Council of the European Union

PRESS

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BACKGROUND[1]
Brussels, 25 November 2015

FOREIGN AFFAIRS COUNCIL - TRADE ISSUES
Friday 27 November in Brussels

*The Council will discuss preparations for a **WTO ministerial conference** to be held in Nairobi in December 2015.*

*It will review negotiations with the **United States** on a transatlantic trade and investment partnership (TTIP). It will also take stock of free trade negotiations with **Mercosur**, **Japan** and **ASEAN** countries.*

*The Council is due to adopt conclusions on a recent Commission communication on **trade policy**.*

*It will review trilateral consultations with **Ukraine and Russia**, and will discuss the crisis in the European **steel industry**. Over lunch, ministers will discuss developments in trade and investment relations with **China**.*

*The Council meeting will start at 9.30. A presidency **press conference** will be held at the end of the meeting (before lunch).*

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

Trade and investment policy

The Council is expected to adopt conclusions on EU trade and investment policy, in the light of a communication from the Commission.

The communication sets out a new strategy that builds on the EU's track record and responds to recent debate in Europe on trade policy.

The Council is expected to reaffirm its commitment to a strong, rules-based multilateral trading system. It will welcome the Commission's ambitious programme of bilateral trade negotiations, underscoring the need to open negotiations on a case-by-case basis.

The draft conclusions emphasise that trade should benefit all, whether consumers, workers or economic operators. It should be coherent with other EU policies. EU trade agreements will not lead to lower consumer, health, environmental or social and labour protection standards. The draft also calls for a high level of transparency and effective communication with citizens about the benefits and challenges of trade and open markets.

- Draft November 2015 conclusions on the EU's trade and investment policy (14240/15)
- Commission October 2015 communication on the EU's trade and investment policy

WTO ministerial conference

The Council will discuss preparations for the 10th World Trade Organisation ministerial conference, to be held in Nairobi from 15 to 18 December 2015.

The Commission will report on negotiations under the WTO's Doha Development Agenda (DDA). It will give its assessment of what might be acceptable as an outcome in Nairobi and for work after the Nairobi conference.

A further Council meeting will be held on 15 December 2015 in the margins of the Nairobi conference.

Decisions are expected in Nairobi on issues stemming from the DDA, though not on the central elements that would enable the negotiations to be concluded. There have therefore also been discussions on the form that negotiations should take after Nairobi. The EU's objective remains a strengthening of the multilateral trading system and a clear commitment to the WTO.

The Commission considers that DDA issues remain relevant and that there would be considerable merit in continuing the negotiations. It would however also favour the WTO moving beyond the DDA to address, at some point in the near future, new issues raised by its members.

The DDA talks started at the WTO's fourth ministerial conference, held in Doha in 2001. They are aimed at facilitating global trade, with lower trade barriers and revised 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 round was in an impasse. It was nevertheless agreed to pursue efforts in areas where progress could be achieved, and talks continued. They led to an agreement on trade facilitation at the 9th ministerial conference, held in Bali in December 2013.

Decisions are being prepared for Nairobi in the following areas:

- Issues related to development, focusing on the least developed countries. Progress has been made on two of four issues identified in Bali, namely a services waiver and rules of origin;
- Export competition in agriculture. Strengthened disciplines for all types of export support for farmers, namely export subsidies, export financing in the form of credits, guarantees and insurance programmes, state trading enterprises and international food aid. The EU and Brazil have prepared a joint submission on export competition;
- Improved transparency rules on anti-dumping, subsidies, fisheries subsidies and regional trade agreements, as well as domestic regulation in services.

EU-US trade and investment negotiations

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

The negotiations could be boosted by the conclusion of a "trans-Pacific partnership" between the United States and its Asian and Pacific partners. A recent exchange of revised tariff offers should also enable work to advance in key areas. The parties have agreed to accelerate work between negotiating rounds, and will meet in different formats before the next round in Brussels. The aim is still to finalise the negotiations during the current US administration.

The TTIP talks are structured around three components: market access, provisions on regulatory issues and non-tariff barriers, and rules. 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 latest round of talks took place in Miami from 19 to 23 October 2015. It covered all areas under discussion, with the exception of investment protection. Regarding market access, the revised offers cover 97% of tariff lines. The parties also exchanged proposals for product-specific rules of origin, and advanced work on revised services and investment offers. On public procurement, they engaged in technical discussions ahead of an exchange of offers to take place in February 2016.

All regulatory issues were discussed, including regulatory cooperation, technical barriers to trade, sanitary and phytosanitary measures and provisions for nine specific sectors. However much work remains on all issues. On rules, the EU tabled a proposal on sustainable development.

At the next round of talks, an EU proposal on investment protection and on a TTIP investment court system will be discussed. Meanwhile work is being finalised on the means to facilitate access by member states to certain TTIP classified documents.

No date has yet been confirmed for the next round of negotiations, which is expected to take place in February 2016. Intersessional meetings will be held in the meantime to prepare an exchange of initial offers on government procurement. Commissioner Cecilia Malmström and US trade representative Michael Froman are expected to meet before the end of 2015.

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, after having obtained the consent of the European Parliament. The Council considers that the agreement, as it is of mixed competence, will also have to be ratified 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 one third of world trade flows. Both are each other's largest 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. The EU had 16.9 % of the US's total trade in 2013 (ranking second for both imports and exports), while the US represented 15.2 % of the EU's total trade in 2014 (ranking second for imports, first for exports).

- EU negotiating mandate for TTIP
- Commission webpage on trade with the US
- Report on the 11th round of TTIP negotiations

EU-Mercosur free trade negotiations

The Commission will report on the prospects for progress on a comprehensive free trade agreement with Mercosur, South America's largest economic bloc.

It will give its assessment, including on a possible exchange of tariff offers in the coming months, and ministers will give their views.

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-Mercosur ministerial meeting in Santiago in January 2013 the parties agreed to exchange offers on market access, but this did not happen, despite the EU's readiness to do so. The talks were again suspended in September 2014 when an offer presented by Mercosur was considered insufficient.

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 possible exchange of tariff offers has always been considered a strategic objective of both economic and political importance.

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.

Mercosur was established in 1991. Argentina, Brazil, Paraguay, Uruguay and Venezuela are currently full members.

- Commission webpage on trade with Mercosur

EU-Asia negotiations - Japan and ASEAN

The Council will discuss various negotiations underway with the countries of Asia.

It will review in particular:

- a free trade agreement recently concluded with Vietnam;
- negotiations on free trade agreements with the Philippines, Malaysia and Thailand;
- the EU's overall trade strategy with regard to the Association of Southeast Asian Nations (ASEAN), and the impact of the "trans-Pacific partnership" (TPP) recently concluded between Asian and Pacific partners and the United States;
- negotiations on a free trade agreement with Japan;
- negotiations on investment with Burma/Myanmar.

Japan

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 (NTBs) and government procurement was concluded favourably in October 2014.

Since then, the pace of negotiations has been slow. This has mainly been due to negotiations on the TPP. At an EU-Japan summit in Tokyo in May 2015, the parties reaffirmed the need for a comprehensive and ambitious free trade agreement. They asked their negotiators to reach an agreement covering all key issues, preferably by the end of 2015.

Despite strong political pressure, including from the G7, the prospects for finalising negotiations by the end of 2015 have diminished. Nevertheless, the recent conclusion of the TPP talks should have a positive impact. Commission President Jean-Claude Juncker and Japanese Prime Minister Shinzo Abe met on the side-lines of a G20 summit in Antalya in November 2015.

The latest round of negotiations was held in Brussels from 22 October to 6 November 2015. The next round will take place in Tokyo from 30 November to 4 December 2015.

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

ASEAN

The Council issued a mandate in July 2007 for the negotiation of a free trade agreement with ASEAN. After the suspension of talks in early 2009, the Council decided in December 2009 to pursue negotiations with ASEAN countries individually. It maintained the strategic objective of a region-to-region free trade agreement in the long run. The Council approved the launch of negotiations with Singapore (in December 2009), Malaysia (in September 2010), Vietnam (in May 2012) and Thailand (in February 2013).

In October 2013, the Council amended its original mandate to allow the Commission to negotiate provisions on investment protection.

Negotiations with Singapore were finalised in December 2012 (the Commission referred the agreement to the EU Court of Justice for an opinion on its legal nature) and with Vietnam in July 2015. The latest round of talks with Malaysia was held in April 2012, and talks with Thailand are currently on hold due to the political situation in the country.

On 16 November 2015, the Council gave the go-ahead for the negotiation of a free trade agreement with the Philippines. Preparations for talks with Indonesia are ongoing.

Regarding the resumption of negotiations with the region as a whole, ASEAN held consultations with Commissioner Cecilia Malmström in April 2015. The partners will hold a joint assessment at the end of 2015 or early 2016 on the outlook for a possible resumption.

ASEAN as a whole is the EU's third largest trading partner (after the United States and China). The EU is ASEAN's third largest trading partner (after China and Japan), accounting for about 13% of its trade. The EU is the largest investor in ASEAN countries.

Established in 1967, ASEAN currently has 10 member countries.

- Commission webpage on trade with ASEAN

Other issues

Under "other business" the Council will:

- take stock of **trilateral consultations with Ukraine and Russia**. The Commission will brief the Council on preparations for a ministerial meeting in early December;
- discuss the crisis in the European **steel industry**. The discussion may continue over lunch.

Over lunch, ministers will discuss recent developments in **trade and investment relations with China**. The discussion is expected to cover the question of China's market economy status, following its accession to the WTO in 2001, as well as trade barriers in China, EU anti-dumping and anti-subsidy measures and negotiations on an EU-China investment agreement.

Trilateral consultations with Ukraine and Russia

An EU-Ukraine association agreement, which includes provisions for a free trade area, was signed in June 2014. Political and institutional provisions have been applied since 1 November 2014, though entry into force of the trade provisions has been delayed until 1 January 2016. The EU has been applying unilateral trade preferences in favour of Ukraine, and it will continue to apply them until then.

In accordance with the 2014 and 2015 Minsk agreements to halt the conflict in eastern Ukraine, the EU has participated in trilateral talks with Ukraine and Russia. The aim is to find practical solutions to concerns raised by Russia about implementation of the trade provisions of the EU-Ukraine association agreement.

The latest trilateral meeting at technical level took place on 9 and 10 November 2015. Commissioner Cecilia Malmström is due to meet the Ukrainian and Russian trade ministers on 1 December 2015.

Crisis in the European steel industry

The Competitiveness Council held an extraordinary meeting on 9 November 2015 to discuss the challenges facing the European steel industry. The discussion focused on issues stemming from a fall in world demand: competitiveness, investment, climate policies and trade-related challenges and energy costs. It was agreed to convene a high-level stakeholders' conference involving industry representatives and the social partners.

- Presidency conclusions on November 2015 Council discussion on the steel industry