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Foreign Affairs

Trade issues

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President **Ştefan-Radu Oprea**
Minister for the Business Environment, Commerce and
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¹ • Where declarations, conclusions or resolutions have been formally adopted by the Council, this is indicated in the heading for the item concerned and the text is placed between quotation marks.
 • Documents for which references are given in the text are available on the Council's internet site (<http://www.consilium.europa.eu>).
 • Acts adopted with statements for the Council minutes which may be released to the public are indicated by an asterisk; these statements are available on the Council's internet site or may be obtained from the Press Office.

ITEMS DEBATED

WTO reform and negotiations

The Council discussed the **state of play** of the reform of and negotiations in the World Trade Organization (WTO). In particular the Commission briefed ministers on its **latest initiatives to promote an EU comprehensive approach** towards the modernisation of all the main functions of the WTO: **rulemaking, monitoring and dispute settlement**.

As regards the **Appellate Body crisis**, the Council agreed that the EU should reach out to other WTO members to work on an **interim solution** that preserves the binding character and the two levels of adjudication of the WTO dispute settlement system.

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, on 18 September 2018 the Commission published 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: appointments of Appellate Body members continue to be blocked by the US, leaving the body with only three members, the bare minimum for it to function. As this may lead to the paralysis of the dispute settlement system by the end of the year, the EU, together with a broad coalition of developed and developing countries, submitted a set of proposals designed to resolve the crisis and unblock the appointments. From the EU perspective, the essential features of the existing system, such as the binding nature of dispute settlement, two levels of adjudication and the independence of adjudicators, should not be compromised;
- monitoring and enforcement: in order to improve these WTO functions, the EU, together with the US, Japan in the context of the trilateral cooperation, and other WTO members, has submitted a proposal aimed at improving compliance with notification obligations. The proposal was recently revised and includes a larger number of WTO members as co-sponsors.

In parallel, the EU is also working to improve the functioning of regular WTO committees and their ability to effectively deal with trade concerns.

- rulemaking: in light of the WTO inability to update its rulebook and address distortions caused by non-market policies and practices such as industrial subsidies and forced technology transfer, the EU has intensified work on new rules intended to create a more level playing field and address the underlying tensions in the multilateral system. This work runs in parallel with the work on the outstanding Doha issues (including fisheries subsidies and e-commerce, development/special and differentiated treatment).

Negotiations on e-commerce were launched in Davos on 25 January 2019 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 is due to be adopted at the Foreign Affairs Council on 27 May 2019.

The last ministerial discussion on the WTO reform took place at the informal FAC (Trade) meeting on 22 February 2019 in Bucharest. During the discussion, ministers expressed their full support for the Commission's approach on modernising the WTO and indicated that solving the Appellate Body crisis was a priority.

EU-US trade relations

The Council was informed by the Commission about the **latest developments** in trade relations between the EU and the United States, with particular regard to the work of the **EU-US Executive Working Group**, as well as the ongoing negotiations on **conformity assessment** and the elimination of tariffs for **industrial goods**.

Following the adoption of the mandates and negotiating directives by the EU, meetings of the EU-US Executive Working Group took place on four days during the weeks beginning 6 and 13 May 2019 in Washington.

Ministers also took the opportunity to comment on the recent **US decision to postpone tariffs on imported cars** by 180 days, pending the negotiation of an agreement to address the issue of US imports of EU cars.

In April 2019, the Council approved mandates for the Commission to open negotiations with the US on the elimination of tariffs for industrial goods and on conformity assessment, in line with the July 2018 Joint Statement agreed by Presidents Juncker and Trump.

On 25 July 2018, President Juncker and President Trump held talks in Washington, which resulted in a joint EU-US statement. In the statement 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 parties then set up an Executive Working Group (EWG), co-chaired by Commissioner Malmström and the US trade representative (USTR) Lighthizer, to discuss the practical implementation of the EU-US Joint Statement. The EWG met four times and several other meetings were held between representatives of the two sides at senior official and expert levels.

The Trump administration published its negotiating objectives for trade talks with the European Union on 11 January 2019.

On the EU side, the European Council in its conclusions of 21-22 March 2019 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 and on conformity assessment on 15 April 2019.

The EU continues to deliver on all other aspects of the July 2018 Joint Statement, notably as regards cooperation on WTO reform, imports of US soya beans and shipments of liquefied natural gas from the US.

As regards the possible imposition of Section 232 tariffs on automotive imports from Europe, Japan and other countries into the US, on 17 May 2019 President Trump signed a proclamation setting a six-month deadline for the US to reach a deal with the EU (and Japan) to "address the threatened impairment of the national security with respect to imported automobiles and certain automobile parts".

On 11 April 2019, the WTO adopted its final compliance report in the Boeing dispute, confirming that US subsidies to Boeing continue to cause significant harm to Airbus, including lost sales. As a consequence the European Commission launched a public consultation on a preliminary list of products from the US on which the EU may take countermeasures (deadline: 31 May 2019).

Another element in the current state of the EU-US relations is the activation by the US of Title III of the Helms–Burton Act. One of the consequences of this decision is that European companies that engage in business in Cuba will now be at risk of lawsuits by US persons whose property was seized without compensation by the Castro regime. The EU considers the extra-territorial application of unilateral restrictive measures to be contrary to international law and will draw on all appropriate measures to address the effects of the Helms-Burton Act, including in relation to its WTO rights and through the use of the EU blocking statute.

Preparation for signature of the EU-Vietnam trade agreements

The Council took stock of the preparations for the **adoption** and **signature** of a free trade agreement and investment protection agreement between the **EU and Vietnam** which are currently planned to take place by the end of **June 2019**.

Negotiations between the EU and Vietnam started in June 2012 and were concluded on 2 December 2015. However, the formal conclusion of the agreement was delayed by a pending opinion of the European Court of Justice on the division of competences between the EU and its member states relating to the conclusion of the EU-Singapore FTA.

Following the opinion of the Court delivered in May 2017, the Commission decided to propose **two separate agreements**:

- a **free trade agreement** (FTA), which contains areas of exclusive EU competence and thus only requires the Council's approval and the European Parliament's consent before it can enter into force;
- an **investment protection agreement** (IPA) which will also have to go through the relevant national ratification procedures in all member states before it can enter into force as competences are shared. The time frame for the implementation of this act is therefore expected to be much longer.

According to the Commission, the Vietnam free trade agreement is the most ambitious free trade deal ever concluded with a developing country.

It provides for an almost complete (99%) elimination of customs duties between the two blocks. 65% of duties on EU exports to Vietnam will disappear as soon as the FTA enters into force, while the remainder will be phased out gradually over a period of up to 10 years. As regards Vietnamese exports to the EU, 71% of duties will disappear upon entry into force, the remainder being phased out over a period of up to 7 years.

The FTA will also reduce many of the existing non-tariff barriers to trade with Vietnam and open up Vietnamese services and public procurement markets to EU companies, while the IPA will strengthen protection of EU investments in the country.

As one of the 'new generation' bilateral agreements, the EU-Vietnam trade deal also contains important provisions on intellectual property protection, investment liberalisation and sustainable development. On this last aspect, the FTA includes commitments to implement International Labour Organisation core standards (for instance on the freedom to join independent trade unions and on banning child labour) and UN conventions relating for example to the fight against climate change or the protection of biodiversity.

According to the Commission's trade sustainability impact assessment, the FTA would be very beneficial to Vietnam: it is expected to boost Vietnam's economy by about 15% of GDP and increase Vietnamese exports by over 30%, the main winners being the Vietnamese textile, footwear and leather sectors.

Vietnam is the EU's second largest trading partner in the Association of Southeast Asian Nations (ASEAN) after Singapore, with trade in goods worth €47.6 billion a year and €3.6 billion in services. While EU investment stocks in Vietnam remain modest, standing at €8.3 billion in 2016, an increasing number of European companies are setting up there, creating a hub to serve the Mekong region. Main EU imports from Vietnam include telecommunications equipment, clothing and food products. The main EU exports to Vietnam are goods such as machinery and transport equipment, chemicals and agricultural products.

Other issues

Over lunch, ministers discussed recent developments in ongoing trade negotiations, in particular with Mercosur, Mexico, Australia, New Zealand, Indonesia and Chile. They also touched upon ongoing work on the international procurement instrument.

OTHER ITEMS APPROVED

TRADE

Mandate for plurilateral negotiations on e-commerce

The Council adopted negotiating directives to to frame the position of the European Union and guide the action of the Commission in the plurilateral negotiations on electronic commerce in the WTO.

In January 2019, in the margins of the World Economic Forum in Davos, the European Union and 48 other members of the WTO decided to start negotiations to put in place global rules on electronic commerce.

The aim of the negotiations is to put in place international rules encouraging global e-commerce, facilitating operations of businesses, in particular SMEs, strengthening consumers' trust in the online environment and creating new opportunities to promote inclusive and sustainable growth and development.

For more information, see [press release](#).
