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## OUTCOME OF THE COUNCIL MEETING

3731st Council meeting

**Foreign Affairs**

**Trade**

Brussels, 21 November 2019

President **Ville Skinnari**  
Minister for Development Cooperation and Foreign Trade  
of Finland

# P R E S S

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- 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**

### **Modernisation of the World Trade Organization**

The Council discussed the state of play of negotiations in the World Trade Organization, and progress in its reform process.

The Commission briefed ministers on its latest initiatives to promote a EU comprehensive approach towards the modernisation of all the main functions of the WTO: rulemaking, monitoring and dispute settlement. Particular emphasis was put on the need to find operational solutions to prevent the paralysis of the dispute settlement system once the mandate of one of the three remaining Appellate Body judges expires on 11 December 2019 and the court is no longer able to operate.

The Commission also provided 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 were 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**

The Council took stock of the latest developments regarding trade relations between the EU and the United States.

Ministers highlighted their support for the current 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.

The Commission presented the most recent developments concerning the different strands of bilateral relations with the US, including:

- negotiations on conformity assessment and 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 also touched on the wider trade context and discussed recent developments in US-China and US-Japan relations in view of their impact on EU interests and the wider global economy.

## **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 held a policy debate on the implementation of trade agreements on the basis of a Commission report.

The report highlights that European companies have continued to make good use of the opportunities created by the EU's trade network. Overall, trade accounts for 35% of the EU's gross domestic product, while over 36 million jobs are supported by exports to outside the EU. 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.

During the discussion, ministers stressed the importance of ensuring the effective implementation of trade agreements in order that EU companies and citizens can fully benefit from them. In this regard ministers also highlighted the importance of a close cooperation and good communication between the Commission, member states, private companies and stakeholders.

### **Background**

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-sized 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.

**Any other business**

– ***2019 Eurobarometer survey on international trade***

The Council was informed by the Commission about 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 Council was informed by the Dutch delegation about the issue of "responsible business conduct" and the need for enhanced cooperation at EU level in this field.

The Dutch delegation stressed in particular the joint responsibility that 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 were briefed on ongoing trade negotiations and discussed trade relations with China.

## **OTHER ITEMS APPROVED**

### **TRADE**

#### **WTO: review of the Bali TRQ administration decision**

The Council adopted a decision on the position to be taken on behalf of the EU within the General Council of the World Trade Organization (WTO) as regards the adoption of a decision on the review of the Understanding on Tariff Rate Quota Administration Provisions of Agricultural Products ([‘TRQ Understanding’](#)). The European Parliament will be informed in accordance with Article 218(10) TFEU.

The TRQ Understanding foresees a review of its operation to promote a continuing process of improvement in the utilisation of tariff rate quotas.

In accordance with paragraph 13 of the TRQ Understanding, a review of the Understanding was carried out in 2018 and the findings will be presented to the December 2019 meeting of the General Council of the WTO in the form of a report. Given the lack of consensus among WTO members on the substantive amendments to the TRQ Understanding, the report recommends prolonging the review period until the end of 2021, so that a consensus on substantive amendments may be reached.

### **FOREIGN AFFAIRS**

#### **EU programme of exercises and exercise-related activities under the **CFSP 2019-2023****

The Council approved the European Union programme of exercises and exercise-related activities under the Common Foreign and Security Policy (CFSP) for the period 2019-2023.

The CFSP aims to strengthen the EU's external ability to act through the development of civilian and military capabilities in Conflict Prevention and Crisis Management. Exercising is an essential component to ensure the EU's ability to take action in a competent, effective and prepared manner in its role as an international security actor. It turns the comprehensive approach into comprehensive action through the coordinated and synergic use of all available EU instruments.

#### **[Common Foreign and Security Policy](#)**

## **EU annual report on arms exports**

The Council adopted the 21st annual report on arms exports, which covers statistics on licences and exports of conventional arms from EU member states during 2018.

The report is compiled by the European External Action Service (EEAS), based on data provided by the national authorities of member states.

[Disarmament, non-proliferation and arms exports control](#)

## **Chair's statement for the ASEM foreign ministers meeting**

The Council approved the Chair's statement for the ASEM foreign ministers meeting that will be held in Madrid on 15-16 December 2019. It also agreed that the text may be adapted to ensure agreement by all the ASEM participants, provided that the changes do not affect the substance and intent of the text.

The Asia-Europe Meeting (ASEM) is an intergovernmental process established in 1996 to foster dialogue and cooperation between Asia and Europe. It currently comprises 53 partners: 30 European and 21 Asian countries, the European Union and the ASEAN Secretariat. ASEM addresses political, economic, financial, social, cultural, and educational issues of common interest in a spirit of mutual respect and equal partnership.

[ASEM \(meeting page\)](#)

## **EU CSDP civilian mission in CAR**

The Council approved the Crisis Management Concept (CMC) for a civilian Common Security and Defence Policy (CSDP) advisory mission in the Central African Republic (EUAM CAR).

The EU is already engaged in CAR with its Military Training Mission in the Central African Republic (EUTM RCA), but the Internal Security Forces (ISF) are currently not in a position to support and deliver State authority in the entire country.

In order to further support the reform of the security sector and to mitigate the current security challenges, a civilian CSDP mission would advise CAR ISF and contribute to their efficient deployment throughout the country.

The Central African Republic would be the third country currently receiving parallel support by a military and a civilian CSDP Mission.

[Military training mission in the Central African Republic \(EUTM RCA\)](#)

[CSDP missions and operations](#)

[Delegation of the European Union to Central African Republic](#)

## **Council maintains Sendero Luminoso on the EU terrorist list**

The Council determined that Sendero Luminoso should remain listed as a terrorist entity on the EU terrorist list. The persons, groups and entities in this list are subject to both the freezing of funds and other financial assets, as well as enhanced measures related to police and judicial cooperation in criminal matters.

Sendero Luminoso ("Shining Path") is a Maoist guerilla organisation formed in the late 1960s which aims to install a revolutionary regime in Peru.

[EU terrorist list](#)