to renewing the agreement and maintaining its trilateral structure.

WHY THIS MATTERS

The USMCA underpins approximately US$1.6 trillion in annual trade and highly integrated regional supply chains, particularly in the automotive, agriculture, energy and advanced manufacturing sectors. The decision leaves USMCA preferences unchanged but introduces the prospect of annual reviews until parties agree to an extension. This could prolong uncertainty for businesses making long-term investments and sourcing decisions across North America, while increasing pressure to demonstrate regional origin and reduce reliance on non-regional inputs.

WASHINGTON OPENS SECTION 301 INVESTIGATION INTO GERMAN PHARMACEUTICAL PRICING

U.S. Trade Representative Jamieson Greer launched a Section 301 investigation in June into what the Administration describes as Germany's "persistent underpayment" for innovative pharmaceutical products. The investigation will determine whether German pricing and reimbursement policies are unreasonable or discriminatory and whether they burden or restrict U.S. commerce.

The Administration argues that government pricing policies in other developed economies suppress the prices paid for innovative medicines and cause U.S. patients to bear a disproportionate share of global pharmaceutical research and development costs. USTR has identified supplemental discounts, confidential negotiated prices and mandatory variable rate rebates as particular areas of concern.

The investigation was prompted in part by changes to Germany's statutory pharmaceutical pricing regime. Germany increased the mandatory discount that manufacturers must offer healthcare providers from 7% to 10.5% at the beginning of 2026, with further changes planned from July 2027. The measure is expected to save the German government approximately €1.1 billion next year. The Administration is concerned that the changes will further reduce the prices received by manufacturers of innovative medicines, including U.S. pharmaceutical companies.

The investigation follows discussions between the United States and Germany that failed to resolve the issue. It also forms part of a broader U.S. effort to incorporate pharmaceutical reimbursement and market-access policies into trade negotiations. The Administration has already reached a separate arrangement with the United Kingdom under which the UK agreed to increase the net prices paid for certain new medicines in exchange for protection from possible U.S. pharmaceutical tariffs.

USTR accepted written comments until 10 August and will hold a public hearing on 22 September. If it determines that Germany's policies are actionable, the United States could impose tariffs or other trade restrictions. Any tariffs would not necessarily be limited to pharmaceuticals and could affect unrelated German exports selected to create negotiating leverage.

WHY THIS MATTERS

The investigation represents a further expansion of Section 301 beyond conventional market access and industrial policy disputes. It also raises broader questions over the extent to which domestic healthcare procurement and cost control policies may be treated as trade barriers where they affect the revenues of foreign pharmaceutical companies.

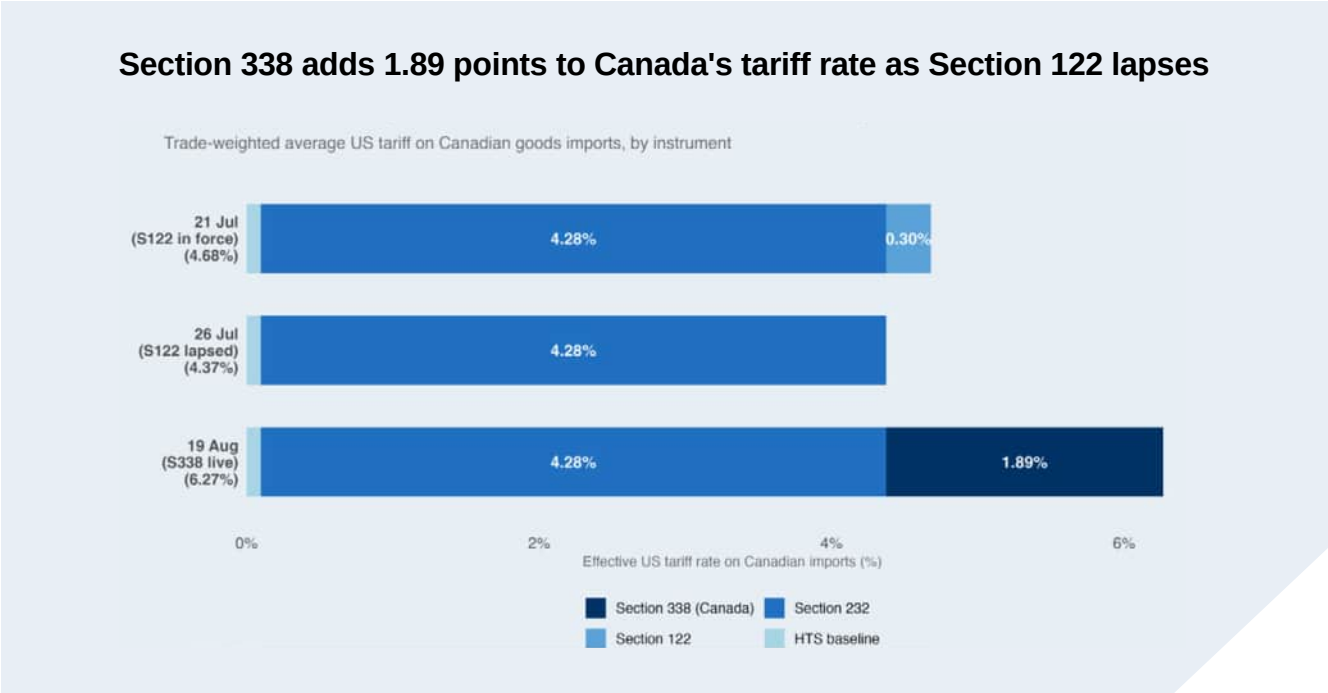
UNITED STATES INVOKES SECTION 338 AGAINST CANADIAN IMPORTS

President Trump signed three proclamations in July imposing additional 50% tariffs on selected Canadian imports under Section 338 of the Tariff Act of 1930. The measures cover nearly US$20 billion of imports and were initially scheduled to take effect on 19 August, following a 30-day period intended to allow the two governments to seek a negotiated solution.

The three actions address separate U.S. complaints concerning motor vehicles, alcoholic beverages and dairy products. The Administration argues that Canada has placed limits and tariffs on imports of U.S. motor vehicles while treating vehicles from certain other countries more favourably. It also points to decisions by most Canadian provinces and territories to halt the purchase or retailing of U.S. alcoholic beverages, as well as differences in the administration of tariff rate quotas for U.S. and other imported dairy products.

The resulting tariffs apply to a wider selection of Canadian goods than the sectors directly involved in the disputes, covering products ranging from wine and dairy products to hockey sticks and cement. Importantly, covered goods are subject to the additional tariff even where they qualify as originating products under the USMCA. Energy products, potash, fish, critical minerals and products already subject to Section 232 tariffs are among the principal exemptions.

Section 338 authorises the President to impose duties of up to 50% when another country discriminates against U.S. commerce or treats goods from the United States less favourably than comparable goods from other trading partners. Although the provision has existed for almost a century, it has not previously played a significant role in modern U.S. trade policy.



Source: ***Global Trade Alert***

On 18 August, just before the tariffs were due to take effect and following last minute negotiations, President Trump announced that "I have paused the 50% Tariffs against Canada, that were scheduled to kick in tomorrow morning for a three day period, based on the fact that Canada and the U.S.A., subject to the finalization of documents, have a DEAL!"

However, negotiations collapsed on 21 August without a final agreement, with the two sides subsequently blaming each other for introducing unacceptable demands late in the talks. The 50% Section 338 tariffs therefore entered into force on 22 August, applying to approximately US$20 billion of annual Canadian exports across more than 500 tariff lines.

The measures apply even to covered goods that qualify for preferential treatment under the USMCA. Separately, President Trump subsequently announced that tariffs on Canadian automobiles, automotive parts and steel would increase to 50% from 1 January 2027.

> "Negotiations collapsed on 21 August without a final agreement."

Canada has responded with reciprocal measures. The government announced counter-tariffs on C$27.6 billion of U.S. imports, matching the applicable U.S. tariff rates and targeting products including steel, dairy products, appliances, agricultural equipment, pulp and paper, and electronics. The measures are scheduled to take effect on 8 September. Canada has also announced C$7.5 billion in additional support for affected workers and businesses.

ADDITIONAL TARIFFS ON BRAZIL

Brazil faces an additional layer of tariffs following a separate and country-specific Section 301 investigation covering digital trade, electronic payments, intellectual property, ethanol market access, anti-corruption enforcement and illegal deforestation. The U.S. imposed a 25% tariff on a raft of imports from Brazil, effective 22 July.

Brazil subsequently requested consultations with the U.S. through the WTO dispute settlement system on both these specific tariffs as well as those resulting from the broader Section 301 investigation on forced labour. It argues that the U.S. measures discriminate between WTO members, exceed U.S. bound tariff rates and improperly seek unilateral redress. Brazil estimates that the measures resulting from the two Section 301 investigations affect approximately $6.6 billion of its exports to the U.S.

The U.S. accepted the Brazilian request to enter consultations at the WTO. Since the WTO's Appellate Body is not operational it seems unlikely that the case will be resolved there.

However, Brasilia, has also indicated that it intends to invoke its new "Reciprocity Law," which allows its executive branch to impose trade restrictions or suspend investment or intellectual property obligations in response to foreign actions, such as violations of trade agreements or interference with sovereign policy choices. The activity in the WTO may be intended to provide legal cover for that.

FURTHER INFORMATION

Chatham House – Trump's summer of tariffs means trade uncertainty is here to stay

Center for Strategic & International Studies – Section 301 Tariffs and China: A Risky Gambit

Peterson Institute – The forced labor case against Brazil is not about forced labor

EUROPEAN UNION

EU'S NEW STEEL IMPORT REGIME ENTERS INTO FORCE

On 8 June, the Council of the EU formally adopted a new framework governing steel imports into the EU, completing the legislative process following the European Parliament's approval in May. The Regulation entered into application on 1 July 2026, replacing the safeguard regime that had operated since 2018.

Under the new framework, the volume of steel that may enter the EU duty-free is capped at 18.3 million tonnes annually, representing a reduction of approximately 47% compared with 2024 quota levels. Once the applicable tariff-rate quota is exhausted, imports will face an out-of-quota duty of 50%, double the 25% duty applied under the previous safeguard.

Quota allocation differentiates between countries with and without free trade agreements with the EU. Trading partners accounting for at least 5% of EU imports within an individual steel-product category during the 2022–2024 reference period receive country-specific quotas.

Half of the overall duty-free volume, standing at 9.15 million tonnes, is reserved for the EU's FTA partners, giving them preferential access based principally on historic trade flows. Remaining volumes are distributed through residual quotas, some of which operate on a first-come, first-served basis.

The Regulation permits unused quota to be carried forward between quarters within the same quota year, providing additional flexibility for importers and downstream users. However, unused volumes cannot be carried into the following year. The Commission has presented this approach as balancing stronger protection for European producers with the need to maintain adequate and diversified supplies for sectors dependent on imported steel.

A core feature of the new regime is the introduction of a "melt and pour" requirement, under which the origin of imported steel is linked to the country where it was first melted and poured into its initial solid form, through which the Commission intends to strengthen supply chain traceability and prevent circumvention

through limited processing or rerouting in third countries. The Regulation also establishes a reinforced review mechanism, allowing the Commission to adjust its scope or operation in response to changes in import patterns, market conditions and global production capacity.

The measure forms part of the EU's wider response to persistent global steel overcapacity, which is projected to reach 721 million tonnes by 2027, amounting to over five times the annual EU steel consumption. The Council has linked this pressure to increased imports, EU capacity utilisation of only 67% in 2024 and the loss of approximately 65 million tonnes of European production capacity and up to 100,000 jobs since 2007.

The Regulation has a wider economic-security dimension. A joint declaration by the Council, Parliament and Commission commits the EU to reducing its remaining dependencies on Russian steel and gradually phasing out Russian steel products.

"A core feature of the new regime is the introduction of a "melt and pour" requirement, under which the origin of imported steel is linked to the country where it was first melted."

At the same time, the preferential treatment afforded to FTA partners illustrates how access to the EU market is becoming increasingly linked to the Union's wider network of trusted economic relationships.

WHY THIS MATTERS

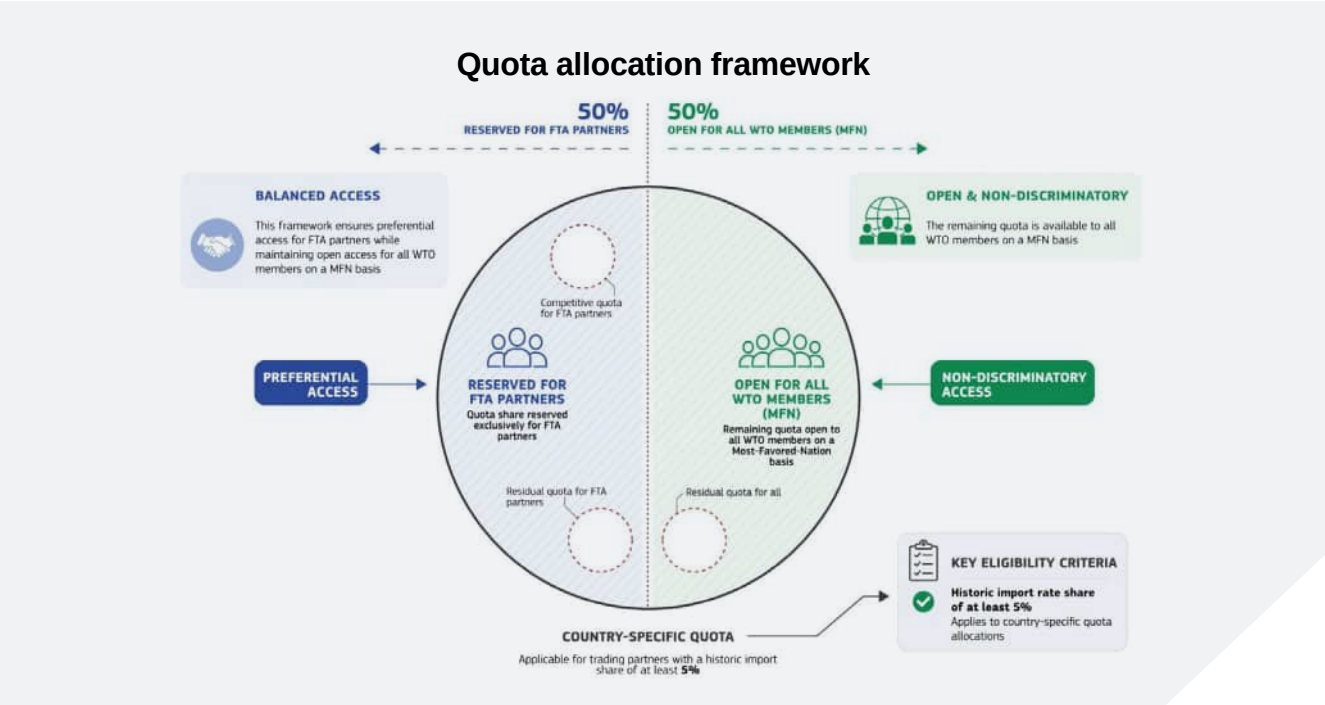
The new regime represents a structural tightening of EU steel policy providing a significantly stronger protection for European steelmakers, but also potential increased costs and create quota-management risks for importers and downstream industries. Its effectiveness will therefore depend on whether the Commission can protect domestic production while maintaining sufficient access to specialised steel products and avoiding supply shortages.

EU-US TARIFF PACKAGE ENTERS INTO FORCE AS BRUSSELS CONTINUES TO WITHHOLD RETALIATION, BUT UNDERLYING TENSIONS SIMMER

On 1 July, the EU's legislation implementing the tariff elements of the EU-U.S. Turnberry agreement entered into force. The package removes the remaining EU customs duties on US industrial goods, provides preferential access for selected seafood and non-sensitive agricultural products, and extends duty-free treatment for lobster imports.

The legislation includes safeguards allowing the Commission to suspend preferences if the U.S. fails to meet its commitments, introduces discriminatory measures or causes a damaging increase in imports. It also gives Washington until the end of 2026 to bring tariffs on EU steel and aluminium derivatives within the agreed 15% ceiling. The main regulation will expire at the end of 2029 unless extended following an economic assessment.

The U.S, subsequently replaced its expiring temporary import surcharge with Section 301 tariffs linked to the enforcement of forced labour import prohibitions.



Source: European Commission

For EU products, the new tariff is calibrated so that the combined US most-favoured-nation duty and Section 301 tariff reaches 10%, unless the product is exempt or subject to a separate sectoral regime.

On 31 July, the Commission extended, without an end date, the suspension of EU rebalancing measures covering EUR 93 billion of US imports.

However, the measures remain available for reactivation if Washington fails to honour the Turnberry commitments.

Notwithstanding the moves towards implementation of the Turnberry agreement, several issues continue to weigh on EU-U.S. relations.

In August, writing in the Financial Times, the U.S. ambassador to the EU criticised the EU's Carbon Border Adjustment Mechanism as a protectionist barrier, equating it to a tariff by another name. In response, it was pointed out that, unlike a tariff, domestic EU firms were also subject to the same levy.

The ambassador also recently reminded the EU that under Turnberry it had committed to ensure that its Corporate Sustainability Due Diligence Directive would not pose undue restrictions on trans-Atlantic trade. While acknowledging that some positive reforms had been made to the CSDDD, those reforms failed to fully address U.S. concerns regarding the Directive. "Now it's time for the EU to deliver", he said.

Earlier, in July, U.S. Trade Representative Jamieson Greer said that European actions targeting major U.S. technology corporations threaten the trans-Atlantic trade terms agreed under the Turnberry framework agreement. He cited a fine of close to $1 billion on the tech giant Google for violating the Digital Markets Act. Greer also raised concerns about a significant loan by the European Investment Bank to Airbus in June.

EU PROPOSES MAJOR POST-2030 REFORM OF EMISSIONS TRADING SYSTEM

The European Commission published its review of the EU Emissions Trading System (ETS) in July, proposing a series of changes aimed at maintaining the EU's climate objectives while limiting the impact of rising carbon costs on European industry. The package is particularly relevant for trade, as the ETS determines the carbon costs faced by EU producers and is closely linked to the EU's Carbon Border Adjustment Mechanism (CBAM).

A key element is the continuation of free carbon allowances beyond 2030, with the Commission also proposing to slow their phase-out for sectors covered by CBAM until 2038. Changes to the benchmarks used to calculate free allocation are expected to provide around €6 billion in additional allowances between 2026 and 2030. Together, these measures are intended to ease the transition for European manufacturers exposed to international competition while CBAM is progressively implemented.

The Commission is also proposing greater flexibility in how companies meet their ETS obligations. This includes allowing limited use of international carbon credits and progressively integrating up to 250 million tonnes of permanent carbon removals. At the same time, ETS revenues would increasingly support industrial decarbonisation through instruments including the Innovation Fund and proposed Industrial Decarbonisation Bank.

EU-INDONESIA TRADE AGREEMENT MOVES TO RATIFICATION STAGE

The European Commission has submitted the EU-Indonesia Comprehensive Economic Partnership Agreement (CEPA) and a separate Investment Protection Agreement to the Council for signature and conclusion. The step moves the agreements into the EU ratification process following the conclusion of negotiations in September 2025, after nine years and 19 formal negotiating rounds. Indonesia is the largest economy in Southeast Asia and has a population of approximately 280 million, making the agreement an important component of the EU's efforts to diversify trade and investment relationships across the Indo-Pacific. The Commission described the package as supporting new export opportunities and more secure energy and raw-material supply chains.

The CEPA will remove tariffs on more than 98% of tariff lines and close to 100% of bilateral trade by value. Approximately 80% of trade will be liberalised when the agreement enters into force, rising to 96% after five years.

Indonesia will remove or phase out duties on key EU exports, including motor vehicles, machinery, electrical equipment, pharmaceuticals, chemicals and agri-food products. Existing Indonesian tariffs on cars can reach 50%, while processed food, dairy and meat products currently face duties of up to 30%, 10% and 20% respectively. The Commission estimates that the immediate tariff reductions could save EU exporters approximately €600 million annually.

Indonesia will gain improved access to the EU market for products including palm oil, textiles, footwear, agricultural goods and manufactured products. Bilateral goods trade reached €28.9 billion in 2025, comprising €10.2 billion of EU exports and €18.7 billion of EU imports. Indonesia is also due to graduate from the EU's Generalised Scheme of Preferences on 1 January 2027 because of its upper-middle-income status, increasing the importance of completing the CEPA before the loss of those unilateral tariff preferences.

The agreement also addresses a range of non-tariff barriers. Indonesia will recognise certificates and test reports issued by accredited EU bodies in sectors including machinery, electronics and energy efficient products, reducing duplicate testing requirements. An automotive annex provides for the recognition of specified UN vehicle type approvals. Rules of origin will be based on self certification, although businesses will still need to maintain adequate production and supplier records before claiming preferential treatment. The CEPA also protects 221 EU and 72 Indonesian geographical indications.

Sustainability is likely to remain a source of scrutiny during ratification with the agreement containing enforceable commitments on climate, labour rights, forestry and biodiversity, together with a dedicated Palm Oil Protocol. That protocol intends to create a forum for cooperation without softening EU import requirements. Indonesian palm oil and other commodities will still have to comply with applicable EU deforestation and traceability rules.

This follows recent tensions between the partners emanating from the EU's treatment of palm oil under the forthcoming EU Deforestation Regulation (EUDR). In March, Indonesia requested WTO authorisation to suspend trade concessions against the EU, arguing that Brussels had failed to comply with the 2025 ruling on its treatment of palm oil-based biofuels under the Renewable Energy Directive. The WTO had upheld the EU's right to pursue climate objectives, but found that aspects of the high ILUC-risk (indirect land-use change) classification and low ILUC-risk certification system discriminated against Indonesian palm oil. The EU disputed Indonesia's proposed retaliation, and the resulting arbitration was suspended in June pending possible compliance proceedings. The CEPA's Palm Oil Protocol provides a forum for regulatory dialogue, but does not resolve the dispute. The continued disagreement could undermine the wider effort to use the agreement to stabilise trade relations and may become a point of scrutiny during ratification.

The agreements are not yet operational. The Council must authorise their signature, after which the European Parliament must provide its consent. Indonesia is undertaking its own internal ratification process in parallel. The Commission's legislative proposal assumes that entry into force could take place during the first half of 2027, although that timetable remains dependent on institutional approval. Businesses cannot claim CEPA tariff preferences until the relevant agreement enters into force.

> "The CEPA's Palm Oil Protocol provides a forum for regulatory dialogue, but does not resolve the dispute."

EU-MEXICO MODERNISED TRADE AGREEMENT CLEARS PARLIAMENTARY APPROVAL

The European Parliament approved in July both the EU-Mexico Modernised Global Agreement (MGA) and the accompanying Interim Trade Agreement (ITA). The MGA was endorsed by 479 votes to 119, with 65 abstentions, while the ITA received 474 votes to 131, with 60 abstentions. The agreements were signed at the EU-Mexico summit on 22 May and will replace a bilateral framework that has been in place since 2000. The Council subsequently concluded the ITA on 14 July, completing the EU's internal approval process for the trade component.

The two-agreement structure is intended to bring the commercial provisions into operation without waiting for ratification of the broader partnership. The ITA covers areas within the EU's exclusive competence and therefore does not require approval by individual Member States.

It will enter into force on the first day of the second month after the EU and Mexico notify each other that their internal procedures are complete. Mexico is expected to complete its process after the summer, meaning the trade agreement could begin applying from November. The full MGA, which also covers political cooperation, human rights and investment protection, will require ratification by Mexico and every EU Member State.

The ITA removes almost all remaining tariffs between the two markets. Mexican tariffs on products such as cheese and pork currently reach 45%, while duties also apply to poultry, chocolate, pasta and other European agri-food exports. The Commission estimates that EU companies could save up to €100 million annually in customs duties. The agreement will also protect 568 European geographical indications in Mexico.

Source: *European Parliament Research Services*

Parliament noted that EU goods and services exports could increase by as much as 75% under the most ambitious scenario.

EU companies will gain wider access to Mexican public procurement, including tenders in 14 Mexican states and a broader range of federal contracts. The agreement also updates rules covering services, digital trade, intellectual property, customs procedures, rules of origin and critical raw materials. These changes are expected to benefit more than 45,000 EU companies currently exporting to Mexico, most of which are SMEs.

FURTHER INFORMATION

Bruegel - Beyond tariffs: why Europe andIndia must prioritise investment into manufacturing

CEPS - Made in Europe, inadvertently: origin preference in EU procurement and funding

EUISS - Europe does not need new trade weapons - it needs to pull the trigger

UNITED KINGDOM

UK-INDIA TRADE AGREEMENT ENTERS INTO FORCE

The UK-India Comprehensive Economic and Trade Agreement (CETA) entered into force on 15 July, following its signature in July 2025 and the resolution of implementation issues linked to the UK's new steel import regime. It is the UK's most commercially significant bilateral trade agreement since leaving the EU and covers a trading relationship worth £48 billion in 2025. The UK Government estimates that it could increase bilateral trade by £25.5 billion and UK GDP by £4.8 billion annually in the long term.

From entry into force, 99% of Indian goods entering the UK and 90% of UK goods entering India benefit from duty-free access or reduced tariffs. India will reduce tariffs on 90% of tariff lines covering UK exports, with 85% becoming fully tariff-free within ten years. Duties on whisky and gin have fallen immediately from 150% to 75% and will decline to 40% by the tenth year. Tariffs on UK automotive exports will fall from more than 100% to 10% within specified quotas.

Other products benefiting include cosmetics, aerospace components, electrical machinery, medical devices, lamb, salmon, chocolate and biscuits. On the Indian side, the UK has granted zero-duty access to nearly 99% of Indian exports, with labour-intensive sectors including textiles and clothing, leather and footwear, and gems and jewellery among the main beneficiaries. Indian exporters of engineering goods, chemicals and processed foods will also benefit from improved access, although the UK has retained protection for some sensitive agricultural products, including sugar, milled rice, pork, chicken and eggs.

The agreement also covers services, digital trade and government procurement with UK services suppliers gaining greater certainty in the Indian market. However, access remains subject to sector-specific reservations, licensing rules and local regulatory requirements. The professional services annex encourages relevant bodies to negotiate arrangements for recognising qualifications, rather than providing automatic recognition.

UK companies can compete for covered Indian central government contracts and may qualify as Class 2 suppliers under the Make in India policy where at least 20% of the product or service originates in the UK. In return, Indian suppliers gain access to covered UK central government procurement, while the services provisions provide greater certainty for Indian businesses supplying services or operating in the UK market.

The digital trade provisions support electronic contracts, signatures, invoicing and paperless trade documents, while generally preventing mandatory disclosure of privately owned source code. However, the agreement does not immediately prohibit restrictions on cross-border data transfers or requirements to store and process commercial data locally. Instead, a forward-review mechanism allows either side to request consultations if the other later makes stronger commitments in these areas under another trade agreement.

Implementation will depend on businesses meeting the agreement's customs and origin requirements.

The customs provisions envisage releasing goods within 48 hours where documentation is complete and no physical examination is required, alongside simplified procedures and deferred duty payments for eligible traders. However, preferential tariffs are not automatic. Goods must be wholly obtained or sufficiently processed in the UK or India under the relevant product-specific rules. UK exporters using self-certification must register with HMRC and submit an origin declaration for each consignment to both the Indian customs authority and the importer. Businesses should therefore verify tariff classifications, phase-in periods, quotas and supplier evidence before claiming preference.

A separate Double Contributions Convention allows eligible employees temporarily assigned between the two countries to remain within their home social security system for up to five years, avoiding simultaneous contributions. It does not create new visa routes or change the UK immigration system.

WHY THIS MATTERS

The agreement lifts a competitive burden borne by UK exporters in sectors where Indian tariffs have historically restricted market access, particularly whisky, automotive products and medical devices. However, the benefits will be uneven. Many tariff reductions are phased, automotive access is quota-limited, and services and procurement opportunities remain subject to Indian licensing, local content and regulatory requirements. For Indian exporters, lower tariffs should reduce costs for importers and consumers but will increase competitive pressure on domestic producers in sectors such as textiles, clothing and processed foods. As well as this, the earlier dispute over steel which had caused stagnation in the deal entering into force demonstrates that the agreement does not insulate bilateral trade

from safeguards or other trade-defence measures. The agreement is therefore likely to deliver faster and more distributed gains for Indian goods exporters, which receive near universal preferential access from entry into force, while several of the UK's headline gains are phased, quota-limited or dependent on further action by Indian regulators.

UK IMPLEMENTS NEW STEEL IMPORT REGIME AFTER REVISING QUOTAS

The UK's new steel import regime took effect on 1 July, replacing the safeguard inherited after Brexit. Tariff-free quota volumes have been reduced by 51% compared with the previous system, while the duty on imports above quota has doubled from 25% to 50%. The measure covers 20 categories of steel that the Government considers capable of being produced domestically. Products outside those categories remain unaffected.

The UK Government argues that tighter protection is needed as UK crude steel production has fallen by more than half over the past decade, while global excess capacity is forecast to reach 721 million tonnes by 2027. The measure is intended to prevent low-priced or diverted imports from further weakening domestic capacity in sectors linked to defence, infrastructure and energy. It is more targeted than a blanket tariff, but that also makes its effect dependent on how individual product categories and country allocations have been calibrated.

Quotas are expected to be administered quarterly by HMRC on a first-come, first-served basis. Unused volumes can roll into the following quarter but not into the next quota year. Importers therefore face a 50% cost exposure once a quota is exhausted, making shipment timing and access to current quota data commercially important. Contracts concluded before 14 March received a transitional exemption until 30 September, while a separate authorised-use quota covers certain hot rolled steel imported for further processing.

The final arrangements also reflect compromises with major trading partners. The UK coordinated allocations with the EU because of their integrated steel supply chains. India secured higher access for several products after the proposed restrictions became an obstacle to implementing the UK-India CETA. Its annual country-specific quotas include 125,796 tonnes of metallic-coated sheet and 33,456 tonnes of hot rolled steel, alongside access to residual and authorised-use quotas. Resolving that dispute allowed the CETA to enter into force, but the increased quota for Indian galvanised steel has drawn criticism from UK producers and unions concerned about competition with Tata Steel's Llanwern plant.

Protection for primary steelmaking may also transfer costs elsewhere in the economy. The Construction Leadership Council has warned of price volatility, shortages in grades not produced domestically, higher project costs and difficulties sourcing low carbon steel.

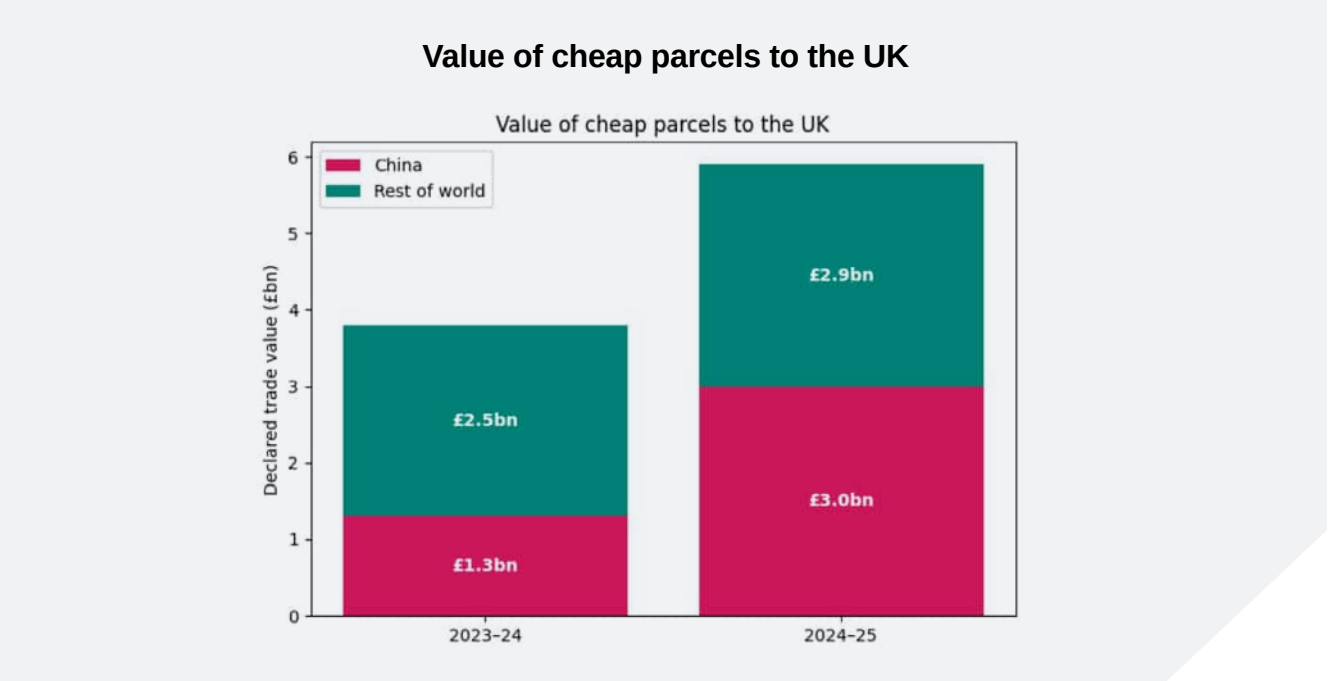
> "Higher prices for imported raw or semi-finished steel could therefore encourage buyers to import finished products instead."

Fabricators face a further problem because many finished steel components remain outside the regime. Higher prices for imported raw or semi-finished steel could therefore encourage buyers to import finished products instead, protecting mills while weakening the manufacturers that process steel in the UK.

UK ACCELERATES REMOVAL OF LOW-VALUE IMPORT DUTY RELIEF

On 13 July, the UK Government confirmed that the £135 customs duty relief for low-value imports will be removed by October 2028 at the latest, six months earlier than previously planned. The reform will affect overseas sellers, online marketplaces, parcel operators and intermediaries handling goods sold directly to UK consumers. It concerns customs duty rather than VAT, which already generally applies to these consignments and, for marketplace sales, is normally collected at the point of sale.

Eligible consignments valued at £135 or less will become subject to the relevant UK Global Tariff rate. The Government has rejected an optional simplified tariff schedule, so sellers and marketplaces will need sufficient product and origin data to classify goods correctly, potentially to a ten digit commodity code.



Source: *HMRC (via BBC)*

Goods subject to excise duty, import restrictions, trade defence measures or non ad valorem tariffs will remain outside the new low-value channel and use standard import procedures. Claims for preferential tariffs, quotas, suspensions or special procedures will also generally require the standard route.

Responsibility for paying duty will sit with the seller or, where it facilitates the sale, the online marketplace. Duty will be reported and paid quarterly, while item level data must be supplied to HMRC and each consignment linked to a unique reference number for clearance.

Overseas businesses without a UK presence will be expected to appoint a UK-based fiscal representative that is jointly and severally liable for customs debts.

This last requirement could prove difficult. Respondents to the Government consultation warned that fiscal representation could be costly and that few UK businesses may be willing to assume the associated liability, particularly for smaller overseas sellers. The Government nevertheless concluded that a UK point of accountability was necessary for effective enforcement.

An additional fee will also be introduced to recover the administrative cost of the system, although its amount and whether it will apply per consignment, item or product type remain undecided. The future VAT collection model, detailed data requirements and technical specifications will be set out through secondary legislation and HMRC guidance.

UK AND SWITZERLAND CONCLUDE SERVICES-LED MODERNISED FTA

On 13 July, the UK and Switzerland concluded negotiations on an enhanced free trade agreement, replacing arrangements largely inherited from a 1972 EU-Switzerland goods agreement. The new deal is centred on services, digital trade and business mobility, reflecting a bilateral relationship worth £53 billion in 2025, including more than £30 billion in services trade. It is not yet in force. The legal text must be finalised and signed before completing domestic approval procedures and UK parliamentary scrutiny.

The agreement locks in existing Swiss market access for UK suppliers in sectors including accountancy, transport and consultancy. It includes national-treatment commitments and, in specified sectors, protection against future requirements to establish a local presence. A ratchet clause means that future Swiss liberalisation in areas such as financial auditing cannot subsequently be withdrawn from UK firms.

UK lawyers will retain the right to advise on foreign and international law using UK qualifications without registering with a Swiss professional body.

Its clearest commercial benefit is the permanent incorporation of the current Services Mobility Agreement, which would otherwise expire at the end of 2029. UK professionals will continue to be able to provide services in Switzerland for up to 90 days per calendar year without a work permit.

The agreement also protects routes for intra-corporate transferees and improves access for graduate trainees. The Government estimates that preserving the 90-day regime protects approximately £700 million in annual UK services exports that might otherwise have been lost.

The digital chapter prohibits unjustified data-localisation requirements and customs duties on electronic transmissions, supports electronic contracts and invoicing, and protects source code from forced disclosure. These provisions are commercially relevant because more than 70% of UK-Swiss services trade was delivered digitally in 2023. The FTA also complements the Berne Financial Services Agreement and the bilateral agreement on recognition of professional qualifications, both of which are already in force.

Goods provisions are narrower. The agreed agri-food concessions include tariff-free access for UK lamb within Switzerland's quota system, a 35% tariff reduction for specified beef, cuts of up to 50% on certain dairy products and a 34% reduction for English sparkling wine.

The UK has offered limited additional access in sensitive agricultural sectors. Proposed surcharge-free mobile roaming remains subject to technical discussions, while access to Swiss electronic passport gates is a separate initiative rather than an FTA commitment.

UK AND CHINA TEST SCOPE FOR BILATERAL SERVICES AGREEMENT

On 2 July, UK Business and Trade Secretary Peter Kyle and Chinese Commerce Minister Wang Wentao co-chaired the 15th UK-China Joint Economic and Trade Commission in London. The meeting reviewed a joint feasibility study examining whether the two countries should negotiate a bilateral Trade in Services Agreement. The study was launched through a memorandum signed during the Prime Minister's visit to China in January. It remains an exploratory exercise: neither government has formally launched negotiations, published negotiating objectives or set a timetable for completing an agreement.

Running alongside the feasibility study is a Business Services Partnership which is a cooperative framework established in January 2026 to ease market barriers, enhance regulatory transparency, and boost trade in services. This focuses on four areas – professional qualifications, sectoral access, digital and business cooperation and trade dialogue.

A central difficulty is that the most important barriers are regulatory in nature. China's negative lists restrict foreign participation in sensitive sectors, licensing decisions can differ between provinces, and domestic firms may receive preferential treatment in procurement and commercial disputes. Recognition of UK qualifications at provincial level would be useful, but the emphasis on separate provincial approvals shows why a central government commitment may not be sufficient in practice.

It seems unlikely, given the complexities inherent in services trade, that significant progress can be made towards a bilateral agreement in the short term.

The July meetings maintained an ongoing process without producing concrete results. However the feasibility study and the Business Services Partnership demonstrate the mutual interest in continuing the process.

Services are a UK strength while China's market is huge but largely untapped. For China, the UK's expertise and experience in services are valuable resources which might be drawn upon in developing its domestic services industries.

FURTHER INFORMATION

UK Trade Policy Observatory – Why does the India-EU FTA matter?

House of Commons Library – UK-China relations under the Labour Government 2024-2026

HM Revenue and Customs – Reforming the customs treatment of low value imports into the UK

ASIA-PACIFIC

UNITED STATES AND CHINA DEVELOPING A "BOARD OF TRADE"

The United States and China are developing a mechanism to manage bilateral trade in non-sensitive sectors and reduce tariffs reciprocally on selected products, as the two countries seek to stabilise bilateral trade without removing the broader tariff architecture that has accumulated in recent years. The mechanism will be the "Board of Trade" which Presidents Xi and Trump agreed to set up when they met in Beijing in May.

The Office of the U.S. Trade Representative opened a public consultation in June on the proposed U.S.–China Board of Trade, which will manage aspects of the bilateral trading relationship. The U.S. Administration invited stakeholders to identify non-sensitive products that could be considered for reciprocal tariff modifications, while indicating that tariffs would remain in place where economic or national security considerations apply. The consultation closed on 10 July, with rebuttal comments accepted until 27 July.

> "According to China's Ministry of Commerce the proposed tariff-reduction framework would cover at least US$30 billion in products."

China subsequently confirmed that the two sides were discussing the Board's structure, functions and operating model. According to China's Ministry of Commerce, the proposed tariff-reduction framework would cover at least US$30 billion in products from each country. Beijing has also indicated that agricultural products could be included, although the final product coverage and applicable tariff rates have not yet been agreed.

U.S. Secretary of State Marco Rubio and Chinese Foreign Minister Wang Yi met on the margins of the ASEAN summit on 22 July and indicated that the two sides are moving towards implementation of the Board, details of which may be able to be announced before the two Presidents are due to meet again in September.

WHY THIS MATTERS

The initiative represents a controlled tariff-relief mechanism rather than a broader normalisation of U.S.-China trade. If implemented, it could create targeted market-access opportunities, including for agricultural products, while leaving much of the existing tariff architecture intact. Its commercial significance will depend on the final product lists, the treatment of existing additional tariffs and the administrative process for claiming any reductions.

CHINA TIGHTENS DUAL-USE EXPORT CONTROLS TARGETING JAPANESE ENTITIES

China expanded its export control measures targeting Japanese organisations in late June, adding 20 entities to its restricted list and a further 20 to its watch list. The measures primarily affect Japanese companies, research bodies and other organisations connected to the defence, aerospace, electronics and advanced manufacturing sectors.

Chinese exporters are prohibited from supplying dual-use items to entities on the restricted list. The measures also prevent organisations and individuals outside China from transferring Chinese origin dual-use items to the listed entities. Transactions already under way are required to cease unless specific authorisation is obtained from China's Ministry of Commerce.

Entities placed on the watch list are not subject to a complete prohibition, but exporters may no longer rely on general export licences. Applications must instead be made individually and supported by risk assessments and written commitments from the relevant end users. Chinese authorities will also conduct enhanced reviews of proposed end uses, with applications involving Japanese military users or military purposes ineligible for approval.

China stated that the measures target a limited number of entities and should not affect ordinary economic and trade relations with Japan. The Japanese government nevertheless protested against the restrictions and requested their withdrawal, arguing that China's recent export-control actions have disproportionately targeted Japanese companies.

WHY THIS MATTERS

The entity-based nature of the measures limits their immediate scope but creates broader compliance risks for international supply chains. The restrictions increase the importance of screening customers and intermediaries handling Chinese-origin dual-use products, including in transactions taking place outside China. They could also increase licensing delays and supply uncertainty for Japanese manufacturers operating in defence-adjacent industries or relying on Chinese-controlled inputs.

CPTPP PREPARES ACCESSION DISCUSSIONS WITH INDONESIA, THE PHILIPPINES AND UAE

Members of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) agreed in late June to begin preparatory accession discussions with Indonesia, the Philippines and the United Arab Emirates. The three applicants had previously been identified as potentially capable of meeting the CPTPP's accession principles, including the willingness and ability to comply with the agreement's high standard trade rules.

The discussions will allow existing members to assess the applicants' readiness and clarify the regulatory reforms and market access commitments that membership could require.

They do not constitute formal accession negotiations and do not guarantee that an Accession Working Group will be established. Any decision to move to that stage must be taken by consensus among CPTPP members.

The agreement's expansion is already progressing on several fronts. Costa Rica substantially concluded its accession negotiations in May, with members preparing to formalise the outcome, while a formal working group continues negotiations with Uruguay. Potential accession by Indonesia and the Philippines would further expand the CPTPP's Southeast Asian membership, while discussions with the UAE would extend the bloc's geographical reach beyond the Pacific region.

Separately, members established an ad hoc working group to promote a fair, transparent and predictable trading environment. Its work will include addressing concerns over circumvention and illegal transhipment through closer cooperation on rules of origin, customs administration and trade facilitation.

EFTA AND VIETNAM CONCLUDE COMPREHENSIVE FREE TRADE NEGOTIATIONS

Vietnam and the European Free Trade Association (EFTA) have concluded negotiations on a comprehensive free trade agreement, bringing to an end a negotiating process that lasted approximately 14 years. Negotiations were relaunched in September 2025, followed by five intensive rounds to resolve the remaining issues, with the conclusion of talks announced in early July.

The agreement covers trade in goods and services, rules of origin, investment, sanitary and phytosanitary measures, technical barriers to trade, intellectual property, government procurement and trade remedies. It also includes provisions on trade and sustainable development, small and medium-sized enterprises, and cooperation and capacity building. Once signed and brought into force, the agreement is expected to eliminate or reduce tariffs across a broad range of products and improve the predictability of trade between Vietnam and EFTA's four members: Iceland, Liechtenstein, Norway and Switzerland. The precise market-access benefits will depend on the final tariff schedules and product-specific rules of origin, which have yet to be published.

Two-way merchandise trade reached approximately €4.8 billion in 2025. Vietnam's principal exports to EFTA include electrical machinery, footwear, apparel and mechanical machinery, while EFTA exports include pharmaceuticals, fish, electrical equipment and industrial machinery. Vietnam recorded a trade surplus of approximately €2.5 billion with the bloc in 2025, compared with €0.5 billion a decade earlier.

FURTHER INFORMATION

Chatham House - China sets out its vision for a new global order - but will it commit the resources to match its ambition?

World Economic Forum - Amid evolving US-China relations, what comes next for China's trade policy?

WTO

GLOBAL GOODS TRADE RESILIENT IN FIRST QUARTER OF 2026 DESPITE WAR IN THE MIDDLE EAST

The seasonally adjusted volume of world merchandise trade grew 1.9% in the first quarter compared to the previous quarter and 3.2% compared to the same quarter in the previous year according to recent WTO/UNCTAD data. In value terms, world merchandise trade was up 2% quarter-on-quarter and 11% year-on-year in the first quarter.

Strong trade in electronic components related to AI outweighed the negative effects of the outbreak of war in the Middle East including disrupted shipments of goods through the Strait of Hormuz and dampened GDP growth in net fuel-importing countries due to high energy processes. The conflict did however weigh heavily on merchandise trade flows in the Middle East. The region's seasonally adjusted export and import volumes were down 9.7% and 11.9% year-on-year in the first quarter.

Meanwhile, AI-related investment spending lifted trade volumes in Asia and to a lesser extent North America. As regards the latter, first quarter exports were up 7% year-on-year while imports were 10.7% down from the first quarter of 2025, which saw a surge of imports due to frontloading ahead of expected tariff increases.

WTO ISSUES DISPUTE PANEL REPORT ON TURKISH MEASURES ON ELECTRIC VEHICLES

In 2023, Türkiye imposed an additional 40% tariff on imports of Chinese electric vehicles, later extending it to hybrid and petrol cars. China filed a complaint with the WTO in October 2024 and requested the establishment of a panel in January 2025. In a report issued on 28 July 2026, a WTO panel found inter alia that Türkiye's tariffs violate Article I of the General Agreement on Tariffs and Trade (GATT), as they do not apply to vehicles from regional trade agreement partners. Both sides have the right to appeal, but the WTO Appellate Body has been blocked since late 2019 due to the US refusal to appoint members.

RUSSIA REQUESTS PANEL IN CHALLENGE TO EU'S CARBON BORDER ADJUSTMENT MECHANISM

In May 2025 the Russian Federation requested consultations with the EU regarding the latter's Carbon Border Adjustment Mechanism. It alleges that the CBAM does not concern genuine environmental measures, but rather highly trade restrictive and discriminatory measures established by the EU under the pretext of climate policy.

The EU declined to enter into consultations with Russia on this issue and consequently the dispute has not been resolved. It also objected to the establishment of the panel requested by Russia at the Dispute Settlement Body meeting on 24 July 2026. However under WTO rules a second request by the complaining member for a panel will automatically be granted and it is expected that Russia will act accordingly and secure the panel at the next meeting of the DSB.

WHAT NEXT FOR PLURILATERAL TRADE AGREEMENTS?

The International Chamber of Commerce (ICC) recently issued a policy paper on "what next for plurilateral trade agreements", with the subheading "expanding and strengthening plurilateral agreements in the multilateral trading system".

Underlying this initiative is the reality that multilateral trade negotiations involving all WTO members have stalled following the failure of the Doha Round. Efforts have therefore been directed to proceeding with plurilateral agreements among groups of members. Around 120 members have developed an Investment Facilitation for Development Agreement (IFDA); and almost 70 members have successfully worked out an Electronic Commerce Agreement (ECA). However, it has not been possible to bring either the IFDA or the ECA into the WTO's legal framework because under current WTO rules a consensus among all members is required to do so. A few – most notably India – have blocked this path, leaving these agreements in limbo, although the frustrated adherents of the ECA have now decided to implement the agreement on an interim basis among themselves outside the WTO.

The ICC rightly finds this state of affairs as unacceptable. It argues that: "Plurilateralism is not a substitute for multilateralism, but a complement to it. Where multilateral consensus is possible, it should remain the preferred route. Where it is not, willing Members should be encouraged to pursue ambitious, open and commercially meaningful initiatives that remain anchored in the principles of the multilateral trading system".

As well as pleading for action, it helpfully identifies (in section VI of the paper) a raft of areas where a new pipeline of plurilaterals might be developed – for example, deepening existing agreements such as those on trade facilitation, e-commerce and information technology, a range of trade and environment issues, trade in services, and AI trade governance.

There is much food for thought in the ICC's ideas and it is hoped that they will receive the attention they deserve, starting with the upcoming WTO Public Forum in September.

GLOBAL VALUE & SUPPLY CHAINS

AMENDED EUDR MOVES TOWARDS DECEMBER APPLICATION

On 13 July, the European Commission adopted measures supporting implementation of the EU Deforestation Regulation (EUDR), including a Delegated Act revising the products covered and an Implementing Act governing the EUDR Information System. The measures complete the simplification package presented in May and come ahead of the Regulation's principal application date of 30 December 2026.

The legal position requires some distinction. Regulation (EU) 2025/2650, which amended and postponed the EUDR, entered into force in December 2025. The forthcoming December 2026 date is when its main obligations begin to apply to large and medium operators, downstream operators and traders. Most micro and small operators have until 30 June 2027, although those handling products already covered by the EU Timber Regulation must comply from December 2026.

At present, the EUDR covers cattle, cocoa, coffee, palm oil, rubber, soya and wood, as well as specified products derived from those commodities. From the relevant application date, the first operator placing covered goods on the EU market or exporting them will need evidence that they were produced legally and do not originate from land deforested after 31 December 2020. This includes geolocation data for the relevant production plots. Where the available information indicates more than a negligible risk of non-compliance, the operator must obtain further evidence or take mitigating action before the goods can be placed on the market.

The amendment reduces duplication further along the supply chain. Downstream operators and traders will not submit a new due diligence statement where products are already covered upstream.

Instead, the first downstream operator must collect the original statement's reference number, while businesses must retain specified supplier and customer information for five years. Non-SME downstream operators and traders must also register in the Information System. Micro and small primary operators in low-risk countries can submit a one-off simplified declaration, with a possible exemption where the information is already available through connected public databases.

The July Delegated Act removes products including cattle hides and leather, re-treaded tyres, soybeans for sowing and specified rubber articles from scope. It adds soluble coffee, certain palm oil derivatives and frozen cattle tongues, although newly added products will not become subject to the EUDR until 30 December 2027. The act remains subject to a two-month scrutiny period by Parliament and Council. The accompanying Implementing Act establishes rules for due diligence statements, simplified declarations and automated connections to the Information System.

WHY THIS MATTERS

The amendments reduce repeat reporting but do not remove the underlying traceability obligation. Responsibility is now concentrated more heavily on the first operator, making downstream supply chains dependent on the accuracy of upstream geolocation and legality data. A missing or unreliable statement can still prevent goods from being placed on the market, even where the downstream business is not required to perform full due diligence. Companies should use the remaining period to test supplier data and Information System access against actual consignments. The principal risk is no longer uncertainty about the application date, but whether upstream suppliers can produce sufficiently reliable evidence at scale.

EU PACKAGING & PACKAGING WASTE REGULATION BEGINS TO APPLY AMID COMPLIANCE AND SINGLE MARKET CONCERNS

The EU's Packaging and Packaging Waste Regulation (PPWR) began applying on 12 August, replacing the previous Directive with directly applicable rules covering all packaging placed on the EU market, irrespective of material or origin. The Regulation is intended to reduce packaging waste, restrict harmful substances and create a larger market for reusable packaging and secondary raw materials.

The requirements are being introduced in stages. Food-contact packaging containing PFAS above specified limits can no longer be placed on the market. Harmonised labels identifying packaging materials and disposal routes will follow from 2028. From 2030, packaging must meet recyclability requirements, plastic packaging must contain minimum levels of recycled material, and new rules will limit empty space and restrict specified single-use formats.

Packaging waste per person must fall by 5% by 2030, 10% by 2035 and 15% by 2040 against 2018 levels.

For traders, compliance depends on their legal role in each packaging flow. A retailer or brand owner may be treated as the manufacturer where packaging is produced or marketed under its name. Manufacturers must undertake the applicable conformity assessment and hold technical documentation and an EU declaration of conformity. Importers must verify that these requirements have been met for packaging sourced outside the EU, while distributors must act where they have reason to believe packaging is non-compliant. Packaging compliance can therefore affect whether the packaged product itself may be sold.

Businesses will increasingly need evidence of material composition, recyclability, recycled content and the movement of recycled material through the supply chain.

Certification schemes such as RecyClass can support traceability and independent verification, but they are not prescribed by the PPWR and do not provide an automatic defence against non-compliance. The Commission must still adopt methodologies governing recyclability and recycled-content calculations, however. Companies therefore face the risk of investing in testing or certification before the final technical standards are settled.

A separate concern arises under the extended producer responsibility provisions. A producer selling packaged goods into a Member State where it is not established must appoint an authorised representative there to manage registration, reporting and waste-management contributions. There is no EU-wide registration or one-stop shop. A cross-border seller may consequently require separate arrangements in every destination market, even though the PPWR is presented as a harmonising measure.

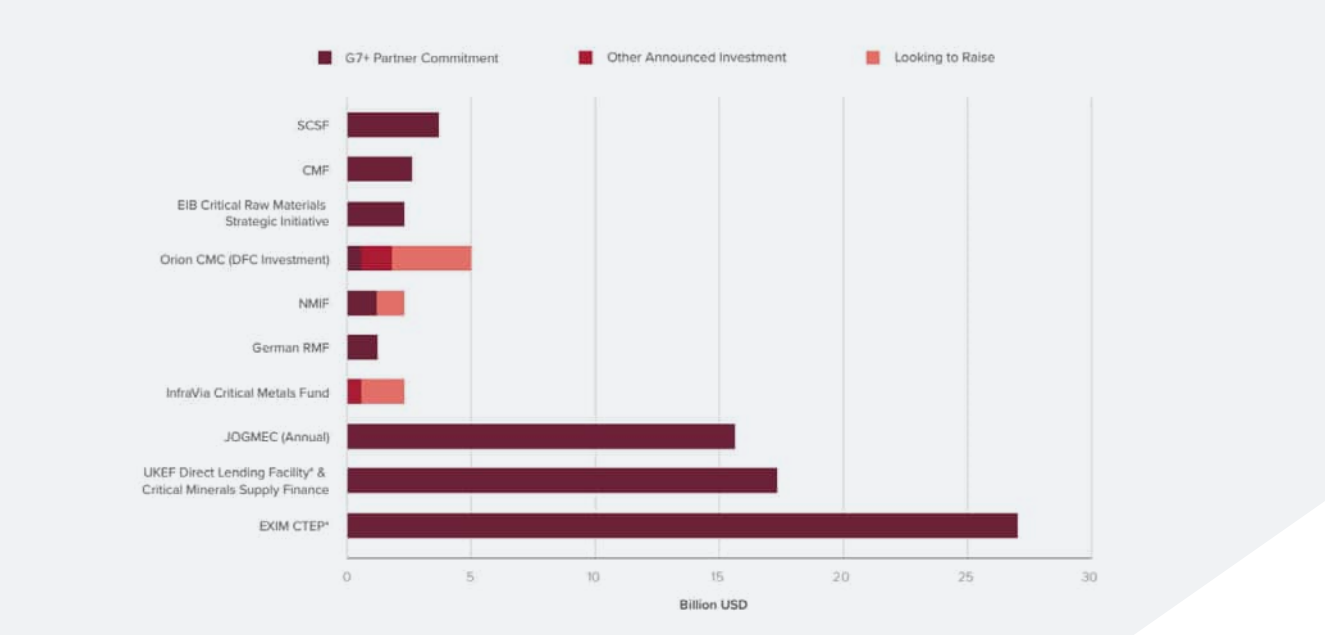
WHY THIS MATTERS

The PPWR moves responsibility upstream from waste collection to the businesses designing, procuring, importing and selling packaging. Larger traders can spread documentation, testing and representation costs across substantial volumes. Smaller operators may instead withdraw from marginal markets, reducing niche cross-border trade. The Regulation could lower costs once common standards and labels are fully operational, but national EPR administration and unfinished technical rules mean that its initial effect may be more fragmented than the Commission's Single Market rationale suggests.

G7 LAUNCHES CRITICAL MINERALS ALLIANCE TO REDUCE CONCENTRATED SUPPLY RISKS

On 17 June, G7 leaders established a Critical Minerals Resilience and Production Alliance covering mining, refining, processing, manufacturing and recycling. Australia has joined the initiative, which may be extended to other approved partner countries. The immediate objective is to reduce reliance on any single supplier outside the alliance for rare earths and permanent magnets to below 60% by 2030, with an ambition to reach 50% as soon as possible. Targets for other critical minerals are due to be agreed by the end of 2026.

The alliance is intended to coordinate measures that governments have so far pursued largely at national level. These may include public financing, export credit, joint procurement, long-term offtake agreements, strategic stockpiles, price floors and subsidies covering the difference between market prices and the cost of production in participating countries. Members also plan to aggregate demand, establish a crisis-response mechanism and use International Energy Agency analysis to strengthen early warning of potential shortages.



Source: *SAFE - Comparison of Select Critical Minerals Financing Capacity by Institution*

G7 members reported 195 critical minerals projects announced since the beginning of 2026, representing approximately €64 billion of investment, equity participation and offtake commitments. However, this figure should not be read as equivalent to new supply. Mining and processing projects can take several years to obtain permits, secure finance and reach commercial production, while some of the announced support consists of purchase commitments rather than capital already deployed.

The initiative follows a period of greater price and supply volatility. Although the declaration does not name China, it is principally directed at reducing dependence on Chinese processing and manufacturing capacity.

The initiative follows a period of greater price and supply volatility. Although the declaration does not name China, it is principally directed at reducing dependence on Chinese processing and manufacturing capacity. Chinese restrictions on rare earth exports contributed to production interruptions in the automotive sector during 2025, while the IEA reports that prices in Europe for gallium and the heavy rare earths dysprosium and terbium have at times reached around five times Chinese domestic levels. China, Indonesia and other leading suppliers also accounted for more than three-quarters of recent growth in refined critical mineral production.

For manufacturers, the alliance may gradually change the conditions attached to public procurement, investment support and strategic-sector subsidies. Traceability pilots will initially cover lithium and nickel, before expanding to five additional minerals each year. Buyers in the automotive, battery, renewable energy, electronics and defence sectors may therefore be asked to provide more detailed information about where minerals were mined, refined and incorporated into components.

Long-term offtake contracts and supplier diversification requirements are also likely to become more important where governments are underwriting new capacity.

The central difficulty is that geographic diversification is more expensive than continuing to buy from established suppliers. The IEA estimates that refining projects outside the dominant producing country can face capital costs between 20% and more than 150% higher, with operating costs around 50% higher. Price guarantees may be necessary to make alternative projects financeable, but they also transfer part of the commercial risk to governments or downstream buyers. Junior miners and prospective refiners have generally welcomed stronger public backing, although manufacturers remain concerned that poorly coordinated local-content or sourcing conditions could raise costs without producing sufficient new capacity.

There is also a risk that the alliance concentrates on mines while leaving the more acute bottlenecks in processing and component manufacture unresolved.

For rare earths, the IEA estimates that announced refining capacity outside the dominant supplier would process only around two-thirds of expected mine supply by 2035, while planned permanent-magnet capacity would absorb approximately one-third. Additional extraction would therefore provide limited resilience if concentrates must still be exported to the existing processing centres.

The alliance creates a framework for intervention rather than an immediate alternative supply chain. It is non-binding, its diversification targets have yet to be translated into mineral-specific national measures, and dependence of up to 59% on one external supplier could still leave important industries exposed. Its credibility will depend on whether members coordinate finance and procurement over the full project cycle, including during periods of lower commodity prices when political support for higher-cost production is hardest to sustain.

UNCTAD WORLD INVESTMENT REPORT: 2025 SAW A GLOBAL FDI RECOVERY BUT GROWTH WAS SKEWED TOWARDS STRATEGIC SECTORS AND DEVELOPED ECONOMIES

UNCTAD released its annual flagship World Investment Report 2026 (reporting on investment trends in 2025) in July. The main findings are that:

- Global foreign direct investment rose 6% to $1.6 trillion in 2025, ending two years of decline.
- The recovery remains fragile and uneven: inflows to developed economies rose 11%, while developing economies recorded only 2% wwgrowth, reaching $901 billion.
- Much of the increase reflected a small number of megaprojects, especially in AI- related digital infrastructure.
- Investment is booming in strategic sectors like AI, semiconductors and critical minerals but the gains are concentrated, leaving out many developing countries.
- The world's top 20 host economies attracted more than 80% of global FDI, while strategic sectors accounted for 44% of global greenfield project values, up from 16% in 2020.
- FDI remains a major source of external finance for developing economies, but its development impact depends on whether it builds productive capacity, jobs, skills and technology transfer.
- Investment policies have become more active, targeted, strategic and conditional.

According to UNCTAD, prospects for 2026 and beyond remain uncertain, with macroeconomic conditions remaining a central source of weakness. Slower GDP growth and uncertain trade policy are likely to dampen the expansion of international production networks. Geopolitical tensions, conflicts and persistent uncertainty about trade policy further complicate investment decisions, encouraging firms to delay or scale back commitments.

FURTHER INFORMATION

E-Commerce Institute Cologne - EU Package Fee from 1 July 2026: What the New Customs Rules Mean for Temu, Shein and European E-Commerce

SAFE Center for Critical Minerals Strategy - Critical Moves: Crowding in Capital to Finance Minerals Supply Chains

Bruegel - Competing for inputs: how the European Union can improve critical raw materials supply security

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