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INTERNATIONAL TRADE POLICY DEVELOPMENTS

Q1 2026 Report

BY INVITATION

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BY INVITATION

Matthew Clark is a Partner and leads the Customs, Excise and International Trade Team within BDO in the UK and sponsors our Global Value Chain service line in the UK. He holds an LLB: Law and LLM: Master's in international law with over 23 years' experience of advising clients on the movement of goods around the globe.

Customs Duty, Transfer Pricing and Supply Chain Resilience in a Fragmenting Trade Environment

BY MATTHEW CLARK, BDO UK

Global trade in 2025 and 2026 is being reshaped by geopolitics, shifting supply chains and rising tariff uncertainty. The old model of frictionless global value chains and predictable customs regimes has gone - higher costs, longer lead times and tougher choices are here to stay. Here's how customs duties interact with global value chain structures, transfer pricing, and the push to build supply chain resilience.

TARIFFS - NOW A MOVING TARGET

Geopolitics and tariffs customs duties were once a predictable cost. Today, Governments use tariffs as tools of industrial and national security policy. Global tariffs rose during 2025, and the US Government looks set to keep using customs measures as a dynamic lever of policy in 2026.

On 20 February 2026, the US Supreme Court invalidated President Trump's Executive Orders (EOs) imposing tariffs under IEEPA.

That decision created further uncertainty over refund positions and methods. The US then implemented an immediate global 10% tariff under Section 122 of the Trade Act to replace the IEEPA tariffs. Industry specific tariffs under Section 232 of the Trade Expansion Act, such as aluminium and steel, remained in place, as did Section 301 tariffs on China. The United States has also launched two related sets of trade investigations under 'Section 301' into dozens of economies, including the European Union, Switzerland, Norway, China, Japan, Singapore and India targeting what Washington describes as structural excess capacity in certain manufacturing sectors and into other economies, including the above countries (but also including Canada, Australia, Brazil in a list of sixty jurisdictions) seeking to determine whether countries exported goods to the US that were produced wholly or in part with forced labour.

The long-awaited Section 301 probes are widely viewed as part of a bid by Washington to reinstate at least some of the tariffs struck down by the US Supreme Court in February.

US tariff policy has reshaped supply chains, lifted costs and forced businesses to treat tariff risk as a permanent strategic factor - making customs duty management a core part of maintaining strategic resilience and competitiveness.

SUPPLY CHAIN CHANGES

The 2026 Middle East conflict has triggered severe maritime disruption with many global carriers suspending transits through the Strait of Hormuz and air freight also affected. This is driving delays and higher costs, most notably with benchmark crude oil prices spiking.

The knock-on effects include higher landed costs as rerouting and war risk insurance feed into customs valuation, and manufacturing delays, especially in energy and petrochemical intensive sectors. Many businesses have had to reassess supply chains in real time.

The continuing Ukraine conflict has affected Eurasian trade significantly. Northern rail routes across Siberia are now largely unusable due to sanctions, insurance exclusions and scrutiny of dual use goods. Reliance on the Trans-Caspian route has grown since 2021. It offers a primary alternative to the northern corridors, but its multimodal mix of rail and sea creates more variable transit times than a predominantly rail network.

Geopolitical chokepoints, shortages, sanctions burdens and longer delivery times clash with established, lean and just in time models - directly affecting customs exposure and operational continuity, not to mention costs. Businesses have responded by:

- Reshoring and nearshoring to cut exposure to chokepoints
- Expanding supplier bases to move from single to multiple sources
- Investing in tracking technology, systems and data analytics to monitor flows in real time.

Planning for delays, diversifying routes and building more buffers into operations will raise resilience. But the downside is that this can also change customs profiles, tariff rates and valuation outcomes across the supply chain.

TRANSFER PRICING IMPACT ON CUSTOMS COSTS

Transfer pricing, customs valuation and financial exposure are a critical dimension of resilience for related party transactions. As you restructure value chains, differences between tax and customs rules can create material risk.

Transfer pricing often focuses on profitability or cost-plus indicators, while customs valuation centres on the price paid or payable for the goods. These frameworks can collide. For example, related party pricing is a customs vulnerability as Customs Authorities test whether prices reflect arm’s length values.

In 2026, higher tariffs amplify exposure to upward customs adjustments. Shifting manufacturing hubs or principal entities can disrupt the economics behind existing transfer pricing models. Many Customs Authorities are challenging landed costs based on transfer pricing, triggering audits and duty reassessments.

Year-end transfer pricing adjustments can also create customs pitfalls. Post-importation changes can retroactively alter customs values, often increasing duty payable but downward adjustments may not be recognised, limiting duty reclaims. Volatile tariff environments magnify the cost of retroactive changes, making year-end adjustments a significant customs liability factor.

Royalty arrangements add further complexity. Whether a royalty forms part of the customs value depends on its link to the imported goods and whether payment is a condition of sale. In value chains rich in intangibles, royalties payable to related parties can require customs valuation uplifts even if transfer pricing treats them separately. Volume or sales-based royalties can create unpredictable exposure unless contracts and operations separate them cleanly.

Tax driven IP centralisation may conflict with customs rules, creating dual risk scenarios: higher import duties and heightened tax scrutiny.

Leading companies are reducing risk by building integrated transfer pricing and customs frameworks that harmonise OECD and WTO requirements. To make transfer pricing part of customs resilience rather than undermining it, they:

- Align ERP, trade compliance and tax systems to flag valuation impacts in real time.
- Secure Advanced Pricing Agreement (APAs) or customs rulings where feasible.
- Embed clear adjustment mechanisms in intercompany contracts to manage royalties and transfer pricing changes transparently.

BUILDING IN RESILIENCE

Managing the interplay between customs duties, global value chains, transfer pricing and resilience is now central to trade strategy. Resilient organisations treat customs and transfer pricing as strategic levers, redesign supply chains for flexibility and manage tariffs and valuation proactively to integrate tax, trade and operations into one resilience framework.

Building governance that links pricing, sourcing, routing and customs in real time is essential and securing rulings where you can, is advisable. This will allow you to update contracts, so adjustments flow clearly through both tax and customs as well as to run scenarios that test tariff shocks, route closures and royalty triggers. Investing in data enables you to see issues early and act fast.

In short, don't view customs and transfer pricing as back-office tax accounting tasks. Make them part of how you plan, buy, price and deliver. The businesses that thrive will be those that move quickly, diversify wisely and join up tax and trade decisions end to end.

FIVE DEVELOPMENTS TO WATCH

1 U.S. SUPREME COURT STRIKES DOWN LIBERATION DAY TARIFFS; ADMINISTRATION RESPONDS WITH A NEW TEMPORARY GLOBAL IMPORT DUTY

A significant shift in the legal framework underpinning U.S. tariff policy emerged after the U.S. Supreme Court ruled that tariffs imposed under the International Emergency Economic Powers Act (IEEPA) exceeded presidential authority, reaffirming that broad tariff measures require clear congressional authorisation. The Court concluded that the statute cited by the Administration does not provide sufficient legal basis for imposing sweeping import duties across multiple trading partners. The judgment therefore removes the statutory foundation for the "Liberation Day" global and reciprocal tariffs introduced in 2025 and clarifies that measures of this scale must rest on explicit trade authorities granted by Congress.

The ruling invalidates the earlier 10% global tariff introduced in April 2025 under IEEPA, along with higher "reciprocal" tariffs applied to several major trading partners including the European Union, China, Canada, and Mexico.

The judgment therefore removes the statutory basis for tariffs implemented under that emergency authority and clarifies that broad trade measures of this scale require explicit congressional approval (unless otherwise specifically delegated to the executive branch).

The Administration responded immediately by announcing a temporary 10% ad valorem import duty on most imports into the United States for a period of 150 days (i.e. up to mid/late July 2026), invoking authority under Section 122 of the Trade Act of 1974. The measure was framed as a response to "fundamental international payment problems," with officials citing the United States' persistent balance-of-payments deficit and the deterioration of its net international investment position. Section 122 allows the President to impose temporary import surcharges of up to 15% to address pressures concerning balance of payments, although such measures are limited in duration and require congressional action if extended beyond the initial period.

TOOL	PURPOSE	STATUS
IEEPA	Emergency economic powers (sanctions, trade restrictions)	**Unavailable** for tariffs after Supreme Court ruling
Section 122	Temporary measures to address balance-of-payments issues	**Active** (limited scope)
Section 232	National security-based trade measures	**Active**
Section 301	Measures against unfair trade practices	**Active**

The duty applies across-the-board to imported goods but includes several notable exemptions for categories considered strategically important or essential to domestic supply. These exemptions cover certain critical minerals, pharmaceuticals and pharmaceutical ingredients, energy products, aerospace goods, specific electronics, and passenger vehicles. In addition, USMCA-compliant imports from Canada and Mexico are excluded, as are products already subject to Section 232 national-security tariffs.

The Supreme Court ruling against the IEEPA tariffs sparked further litigation before the U.S. Court of International Trade concerning refunds of tariffs previously paid - estimated by some to amount to as much as $175 billion. A CIT judge initially directed U.S. Customs and Border Protection to repay IEEPA duties immediately on all shipments that have not yet reached final liquidation. However, the judge later said he would allow CBP to complete development of an automated refund process before enforcing that mandate, after the CBP said that work on a system was underway and could be finished in late April.

The new Section 122 tariffs are also being challenged at the Court of International Trade, mainly on the grounds that the U.S. is not suffering from a balance of payments crisis. The case is likely to revolve around the degree of discretion accorded to the President in defining the nature of such a crisis. A three-judge CIT panel will meet on 10 April to hear parallel challenges from Democratic attorneys general and governors from 24 states, and two private importers.

President Trump's determination to maintain a tariff wall was underscored by the parallel announcement of wide-ranging investigations of alleged unfair trade practices under Section 301 of the Trade Act of 1974 against 16 economies for alleged structural excess manufacturing capacity and another 60 economies in relation to alleged forced labour practices (further described in section 2 below). The aim is clearly to conclude these investigations and impose new tariffs before the Section 122 tariffs expire.

WHY THIS MATTERS

The Supreme Court ruling alters the legal architecture of U.S. tariff policy but not its overall direction. While emergency powers under the International Emergency Economic Powers Act (IEEPA) can no longer be used to impose broad tariffs, other statutory instruments - notably Section 232 (national security) and Section 301 (unfair trade practices) - remain available. U.S. officials have already indicated that these tools may be used to sustain the Administration's tariff strategy, signalling that tariffs are likely to remain a central feature of U.S. trade policy even as the legal basis for their implementation evolves.

> "A three-judge CIT panel will meet on 10 April to hear parallel challenges."

2 EUROPEAN PARLIAMENT ADVANCES TURNBERRY IMPLEMENTATION WHILE EMBEDDING SAFEGUARDS AGAINST U.S. VOLATILITY

On 26 March during a European Parliament's plenary session, MEPs voted to move the EU-U.S. Turnberry Agreement into the next stage of the legislative process, adopting their negotiating position on two proposals implementing the tariff elements of the deal. The Parliament endorsed the elimination of most tariffs on U.S. industrial goods and preferential access for selected U.S. agricultural and seafood products, broadly aligning with the July 2025 political agreement. However, the Parliament's position is coupled with a series of strengthened safeguard mechanisms designed to "weatherproof" the deal against renewed U.S. tariff action and policy volatility.

Most notably, the Parliament's position introduces a strengthened suspension clause, allowing the EU to withdraw tariff preferences if the U.S. exceeds the agreed 15% tariff ceiling, introduces new duties, or engages in broader forms of

economic coercion or discriminatory treatment. Moreover, the introduction of a "sunrise clause" links the entry into force of EU concessions to U.S. compliance with its commitments, including reducing tariffs on steel and aluminium-related products to a maximum of 15%. In parallel, MEPs also agreed on a "sunset clause" that sets an expiry date of 31 March 2028, ensuring that any continuation of the arrangement would require fresh legislative approval. A safeguard mechanism was also introduced to allow temporary suspension of concessions if import surges risk harming EU industry.

While the Agreement generated largely unpopular sentiment amongst policymakers upon its signature, the Parliament's decision to move forward with ratification represents a material shift from the position taken by its International Trade (INTA) Committee on 23 February. At that point, the Committee had formally suspended the ratification process, citing legal uncertainty and escalating transatlantic tensions. This followed a 20 January freeze on legislative work in response to U.S. threats of tariffs against EU Member States linked to the Greenland dispute.

> "A "sunrise clause" links the entry into force of EU concessions to U.S. compliance with its commitments, including reducing tariffs on steel and aluminium-related products."

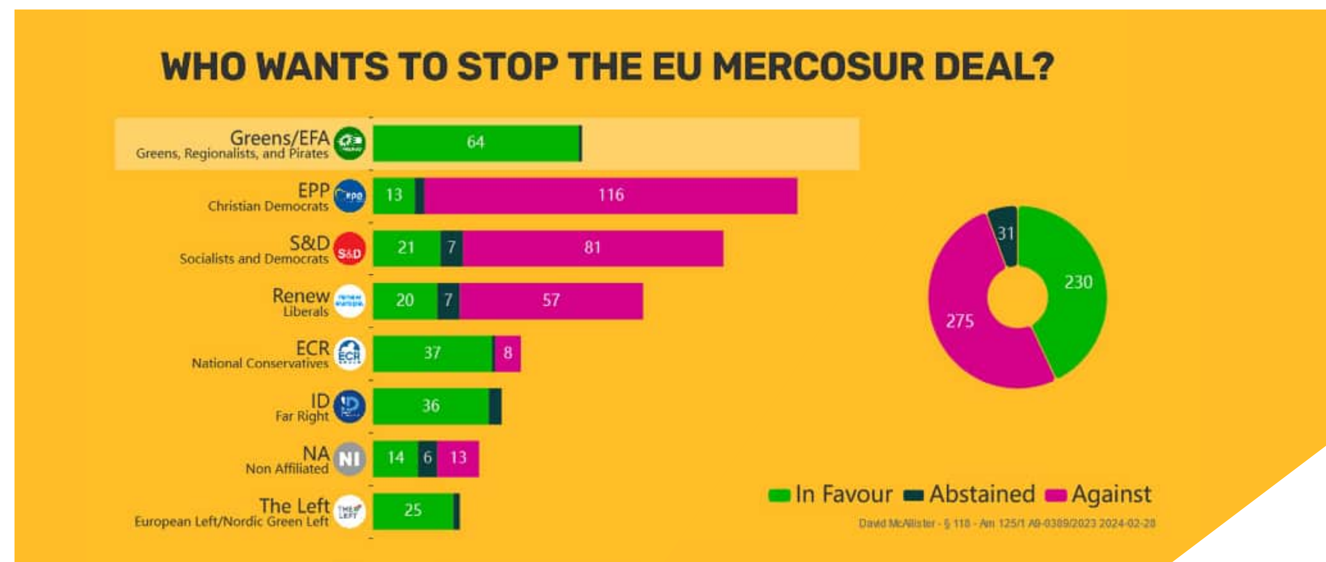
The subsequent evolution reflects a recalibration rather than a resolution of underlying tensions.

Legal uncertainty on the U.S. side continues to underpin Parliament's cautious approach. The aforementioned U.S. Supreme Court ruling invalidating the use of the IEEPA for broad tariffs removed the original legal basis for implementing the agreed tariff ceiling. The U.S. Administration's pivot to Section 122 of the Trade Act of 1974, alongside ongoing Section 301 and potential Section 232 investigations, has reinforced concerns in Brussels that tariff levels could again exceed Turnberry commitments through alternative legal instruments.

3 COMMISSION MOVES TOWARD PROVISIONAL APPLICATION OF EU-MERCOSUR AGREEMENT

On 23 March, the European Commission confirmed that the EU-Mercosur trade agreement will provisionally apply from 1 May. The Commission formally notified Mercosur countries of the instrument of provisional application in line with the Council Decision of 9 January. By transmitting a “note verbale” to Paraguay, the legal guardian of the Mercosur treaties, the Commission completed the final procedural step required, following Argentina, Brazil, Uruguay, and Paraguay’s ratification of the agreement.

Provisional application would allow tariff reductions and market-access commitments to enter into force ahead of full ratification, enabling key trade provisions to apply while national ratification processes for elements falling under shared competence continue in parallel. However, this process is now subject to significant legal uncertainty. Following a 21 January vote, the European Parliament referred the agreement to the Court of Justice of the European Union (CJEU) to assess its legality,



Source: Greens/EFA

meaning provisional application will proceed in parallel with judicial review rather than following formal parliamentary consent.

While provisional application can proceed in parallel, an adverse ruling could require amendment, partial suspension, or re-ratification of elements of the agreement, depending on the Court’s findings. In practical terms, this creates a scenario where trade preferences may be applied commercially while their legal foundation remains under review, increasing regulatory and political risk for stakeholders.

The decision to move forward has triggered sharp political opposition in several Member States and within the European Parliament. French President Emmanuel Macron criticised the Commission’s approach, describing it as a unilateral step taken “over the heads of EU lawmakers”. France, which led opposition to the deal prior to being outvoted in January, reiterated its objections, particularly on agricultural and democratic grounds. France’s main farm lobby, FNSEA, accused the Commission of “pushing through legislation” and bypassing institutional scrutiny, warning that French farmers “will not be sacrificed.”

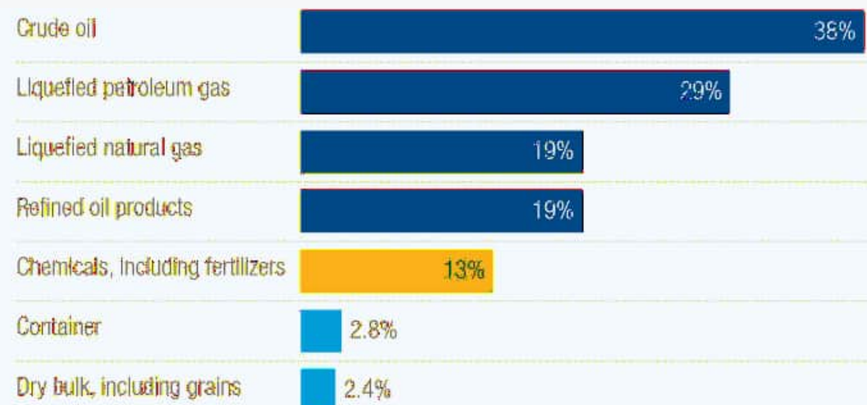
4 MIDDLE EAST CONFLICT RAISES RISKS FOR ENERGY AND GLOBAL SUPPLY CHAINS

Escalating conflict between the United States, Israel and Iran has raised concerns about disruptions to global energy markets and maritime trade routes, particularly around the Strait of Hormuz, one of the world's most critical shipping corridors. This waterway connects the Persian Gulf with the Arabian Sea and carries roughly 20-25% of global seaborne oil trade, as well as significant volumes of liquefied natural gas and petrochemical products including synthetic fertilisers and helium.

Military escalation and attacks on shipping infrastructure have significantly disrupted maritime traffic through the strait. Freight rates for oil tankers have risen sharply and war-risk insurance premiums have increased, pushing up transportation costs across energy and commodity supply chains. Oil prices surged from below $70 per barrel in late February to peaks near $120 in early March, before stabilising closer to $95-$110.

Beyond oil markets, the disruptions are affecting a broader set of global value chains. The Strait of Hormuz is also a major transit route for fertilisers, petrochemical derivatives and other industrial inputs, with roughly one third of global seaborne fertiliser trade passing through the corridor. Supply constraints in these sectors could create downstream pressures in industries such as agriculture, chemicals and semiconductor fabrication, particularly given the reliance on inputs such as helium and specialised petrochemical derivatives.

Logistics disruptions are also affecting regional supply chains in the Gulf. Import-dependent economies are scrambling to reroute shipments through alternative ports or overland transport routes as commercial navigation through the strait becomes increasingly risky. Food supplies, industrial goods and medical products have been particularly affected, with companies facing rising transport costs and delays.



Source: UN Trade and Development (UNCTAD)

The crisis is also prompting broader concerns about the vulnerability of global supply chains to geopolitical shocks. Previous disruptions - including the COVID-19 pandemic and the war in Ukraine - demonstrated how energy, transport and agricultural inputs can quickly transmit shocks across global markets. Analysts warn that sustained instability in the Gulf could generate similar ripple effects through energy prices, shipping costs and industrial supply chains worldwide.

> "Instability in the Gulf could generate similar ripple effects through energy prices."

At the same time, several ASEAN economies have warned that rising oil prices and disrupted trade routes could have direct economic consequences for Southeast Asia, where many countries depend heavily on imported energy and maritime trade flows. Regional governments have begun considering measures to stabilise domestic markets, conserve energy and strengthen supply-chain resilience.

WHY THIS MATTERS

The Strait of Hormuz remains one of the most critical choke points in the global trading system. Disruptions in the corridor affect not only oil markets but also fertilisers, petrochemicals and shipping routes linking Asia, Europe and the Middle East. Prolonged instability could therefore transmit shocks across global supply chains, raising transport costs, disrupting industrial inputs and increasing inflationary pressures in energy-importing economies.

5 CHINA AND THE U.S. HOLD TRADE TALKS IN PARIS; PRESIDENT TRUMP POSTPONES VISIT TO BEIJING

China and the U.S. wrapped up their sixth round of trade talks in Paris on 16 March.

Chinese Vice Commerce Minister Li Chenggang said that "China and the U.S. conducted deep, frank and constructive consultations".

Both sides agreed to continue to "maintain the stability of tariffs" and discussed the possibility of establishing a mechanism for promoting bilateral investment. Li added that the U.S. had introduced "quite a few" restrictive measures against China and China had expressed opposition to the Section 301 investigations recently announced by the U.S.

In an interview with CNBC, Treasury Secretary Scott Bessent said that the talks were "very good" and relations between the two biggest economies were stable. The talks had focused mainly on purchase commitments by China.

Plans for President Trump's visit to Beijing, originally scheduled for the end of March, were subsequently postponed and have now been rescheduled for 14-15 May. The delay was linked to developments in the Middle East rather than any change in the underlying U.S.-China relationship, with both sides indicating continued engagement on trade and economic issues.

UNITED STATES, CANADA & MEXICO

UNITED STATES LAUNCHES BROAD SECTION 301 INVESTIGATIONS TARGETING MANUFACTURING OVERCAPACITY AND FORCED LABOUR

In reaction to the Supreme Court ruling on IEEPA tariffs, the U.S. has launched a new series of Section 301 investigations under the Trade Act of 1974, which arms the President with broad authority to take action against unreasonable and unjustifiable policies and measures of foreign governments that burden U.S. commerce. It seems that the Administration, while imposing temporary Section 122 tariffs as a bridging operation, intends to use Section 301 to re-erect the IEEPA tariff wall knocked down by the Supreme Court.

One investigation focuses primarily on structural excess capacity in manufacturing sectors. The 16 economies subject to this investigation are China, the European Union, India, Japan, South Korea, Mexico, Singapore, Switzerland, Norway, Indonesia, Malaysia, Cambodia, Thailand, Vietnam, Taiwan and Bangladesh.

According to USTR Jamieson Greer, the investigations will assess whether policies and practices in these economies are unreasonable or discriminatory and whether they burden or restrict U.S. commerce. The manufacturing-related probe focuses on structural overproduction in sectors where foreign producers are alleged to generate excess capacity that can displace domestic U.S. production or discourage investment in American manufacturing.

A second investigation covers a review of alleged forced labour practices in 60 economies, examining whether governments have taken sufficient steps to prevent goods produced with forced labour from entering global supply chains. The investigations cover a wide range of major trading partners, including China, the European Union, India, Japan, Mexico, the United Kingdom, Canada and several ASEAN economies such as Singapore, The Philippines, Indonesia, Malaysia and Vietnam, among others.

These investigations may ultimately provide the legal basis for new tariffs or other trade measures should the United States determine that the targeted practices harm U.S. industries. Section 301 allows the United States to impose retaliatory duties following consultations and formal investigations, with no prescribed sunset date. The newly launched inquiries are expected to proceed on an accelerated timeline, which some fear may not accommodate a thorough and objective process.

The written comment period for the excess capacity case runs from 17 March to 15 April. Hearings will be held from 5-8 May. Any post-hearing rebuttal comments are due within seven days after the hearing closes. A determination could be made at any time after that.

> "The U.S. itself runs a prisons industries programme through an agency called Unicor."

For forced labour, the written comment period also ends on 15 April. Hearings will be held from 28 April to 1 May. After the seven-day period to allow post-hearing rebuttals, USTR could issue determinations at any time.

The move comes shortly after the U.S. Supreme Court ruling that invalidated tariffs imposed under the International Emergency Economic Powers Act (IEEPA). By launching new Section 301 investigations, the Administration appears to be shifting toward established statutory trade instruments as it seeks to maintain leverage in trade negotiations and continue its broader strategy of protecting domestic manufacturing and reshoring critical supply chains.

Initial reactions from trading partners have been mixed. The European Commission rejected accusations that the EU contributes to global manufacturing overcapacity, arguing that the bloc operates a market-driven economy and should instead be viewed as a partner in addressing distortions in global trade. As regards forced labour, some observers pointed out that the U.S. itself runs a prisons industries programme through an agency called Unicor.

China has also responded directly to the U.S. investigations, signalling a further escalation in trade tensions ahead of the planned summit between Presidents Trump and Xi Jinping. The Chinese Ministry of Commerce announced that it would initiate its own inquiries into U.S. trade practices, arguing that the Section 301 investigations are unilateral, discriminatory and potentially inconsistent with WTO rules. Chinese authorities also indicated that they may adopt countermeasures to safeguard domestic interests. While U.S. officials have downplayed the move as largely symbolic, the exchange highlights the risk of retaliatory action and underscores how trade investigations are increasingly being used as strategic tools within a broader geopolitical context.

Not everyone is convinced that the Section 301 route is immune from challenge. In an article for the Peterson Institute, trade policy veteran Alan Wolff argues that the Section 301 cases cover such a large proportion of U.S. imports that a court may conclude that its blanket use in this way also falls foul (as the IEEPA tariffs did) of Congress's overall authority over tariffs.

UNITED STATES, MEXICO AND CANADA BEGIN REVIEW OF THE USMCA

Preparations for the mandatory 2026 review of the United States-Mexico-Canada Agreement (USMCA) have begun, with the United States and Mexico launching the first round of bilateral discussions to define the scope of negotiations. U.S. Trade Representative (USTR) Jamieson Greer and Mexican Economy Secretary Marcelo Ebrard announced that negotiators will examine possible adjustments to ensure that the economic benefits of the agreement are concentrated within the North American partners, including by strengthening rules of origin, reducing reliance on imports from outside the region, and improving the resilience of regional supply chains.

The review also reflects broader tensions in North American trade relations following a year of tariff disputes and policy shifts in Washington. U.S. policymakers have increasingly expressed concern that Chinese investment and manufacturing capacity could enter the U.S. market indirectly through Mexico under preferential tariff treatment. As a result, discussions are expected to focus on limiting non-regional content in USMCA-eligible products and strengthening

regional supply chains, while balancing the interests of the three partners in maintaining a competitive North American manufacturing base.

Mexico has taken steps that appear to align with these concerns, including the introduction of tariffs of up to 50% on a range of imports from China and other non-FTA partners earlier this year. Nevertheless, Mexican officials have emphasised the importance of preserving the agreement's trilateral structure, warning that prolonged uncertainty or an annual review process could discourage investment and weaken North America's competitiveness relative to Asian economies.

Canada has also resumed discussions with the United States following a pause in bilateral trade negotiations late last year. Canadian Prime Minister Mark Carney has raised concerns about the stability of the agreement following a series of U.S. tariff actions affecting Canadian exports, including duties on steel, aluminium and automobiles.

The review process will therefore take place in the context of recent tensions in North American trade relations. While the agreement continues to underpin approximately $1.8 trillion in regional trade, the negotiations will test whether the three countries can maintain a coordinated North American trade framework while addressing U.S. concerns about supply chain security, Chinese economic influence, and the future of regional manufacturing.

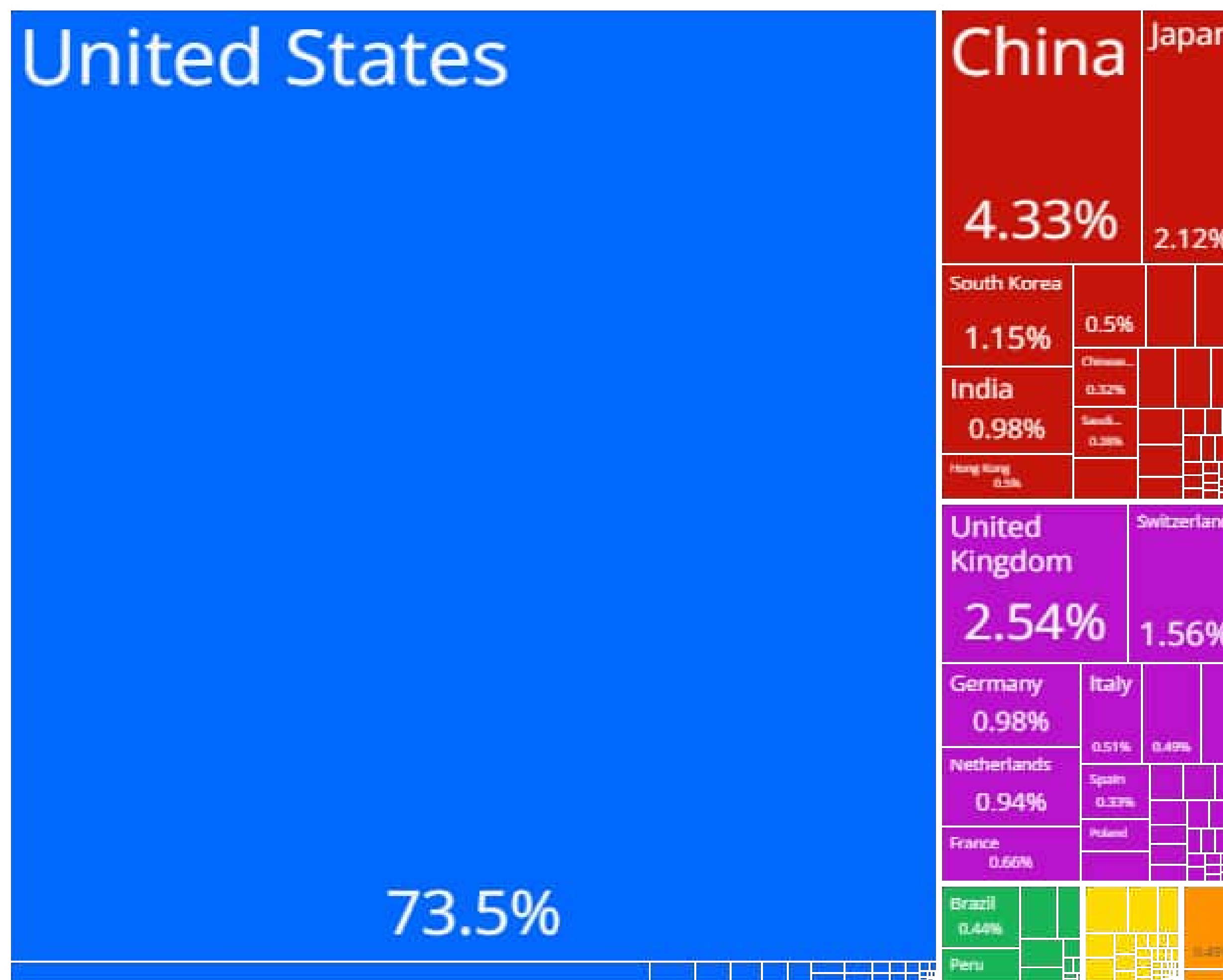
The USMCA entered into force in 2020. The agreement provides for a first Joint Review to take place on the sixth anniversary (in 2026). USMCA will expire automatically in 2036 unless a joint review agrees to extend it. There are also separate provisions relating to parties' rights to withdraw from the agreement.

CANADA SEEKS TO DIVERSIFY TRADE THROUGH INDO-PACIFIC PARTNERSHIPS

Canada is stepping up efforts to diversify its trade and investment relationships through deeper engagement with partners in the Indo-Pacific region. Prime Minister Mark Carney travelled to India, Australia and Japan in late February and early March as part of a broader strategy to expand economic cooperation in sectors including energy, technology, critical minerals and advanced manufacturing. These efforts build on Canada's wider push to strengthen economic ties across the region, including ongoing negotiations toward a free trade agreement with ASEAN, aimed at expanding market access and supporting more resilient supply chains.

> "Canada is stepping up efforts to diversify its trade and investment relationships."

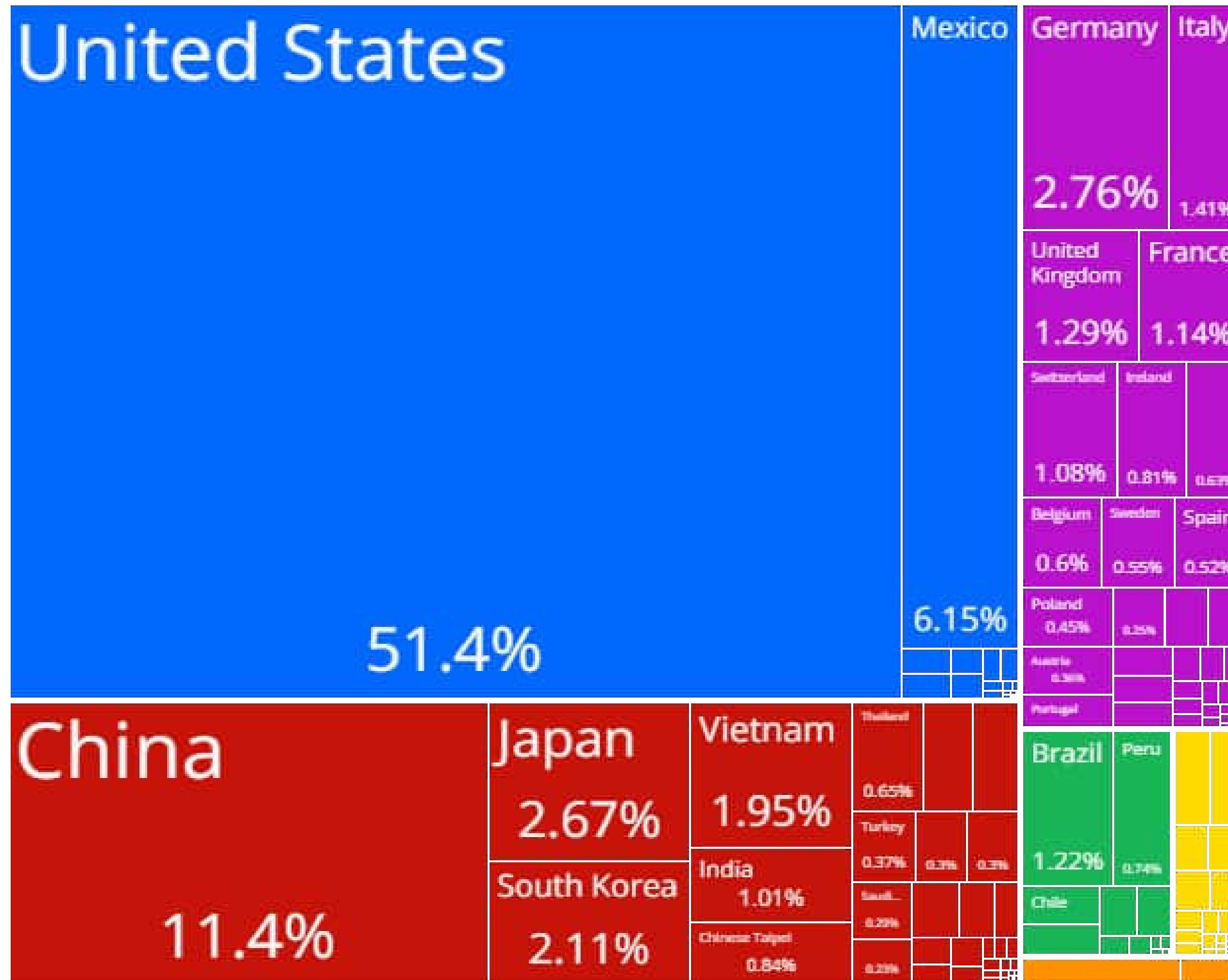
CANADA EXPORTS BY COUNTRY



Source: OEC

CANADA IMPORTS BY COUNTRY

Total: $531B



Source: OEC

In India, discussions focused on strengthening bilateral economic ties and advancing negotiations toward a Comprehensive Economic Partnership Agreement, with the two governments exploring opportunities in trade, clean energy, artificial intelligence and defence cooperation. The visit also included meetings with business leaders aimed at encouraging greater investment flows between the two economies.

Talks in Australia centred on expanding cooperation in areas such as critical minerals, maritime security, defence and emerging technologies, alongside efforts to attract additional Australian investment into Canada. The discussions also build on a trilateral technology and innovation partnership involving Canada, India and Australia that aims to support the development of secure and resilient supply chains.

> "Collaboration on clean energy and battery supply chains, as well as expanded investment opportunities linked to Canada's liquefied natural gas."

In Japan, the two countries announced a Comprehensive Strategic Partnership designed to deepen cooperation across trade, energy and security. The agreement includes collaboration on clean energy and battery supply chains, as well as expanded investment opportunities linked to Canada's liquefied natural gas and critical minerals sectors.

Taken together, the visits highlight Canada's efforts to strengthen economic ties with like-minded partners across the Indo-Pacific and to expand market access for Canadian exports.

FURTHER INFORMATION

CSIS - USMCA Review 2026: Six Scenarios for North America's Future

The Economist - The Supreme Court tariffs ruling reins in Donald Trump

Peterson Institute for International Economics - What the Supreme Court's tariff ruling changes, and what it doesn't

EUROPEAN UNION

EU ADVANCES STRUCTURAL STEEL PROTECTIONS AS INTER-INSTITUTIONAL NEGOTIATIONS BEGIN

On January 28, 2026, the European Parliament's INTA Committee approved a series of new measures designed to shield the EU steel industry from the destabilising effects of persistent global overcapacity and increasingly diverted trade flows. The move signals a more proactive stance by Brussels as it attempts to balance domestic industrial stability with a commitment to rules-based international trade.

European lawmakers emphasised that these measures are a direct response to the failure of global forums to reduce excess steel production, which remains a core point of friction with trading partners. The Parliament noted that while the EU has significantly reduced its own carbon-intensive production, other regions have continued to expand capacity, often through state-subsidised models. This imbalance has led to a "flood" of low-cost steel entering the European market, undermining the competitiveness of EU firms already navigating high energy costs and the phased introduction of the Carbon Border Adjustment Mechanism (CBAM).

> "Imbalance has led to a "flood" of low-cost steel entering the European market"

In late February, the European Commission officially welcomed the start of inter-institutional negotiations - the formal discussions between the European Parliament, the Council and the Commission aimed at agreeing on the final legislative text -, marking a shift toward more permanent structural defences. Discussions are focused on three critical pillars: upgrading anti-circumvention rules to prevent "country-hopping" through third-party processing, embedding environmental conditionality by aligning protections with the Carbon Border Adjustment Mechanism (CBAM), and implementing a legal framework that allows for rapid, sector-wide investigations into non-market production levels.

By strengthening its legal framework now, the EU aims to coordinate more effectively with partners like the U.K. and U.S. to address global overcapacity while protecting regional manufacturing supply chains. The timing of these negotiations is strategic, coinciding with broader EU efforts to build a "Steel Alliance" with like-minded partners such as the U.K. and U.S. By strengthening its domestic legal framework now, the EU aims to enter these international negotiations from a position of legislative strength.

European steel producers have largely welcomed the move toward more permanent protections, noting that the 50% import duty on non-quota imports scheduled for July 2026 requires a robust underlying legal structure to be effective. However, downstream sectors, particularly the automotive and construction industries, remain cautious, urging negotiators to ensure that the trilogue outcome does not lead to structural shortages or price spikes that could hinder Europe's green transition.

EU-INDIA FREE TRADE AGREEMENT CONCLUDED

On 27 January, the European Union and India announced the conclusion of negotiations on a comprehensive EU - India Free Trade Agreement (FTA) in New Delhi, following nearly two decades of intermittent talks. The announcement was made during an EU-India summit attended by European Commission President Ursula von der Leyen, European Council President António Costa, and Indian Prime Minister Narendra Modi. Dubbed as the "mother of all deals" by Commission President Von Der Leyen, the agreement represents the largest trade deal ever concluded by either side, creating a potential economic area encompassing around two billion people.

According to the European Commission, the agreement will eliminate or significantly reduce tariffs on around 96% of EU exports to India, generating estimated savings of approximately €4 billion per year in duties for European exporters.

The deal will also improve market access for services, government procurement, and investment, while establishing rules covering digital trade, intellectual property, customs cooperation, and sustainable development. Sensitive sectors such as certain agricultural products were largely excluded from full tariff liberalisation.

The agreement significantly expands an already substantial economic relationship. Current bilateral trade accounts for roughly €120 billion annually in goods and services currently. The Commission estimates that the agreement could double EU exports to India by 2032, particularly benefiting sectors such as automotive, machinery, chemicals, pharmaceuticals, wines and spirits, and medical devices, where Indian tariffs have historically been high.

The FTA covers multiple policy areas beyond goods trade, including services, digital trade, government procurement, intellectual property, customs cooperation and sustainable development, reflecting the EU's newer generation of trade agreements. Sensitive sectors such as certain agricultural products were largely excluded from tariff liberalisation to accommodate domestic concerns on both sides.

The conclusion of the deal also reflects a broader shift in the global trading environment. The agreement was finalised amid rising trade tensions with the United States, including tariff threats by President Donald Trump and disputes linked to his controversial proposal to take over Greenland. These tensions have strained transatlantic relations and prompted countries to diversify economic partnerships, ultimately contributing to the acceleration of the deal between the two parties after years of negotiations.

"The agreement was finalised amid rising trade tensions with the United States, including tariff threats by President Donald Trump and disputes linked to his controversial proposal to take over Greenland."

EU-VIETNAM RELATIONS UPGRADED TO COMPREHENSIVE STRATEGIC PARTNERSHIP

On 29 January 2026, the European Union and Vietnam issued a joint statement in Hanoi announcing the upgrade of their bilateral relationship to a Comprehensive Strategic Partnership, marking a significant deepening of political, economic and security cooperation between the two sides. The decision builds on more than 35 years of diplomatic relations and reflects the growing strategic importance of the EU-Viet Nam partnership in the Indo-Pacific region.

The upgraded framework places particular emphasis on economic, trade and investment cooperation as a central pillar of the relationship. Both sides reaffirmed the importance of the EU-Vietnam Free Trade Agreement (EVFTA) and committed to ensuring its full and effective implementation, while strengthening dialogue on economic policy, regulatory cooperation and trade-related issues.

The statement highlights the benefits already generated by the EVFTA and signals the intention of both partners to expand trade and investment opportunities in sectors of mutual interest, while addressing emerging issues through structured dialogue mechanisms such as the EU-Vietnam Trade Committee and the Joint Committee under the Partnership and Cooperation Agreement.

Beyond trade, the Comprehensive Strategic Partnership will deepen cooperation across a range of areas including political dialogue, security and defence cooperation, sustainable development, labour standards, and people-to-people exchanges, with the stated objective of contributing to peace, stability and prosperity in both regions and the wider international system.

The upgrade of EU-Vietnam relations reflects the EU's broader strategy of strengthening partnerships with key Indo-Pacific economies and reinforcing economic engagement in the region through trade agreements and strategic cooperation frameworks.

EU AND CANADA LAUNCH NEGOTIATIONS FOR A DIGITAL TRADE AGREEMENT

On 6 March, the European Union and Canada launched negotiations for a Digital Trade Agreement (DTA) during a meeting in Toronto between EU Commissioner for Trade and Economic Security Maroš Šefčovič and Canada's Minister for International Trade Maninder Sidhu. The proposed agreement aims to facilitate digital trade between the two partners by establishing clear rules for cross-border digital transactions while strengthening consumer protections online.

The initiative builds on the EU-Canada Comprehensive Economic and Trade Agreement (CETA), which has been in force for nine years and has significantly expanded bilateral trade. Since its entry into force, EU-Canada trade in goods has increased by 76% to over €81 billion, while trade in services has grown by 97% to nearly €51 billion. The proposed DTA is intended to complement CETA by addressing emerging issues in the digital economy.

Negotiations are expected to focus on strengthening consumer protections and privacy safeguards online, facilitating paperless trade and recognition of electronic signatures and contracts, and promoting fair digital trade rules, including provisions prohibiting unjustified data localisation requirements and forced transfers of software source code.

The launch of the negotiations comes amid broader geopolitical tensions affecting global trade, including strains in transatlantic relations and concerns about U.S. trade policy. The initiative also reflects Canadian Prime Minister Mark Carney's call for closer economic alignment between Canada and the European Union, as Ottawa seeks to deepen partnerships with trusted allies and diversify trade relationships.

EU STEPS UP TRADE DEFENCE MEASURES AGAINST CHINESE IMPORTS

From the beginning of 2026, the European Commission has adopted a series of anti-dumping measures targeting imports from China, reflecting increased use of the EU's trade defence instruments amid concerns about unfair pricing and global overcapacity.

In January and February 2026, the Commission imposed duties on several product categories following investigations that found imports entering the EU at dumped prices and causing injury to European producers. These included fused alumina, where duties of 88.7% – 110.6% were introduced alongside a tariff-rate quota to safeguard supply for downstream industries; candles, subject to duties of 56%-60%; and sweetcorn, where duties range from 31% to 54.3%. More recently, on 13 February, the Commission imposed duties of 31.3%-53.8% on imports of valine, an amino acid widely used in animal feed and food production.

Alongside these measures, the Commission has also acted in other sectors, including imposing duties on high-pressure seamless steel cylinders ranging between 57.7% to 90.3%, and issuing guidance on the use of price undertakings in investigations concerning Chinese electric vehicles, while accepting an undertaking from one Chinese EV exporter.

Taken together, the recent measures illustrate a more assertive use of EU trade defence instruments, particularly in sectors linked to industrial inputs and strategic value chains. The actions come amid broader concerns in Brussels about global overcapacity, state-supported production and market distortions, especially in relation to Chinese exports.

EUROPEAN COMMISSION PROPOSES INDUSTRIAL ACCELERATOR ACT

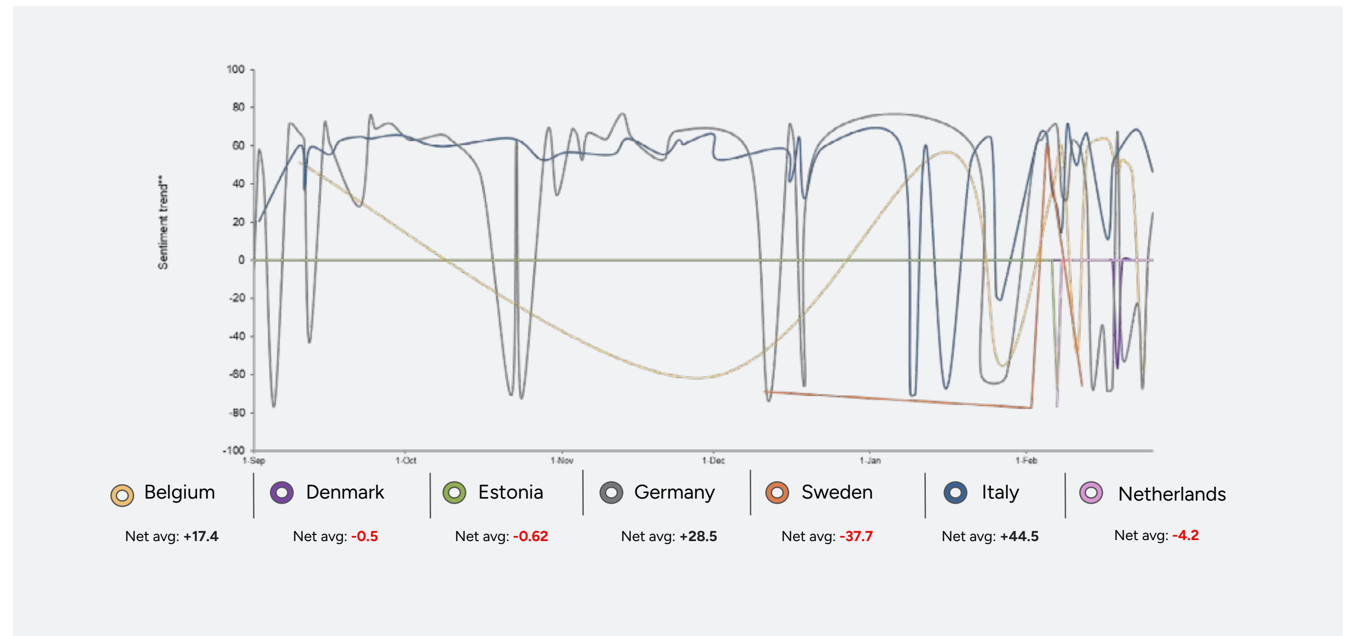
On 4 March 2026, the European Commission published the proposed Industrial Accelerator Act (IAA), a central pillar of its economic security and industrial policy agenda aimed at scaling EU manufacturing capacity in strategic sectors to 20% of GDP by 2035.

A core feature is the introduction of "Made in Europe" demand-side instruments, which would embed Union-origin and low-carbon requirements into public procurement and public support schemes across sectors such as construction, transport and net-zero technologies. From a trade perspective, this represents a calibrated shift towards localisation within the bounds of EU procurement obligations. While products from FTA partners and WTO Government Procurement Agreement signatories are treated as equivalent to EU origin, the proposal creates explicit scope to exclude third-country suppliers lacking reciprocal market access or posing security-of-supply risks.

This introduces a more conditional and strategic approach to market access, effectively leveraging procurement as an industrial policy tool while testing the limits of non-discrimination commitments.

In parallel, the IAA signals a potential tightening of access for foreign firms to EU public contracts and subsidies, with broader implications for ongoing debates on reciprocity in procurement markets and the EU's evolving use of trade policy instruments to support domestic industrial capacity. The proposed text of the IAA had been the subject of intense political scrutiny, reflected via the file's numerous postponements between December 2025 and March 2026. Given the text's embedding in the EU's broader trade regime, amendments to the file are likely to be anticipated in European Parliament and Council debates, particularly on procurement thresholds, reciprocity provisions and governance.

Penta data shows that despite the fact that opposition has been raised within the council of the EU towards the IAA's "Made in EU"' provisions public facing media shows that the debate in Germany and Italy is positive, indicating support for the interventions in the EU's largest and third largest economies.



Source: Penta

FURTHER INFORMATION

European Policy Centre: The virtues of a less incomplete superpower

Jacques Delors Institute: After the Rupture: EU-CPTPP Responses to a Changing Global Trading Order

Bruegel: Carbon pricing beyond borders: assessing climate policy spillovers from the EU carbon border adjustment mechanism

EU AND UK SIGN COMPETITION COOPERATION AGREEMENT

On 25 February, the European Union and the United Kingdom signed the EU-UK Competition Cooperation Agreement, establishing a dedicated framework for cooperation between the European Commission and EU Member State competition authorities on the one hand, and the UK Competition and Markets Authority (CMA) on the other. It is the first supplementary agreement to the EU-UK Trade and Cooperation Agreement (TCA) since the agreement entered into force in 2021, and the first EU-UK agreement focused specifically on competition cooperation since Brexit.

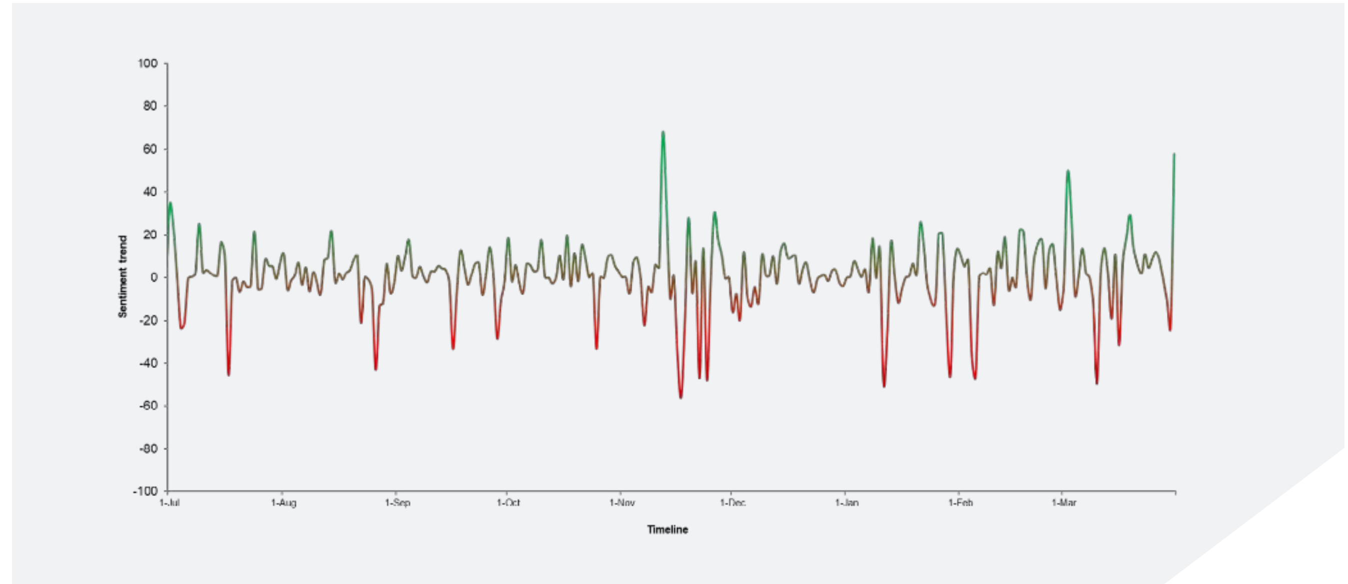
The agreement is intended to support closer coordination in antitrust and merger investigations, including through mutual notification of significant cases, operational cooperation in parallel or related investigations, and information-sharing subject to confidentiality safeguards. Confidential information may be exchanged only with the consent of the undertaking that provided it, and shared material may be used only for the competition law proceeding for which it was originally supplied.

> “The agreement is intended to support closer coordination in antitrust and merger investigations.”

From an enforcement perspective, the agreement formalises cooperation that has largely operated on an informal, ad hoc basis since 2021, but goes further by also covering cooperation between the CMA and the 27 national competition authorities of EU Member States when enforcing EU competition law. Legal commentary suggests that, while the framework does not harmonise outcomes, it is likely to lead to more structured and more closely coordinated cross-Channel enforcement, increasing the importance for businesses of adopting consistent UK-EU strategies in merger and antitrust cases from an early stage.

The agreement must now complete ratification procedures on both sides. On the EU side, this will require a Council decision and the consent of the European Parliament; in the UK, it will be laid before Parliament for scrutiny under the Constitutional Reform and Governance Act 2010.

UK discussion of the EU-UK relations has been broadly balanced but is trending slightly positive. Penta data shows sentiment with a modestly positive skew and recent improvement, suggesting negative coverage has been episodic, reflecting growing recognition of the economic case for closer EU coordination and reduced post - Brexit sensitivity.



Source: Penta

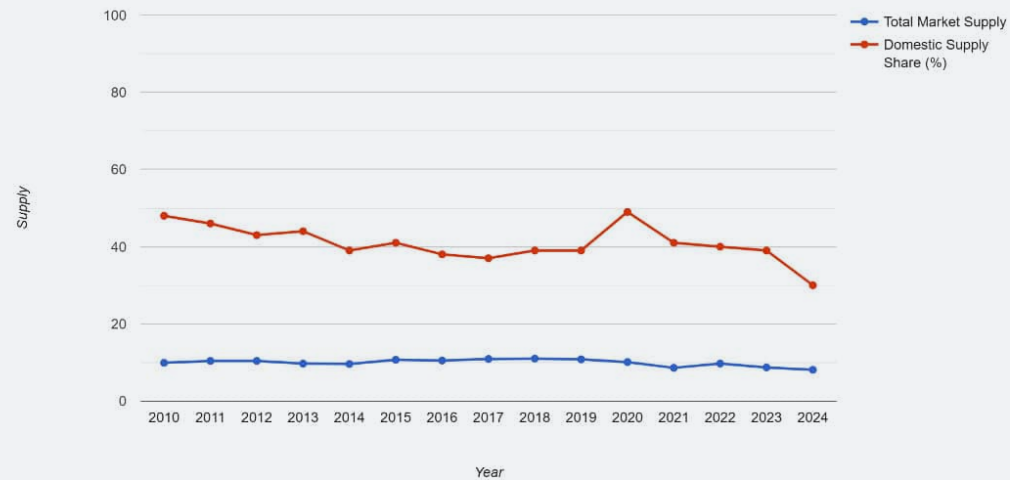
UK PUBLISHES STEEL STRATEGY IN EFFORTS TO SCALE DOMESTIC STEEL PRODUCTION

On 20 March, the UK government published its Steel Strategy for 2026 and onwards, setting out a longer-term plan to stabilise and modernise the domestic steel sector amid pressure from global overcapacity, unfair subsidies, high operating costs and ageing infrastructure. The strategy highlights the aim of the government to return domestic production to around 40% to 50% of UK steel demand, up from 30% in 2024, while supporting a transition toward lower-carbon steelmaking.

In scaling the production of local steel, the strategy addresses emissions concerns, confirming that the UK sees electric arc furnace (EAF) production as the most viable route for decarbonised steelmaking, while also identifying direct reduced iron (DRI) as the most viable current option for domestic primary iron production over time. It also highlights a wider package of public and private investment, including £500 million for Tata Steel's £1.25 billion Port Talbot transformation, £102 million for affected workers and communities, an intervention to maintain operations at British Steel Scunthorpe, and over £420 million in expanded investment in Sheffield Forgemasters.

The measures will take effect on 1 July 2026, immediately after the existing steel safeguard expires. These will introduce tariff-rate quotas set substantially below current safeguard volumes, add coverage for further steel categories made in the UK, and apply an out-of-quota tariff of 50%. The government also said it will explore "melted and poured" origin requirements for imports to improve supply-chain visibility and strengthen protection against trade diversion.

The strategy also links steel policy to wider competitiveness measures, including additional electricity-cost support, a proposed British Industrial Competitiveness Scheme from 2027, the introduction of a UK CBAM on 1 January 2027, and work to secure domestic scrap supply. It further notes that UK-EU negotiations have begun on linking the UK and EU ETS, which the government says could reduce costs for UK industry and help secure an exemption from the EU CBAM.



Source: UK Department for Business & Trade *(data from ISBB)*

UK SIGNS CRITICAL MINERALS PARTNERSHIP WITH KAZAKHSTAN

On 26 February, UK Home Secretary Yvette Cooper announced that the United Kingdom signed a new partnership with Kazakhstan aimed at strengthening cooperation on critical minerals, as part of efforts to secure supply chains for strategic raw materials.

The agreement reflects London's growing focus on diversifying access to minerals essential for the energy transition and advanced manufacturing. The partnership is intended to deepen cooperation across the exploration, extraction and processing of critical minerals, including those used in batteries, renewable energy technologies and electronics.

> "The deal reflects a wider push by the UK government to build partnerships with resource-rich countries."

Both governments signalled their intention to facilitate investment, technology cooperation and supply chain development, while promoting responsible mining practices and regulatory cooperation.

Kazakhstan is one of the world's largest producers of several strategically important minerals, including uranium, chromium and rare earth elements, and has sought to strengthen economic ties with Western partners as global competition for critical raw materials intensifies.

For the UK, the agreement forms part of a broader strategy to reduce reliance on concentrated supply chains and improve access to minerals needed for clean technologies, defence systems and high-tech manufacturing.

The deal reflects a wider push by the UK government to build partnerships with resource-rich countries and support the development of resilient supply chains for critical minerals, which have become increasingly central to economic security and industrial policy in advanced economies.

UK-INDIA TRADE AGREEMENT EXPECTED TO ENTER INTO FORCE

The UK-India Comprehensive Economic and Trade Agreement (CETA), concluded in 2025, is expected to enter into force in April 2026 according to a spokesperson from the Indian Government, following completion of the necessary ratification procedures in both countries. The agreement represents one of the most significant post-Brexit trade deals negotiated by the United Kingdom and is intended to substantially expand bilateral trade between the two economies.

The deal will significantly reduce tariffs across a wide range of sectors. India has agreed to lower tariffs on many UK exports including whisky, automobiles, and medical devices, while the UK will remove or reduce duties on a large share of Indian goods entering the British market. The agreement also includes provisions covering services, investment, digital trade, and regulatory cooperation, aimed at improving market access and reducing non-tariff barriers.

The UK government has highlighted the agreement's potential to boost economic ties with one of the world's fastest-growing major economies. India is already an important trading partner for the UK, with bilateral trade exceeding £40 billion annually, and the agreement is expected to support further growth in sectors such as manufacturing, financial services, and technology.

Once implemented, the FTA is expected to provide greater certainty for businesses operating in both markets while strengthening economic cooperation between the two countries and reinforcing the UK's strategy of expanding trade partnerships beyond the European Union.

> "India is already an important trading partner for the UK, with bilateral trade exceeding £40 billion annually,"

UK-U.S. TRADE RELATIONS SHOW SIGNS OF STRAIN

UK–U.S. trade relations showed signs of strain in early 2026, as renewed U.S. tariff measures and trade investigations raised questions about the stability of the bilateral framework agreed last year. In February, UK Trade Secretary Peter Kyle told a parliamentary committee that the government remained confident that the "Economic Prosperity Deal" negotiated with Washington in 2025 would continue to apply despite new tariff actions announced by the Trump Administration.

Under that agreement, the United States applies a baseline 10% tariff on UK exports, alongside preferential terms for a number of sectors including automobiles, aircraft and agriculture. Some elements of the arrangement remain under negotiation and have yet to be fully implemented. Kyle described the deal as "the best deal" available under the circumstances and said the "fundamental terms… remain in place" following recent engagement with U.S. officials.

However, the outlook for the bilateral relationship became less certain shortly afterwards when the United States announced new trade probes covering several countries, including the United Kingdom, examining whether foreign trade practices were harming U.S. economic interests. The investigation comes amid broader changes to U.S. tariff policy, including the introduction of a temporary global 10% import tariff, which the Trump Administration has indicated could increase to 15%.

FURTHER INFORMATION

UK Government: UK trade in goods statistics January 2025: commentary

Centre for European Reform: EU-UK relations: Will 2026 be the year to reset the reset?

Chatham House: To secure critical minerals supply governments need to take a stake in industry

ASIA-PACIFIC

PREMIER LAYS OUT CHINA'S MAJOR ECONOMIC TARGETS FOR 2026

At the opening session of the National People's Congress in early March, Chinese Premier Li Qiang set out some targets and parameters for the economy in 2026. Among them, he listed:

- Gross domestic product growth of 4.5-5%
- Consumer price increase of 2%
- A fiscal budget deficit of around 4%
- Addition of 12 million new urban jobs
- Research and development spending to grow by 10%

The GDP target is the least ambitious since 1991. Li also said that the government would introduce new measures to support the private sector and encourage the new generation of entrepreneurs.

Despite a hostile geo-economic environment, China's exports have remained remarkably resilient. Shipments surged 21.8% year on year in January and February. Strong demand for Chinese goods in South East Asia, Europe and elsewhere more than offset an 11% decline in exports to the U.S.

INDIA AND BRAZIL STRENGTHEN COOPERATION ON CRITICAL MINERALS

India and Brazil have signed an agreement to deepen cooperation on critical minerals and rare earths, reflecting growing efforts among major emerging economies to diversify supply chains for strategic industrial inputs. The agreement was announced during Brazilian President Luiz Inácio Lula da Silva's visit to New Delhi, where he met Indian Prime Minister Narendra Modi to discuss expanding bilateral trade and investment.

The partnership is aimed at reducing India's reliance on China, which currently dominates the global mining, processing and export of several rare earth and critical minerals used in technologies such as electric vehicles, renewable energy systems and advanced electronics. Brazilian officials highlighted the country's significant resource base, noting that Brazil holds some of the world's largest reserves of critical minerals used across a wide range of industrial applications.

Although details of the agreement remain limited, the initiative forms part of a broader strategy by India to secure access to critical mineral supply chains through partnerships with multiple countries. Recent engagements with the United States, the European Union and France have similarly focused on diversifying sources of key inputs required for energy transition technologies and advanced manufacturing.

> “The two governments aim to expand bilateral trade beyond its current level of roughly $20 billion.”

Beyond the minerals agreement, India and Brazil also signed several additional cooperation arrangements covering areas such as digital technologies and health. The two governments indicated that they aim to expand bilateral trade beyond its current level of roughly $20 billion in the coming years, reinforcing the role of emerging-economy partnerships in shaping global supply chains.

INDIA AND U.S. NEW TRADE FRAMEWORK ON HOLD

In early February, India and the U.S. unveiled a new interim trade deal. In a Truth Social post, President Trump said that “Out of friendship and respect for Prime Minister Modi and, as per his request, effective immediately, we agreed to a Trade Deal between the United States and India, whereby the United States will charge a reduced Reciprocal Tariff, lowering it from 25% to 18%,” he added. “They will likewise move forward to reduce their Tariffs and Non Tariff Barriers against the United States, to ZERO.”

However, Indian Commerce Secretary Rajesh Agrawal noted in a press briefing in March that the tariffs that underpinned the deal the two sides negotiated had been negated by the Supreme Court’s ruling against the President’s use of the International Emergency Economic Powers Act. Accordingly, India would sign its trade deal with the U.S. only after Washington had established a new tariff framework.

India has now been targeted by two new U.S. Section 301 investigations on excess capacity and forced labour, which further complicates the situation.

Commenting on the current state of the bilateral trade relationship, Mark Linscott, Senior Advisor at the U.S.-India Strategic Partnership Forum and former USTR senior official said: “it’s likely to be a messy process so buckle up!”

INDONESIA AND THE UNITED STATES FINALISE RECIPROCAL TRADE AGREEMENT

Indonesia and the United States have finalised a reciprocal trade agreement aimed at expanding bilateral market access and strengthening supply chain cooperation. Under the deal, Indonesia will remove tariff barriers on over 99% of U.S. exports, including agricultural products, healthcare goods, information and communications technology, automotive products and chemicals. The agreement also addresses a range of non-tariff barriers, including local content requirements, certification procedures and regulatory standards affecting sectors such as medical devices, pharmaceuticals and automotive products.

In return, the United States will apply a 19% reciprocal tariff rate on imports from Indonesia, down from a previously proposed rate of 32%, while granting tariff exemptions for certain products, including textiles and apparel produced with U.S. cotton or synthetic fibre inputs.

"The United States will apply a 19% reciprocal tariff rate on imports from Indonesia, down from a previously proposed rate of 32%."

Indonesian officials indicated that exemptions were also secured for a large number of export products, including coffee, spices, natural rubber and palm oil, reflecting Jakarta's efforts to preserve market access for key commodity exports.

The agreement also includes commitments aimed at strengthening economic cooperation in several strategic sectors.

Indonesia has pledged to address barriers affecting digital trade, support the moratorium on customs duties for electronic transmissions at the World Trade Organization, and cooperate with the United States on supply-chain resilience and export controls. In addition, Indonesia has agreed to participate in international efforts addressing excess capacity in the global steel sector and to adopt measures restricting imports of goods produced usingforced labour.

The deal is accompanied by a series of commercial agreements valued at more than $30 billion, including purchases of U.S. agricultural commodities, energy products and commercial aircraft. Several U.S. companies have also announced investments in Indonesia's natural resource and technology sectors, including cooperation on critical minerals development and expansion of mining operations in the Grasberg copper district.

EFTA AND MALAYSIA CONCLUDE TRADE AGREEMENT AS TALKS ADVANCE WITH VIETNAM

The European Free Trade Association (EFTA) and Malaysia have reportedly concluded a free trade agreement after more than a decade of negotiations, marking a further step in EFTA's efforts to deepen economic ties with Southeast Asia. The agreement between Malaysia and the four EFTA states – Switzerland, Norway, Iceland and Liechtenstein – provides for the gradual elimination of tariffs on nearly all industrial goods and expands market access in areas including services, investment and government procurement.

Malaysia has committed to removing duties on almost all industrial products within ten years of the agreement entering into force, while EFTA countries will fully liberalise their markets for these goods. The deal also addresses a range of regulatory issues affecting trade, including technical standards, sanitary and phytosanitary measures, and intellectual property protection. In addition, it includes provisions aimed at promoting sustainable supply chains, particularly in relation to the production and trade of palm oil.

The agreement is notable for including government procurement commitments with an Asian partner for the first time in an EFTA trade agreement, expanding opportunities for firms from EFTA countries to participate in Malaysian public procurement programmes. The accord also introduces extended rules of origin allowing accumulation of intermediate goods from partners such as ASEAN economies, China, the European Union and Türkiye for industrial products.

The agreement forms part of a broader strategy by EFTA countries to strengthen their economic presence in Southeast Asia. EFTA already maintains trade agreements with several ASEAN members, including Singapore, Indonesia, the Philippines and Thailand. At the same time, negotiations are continuing on a separate free trade agreement with Vietnam, where both sides have indicated their intention to accelerate talks and aim to conclude the deal later this year.

Taken together, these initiatives reflect the growing importance of Southeast Asia as a hub for global supply chains and investment. By expanding trade agreements across the region, EFTA countries are seeking to improve market access for their exporters while supporting the diversification and resilience of international production networks.

AUSTRALIA AND EU FINALISE LONG-AWAITED TRADE DEAL

On 24 March, Australian Prime Minister Anthony Albanese and European Commission President Ursula von der Leyen signed a new trade deal, bringing eight years of negotiations to an end.

"Both the EU and Australia are asserting that we believe in free trade", Albanese said. Von der Leyen commented that "…countries are longing for stability and predictability. And this is what the [EU] is offering".

It is understood that in the final stages of the negotiations Australia reduced its demand for a special beef tariff quota from 50,000 tonnes to 30,600 tonnes, while the EU agreed to lower tariffs on Australian lamb and some sugar and dairy products. Australia will also ban domestic producers from using nearly 400 EU protected names for food and drink products. These items had been the sticking points for a considerable time.

In a related deal, Australia will also facilitate investment by the EU in its critical minerals mining industry.

According to the EU, exports to Australia are now expected to grow by up to 33% over the next decade. Key sectors with strong growth potential include dairy (expected to increase by up to 48%) motor vehicles (52%), and chemicals (20%). EU investment into Australia has the potential to grow by over 87%.

Prime Minister Albanese said that the deals would be worth A$10 billion annually to the Australian economy. Further talks would be held to allow Australian companies to have access to the EU's Horizon research fund.

The agreement provides another illustration of how President Trump's tariff policies are driving other economies to settle their trade differences and integrate.

FURTHER INFORMATION

- Bruegel - European and Chinese exports kept growing despite the 2025 Trump trade shock
- Peterson Institute for International Economics - Fasten your seat belts for the next China shock
- Lowy Institute - Carney's rupture: Rethinking the rules-based order
- Navigating Choppy Waters: Australia and the EU Chart a New Course
- Lowy Institute - The EU-Australia FTA plays the long game on critical minerals with no short cuts

MINISTERIAL CONFERENCE CLOSES WITHOUT AGREEMENT ON KEY DECISIONS; WORK TO CONTINUE

The WTO's Fourteenth Ministerial Conference (MC14), held in Yaoundé, Cameroon, came to a close on 30 March without a consensus being reached on key decisions.

The two leading issues coming into the conference dominated proceedings towards its end – whether to renew a moratorium on imposing customs duties on electronic transmissions, and the parameters for a process aimed at reforming the WTO. In time-honoured WTO negotiating fashion, these issues were linked, both to each other and also to other questions, by the main protagonists.

A WTO moratorium on imposing customs duties on electronic transmissions has been renewed from conference to conference since 1998. This time, there was a strong push led by the U.S. (with support from others) to make the moratorium permanent. Also at stake was the future of a work programme on e-commerce which has run in parallel.

On 29 March (the scheduled last day of the conference), negotiators were working on a package that included a proposal to extend the e-commerce moratorium until June 2031 but requiring a review after four years to determine whether it should be extended another five years. However, it is understood that Brazil wanted progress in the agriculture negotiations in exchange for its green lighting of the e-commerce moratorium. The text on agriculture, while designed only to guide future negotiations rather than to take any hard decisions, was (as usual) highly controversial and talks had reached an impasse.

Some members, including Brazil, were also unhappy with text on a WTO reform process which was expected to be launched immediately after MC14. This text, already attenuated in the preparatory process in Geneva, was further pared back in Yaoundé. The U.S. has firm views on WTO reform and is understood to have asked for several aspects of the text to be cut back or condensed.

It proved impossible to solve these issues in the time available. Putting a brave face on a somewhat disappointing (although not catastrophic) result, WTO Director-General Ngozi Okonjo-Iweala said that a lot had nevertheless been accomplished at the conference. Progress had been made on many issues, and this would be finalised at the General Council in Geneva, which is likely to meet in May.

> “WTO Director-General Ngozi Okonjo-Iweala said that a lot had nevertheless been accomplished at the conference.”

PLURILATERAL AGREEMENTS GO IN DIFFERENT DIRECTIONS

Two “plurilateral” agreements have been negotiated and finalised between subsets of WTO members in recent years – one on Investment Facilitation for Development (which has over 120 adherents) and the other on Electronic Commerce (which has over 70 supporters). Neither of these has made further progress towards implementation because a consensus is required to bring them into the WTO legal framework. Such consensus has been blocked by very small groups of other members, notably India.

Following developments in the margins of MC14 in Yaoundé, it seems that opposition to Investment Facilitation for Development Agreement is weakening in view of the widespread support it enjoys, and that it may eventually be possible to incorporate this agreement into Annex 4 of the overarching WTO Agreement (on “Plurilateral Trade Agreements”). Efforts in this direction will be pursued in Geneva.

However, opposition to a plurilateral Electronic Commerce Agreement (ECA) persists. In Yaoundé, 66 of its proponents therefore decided to suspend their efforts to incorporate the agreement into the WTO and instead to implement the agreement outside the WTO. This is a blow to the WTO’s credibility, although there is still hope that the ECA will eventually return to the organization.

FURTHER INFORMATION

Peterson Institute for International Economics - Is this farewell to MFN, the non-discrimination principle of the world trading system?

GLOBAL VALUE & SUPPLY CHAINS

U.S. RAISES CONCERNS OVER EU DEFORESTATION REGULATION

The European Union's Deforestation Regulation (EUDR) continues to generate tensions with major trading partners as governments and companies prepare for its implementation in December 2026. The Regulation requires companies placing certain commodities on the EU market - including cocoa, coffee, soy, palm oil, rubber, livestock and timber - to demonstrate that their supply chains are not linked to deforestation.

In recent weeks, U.S. officials from the Department of Agriculture and the Office of the U.S. Trade Representative have engaged with European governments to raise concerns about the potential trade and compliance implications of the Regulation. Washington has argued that the rules could create unnecessary barriers to trade and has urged the EU to recognise the United States as posing "negligible risk" to global deforestation, which would reduce compliance requirements for exporters.

The EUDR relies on a risk classification system that determines the level of due diligence and controls required for imports from different countries.

While the United States has been classified as "low risk", U.S. officials have raised concerns about the methodology used to assess risk and have warned that additional compliance obligations could discourage some producers from exporting to the European market.

In parallel to concerns raised by the United States, industry stakeholders within Europe have cautioned against reopening the Regulation. A coalition of major companies and organisations across agricultural and consumer supply chains - including firms in the cocoa, coffee and timber sectors - has warned the European Commission against further amendments following its upcoming review. In a joint letter, signatories highlighted the significant investments already made to comply with the EUDR, arguing that reopening the Regulation would create uncertainty and undermine confidence in the EU's regulatory framework. They instead called for a focus on implementation and clarification rather than additional legislative changes.

The Regulation is particularly relevant for agricultural supply chains linking the United States and Europe.

U.S. exporters of commodities such as soybeans, wood products and cattle-related goods could be affected by the traceability and reporting requirements embedded in the Regulation. European livestock producers have also warned that stricter supply-chain requirements could increase the cost of imported animal feed, which is widely used across the EU.

WHY THIS MATTERS

The EU Deforestation Regulation represents a new generation of supply-chain regulation, requiring companies to demonstrate that commodities entering the European market are not linked to deforestation. By introducing traceability and environmental due-diligence obligations across global commodity supply chains, this is likely to increase compliance costs and reshape sourcing strategies for agricultural and forestry products.

CHINA EXTENDS ZERO-TARIFF ACCESS TO AFRICAN EXPORTS

China has announced that it will grant zero-tariff access to exports from 53 African countries from May 2026, marking a significant expansion of its existing preferential trade regime. The measure extends duty-free treatment beyond least developed countries to almost the entire continent, simplifying market access conditions for African exporters at a time of increasing global trade fragmentation.

> " Rapidly expanding China–Africa trade, which reached approximately $348 billion in 2025."

The move comes against the backdrop of rapidly expanding China–Africa trade, which reached approximately $348 billion in 2025, although trade flows remain heavily imbalanced in China's favour. By removing tariffs across a broader group of countries, Beijing is seeking to support African exports while reinforcing its economic ties with the region.

The policy is expected to create new incentives for the development of regional supply chains within Africa, allowing production to be organised according to comparative advantage rather than tariff preferences.

In this context, more developed economies such as South Africa, Morocco and Kenya are likely to be better positioned to expand exports, while smaller economies may benefit indirectly through participation in regional value chains rather than direct exports.

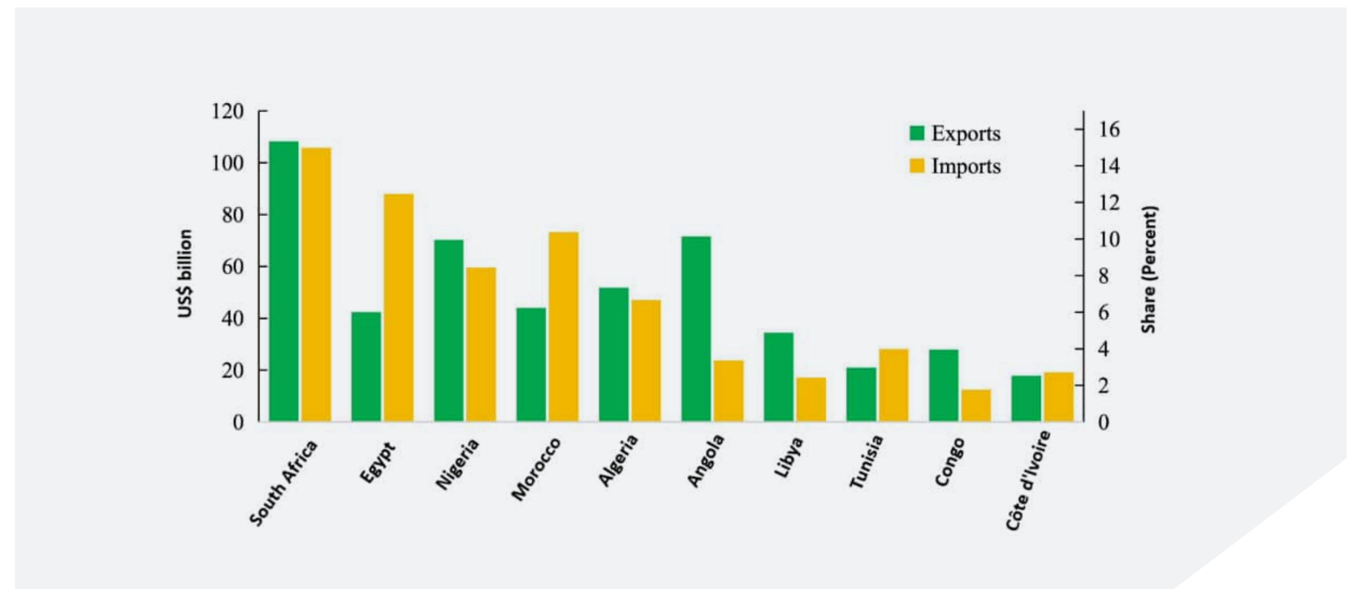
At the same time, the reform may also accentuate existing structural disparities. Least developed countries, which previously benefited from preferential access, could lose relative advantages without addressing underlying constraints such as infrastructure, logistics capacity and compliance with export standards. As a result, the benefits of the new regime may be unevenly distributed across the continent.

The initiative also has implications for critical minerals supply chains, an area of increasing global strategic importance. Several African economies play a central role in the production of minerals essential for batteries, electronics and clean energy technologies.

For example, the Democratic Republic of Congo accounts for a majority share of global cobalt supply, while other countries such as Zambia and Madagascar contribute smaller but strategically significant volumes.

Improved market access to China could therefore reinforce Africa's role in global mineral supply chains, while also strengthening China's position within these networks.

AFRICA'S TOP 10 TRADING COUNTRIES



Source: Africa Export-Import Bank - African Trade and Economic Outlook 2025

AI INVESTMENT AND MIDDLE EAST CONFLICT SHAPE OUTLOOK FOR GLOBAL TRADE

Recently-appointed WTO Chief Economist Robert Staiger has set out his views on the outlook for global trade. His main reflections are:

- there was a surprisingly strong trade performance in 2025 powered by AI and frontloading
- the outlook for 2026 is cooler but still positive overall, despite persisting uncertainty about the impact of the Middle East conflict
- AI-enabling goods are becoming a defining force in global commerce
- fragmentation pressures have intensified, with further decoupling between the U.S. and China

The related WTO publication "Global Trade Outlook and Statistics" (available through the link above) also includes an analytical chapter on the share of world trade that takes place on Most-Favoured Nation (MFN) terms. Enshrined in Article I of the General Agreement on Tariffs and Trade (GATT, which is part of the WTO legal framework), MFN tariff terms are a fundamental instrument of the multilateral trading system in promoting stability, predictability and fairness in global trade relations.

Research shows that, even after decades of preferential trade agreements and the more recent unilateral tariff action, the share of international trade taking place on MFN terms has declined slightly but still constitutes approximately 72% of global trade.

These findings highlight the continued importance of the MFN framework as the foundation of global trade governance. Even in a world characterized by an expanding network of preferential agreements and increasing tariff actions, the majority of international trade continues to rely on the non-discriminatory tariff structure embodied in the WTO agreements. This conclusion contradicts the common criticism that the WTO has become irrelevant.

FURTHER INFORMATION

UNCTAD - Hormuz shipping disruptions raise risks for energy, fertilizers and vulnerable economies

BBC - Strait of Hormuz: What happens if Iran shuts global oil corridor?

European Parliament INTA Study: The role of the WTO in EU trade: State of play ahead of MC14

US Government: The President's 2026 Trade Policy Agenda - The America First Trade Policy

CONTACT

Noel Clehane
Global Head of Public Policy
noel.clehane@bdo.global

www.bdo.global

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