Council of the European Union

PRESS

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**BACKGROUND**[1]
Brussels, 8 May 2017

# FOREIGN AFFAIRS COUNCIL - TRADE ISSUES

## Brussels, 11 May 2017

The Council will take stock of the situation with regard to the new **anti-dumping methodology,** give support to the Council's negotiating mandate agreed on 3 May 2017 and call for the quick conclusion of the legislative process with the European Parliament.

Ministers will discuss preparations for the **WTO ministerial conference in Buenos Aires** in December. They will also discuss implementation of free trade agreements.

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Over lunch, ministers will discuss the state of play of trade negotiations with Japan, Mexico and Mercosur.

*The Council is scheduled to start at 10.00. A presidency* ***press conference*** *will be held at the end of the meeting.*

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*Press conferences and public events by video streaming:* http://video.consilium.europa.eu
*Video coverage in broadcast quality* (MPEG4) and *photo gallery on*: www.eucouncil.tv

1 This note has been drawn up under the responsibility of the press office.

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## New anti-dumping methodology

The Council will discuss the **new methodology for assessing market distortions resulting from state intervention in third countries**. It will give political support to the negotiating mandate approved with the consent of all EU ambassadors on 3 May and recall the importance of reaching swiftly an agreement on the final text with the European Parliament.

The new methodology moves away from the distinction that was previously made between market and non-market economies. It puts in place a country-neutral system that applies equally to all members of the WTO.

The Council’s position reflects to a large extent the main principles put forward by the Commission in its proposal presented in November 2016. It establishes a non-exhaustive list of examples which are used to identify significant market distortions, such as:

- state policies and influence,
- widespread presence of state-owned enterprises,
- discrimination in favour of domestic companies,
- lack of independence of the financial sector,
- inadequate enforcement of bankruptcy, corporate or property laws.

When significant distortions are recognised in an exporting country, the Commission will be able to correct them. It will set a price for the product by referring either to the costs of production and sale prices in a country with similar levels of economic development or to appropriate undistorted international costs and prices.

The Commission will also draft reports on countries or sectors assessing the existence of distortions arising. In line with current practice, it will be for EU firms to file complaints, but they will be able to use the Commission’s reports to support their case.

Approval of the new methodology runs in parallel with a separate negotiating process on the broader revision of the EU's trade defence instruments which was proposed in 2013. Following the European Council’s call in October 2016 for unfair trade practices to be tackled in an efficient and robust way, the Council has worked on both files as a matter of priority, in order to bring about a rapid conclusion to negotiations.

The regulation requires a qualified majority for adoption by the Council, in agreement with the European Parliament. The presidency will begin “trilogue” discussions with the Parliament as soon as the Parliament determines its own negotiating position.

Commission proposal on the new anti-dumping methodology

European Council conclusions, 21 October 2016

## Preparations for the WTO ministerial conference in Buenos Aires

The Council will discuss latest developments and prospects for the 11th WTO ministerial conference which will take place from 11 to 14 December in Buenos Aires.

Since the last meeting in Nairobi in December 2015, the EU has been preparing its position for the Buenos Aires ministerial conference at the end of this year, as it intends to play a leading role in the process. The EU's objectives are to maintain the central role of the WTO in the multilateral trading system and to obtain substantive results.

Nevertheless, some substantial progress has been achieved, in particular in the area of fisheries subsidies. WTO members have engaged in discussions on several proposals. The proposals seek to achieve the 2020 targets set out in the United Nations' "sustainable development goals".

Discussions are also ongoing in other areas, including agriculture, services and digital trade.

The ministerial conference, which is organised every two years and attended by trade ministers and senior officials from the organisation’s 164 members, is the highest decision-making body of the WTO. Argentina will be the first South American country to host this event.

The Nairobi ministerial conference concluded with agreement on a series of initiatives covering trade in agriculture and issues related to least-developed countries (LDCs). This included a commitment to abolish export subsidies for agricultural exports and decisions on public stockholding for food security purposes, a special safeguard mechanism for developing countries and measures related to cotton. Decisions were also taken on preferential treatment for LDCs in the area of services and the criteria for determining whether LDC exports may benefit from trade preferences.

WTO webpage on the 11th ministerial conference

## Implementation of free trade agreements

The Council will discuss the implementation of free trade agreements (FTAs) on the basis of ideas presented by the Commission.

With a growing number of FTAs being concluded, the importance of making sure that agreed provisions are applied as effectively as possible is essential for ensuring that EU operators and citizens benefit from them to their full extent. The objective of the Council discussion will therefore be to exchange ideas on possible areas for improvements in terms of national practices, cooperation between the Commission and member states and EU coordinated actions.

At present at EU level:

- 23 FTAs are being/have been implemented;
- 6 FTAs have been concluded but implementation has not started yet.

The nature of those FTAs also varies widely. While older agreements had a limited scope and level of ambition, the "new generation" of FTAs have evolved into deeper and more comprehensive partnerships, including commitments in a broad range of areas.

Commission webpage on EU's free trade agreements

## Other issues

Under "other business", the Council will:

- take stock of the state of play on temporary autonomous trade measures for Ukraine. This legislative proposal presented in September 2016 aims to improve access for Ukraine to the EU market for some industrial and agricultural products, in view of the difficult economic situation and the economic reform efforts undertaken by Ukraine.
- discuss the EU-Myanmar/Burma Investment Protection Agreement. Since 2011, the EU has progressively re-engaged diplomatically with Myanmar. In 2013, it launched negotiations to offer investors from both sides a predictable and secure investment environment. Five rounds of negotiations have taken place so far, most recently at the end of April 2017. This negotiation is only one part of a comprehensive strategy of EU engagement and intensified cooperation with Myanmar, as set out in Council conclusions of 20 June 2016.
- receive an update from the Commission on trade relations with Chile, New Zealand and Australia. Earlier this year, the Commission concluded joint scoping exercises with each country (Chile on 31 January, New Zealand on 7 March and Australia on 5 April), in view of possible opening of FTA negotiations.
- receive a presentation by the Commission of its reflection paper on harnessing globalisation by 2025, to be published on 10 May. As a follow-up to its White Paper on the Future of Europe, the Commission undertook to deliver a series of topical reflection papers to stimulate discussions on the future of key policy areas for the EU, including, social policies, economic and monetary union, globalisation, European defence and budget.

Over lunch, ministers will discuss the state of play of free trade agreements with Japan, Mercosur and Mexico.

### EU-Japan free trade agreement

On 21 March 2017, EU and Japanese leaders committed to advance negotiations on their bilateral free trade agreement. This renewed political momentum was confirmed by a positive round of negotiations between Japan and the EU, in early April 2017.

Negotiations with Japan were launched in March 2013, on the basis of a mandate issued by the Council in November 2012. A review of implementation by Japan of commitments on the elimination of non-tariff barriers and government procurement was concluded favourably in October 2014. After a phase of slowdown, talks with Japan picked up again in recent months.

In October 2016, EU leaders invited the Commission to actively pursue negotiations with Japan with a view to reaching a political agreement by the end of the year.

Japan is the EU’s second biggest trading partner in Asia (after China). Together, the EU and Japan account for more than a third of the world’s GDP.

Commission webpage on trade with Japan

EU-Mercosur free trade agreement

The most recent negotiating round between the EU and Mercosur took place in the week of 20 March 2017. The aim is to conclude an agreement covering trade in industrial and agricultural goods, as well as services, establishment and government procurement. The agreement would also involve the improvement of rules in areas such as government procurement, intellectual property, customs and trade facilitation and technical barriers to trade. It would be part of a region-to-region association agreement with political and cooperation provisions.

Negotiations were launched in 2000 but were practically suspended between 2004 and 2010. At an EU-Latin America and Caribbean (CELAC) summit in Brussels in June 2015, the EU reconfirmed its commitment to a comprehensive free trade agreement with Mercosur.

The EU is Mercosur's principal trading partner, accounting for 20% of Mercosur's total trade in 2013. Mercosur is the EU's 6th most important export market, and its exports have steadily increased over recent years.

Commission webpage on trade with Mercosur

EU-Mexico free trade agreement

The negotiations for the modernisation of the free trade agreement with Mexico were launched on 25 May 2016. On 1 February 2017, Commissioner Malmström and the Minister of Economy of Mexico, Ildefonso Guajardo, agreed to accelerate trade talks. On this basis the latest negotiating round was held in early April.

The original "global agreement" between Mexico and the EU entered into force in 1997. The trade rules were later developed into a comprehensive free trade agreement which entered into force in October 2000. During the EU-CELAC (Community of Latin American and Caribbean States) Summit of 2013, the EU and Mexico agreed to start a reflection on how to update their trade relationship.

The EU is Mexico's third-largest trading partner after the United States and China.

Commission webpage on trade with Mexico