

International trade arrangements: small steps amidst trade war?

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Brexit

- March 29, 2017: UK notifies its intention to exit the EU (Article 50 TEU).
- → Brexit day initially March 29, 2019 - as of May 30, 2019 UK would have been third country.
- Mutual agreement on extension of Article 50 TEU deadline, first until April 12, 2019, then until October 31, 2019 in order to avoid Brexit without agreement.
- During this timeline Withdrawal Agreement can enter into force at the beginning of the month following its ratification by both parties.
- Under Withdrawal Agreement UK would already be third country, but EU acquis would still apply for transition period (until the end of 2020 or longer, if extended according to Article 130 Withdrawal Agreement).
Effects for business would be limited: Reaction of third countries in preferential trade relations ?

Brexit

- Brexit without agreement can only occur on October 31, 2019 in absence of either Withdrawal Agreement applicable as of November 1, 2019 or further extension of deadline.
- According to Court of Justice of the European Union (CJEU) UK is also free to withdraw notification of its intention to exit EU at any time within the given timeline.
- Transitional arrangement should not end before framework for future relationship EU-UK is applicable in order to avoid legal fractions/economic frictions.
- *Political Declaration setting out the framework for the future relationship between the European Union and the United Kingdom of Great Britain and Northern Ireland and supplementing Joint Statement stay vague.*

WTO in crisis/Modernisation needed

- 2018 25th anniversary of WTO (1994)
- 'Doha Development Agenda' (2001) - negotiations stalled
- Different interests between industrial, emerging and developing countries
- Lack of discipline regarding transparency and notification obligations (e.g. in the field of subsidies, sanitary and phytosanitary measures (SPS), technical barriers to trade (TBT) ...)
- Disappointing results of latest ministerial conferences (MC) (Bali 2013, Nairobi 2015, Buenos Aires 2017) - no substantial results at multilateral level
- Exceptional success stories:
 - TFA (Trade Facilitation Agreement),
 - ITA (Information Technology Agreement)

WTO in crisis/Modernisation needed

- US 'America First' policy endangers WTO foundations
 - Additional duties (e.g. on steel and aluminum imports) - trade conflicts
 - Threat of withdrawal from WTO
- Dispute settlement mechanism in greatest danger
 - Appeal mechanism equipped with minimum number of judges only
 - US blockade on renaming a judge
 - Threat of paralysis of appeal panel in December 2019 at the latest
- Need for new topics

Progress is being made on: E-Commerce, Services Domestic Regulation, Investment Facilitation - deliverables for MC12 in June 2020 ?

Report on Trade and Investment Barriers

- Annual Report on Trade and Investment Barriers (European Commission) released on June 26, 2018 based on concrete complaints received from European companies
 - Major increase in protectionism in 2017
 - 45 obstacles lifted fully or in part in 2017 - more than twice as many as in 2016
 - 67 new barriers were recorded in 2017, taking the total number of existing obstacles between 57 different trading partners around the world to 396

US Trade Policy/EU-US Trade Relations

- US introduced additional tariffs on steel and aluminum as of June 1, 2018 because of 'national security'-reasons (Sect. 232; Trade Expansion Act of 1962).
- Many US-trading partners, among them the EU, took countermeasures:
 - WTO-dispute settlement procedure,
 - 'Rebalancing'-measures on certain EU-imports coming from the US (jeans, whiskey, motor vehicles, ...),
 - Safeguards on imports of steel in the EU

US Trade Policy/EU-US Trade Relations

- How is Austrian business affected?
 - Direct Austrian exports of steel and aluminum to the US are restricted
 - Austrian exports to the US amounted to EUR 9,7 bn in 2017 (+10.7%).
 - 5% of these exports are negatively affected by the US-measures on steel and aluminum; around EUR 500 Mio. of potential losses for Austria and EUR 6,4 bn for the EU.
 - Indirect effects:

Austrian manufacturers and component suppliers export steel and aluminum to their customers in and outside the EU. Their business associates' access to the US-market is also restricted, thus existing and new business orders are at risk.
 - Countermeasures taken by many US trading partner-countries further restrict Austrian exports and imports.

We expect negative effects for steel processing industries.

US Trade Policy/EU-US Trade Relations

- President Trump repeatedly announced additional tariffs on imports of cars and car parts, again because these imports would pose a risk for 'national security' (Sect. 232).
 - On February 17, 2019 US Department of Commerce presents its report to the White House.
 - Allegedly the non-public report speaks of 3 options:
 - 25% additional tariffs on US imports
 - 10% additional tariffs on US imports
 - targeted measures against certain products and/or sectors
 - Mid of May President Trump extended the 90-days-deadline to another 180 days.
 - US-additional tariffs would hit EU industries overproportionally.
- European business also feels direct and indirect negative effects resulting from the US trade conflict with China.

US Trade Policy/EU-US Trade Relations

- Negotiating an EU-US-Trade Agreement?
 - US-President Trump und EU-Commission ´s President Juncker met on July 25, 2018. Their Common Declaration contains
 - '*... zero tariffs, zero non-tariff barriers, and zero subsidies on non-auto industrial goods ...*'
 - Reduce barriers and increase trade in services, chemicals, pharmaceuticals, medical products, as well as soybeans
 - Strengthen the strategic cooperation with respect to energy, liquefied natural gas (LNG), ...
 - Close dialogue on standards in order to ease trade, reduce bureaucratic obstacles, and slash costs
 - Work closely together ... to reform the WTO
 - Address unfair trading practices (e.g. intellectual property theft, forced technology transfer, industrial subsidies, state owned enterprises, overcapacity)
 - Set up an Executive Working Group
 - No additional tariffs while negotiations continue
 - Resolve the steel and aluminum tariff issues and retaliatory tariffs

US Trade Policy/EU-US Trade Relations

- April 15, 2019: The Council of EU-Ministers adopts two directives for negotiations ('mandates'):
 - on the elimination of tariffs
 - Council decision authorising the opening of negotiations with the US on industrial tariffs
 - Directives for the negotiations with the US on industrial tariffs
 - on conformity assessment
 - Council decision authorising the opening of negotiations with the US on conformity assessment
 - Directives for the negotiations with the US on conformity assessment
- US requests negotiations on agriculture, which the EU categorically refuses.
- (Lack of) Progress in the negotiations of a trade agreement and the threat of US additional duties on cars and car parts are closely linked together.
The EU repeatedly announced it would terminate negotiations and swiftly introduce countermeasures should the US eventually impose car-tariffs.

Trade Agreements/Japan

- Economic Partnership Agreement (EPA) between EU and Japan enters into force on February 1, 2019
 - Elimination of customs duties
 - More than 90% of the EU's exports to Japan duty free at entry into force of the agreement.
 - Once the agreement is fully implemented, Japan will have scrapped customs duties on 97% of goods imported from the EU (in tariff lines).
 - EU exporters will save around EUR 1 bn in customs duties per year.
 - Geographical Indications
 - Protection on Japanese market of more than 200 European agricultural products of specific European geographical origin (GIs)
 - e.g. 'Tiroler Speck', 'Steirisches Kürbiskernöl', 'Steirischer Kren', 'Inländerrum' and 'Jägertee'.

Trade Agreements/Japan

- Sanitary and phytosanitary measures
 - More predictable regulatory environment for EU products exported to Japan without lowering safety standards.
- Reduction of Non-tariff barriers
 - European cars subject to the same requirements in EU and Japan; no need to be tested and certified again when exported to Japan.
 - Trade barriers regarding medical devices, pharmaceuticals and cosmetics, textile labeling and beer abolished.
- Same conditions for service providers
 - Level-playing field between EU suppliers of postal and courier services as well as telecommunications service providers and their Japanese competitors.
- Public procurement
 - EU companies able to participate on equal footing with Japanese companies in bids for procurement tenders in 54 so-called 'core cities' of Japan (i.e. cities with 300.000 to 500.00 inhabitants or more).
 - Removal of existing obstacles to procurement in the railway sector.

Trade Agreements/Others

- Singapore
 - Signed on October 19, 2018
 - Approval of European Parliament on February 13, 2019
 - Awaiting ratification by Singapore
- Vietnam
 - June 2018 agreement on the final text
 - October 17, 2018 EC proposals for the signing and conclusion of the EU-Vietnam Free Trade Agreement
 - Signing expected end of June 2019
- Australia and New Zealand
 - June 2018 official start of negotiations
 - June 25, 2018 mandates published
 - May 2019 latest round with New Zealand
 - Juli 2019 next round with Australia

EU's new Strategy on China

- March 2019 strategic stocktaking of EU-China relationship by European Commission and High Representative
- 10 actions formulated in the context of relations with China, but some of them relate to EU's global competitiveness and security.
- EU response will pursue three objectives:
 - Based on clearly defined interests and principles, EU should deepen its engagement with China to promote common interests at global level.
 - EU should robustly seek more balanced and reciprocal conditions governing economic relationship with China.
 - Finally, in order to maintain its prosperity, values and social model over the long term, there are areas where EU itself needs to adapt to changing economic realities and strengthen its own domestic policies and industrial base.

FDI Screening Regulation

- Regulation establishing a framework for the review of foreign direct investment in the European Union
 - Came into effect on April 11, 2019
 - Application scheduled for October 11, 2020
 - Review of foreign direct investment based on risks to security and public order
 - Verification factors: infrastructure, energy, transportation, nuclear technologies, cybersecurity, critical technologies, e.g. artificial intelligence, robots or semiconductors
 - No obligation to create or use protection instrument - cooperation and information mechanism only
 - Decision to ban takeover remains with EU-Member States
 - Adaptation of §25a Austrian Foreign Trade Act (AWG) planned for autumn 2019