



FOREIGN AFFAIRS COUNCIL - TRADE ISSUES

Brussels, 21 November 2019

The Council meeting, chaired by **Ville Skinnari**, Minister for Development Cooperation and Foreign Trade of Finland, is expected to start at 10.00 with a discussion on the state of play on **WTO reform and preparations for the 12th World Trade Organization ministerial conference** which will take place from 8 to 11 June 2020 in Nur-Sultan, Kazakhstan.

Ministers will then have the opportunity to take stock of the latest developments in **EU-US trade relations**.

Finally, the Council will have a policy debate on the **implementation of trade agreements** on the basis of the Commission's latest report on the matter.

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Over lunch, ministers will discuss trade relations with China. The Commission will also brief ministers on other **ongoing trade negotiations**.

A presidency **press conference** will be held **after the lunch** with Commissioner **Malmström**.

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[*Press conferences and public events by video streaming*](#)
[*Video coverage in broadcast quality \(MPEG4\) and photo gallery*](#)

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

Modernisation of the World Trade Organization

On the basis of a Commission's presentation, the Council will discuss the **state of play of the reform** of the World Trade Organization (WTO).

Particular emphasis will be placed on the latest developments in the on-going negotiations, which cover all the three strands set out in the [EU comprehensive approach](#) towards the modernisation of all the main functions of the WTO (rulemaking, monitoring and dispute settlement).

The Commission will then provide the Council with a state of play report on the preparation for the **12th WTO Ministerial Conference (MC12)** that will take place in Nur-Sultan, Kazakhstan, in June 2020, and its possible deliverables.

Member states are generally supportive of an **ambitious outcome for the MC 12**, restating the **importance of the multilateral process** and of allowing for concrete results both through plurilateral and multilateral negotiations. Priority issues for the EU include, among others, fisheries subsidies, dispute settlement, industrial subsidies and e-commerce.

Background

In response to the conclusions of the European Council of 28 June 2018, which invited the European Commission to propose a comprehensive approach to improving the functioning of the WTO in crucial areas, the Commission published on 18 September 2018 a concept note setting out ideas to modernise the main WTO functions: rulemaking, monitoring and dispute settlement.

The EU has been delivering various concrete proposals for improvements on:

Dispute settlement: in view of the likely demise of the Appellate Body and paralysis of the dispute settlement system as early as on 11 December 2019, the EU, together with a broad coalition of WTO members, has worked on possible solutions. Proposals were designed to unblock appointments in the short term, but also address the root causes of the crisis and relaunch the effectiveness, acceptance and centrality of the WTO dispute settlement system in the future.

Within the WTO, members' efforts have been coordinated by Ambassador David Walker through the so-called Walker process aimed at restoring a fully operational Appellate Body without delay. At the WTO General Council on 15-16 October, Ambassador Walker presented the main elements of a draft General Council Decision, which is supported by the EU.

In addition, the EU has continued to work in parallel on an interim solution providing for appeal arbitration arrangements that would be applicable in the event that the Appellate body stops working.

Monitoring and enforcement: in order to improve these WTO functions the EU together with the US, Japan, and other WTO members, has submitted a proposal aimed at improving compliance with notification obligations.

In parallel the EU is also working to improve the functioning of regular WTO committees and their ability to effectively deal with trade concerns a proposal was presented in the WTO General Council on 15-16 October.

Rulemaking: the EU, the US and Japan in the context of the trilateral cooperation are working on some of the disturbances caused by non-market policies, industrial subsidies and forced technology transfer. The aim is to create a fairer level playing field and to address the underlying tensions in the multilateral system. This work runs in parallel with the one on the outstanding multilateral and plurilateral issues (including fisheries subsidies and e-commerce, development/special and differentiated treatment).

Negotiations on **e-commerce** were launched in Davos on 25 January by 76 WTO members and a Council decision supplementing the negotiating directives for the Doha Development Agenda regarding the plurilateral negotiations of rules and commitments on electronic commerce was adopted in May 2019. Although negotiations are well underway in the plurilateral context, further work will be required in order to obtain a renewal of the e-commerce moratorium.

Negotiations on domestic regulation are progressing at a good pace and an agreement in MC12 is feasible.

The last ministerial discussion on the WTO reform took place at the informal lunch of FAC (Trade) ministers on 1 October 2019 in Brussels. During that discussion, ministers expressed their growing concern at the increasingly challenging situation in the WTO and underlined the need for the EU continue to play a leadership role in reform efforts and to resist any efforts to undermine or weaken the multilateral system.

Relations with the United States

Ministers will take stock of the latest developments regarding trade relations between the EU and the United States.

Against the backdrop of a challenging bilateral trade landscape, the EU is pursuing a strategy of maintaining or even broadening the scope of a positive trade agenda with the US, on the basis of the agreement reached by Presidents Juncker and Trump on 25 July 2018, while defending the basic tenets of the multilateral system.

In this context, the Commission will present the most recent developments concerning the different strands of bilateral relations with the US, including:

- negotiations on conformity assessment and on the elimination of tariffs for industrial goods;
- potential imposition of US restrictive measures (so-called "section 232" tariffs) on automotive imports from the EU; and
- follow-up to WTO Airbus/Boeing disputes.

Ministers should also touch upon the wider trade landscape and take stock of recent developments as regards US-China and US-Japan relations, in view of their impact on EU interests and the global economy as a whole.

Background

On 25 July 2018, **President Juncker and President Trump held talks in Washington**, which resulted in a [joint EU-US statement](#). In the statements the two presidents agreed to:

- work together toward zero tariffs, zero non-tariff barriers, and zero subsidies on non-auto industrial goods;
- strengthen strategic cooperation with respect to energy;
- launch a close dialogue on standards in order to ease trade, reduce bureaucratic obstacles, and slash costs; and
- work closely together with like-minded partners to reform the WTO and to address unfair trading practices, including intellectual property theft, forced technology transfer, industrial subsidies, distortions created by state owned enterprises, and overcapacity.

The Trump administration published its [negotiating objectives](#) for trade talks with the European Union on 11 January.

On the EU side, the European Council on 21-22 March 2019 in its conclusions called for the necessary steps to be taken towards rapid implementation of all elements of the EU-US Joint Statement of July 2018. Consequently the Council authorised the Commission to launch negotiations with the US on the elimination of tariffs for industrial goods ([I](#) and [II](#)) and on conformity assessment ([I](#) and [II](#)) on 15 April.

At this point in time, the US side is however not ready to engage in negotiations on **elimination of tariffs for industrial goods**, due to significant differences about the scope of negotiations, in particular as regards the coverage of agriculture. On the other hand, discussions on **regulatory cooperation and conformity assessment** have been progressing. The EU recently made concrete proposals on conformity assessment and is ready to move the negotiating process forward swiftly.

In parallel, the EU continues to deliver on all other aspects of the July Joint Statement, notably as regards cooperation on WTO reform, imports of US soya beans and shipments of liquefied natural gas from the US.

Concerning the possible imposition of **Section 232** tariffs on automotive imports into the US, President Trump issued a proclamation on 17 May 2019 instructing the US trade representative to pursue the negotiation of agreements to "address the threatened impairment of the national security" and to update on the process of these negotiations within 180 days. The deadline expired on 13 November but at the time of publication of this note President Trump hadn't taken any further action yet.

As regards the **WTO Airbus/Boeing disputes**, the WTO arbitrator issued a [decision](#) on the Airbus case granting the US the right to retaliate against the EU at a level of maximum USD 7,5 billion dollars annually. The US began applying tariffs on certain EU goods on 18 October.

The EU will be allowed to impose its own retaliatory tariffs against the US following a WTO arbitrator's decision in the parallel Boeing case. The final damage award is expected in the course of 2020. The Commission has advanced internal preparations for the possible future imposition of EU retaliatory tariffs by issuing a [public consultation](#) in April 2019 on a preliminary list of US products that could be hit with EU counter-measures. Nevertheless, the EU's preferred way out has always been a negotiated solution covering all relevant subsidies, also taking into account the recent emergence of new competitors on the market.

Concerning **US negotiations with other key trading partners**, US President Trump and Japanese Prime Minister Abe announced on 25 September an [agreement on early achievements](#) from negotiations in the areas of market access for certain agriculture and industrial goods, as well as on digital trade. It is as yet an initial deal in the midst of ongoing negotiations for a comprehensive agreement that addresses remaining tariff and non-tariff barriers between the two countries.

President Trump has been announcing progress towards a **US-China agreement** on a "phase one" trade deal covering agricultural purchases and structural issues, market access for financial services, currency, intellectual property and forced technology transfer. "Phase two" negotiations should begin immediately after the "phase one" talks have concluded.

Implementation of trade agreements

The Council will have a policy debate on the **implementation of trade agreements** on the basis of the Commission's [third report](#) on the matter.

The Commission report was presented on 14 October 2019. The report provides an annual overview of the EU's 35 largest preferential trade agreements. It focuses on:

- the most important trends in trade and foreign direct investment flows;
- the extent to which EU companies use the tariff reductions and quotas available under trade agreements;
- the progress made on removing trade barriers for EU exporting companies;
- the progress on implementing "trade and sustainable development" provisions of trade agreements;
- the assessment of the benefits of trade agreements for small and medium-sizes businesses; and
- the assessment of the first full year of implementation of the EU-Canada agreement (CETA) and preparations for the entry into force of the EU-Japan agreement (EPA).

Among its main findings, the report highlights that European companies have continued to make good use of the opportunities created by the EU's trade network. In 2018, it represented 31% of Europe's trade exchanges, a figure that is set to rise significantly (to almost 40%) as more trade agreements enter into force. Overall, trade accounts for 35% of the EU's gross domestic product.

The report shows that, in 2018, imports and exports to EU FTA partners continued to grow by 4.6% and 2%, respectively. The EU recorded a surplus of €84.6 billion in trade in goods with its trade agreement partners, compared to its overall trade deficit with the rest of the world of about €24.6 billion. The report also highlights the positive economic impact of trade agreements, with over 36 million jobs being supported by exports to outside of the EU.

The report shows the positive impact of trade agreements on the agri-food and industrial goods, with an overall increase in trade of about 2% for each sector.

The report is accompanied by a [staff working document](#) that provides a detailed overview of each agreement.

Other issues

2019 Eurobarometer survey on international trade

The Commission will present the results of the 2019 special Eurobarometer survey on international trade.

The study was requested by the Commission nine years after the last survey on the subject, with the aim of assessing the impact of international trade on the lives of EU consumers, evaluating perceptions of the role of the EU in international trade, and assessing the future priorities for EU trade policy.

Responsible business conduct

The Dutch minister will brief ministers on the issue of "responsible business conduct" on the basis of an explanatory note ([14022/19](#)).

He is expected to stress the joint responsibility EU member states have to ensure responsible trade and the importance of ensuring a coherent and harmonised policy in this area, for example through the exchange of national experiences or the development of an EU action plan on responsible business conduct.

Ministerial lunch

Over lunch, ministers will discuss **trade relations with China**.

The EU's current approach towards China in the area of trade and investment include the following aspects:

- pursuing **bilateral negotiations** with China on a comprehensive agreement on investment and on a geographical indications agreement. On the latter, negotiations were concluded and a [provisional agreement](#) between the Commission and Chinese negotiators was announced on 6 November;
- pursuing **multilateral negotiations**, on WTO reform and level-playing field issues, as well as in the WTO on China's accession to the Government Procurement Agreement, in particular in the context of the EU-China High Level group on WTO;
- **modernising the EU's tool box to address trade-distorting behaviours**, inter alia in China, through the revised EU's trade defence instruments, the regulation on screening of foreign direct investments and ongoing discussions on an international procurement instrument; and
- stepping up **WTO action against forced technology transfers**.

An EU-China summit is expected to take place in Spring 2020.

The Commission will also provide an overview of **other ongoing trade negotiations**.
