Council of the European Union

PRESS

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BACKGROUND[1]
Brussels, 11 May 2016

FOREIGN AFFAIRS COUNCIL - TRADE ISSUES
Friday 13 May in Brussels

*The Council will discuss the follow-up to the **WTO** ministerial conference held in Nairobi in December 2015. It will assess both remaining issues under the Doha Development Agenda and new issues to be taken up by the WTO.*

*It will review negotiations with the **United States** on a transatlantic trade and investment partnership (TTIP). And it will discuss a draft EU-**Canada** comprehensive economic and trade agreement (CETA), with a view to signature at a summit in October.*

*The Council will also discuss the crisis in the **steel industry**, in the light of a communication from the Commission.*

*Over lunch, ministers will consider how to make progress in negotiations with the European Parliament on "**conflict minerals**".*

Ministers will be informed of conclusions on responsible global value chains[2] *to be adopted by the Council (development ministers) on 12 May.*

The Council will start at 10.00. It will be chaired by Lilianne Ploumen, minister for foreign trade and development cooperation of the Netherlands.

*The presidency will hold a **press conference** at the end of the meeting (after lunch).*

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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.
2 The concept of global value chains describes the organisation of international production, trade and investments where different stages of the production process are located in different countries.

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EU-Canada trade agreement

The Council will discuss a draft trade and investment agreement with Canada.

It will assess the outcome of the negotiations and discuss next steps, as concerns signature and provisional application of the agreement.

The aim is to sign the "comprehensive economic and trade agreement" (CETA) at an EU-Canada summit planned for October 2016. Legal "scrubbing" has been completed and the text is now being translated into all EU official languages. It was made public on 29 February 2016. The Commission has indicated that it will submit a proposal to the Council in June 2016 for signature and provisional application of CETA.

The Council will subsequently conclude the agreement, on a proposal from the Commission and with the consent of the European Parliament.

The member states are supportive of the agreement. Many have emphasised that they consider it to be of "mixed" competence, and therefore to be ratified also by all relevant national and regional parliaments in the EU. However the text, as prepared by the negotiators, is not of a "mixed" nature. An opinion of the European Court of Justice about the legal nature of a draft free trade agreement with Singapore will be relevant for the agreement with Canada. The Court's opinion has been requested by the Commission and is not expected before 2017.

Moreover Bulgaria and Romania have raised visa issues with Canada which, although not directly related to CETA, they wish to be resolved rapidly.

CETA will remove more than 99% of tariffs that are currently imposed on trade between the EU and Canada. It includes provisions on market access for goods, services, investment and government procurement, as well as on intellectual property rights, sanitary and phytosanitary measures, sustainable development, regulatory cooperation, mutual recognition, trade facilitation, cooperation on raw materials, dispute settlement and technical barriers to trade.

During the legal scrubbing process, new provisions on investment protection and investment dispute settlement were included, comprising an investment court system. These reflect a new approach developed by the EU for investment dispute resolution.

The negotiations with Canada were conducted on the basis of a mandate agreed by the Council in April 2009. The talks on investment protection were started within the CETA framework following a Council decision in September 2011.

In 2014 Canada was the EU's 12th most important trading partner while the EU was Canada's second-largest trading partner, with 1.7 % and 9.4 % respectively of each other's external trade.

Text of the EU-Canada comprehensive economic and trade agreement

Commission webpage on trade with Canada

2009 negotiating directives for an economic integration agreement with Canada

2011 modification negotiating directives for an economic integration agreement with Canada

WTO: Follow-up to Nairobi conference

The Council will discuss the "post-Nairobi" process following the 10th World Trade Organisation ministerial conference, held in December 2015.

It will review issues under the WTO's Doha Development Agenda (DDA) for which further work is needed, as well as new issues to be taken up by the WTO.

It will also discuss strategy with regard to the next ministerial conference, scheduled for late 2017. The EU's objectives are to strengthen the multilateral trading system and to reinvigorate and expand the WTO's negotiating agenda.

A trade ministers meeting has been organised by Australia in the margins of an OECD ministerial meeting in Paris on 1-2 June 2016. G20 trade ministers will meet in Shanghai on 9 July 2016. The Commission, as EU negotiator, intends to play a leading role in the post-Nairobi process. In its view, the broad contours of the issues to be considered at the 11th WTO ministerial conference should be known, and accepted by WTO members, by autumn 2017.

The DDA talks started at the WTO's fourth ministerial conference, held in Doha in 2001. They are aimed at facilitating global trade – by lowering trade barriers and strengthening trade rules – and improving trading opportunities for developing countries. Following a breakdown of the talks in 2008, several attempts were made to restart them. A stalemate was reached in 2011, leading ministers to admit that the Doha negotiating round was in an impasse. It was nevertheless agreed to pursue efforts in areas where progress could be achieved, and talks continued. This led to an agreement on trade facilitation at the 9th ministerial conference, held in Bali in December 2013.

The Nairobi 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.

Additionally, an accord was reached amongst 53 WTO members on a timetable to expand an information technology agreement.

The Commission suggests that digital trade could be one new subject matter for consideration by the WTO. This is broadly supported by the member states.

WTO webpage on the outcome of the 10th ministerial conference

EU-US trade and investment negotiations

The Council will assess developments and next steps in negotiations on a trade and investment agreement with the United States, the "transatlantic trade and investment partnership" (TTIP).

The talks were recently boosted by the conclusion of a "trans-Pacific partnership" between the US and its American, Asian and Pacific partners. This opened the prospect of finalising the talks on TTIP under the current US administration, and the EU's aim remains an ambitious, balanced and comprehensive agreement with the US. However difficult issues remain in areas of key EU interest, such as access to public procurement markets, investment dispute resolution and the protection of geographical indications. The coming months will be crucial for success.

The most recent TTIP negotiating round was held in New York in the week of 25 April 2016, covering all main parts of the agreement. The talks were at the same time given political backing during President Barack Obama's visit to Hannover. Commissioner Cecilia Malmström and US trade representative Michael Froman met, also in Hannover, on 25 April 2016.

Another negotiating round will be held before the 2016 summer pause, most likely in July. The aim is to prepare consolidated texts for all chapters of the agreement, so as to leave a limited number of issues to be resolved in the "endgame" at political level. However, much technical work remains before political negotiations can begin in earnest, and the parties need to bridge considerable gaps if a deal can be reached in 2016.

The negotiators are preparing an agreement with 24 chapters, grouped into three parts:

- Market access. Similar to other EU trade deals, this part would include trade in goods and customs duties, services, public procurement and rules of origin;
- Regulatory cooperation. Breaking new ground for an EU trade deal, this part would enable EU and US regulators to work more closely. A "horizontal" chapter would cover regulatory cooperation, technical barriers to trade and food safety and animal and plant health. A chapter on specific industries would cover chemicals, cosmetics, engineering products, information and communication technologies, medical devices, pesticides, pharmaceuticals, textiles and vehicles;
- Rules. New rules would be put into place to cover sustainable development, energy and raw materials, customs and trade facilitation, SMEs, investment protection and investor-state dispute settlement, state-state dispute settlement, competition policy and intellectual property and geographical indications.

TTIP is expected to be the biggest bilateral trade agreement ever negotiated. According to the Commission, it could add about 0.5% to the EU's economic output.

The Commission is leading the negotiations on behalf of the EU and its member states, on the basis of a mandate agreed by the Council in June 2013. The Council decided in October 2014 to make public its negotiating directives for the TTIP negotiations.

Throughout the negotiations, the Commission is required to keep the Council's Trade Policy Committee and the European Parliament regularly informed. When negotiations are completed, the Council will conclude the TTIP agreement with the consent of the European Parliament.

The Council considers the agreement to be of mixed competence, and therefore to be ratified also by all relevant national and regional parliaments in the EU.

The EU and the US account together for about half of the world's GDP and nearly a third of world trade flows. Both are each other's biggest trading partner in terms of total trade, and one or the other is the largest trade and investment partner for almost all other countries in the global economy.

- April 2016 report on the state of play with TTIP
- Commission statement at the conclusion of the 13th TTIP negotiation round
- Commission webpage on trade with the US
- EU negotiating mandate for TTIP

Steel industry - Trade aspects

The Council will discuss trade-related aspects of a communication from the Commission on steel, in the context of the crisis affecting the industry.

It will assess challenges stemming from overcapacity at global level and a fall in demand, a surge in imports and unfair trading practices, and the consequent fall in prices. A number of steel plants have closed recently in Europe.

The Competitiveness Council took stock of the situation in November 2015 and February 2016. It has acknowledged an urgent need to safeguard the European steel industry from further decline, plant closures and job losses.

The Commission organised a conference on energy-intensive industries on 15 February 2016. It issued its communication on 16 March, setting out how the European steel industry can overcome the challenges.

For the short term, it announces measures to strengthen the EU's defence against unfair trading practices. For the longer term, it identifies action to guarantee the competitiveness and sustainability of European steel and other energy-intensive industries.

The Commission has already imposed 37 anti-dumping and anti-subsidy measures on steel products, 16 of which on steel imports from China. It intends to accelerate the handling of other such dossiers and stands ready to make proposals to speed up the procedures followed for trade defence instruments. In 2013 it made a proposal to update these, in particular by removing the so-called lesser duty rule[3] in certain circumstances so as to enable higher anti-dumping duties. The communication announces plans for a prior surveillance system for steel products which will enable safeguards to be introduced when import trends threaten to cause injury to EU producers.

To address the underlying causes of overcapacity, the Commission is stepping up dialogue with the EU's main trading partners (China, India, Japan, Russia, Turkey and the United States) and in international fora such as the OECD and the WTO.

The communication highlights the availability of EU funds to support the modernisation of the steel industry, and to support workers and local communities in mitigating the consequences of relocation. Moreover, EU state aid rules provide opportunities for member states to support cross-border technology, research and innovation and renewable energy schemes. Policies such as emissions trading are also relevant in this context.

The proposal to update EU trade defence instruments has been blocked in the Council since November 2014, due to differences over the lesser duty rule. The European Parliament adopted its position on the proposal at first reading in April 2014. The Commission is expected to outline new approaches that could facilitate an agreement within the Council and enable negotiations with the Parliament to start.

Commission March 2016 communication on the steel industry (7195/16)

Presidency February 2016 conclusions on the European steel industry

Presidency November 2015 conclusions on the European steel industry

[3] In anti-dumping cases the lesser duty rule involves applying the lower dumping margin amongst those calculated on imports.

Conflict minerals

Over lunch, ministers will discuss a draft regulation aimed at minimising the risk that proceeds of the sale of minerals and metals are used to finance armed groups in regions affected by conflict.

After three trilogue meetings with the European Parliament and the Commission, they will consider how progress can be made on the proposal. The third trilogue is scheduled for 11 May 2016.

The proposal sets out to encourage the use by EU companies of responsible sourcing practices in the trade of tin, tantalum, tungsten and gold originating from specified regions. It envisages a voluntary self-certification system for companies seeking to import these minerals or metals into the EU in a responsible manner.

The Council welcomed the approach envisaged by the Commission and the EEAS for responsible sourcing in conclusions adopted in June 2014. It defined its negotiating stance on the proposal in December 2015.

The self-certification system is the main issue in the negotiations, the Parliament opting for a mandatory approach and the Council favouring a voluntary system.

June 2014 Council conclusions on conflict minerals