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8 December 2016

I am writing to update you on current EU trade negotiations. This letter and the annex attached are intended to update the Committee on progress across a number of different trade negotiations.

As you know, much has happened since my last update in May. Leaving the EU offers us an opportunity to forge a new role for ourselves in the world: to negotiate our own trade agreements and to be a positive and powerful force for free trade. However, while we remain a member of the EU we will continue to support the EU's trade agenda and to participate constructively in EU decision-making on trade.

As before, you will find below a summary of where each of the negotiations on key files has reached. I should welcome any questions or comments you might have on the EU's trade agenda and the UK's positions on it.

I am writing in similar terms to Lord Boswell, Chair of the House of Lords EU Select Committee, and I am copying to the Clerks of both Committees, Les Saunders (Department for Exiting the European Union) and Edwina Osborne (DIT Scrutiny Coordinator).

THE LORD PRICE CVO
Minister of State, Department for International Trade

Update on EU Trade Negotiations, December 2016

EU-Japan FTA

The EU has been in negotiations with Japan to establish an Economic Partnership Agreement (EPA) since 2013. This will be an ambitious free trade agreement addressing non-tariff barriers, regulatory, technical, services, investment and procurement issues. The deal is in its final stages and we expect relatively swift progress over the next few months. There will be a negotiating round during December, which aims to finalise the core content of the texts.

The Japan EPA has many advantages for the UK, with estimated benefits of around £5bn per year in the conservative scenario and around £11bn in the highly ambitious scenario. Given the benefits to the UK, we have been a strong supporter for the deal, and have been feeding into discussions throughout the last few years, at official and Ministerial level. We continue to engage constructively with all parties to secure an ambitious deal that will benefit all concerned.

CETA

The UK welcomed the signature of the CETA agreement on Sunday 30 October. The Secretary of State has corresponded separately with the European Scrutiny Committee on this agreement, with this correspondence copied to the House of Lords European Union Committee. The next step for this agreement at the EU level is a vote in the European Parliament, which is currently scheduled for 2 February 2017. Following this, provisional application is expected to come into effect in spring 2017.

TTIP

Good progress has been made in TTIP negotiations at the technical level, in terms of aligning regulations and testing in sectors such as automotive and pharmaceutical. The position of the incoming US administration on TTIP is yet to emerge. The UK continues to support an ambitious, wide-ranging deal which opens markets.

Modernisation of Trade Defence Instruments (MTDI) and China Market Economy Status

The Committee will be aware that an explanatory memorandum was submitted in November that referred to a new Commission Communication entitled 'Towards a robust trade policy for the EU in the interests of jobs and growth' (Council Reference 13500/16 + ADD 1). Two specific changes are highlighted in the Communication: the 2013 Commission proposal on the Modernisation of Trade Defence Instruments (TDIs); and

the Commission's forthcoming proposal relating to the WTO Accession Protocols of China, Vietnam and Tajikistan. On the former, negotiations continue in Brussels. The Government continues to support the Modernisation of Trade Defence Instruments, but does not agree that the case has been made for restrictions on the operation of the Lesser Duty Rule (LDR). This is under active discussion in Brussels and the Slovak Presidency is pressing for an agreement before the end of the year.

On the question of China Market Economy Status, DIT is due to submit an explanatory memorandum this week explaining the Commission's new proposal issued in November (Council ref 14249/16 and ADDs 1 and 2), and the UK position in relation to this. We will then keep the Committee updated of significant developments on an on-going basis.

ASEAN FTAs

There have not been any major developments since the last update. The EU-Singapore FTA is still under review by the European Courts of Justice, to provide an opinion on competence within the agreement. Member States have submitted their formal opinions for consideration, and a decision is expected in spring 2017.

Following conclusion of EU-Vietnam FTA negotiations in December 2015, it is expected that progress will be made towards implementing the agreement later next year. As previously highlighted, negotiations have now been launched with both Indonesia and the Philippines. Both sets of talks are at a very early stage, but the ambition is to negotiate deals comparable in scope to that of the EU-Vietnam FTA, ideally within two years.

No progress has been made on either Malaysia or Thailand, with talks currently paused for both. It is hoped that Thai elections in 2017 may offer an opportunity to consider options going forward, should a democratically elected government be successfully elected and the current military government replaced. The prospect of resuming talks with Malaysia remains elusive.

Negotiations with Burma remain technically open on an investment agreement, though no tangible progress has been made since 2015 and talks appear to have effectively paused in practice. Cambodia and Laos continue to benefit from unilateral access to the EU under the Generalised Scheme of Preferences, though Brunei no longer qualifies.

Economic Partnership Agreements (EPAs)

On 10 October, the Southern African Development Community (SADC) EPA entered into provisional application between the EU and Botswana, Lesotho, Namibia, South Africa and Swaziland. Mozambique is in the process of ratifying the EPA, and Angola is an observer with the option to join in the future. Under the SADC EPA, the EU will grant Botswana, Lesotho, Mozambique, Namibia, and Swaziland 100% duty free and quota

free access to its markets. The EU has also fully or partially removed customs duties on 98.7% of imports coming from South Africa.

The EAC (East African Community)-EU EPA has been signed by Kenya and Rwanda and EU ministers, but still requires signature from Uganda, Tanzania and Burundi. All five countries in East Africa must sign and ratify the deal before it can be applied. The UK hopes that remaining countries will sign and ratify the EPA soon.

All EU Ministers and most West African Ministers have signed the West Africa EPA. The UK is working with remaining partner countries, including Nigeria, to sign and ratify the EPA.

The West Africa, East Africa and Southern Africa EPA texts are all publicly available.

Environmental Goods Agreement (EGA)

EGA negotiations were due to conclude at a Ministerial meeting in Geneva on 3-4 December, but continuing differences on the product list between China and other participants, particularly the US and EU, resulted in the meeting ending without a deal. Talks at official level will continue in 2017.

Once agreed, the EGA will remove tariffs on an agreed list of around 260 - 300 products and the UK has been a strong supporter throughout the negotiation process. This is because of the potential benefits to UK trade and because of the global contribution the EGA will make towards tackling climate change and supporting sustainable growth.

Trade in Services Agreement (TiSA)

Good progress was made during the 21st TiSA negotiating round in November, with parties working towards an agreed text. Most of the outstanding issues were resolved at technical level, with the remainder left to be solved at political level. Negotiations have temporarily been suspended due to wider political issues both at EU and US level which rendered the prospect of a conclusion in 2016 very unlikely. Parties are currently assessing the situation, and Chief Negotiators will be meeting on 6-8 December in Geneva to agree on a timetable to resume negotiations in the New Year.