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NOTE

From: General Secretariat of the Council
To: Delegations

Subject: Trade aspects of the COVID-19 outbreak
- Explanatory note by the Presidency

Delegations will find in Annex an explanatory note by the Presidency regarding the "Any Other Business" item at the Foreign Affairs Council (Trade) on 12 March 2020 on the trade aspects of the COVID-19 outbreak.

FOREIGN AFFAIRS COUNCIL (TRADE), 12 March 2020

Explanatory note by the Presidency

on the Trade aspects of the COVID-19 outbreak

1. At the meeting of the Trade Policy Committee (Full Members) on 28 February, several delegations suggested discussing the trade aspects of the COVID-19 outbreak at FAC (Trade) on 12 March 2020.
2. As economic activity reduces as a result of the outbreak, this will necessarily have an impact on trade flows. However, there is still a lack of reliable information. Obtaining credible and coordinated information on the different impacts of the crisis is critical. The Presidency therefore considers that this issue could usefully be addressed as an Any Other Business item at the Council, in order to give delegations the opportunity to express their concerns and provide information regarding the impact of the COVID-19 outbreak on trade and trade flows.

Context

3. Following the first reports of cases of acute respiratory syndrome in Wuhan in the Hubei province in China at the end of December 2019, the COVID-19 outbreak has evolved rapidly, affecting other parts of China and several countries in Asia, Europe and North America, as well as Australia. Meetings of the Health Security Committee, bringing together Member States' health authorities and the European Centre for Disease Prevention and Control (ECDC) were convened by the Commission DG SANTE to monitor and prepare the public health response to the outbreak. After the identification of the first three cases in the EU on 24 January 2020, an extraordinary meeting of the Friends of the Presidency Group on the Integrated Political Crisis Response (IPCR) was held on the 27 January 2020. On 28 January 2020, the Croatian Presidency of the Council of the EU subsequently decided to activate the IPCR in information sharing mode. The Presidency also convened a high-level video conference of public health authorities on 7 February 2020, in which the state of play of the crisis from a public health perspective was discussed. These discussions were followed by a meeting of the EPSCO-Health Council on 13 February and at the Competiveness (Internal market and Industry) Council on 27 February.

4. On 2 March 2020, with 2199 cases and 38 deaths recorded across the EU/EEA, the UK and Switzerland, the Presidency decided to upgrade the IPCR to full activation.

5. The European Commission is already in close contact with national authorities, industry representatives and other stakeholders in order to monitor and evaluate the impact on European industries and trade, as the economic impact of COVID-19 will vary across industries and firms depending upon a number of factors including the exposure to China as a source of intermediate inputs, the possibility to shift to alternative suppliers, and the existence of inventories or reliance on just-in-time production processes. Certain negative effects on global value chains have been already noted, in particular in the automotive and pharmaceutical sectors. The tourism and transport sectors are also being impacted. The situation of vulnerable small and medium sized enterprises that are highly integrated into global value chains is of particular concern.
6. According to an OECD Interim Economic Assessment¹ the world economy could be at risk due to the COVID-19 crisis. Global trade remains very weak partly due to the tariffs imposed on US-China bilateral trade over the past two years and uncertainties resulting from the impact of the COVID-19 crisis on growth in the Asia-Pacific region and the global economy. Other important downside risks include: trade and investment tensions and the crisis of the WTO; the future UK-EU trading relationship and whether negotiations on this can be completed before the end of the transition period; and the recent sharp reaction in financial markets to the spread of the COVID-19 in late February.

¹ <https://www.oecd-ilibrary.org/docserver/7969896b-en.pdf?expires=1583247027&id=id&accname=guest&checksum=8FE0CDC3B345DB2D6F977A58E0294877>