European Commission

Progress Report

on the Implementation of the EU-U.S. Joint Statement of 25 July 2018

Greater together: Slashing billions in industrial tariffs and boosting transatlantic trade

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Joint U.S.-EU Statement following President Juncker's visit to the White House

Washington, 25 July 2018

We met today in Washington, D.C. to launch a new phase in the relationship between the United States and the European Union – a phase of close friendship, of strong trade relations in which both of us will win, of working better together for global security and prosperity, and of fighting jointly against terrorism.

The United States and the European Union together count more than 830 million citizens and more than 50 percent of global GDP. If we team up, we can make our planet a better, more secure, and more prosperous place.

Already today, the United States and the European Union have a $1 trillion bilateral trade relationship – the largest economic relationship in the world. We want to further strengthen this trade relationship to the benefit of all American and European citizens.

This is why we agreed today, first of all, to work together toward zero tariffs, zero non-tariff barriers, and zero subsidies on non-auto industrial goods. We will also work to reduce barriers and increase trade in services, chemicals, pharmaceuticals, medical products, as well as soybeans.

This will open markets for farmers and workers, increase investment, and lead to greater prosperity in both the United States and the European Union. It will also make trade fairer and more reciprocal.

Secondly, we agreed today to strengthen our strategic cooperation with respect to energy. The European Union wants to import more liquefied natural gas (LNG) from the United States to diversify its energy supply.

Thirdly, we agreed today to launch a close dialogue on standards in order to ease trade, reduce bureaucratic obstacles, and slash costs.

Fourthly, we agreed today to join forces to protect American and European companies better from unfair global trade practices. We will therefore 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.

We decided to set up immediately an Executive Working Group of our closest advisors to carry this joint agenda forward. In addition, it will identify short-term measures to facilitate commercial exchanges and assess existing tariff measures. While we are working on this, we will not go against the spirit of this agreement, unless either party terminates the negotiations.

We also want to resolve the steel and aluminum tariff issues and retaliatory tariffs.

Executive Summary

The United States and the European Union have a $1 trillion bilateral trade relationship with more than €3 billion in two-way trade every single day. Together both sides count more than 830 million citizens and close to 50% of global Gross Domestic Product. This is the largest economic relationship in the world.

With their Joint Statement of 25 July 2018, President Juncker and President Trump expressed their commitment to further strengthen this trade relationship to the benefit of all American and European citizens.

As an immediate follow-up to the Statement, an Executive Working Group, co-chaired by Commissioner Malmström and United States Trade Representative Lighthizer and composed of both Presidents' closest trade policy aides, started work on the five tracks for cooperation identified in the Joint Statement.

This report provides an overview of the progress made and illustrates the depth of the engagement between EU and U.S. officials over the past year. The work programme covers a wide-ranging agenda reflecting the breadth of topics addressed in the Joint Statement.

1. Regulatory cooperation

The Joint Statement announced the launch of a close dialogue on measures to reduce administrative obstacles and costs to transatlantic trade, while preserving the high level of regulatory protection enjoyed by consumers and businesses on each side. Substantial progress has been made on a number of issues:

1.1. Conformity assessment

Conformity assessment is the process to demonstrate that a product meets all the legislative requirements to be placed on the market. It ensures consumers that the product is safe and that it complies with relevant regulations. This can include testing, inspection and certification. Both the EU and the U.S. have their respective practices for conformity assessment and accreditation of conformity assessment bodies. Enabling exporters to seek certification of products they want to export, in the country *from which* they want to export them, to prove their compliance with the applicable rules in the country *to which* they want to export them can reduce costs by avoiding unnecessary duplication of processes or transport costs.

On 15 April 2019, the EU Council adopted a decision to launch negotiations for an agreement with the United States on conformity assessment. The EU's stated objective is to conclude an ambitious horizontal agreement covering all relevant industrial sectors where third-party conformity assessment is required by either side. This is an area where results can be achieved swiftly and where EU and U.S. businesses would benefit from an agreement to eliminate unnecessarily duplicative procedural requirements to put their products on export markets.

In the discussions held so far there was a shared recognition that a future agreement could be much more ambitious in terms of sectoral coverage than the existing mutual recognition agreement for industrial products, which is currently only operational in three sectors (Electro-

Magnetic Compatibility, Telecommunications Equipment and since 11 July 2019 in pharmaceutical inspections for human medicines). The prospective agreement could also lead to meaningful simplifications for conformity assessment bodies established in the U.S. to assess compliance of U.S. industrial products with EU technical regulations. Progress in this will also be contingent on the U.S. sides' commitment to exercise public oversight over U.S.-based conformity assessment bodies designated under the future agreement, and to deliver on the barriers faced by the EU machinery industry when certifying products for export to the U.S..

1.2. Cooperation on Standards

The strategic case for a solid EU-U.S. co-operation in the development of common standards has never been greater. While the EU and the U.S. have been rule-makers over the last decades, competing regulatory models are being promoted by emerging, often heavily state-controlled economies, notably in the field of innovative technologies. These new regulatory models are a cause of common concern given the important role played by the state in deploying market-distorting practices to build domestic champions in key strategic sectors.

Closer regulatory cooperation between the EU and the U.S. therefore makes strong economic and strategic sense. This would be beneficial both to facilitate transatlantic trade and to the development of balanced global standards, notably in the area of emerging technologies. The EU has underlined its readiness to improve cooperation and coordination with the U.S. in the framework of international standard setting bodies.

Discussions have centred on possible mechanisms for cooperation to ease market access for economic operators in areas where existing standards are different on the two sides of the Atlantic. The EU has presented ideas for a mutually balanced and far-reaching cooperation, tackling the areas of both existing standards and offering a way forward on new standards, particularly for emerging digital technologies, with a view to reducing divergence.

Apart from cooperation on new standards, there is also a potential and valuable short-term deliverable: The EU could increase transparency to facilitate imports of industrial goods satisfying EU technical requirements but not meeting EU harmonised standards, while the U.S. would improve the process of petitions to reference additional standards in its technical regulations.

1.3. Sectoral Cooperation

The Executive Working Group has identified a number of positive actions and activities in areas such as pharmaceuticals, medical devices and cybersecurity, which have major potential in terms of facilitating transatlantic trade.

For example on **pharmaceuticals**, the EU and the U.S. reached an important milestone on 11 July 2019 with the full implementation of the Mutual Recognition Agreement on good manufacturing practices for human medicines. Building on this success, the next step is the expansion of the scope to cover veterinary medicines. On **cybersecurity**, the EU and U.S. agreed to intensify cooperation on standards and conformity assessment (including certification approaches). A promising area for cooperation in standards relates to **Internet of Things** consumer products.

2. Cooperation on energy issues, including liquefied natural gas (LNG)

The Joint Statement acknowledged that both sides *"agreed to strengthen our strategic cooperation with respect to energy. The European Union wants to import more liquefied natural gas (LNG) from the United States to diversify its energy supply."*

Since the meeting between President Juncker and President Trump in July 2018, cumulative EU imports of liquefied natural gas from the U.S. have increased by 367%. Around 10 billion cubic metres of liquefied natural gas have been imported from the U.S. into the EU since the agreement, which is estimated to have a value of over €2 billion. In 2019 one third of all U.S. liquefied natural gas exports have so far gone to the EU. The U.S. is Europe's third biggest supplier of liquefied natural gas, while Europe has emerged the primary destination of the U.S. This is a very significant increase compared to 2018, when imports of liquefied natural gas from the U.S. (3.3 billion cubic metres) represented just over 5% of all EU liquefied natural gas imports. Taking the 2018 market share as a basis, U.S. liquefied natural gas exports could more than double by 2023.

The EU is also investing heavily in infrastructure for liquefied natural gas to ensure that all its Member States can directly or indirectly benefit from liquefied natural gas supplies. The EU has also suggested that the U.S. proceeds with steps to enable automatic licencing for exports of liquefied natural gas to the EU.

3. Cooperation on soya beans

The EU imports about 14 million tonnes of soya beans per year. Soya beans from the U.S. are a very attractive feed option for European importers and users thanks to their competitive prices. Overall, there has been an increase in U.S. exports of 96% from July 2018 to June 2019 compared to the same period in the previous year. These imports were valued at €2.9 billion, representing an increase of 88% compared to the same period in the previous year. Given this strong trade performance, the U.S. is Europe's number one supplier in soya beans and presently has a 60% share of all EU imports (compared to 33% in the same period in 2017-18).

On 29 January 2019 the Commission recognised the U.S. soya bean production scheme under the Renewable Energy Directive until 1 July 2021, concluding that U.S. soya beans meet the technical requirements to be used in biofuels in the EU. Biofuels must fulfil a set of sustainability criteria contained in the Renewable Energy Directive in order to be eligible for public support or to count towards the EU's renewable energy targets. The recognition of the U.S. production scheme further improves the competitive position of U.S. soya bean growers, as it makes the oil fraction of U.S. soya beans more attractive for the biofuels market.

4. Liberalisation of tariffs for industrial goods

Presidents Juncker and Trump agreed *"to work together toward zero tariffs, zero non-tariff barriers, and zero subsidies on non-auto industrial goods".* On 15 April 2019, the EU Council authorised the European Commission to negotiate an agreement with the United States on the elimination of industrial tariffs. Initial discussions have taken place and the Commission

remains ready to engage and take negotiations forwards swiftly within the scope of the Joint Statement and on the basis of this authorisation.

An assessment made by the Commission shows that both sides stand to gain from eliminating tariffs on industrial goods, in a balanced manner: €26.7 billion in additional annual exports for the EU in 2033 and €26.2 billion in additional exports for the U.S. over the same timeframe in comparison to trade flows in the absence of tariff elimination. In percentage terms of new trade, the U.S. would benefit slightly more than the EU, 9% versus 8%, according to the assessment.

5. Cooperation on global issues and the non-market-oriented policies and practices of third countries

In the Joint Statement both sides committed *"to join forces to protect American and European companies better from unfair global trade practices."* They agreed to *"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 EU and the U.S. are both concerned about the distortions caused by unfair trading practices, in particular by China. A strong EU-U.S. partnership is critical to effectively address such practices. The EU and the U.S. have been engaged in several areas of work in this respect, at the bilateral, trilateral and multilateral level:

For example, both sides cooperate closely on matters of **industrial subsidies and trade defence**. In the framework of the trilateral cooperation between the EU, the U.S. and Japan, they aim to strengthen the World Trade Organization rulebook on industrial subsidies and, ultimately, to develop new binding, effective and enforceable rules that would better capture new types of market and trade distorting subsidies. The EU has also proposed bilateral negotiations with the U.S. on new rules regarding subsidies in the area of civil aircraft. This would bring to a fair and balanced conclusion the long running trade dispute over past supports to Airbus and Boeing and help avoid mutually damaging trade retaliation. In addition, establishing clearer disciplines in this sector would be useful for the future given the growing role played by third countries such as China and Russia.

The EU and the U.S. also have a common interest to tackle jointly the issue of **forced technology transfers**. They agree that the current World Trade Organization rulebook is insufficient in this area. To make progress on the issue, they have been cooperating with Japan with a view to addressing existing gaps. This cooperation is particularly important given the increasing frequency with which certain third countries, such as China, seek to impose technology transfers through policy guidance as well as through different legal instruments and practices, including joint venture requirements, authorisation or licensing procedures, or insufficient protection or enforcement of intellectual property rights and trade secrets. This not only limits the access and operation of foreign investment in the domestic markets, it also gives local companies, and often state-owned enterprises, significant leverage to negotiate the technology transfers or simply to have access to such technology.

This work is essential in view of the **reform of the World Trade Organization**, which today is facing its deepest crisis since its inception. To preserve and strengthen the World Trade

Organization, it needs to be reformed and made fit to address current challenges that undermine the proper functioning of international trade.

The EU and the U.S. have a shared objective to **improve the monitoring function** of the World Trade Organization. Both sides are cooperating very closely on enhancing transparency of Members' trade measures in the World Trade Organization. Together with Japan and other countries, they are actively advocating for a proposal to improve Members' compliance with their obligations to notify measures related to trade in goods. Chances to have the proposal adopted within the next year are realistic.

The EU and the U.S. are also pushing for regulatory changes in China in the context of the **review of China's Foreign Investment Law**. It is also in their joint interest to monitor the implementation of the new law through the follow-up regulations and the actual practice.

It is part of the EU and U.S.' common strategic challenges to ensure our companies operate under the best regulatory framework possible in areas of emerging technologies such as automated driving, 3-D printing, nanotechnology, artificial intelligence, etc. It is therefore important that the EU and U.S. develop compatible regulations and seek to avoid an unnecessarily fragmented regulatory landscape, with competing requirements developed by others. The Executive Working Group was tasked with an intensified dialogue on standards.

Foreign direct investment screening and **export controls** are other important areas for cooperation. The EU and the U.S. have been exchanging information about the need for a level playing field also on third country markets. In this regard, the EU and the U.S. have cooperated in the framework of the G7, G20, OECD and World Trade Organization platforms.

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By taking this work programme forward in the coming months, the EU and U.S. can continue to develop together a positive agenda that benefits businesses and consumers on both sides of the Atlantic, while respecting the regulatory choices of each partner. This should lead the way towards a reduction of current transatlantic trade tensions and further joint cooperation on the important challenges of the future.

A recent example that goes beyond the scope of this work programme but illustrates perfectly the excellent cooperation between the EU and the U.S. is the agreement found on the share of a **duty-free tariff rate quota for U.S. exports of hormone free beef** to the EU market. Due to great efforts by the European Commission and joint outreach with U.S. counterparts, agreement has been reached with third counties on a revised allocation of the EU's duty-free import quota for high quality beef. Once fully in place, this will create a specific share for U.S. exporters of 35,000 metric tonnes per year out of the total quota of 45,000 metric tonnes. The European Commission, committed to drive the process forward to finalise this agreement as quickly as possible, has already obtained the agreement of the Council of Ministers. The agreement is now awaiting the consent of the newly elected European Parliament before its final adoption and enforcement.

Progress Report on the Implementation of the EU-U.S. Joint Statement of 25 July 2018

The United States and the European Union together count more than 830 million citizens and close to 50% of global Gross Domestic Product (GDP). The United States and the European Union have a $1 trillion bilateral trade relationship – with more than €3 billion in two-way trade every day. Total stocks of EU investment in the U.S. and U.S. investment in the EU come to almost €5 trillion. This is the largest economic relationship in the world.

With their Joint Statement of 25 July 2018, President Juncker and President Trump expressed their commitment to further strengthen this trade relationship to the benefit of all American and European citizens.

As an immediate follow-up to the Statement, an Executive Working Group, co-chaired by Commissioner Malmström and United States Trade Representative Lighthizer and composed of both Presidents' closest trade policy aides, started work on the five tracks for cooperation identified in the Joint Statement.

Following preparatory meetings in August 2018, Commissioner Malmström and Ambassador Lighthizer met in Brussels on 10 September 2018 to launch the Executive Working Group. Subsequently, they have met five times to oversee progress, most recently in Paris, in the margins of the OECD ministerial meeting, on 22 May 2019.

There have also been regular contacts between the Secretary General of the European Commission Martin Selmayr and the Director of the United States National Economic Council Larry Kudlow, including a meeting in Washington in March. Supporting discussions have taken place at technical level between EU and U.S. officials. In particular, regulatory issues were discussed in Washington on 23-26 October 2018, in Brussels on 21-22 February 2019 and again in Washington on 5-6 May 2019. Relevant regulators from both sides participated in these discussions.

This report provides an overview of the progress made on the issues addressed in the Joint Statement and illustrates the depth of the engagement between EU and U.S. officials over the past year. The work programme covers a wide-ranging agenda reflecting the breadth of topics addressed in the Joint Statement. These range from regulatory cooperation on standards and in sectors such as energy, pharmaceuticals, medical devices and soybeans to the possibility of concluding new bilateral agreements on conformity assessment and on industrial tariffs. EU and U.S. officials have also engaged intensely to identify the main challenges affecting international trade and investment, including the urgent need to modernise international trade rules and find the right responses to unfair trading practices.

The Executive Working Group has already delivered significant results in areas such as energy, soybeans, pharmaceuticals, cybersecurity and medical devices. By taking this work programme forward in the coming months, the EU and U.S. can continue to develop together a positive agenda that would benefit businesses and consumers on both sides of the Atlantic, while respecting the regulatory choices of each partner.

This can lead the way towards a reduction of current transatlantic trade tensions and further joint cooperation on the important challenges of the future, whether on the bilateral regulatory agenda – such as the reduction of the cost of conformity assessment – or on the global agenda such as the need to ensure a level competitive playing field with third countries such as China.

The EU and U.S. belong to the world's most important regulators simply on account of the size of their economies and their levels of development. Compliance requirements that are duplicative or unjustified when regulators are seeking to meet the same objectives can impose a significant and unnecessary cost on companies and citizens. It is generally accepted that the costs of regulatory compliance in the EU and U.S. are a multiple of the tariffs levied on goods traded across the Atlantic each year. There is also a strategic dimension to regulation, insofar several poles of regulatory activity are emerging today, and cooperation can help to develop high quality regulations that private actors will seek to incorporate into their goods and services.

There are manifold challenges ahead in areas such as new energy vehicles, automated driving, robotics, 3D printing, nanotechnology or artificial intelligence. All these new areas will likely need to be appropriately regulated in some way or other in the medium term, and upstream engagement between regulators can help to share knowledge and analysis, as well as to identify potential areas of voluntary cooperation and convergence. This would reduce costs both for government and for the private sector.

The strategic case for EU U.S. regulatory co-operation has never been greater. While the EU and the U.S. have been rule-makers over the last decades, competing regulatory models elsewhere are being pushed notably in these fields of innovative technologies.

The EU and the U.S. should engage in a joint reflection on how to reinforce and deepen their cooperation in global standards setting given the increasingly visible ambition of certain third countries to influence this process to their own advantage. A good example is provided by China's ambitions in the 'Made in China 2025' sectors. The EU and the U.S. already exchange information on subsidy policies in China, with a particular focus on these 'Made in China 2025' sectors, essentially through two tracks: via an exchange of information collected by our respective teams on Chinese measures and practices, and through close cooperation in the context of the World Trade Organization Committee on Subsidies and Countervailing Measures. It is becoming increasingly important for the EU and the U.S. to cooperate in monitoring China's industrial policy in sectors under "Made in China 2025" and to discuss emerging issues identified by the European and American business community.

In March, the European Commission launched a call for proposals inviting stakeholders to contribute with ideas for potential EU U.S. regulatory co-operation activities. The European Commission is currently assessing the submissions and will soon engage with the U.S. to discuss the most promising ideas for enhanced regulatory cooperation.

The European Commission prepared a first Interim Report on the activities of the Executive Working Group already in January 2019. This was shared with EU Member States and the European Parliament and made publicly available. This report presents a synthesis of the work of the Executive Working Group, updates on developments since January and indicates areas for further progress.

1. Regulatory Cooperation

The Joint Statement of 25 July 2018 announced the launch of a close dialogue on measures to reduce administrative obstacles and costs in transatlantic trade, while fully preserving the high level of regulatory protection on each side.

To date, the Executive Working Group has held three meetings and one video conference specifically focused on regulatory issues. The first one was held in Washington in October 2018, the second in February 2019 in Brussels and a third one in Washington in May 2019. Discussions focussed on some specific sectors (notably cybersecurity, medical devices and pharmaceuticals) as well as on conformity assessment and standards. The video conference held in July 2019 focused mainly on conformity assessment and accreditation. Relevant regulators from the EU and U.S. participated in these meetings.

1.1. Conformity Assessment

Conformity assessment is the process of demonstrating that a product meets all the legislative requirements to be placed on the market. It ensures consumers that the product is safe and complies with relevant regulations. This process can include testing, inspection and certification. In many cases, conformity assessment is performed by specifically authorised ("accredited") organisations, for example laboratories, inspection or certification bodies. Accreditation helps to ensure that conformity assessment bodies have the necessary technical capacity and competence to perform their duties.

Both the EU and the U.S. have their respective practices for conformity assessment and accreditation. However, differences in approaches can result in additional costs and lengthy and complex administrative processes without necessarily improving the safety of products, Therefore, enabling exporters to seek certification of products they want to export, in the country *from which* they want to export them, to prove their compliance with the applicable rules in the country *to which* they want to export them, can greatly facilitate trade. Such reduction of barriers would be of particular benefit for small and medium-sized enterprises. For them a decrease in trade costs sometimes makes the defining difference between exporting or not.

Facilitating acceptance of conformity assessment results requires an agreement between the EU and the U.S. Such an agreement then allows (upon fulfilment of certain requirements), the conformity assessment bodies that are not established within the territory of the EU or the U.S. respectively to certify product compliance with the legislation of the other. There are existing EU-U.S. conformity assessment agreements on industrial products, marine equipment, civil aircraft and pharmaceuticals. The agreement on industrial products is however only operational in two sectors – electro-magnetic compatibility and telecommunications equipment – while the agreement on pharmaceuticals focuses on good manufacturing practice (i.e. inspections of manufacturing sites) rather than actual pharmaceutical products.

On 15 April the EU Council adopted a decision to authorise the launch of negotiations for an agreement with the United States on conformity assessment. The EU is ready to take negotiations forward to conclude an ambitious horizontal agreement covering all relevant industrial sectors where third-party conformity assessment is required by either side. This is an area where results can be achieved swiftly and where EU and U.S. businesses in a wide range of industrial sectors would stand to benefit from an agreement to eliminate unnecessarily duplicative procedural requirements to put their products on export markets.

The EU and U.S. exchanged views on the possible structure of such an agreement during the technical meeting of May 2019 and the video conference in July 2019. There was a shared recognition that a future agreement could be much more ambitious in terms of sectoral coverage than the existing mutual recognition arrangement for industrial products, which is currently only operational in two sectors. The prospective agreement could also lead to meaningful simplifications for conformity assessment bodies established in the U.S to assess compliance of U.S. industrial products with EU technical regulations. This would address a long-standing U.S. request and go beyond achievements reached with previous Administrations. Progress in this area can however only be made if there is a commitment by the U.S. to exercise public oversight over US-based conformity assessment bodies designated under the future agreement, as expressly laid down in the Council negotiating directives, and to deliver on the barriers faced by the EU machinery industry when certifying products for export to the U.S..

What will change under a new EU-U.S. agreement on conformity assessment?

	Current Mutual Recognition Agreement	Future Agreement
Number of sectors covered	Operational only for 2 sectors	All sectors with third party conformity assessment
U.S. Conformity Assessment Bodies (CABs) can certify products for export as meeting the requirements of the EU	Only in the 2 operational sectors	In all sectors with third party conformity assessment
EU bodies (rather than U.S. public authorities) can assess the technical ability of U.S. CABs to certify for exports to the EU	✗	✓
Public oversight performed by U.S. authorities, once U.S. CABs are authorised to certificate for EU market	✓	✓

1.2. Cooperation on Standards

The strategic case for EU-U.S. co-operation in the development of common standards has never been greater. While the EU and the U.S. have over the last decades been rule-makers, competing regulatory models are being promoted by emerging, often heavily state-controlled economies, notably in the field of innovative technologies. These new regulatory models are a cause of common concern given the important role played by the state in deploying market-distorting practices to build domestic champions in key strategic sectors.

Closer regulatory cooperation between the EU and the U.S. therefore makes strong economic and strategic sense. This would be beneficial both to facilitate transatlantic trade and to leverage the power of the transatlantic market place when it comes to developing global standards. The EU has underlined its readiness to improve cooperation and coordination with the U.S. in the framework of international standards setting bodies. Cooperation on standards in the area of emerging technologies could be a key part of the effort to respond to the efforts of third countries, such as China, to influence the standards of the future to their advantage.

Technical discussions during the last meeting in May centred on possible mechanisms for cooperation to ease market access for economic operators in areas where existing standards are different on the two sides of the Atlantic. Examples of areas where cooperation on the development of new standards appears promising include robotics, additive manufacturing (including 3D-printing), basic pre-standard cybersecurity requirements in the area of consumer Internet of Things or machinery for the oil and gas industry. There is also significant scope for cooperation as regards new standards in the car sector (for example for connected and automated vehicles).

Apart from cooperation on new standards, there is a potential and valuable short-term deliverable where the EU would increase transparency to facilitate the export to the EU of industrial goods satisfying EU technical requirements but not meeting EU harmonised standards and the U.S. would improve the process of petitions to reference additional standards in its technical regulations.

More ambition on standards cooperation

For decades, the EU and the US have been global rule-makers rather than rule-takers. But competition, notably in the field of innovative technology is coming from other emerging economies such as China. **Cooperation on standards of the future is a common strategic interest.**

Proposal for cooperation in areas such as:

Additive Manufacturing

Robotics

Smart Textiles

Cybersecurity

1.3. Sectoral Cooperation

Following consultations, the Executive Working Group has identified a number of potential positive actions and activities in areas such as pharmaceuticals, medical devices and cybersecurity, which have the potential to facilitate transatlantic trade.

1.3.1. PHARMACEUTICALS

The EU and the U.S. agreed to pursue the implementation of the Mutual Recognition Agreement of good manufacturing practices on pharmaceuticals. More concretely they agreed to:

- complete the implementation of the Mutual Recognition Agreement on human medicines to ensure that all EU Member States are covered by 15 July 2019. This milestone was reached on 11 July 2019 with the recognition by US authorities of the last EU Member State undergoing assessment. The EU already recognised the U.S. as having an equivalent inspection system in 2018. This is a clear and tangible achievement that will benefit both EU and U.S. industry (with no duplication of necessary controls) and enable regulators to focus resources to perform inspections where it really matters, for example in emerging international players with significant manufacturing capacity such as China and India. The agreement also provides for the waiver of batch release testing, which will provide additional cost savings for traders of medicinal products;
- extend the scope of the Mutual Recognition Agreement to include veterinary medicines. Based on the constructive discussions to date, this should be achieved by 2020-21; and
- work on the medium term objective (2022) to expand the scope of the Mutual Recognition Agreement also to vaccines and blood-based medicines. This requires a process during which the U.S. Food and Drug Administration and EU inspectors would jointly inspect EU manufacturing sites. The U.S. Food and Drug Administration has agreed to start planning joint inspections in vaccines for human use and plasma derived medicines with the goal of achieving this extension in scope by 2022.

It should be noted that the EU and U.S. pharmaceutical industries have presented further ideas to enhance and deepen regulatory cooperation in the sector. These are currently being analysed with a view to identifying additional steps to facilitate trade in a manner consistent with the regulatory requirements of both sides.

Current scope of the mutual recognition agreement — human medicines

The EU recognised the US as having an **equivalent inspection system for human medicines in 2017**. On 11 July 2019 the US recognised equivalence of **all 28 EU Member States.**

Both the EU and US authorities in **charge of medicines** can now **rely on each other's inspection results to replace their own inspections.**

From 11 July 2019 **batch testing waiving applies. Medicines imported** from the US do **not need to be re-tested for quality** before being made available for EU patients.

As a result of the MRA, both the EU and US save on inspection resources and can faster market medicines.

The number of duplicate inspections has gone down considerably.

In the EU we have estimated that around 100 inspections in the US will be waived by end 2019.

Patients will get faster access to quality medicines.

1.3.2. MEDICAL DEVICES

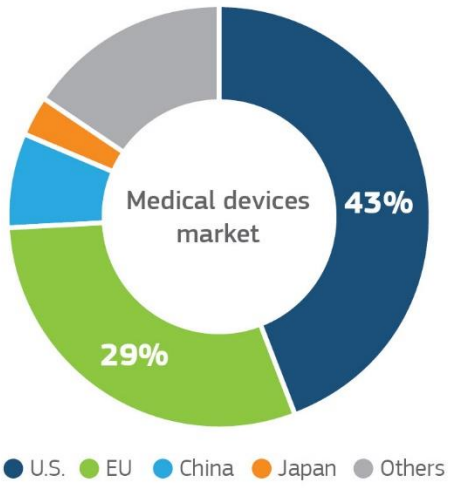
The EU has committed to take steps to encourage conformity assessment bodies to make use of single audit reports of a plurilateral arrangement – the Medical Device Single Audit Programme (MDSAP) - in a manner that is compatible with EU legislative requirements. This could result in cost savings similar to those arising from the mutual recognition of Good Manufacturing Practice (GMP) certificates. The EU and the U.S. will also cooperate to ensure the maximum possible alignment of electronic database specifications for Unique Device Identifiers (a system based on a Unique Device Identifier code for facilitating the identification and traceability of devices). They also agreed to develop a plan for bilateral compatibility tests of respective databases concerning Unique Device Identifiers. Further steps to facilitate trade in the sector could be considered in the context of the negotiations of the horizontal agreement on conformity assessment.

The EU and U.S. market

The U.S. and the EU are important producers of medical devices. This is an industry that has successfully built a closely integrated transatlantic value-chain that makes the U.S. and the EU dominate this sector together.

The **U.S. medical devices** industry is a world leader, with total sales representing **43% of the global market**.

The EU sales of medical devices represent 29% of the world market.



1.3.3. CYBERSECURITY

The Executive Working Group identified a number of positive actions and activities that have the potential to facilitate transatlantic trade. The EU side has confirmed that globally relevant standards, including where applicable standards and technical specifications developed by U.S.-domiciled standards development organisations, may be taken into consideration in the future development of standards and voluntary certification schemes in the EU. At a high-level meeting in May 2019, EU and U.S. regulators discussed respective cybersecurity policies and held a dedicated session on the EU Cybersecurity Act and corresponding U.S. activities in the domain of Internet of Things consumer devices with a view towards identifying opportunities for enhanced transatlantic cooperation in these areas. A promising area for cooperation in standards relates to Internet of Things consumer products.

What is the Internet of Things?

It is the future of the internet – connecting varioU computing devices embedded in everyday objects (wearable health and fitness monitoring devices, smart home appliances, etc.) enabling them to send and receive data.

Consumers on both sides of the Atlantic are already enjoying the benefits of innovation and digitization, but are also facing increasing cybersecurity challenges resulting from insecure Internet of Things devices.

A common understanding on EU-U.S. baseline cybersecurity requirements will make consumer Internet of Things devices more secure.

Industry, consumer groups, regulators and standard setters in the EU and the U.S. agree that the bar needs to be raised on Internet of Things cybersecurity. This is why the EU and the U.S. are both looking at ways to improve cybersecurity in consumer Internet of Things devices.

Common EU-U.S. standards will provide new business opportunities, and reduce red tape.

In a global consumer Internet of Things market expected to surpass USD 1,5 Trillion by 2020[1], cooperation between regulators and standard setters will indeed be a key factor of success.

Latest EU and U.S. efforts

U.S.

- Internet of Things Cybersecurity Programme of the National Institute for Security and Technology to improve the cybersecurity of connected devices

EU

- Cybersecurity Act – 2019 – European Cybersecurity Certification Framework

Next steps

The EU is responding positively to U.S. requests.

Last November, the U.S. proposed and the EU agreed to intensify cooperation on standards and conformity assessment (including certification approaches) for connected devices.

It is therefore important for the EU and U.S. regulators to work towards common baseline cybersecurity requirements for Internet of Things devices that could greatly improve trustworthiness in this fast growing market while avoiding unnecessary burden on our innovative companies.

1.4. EU Stakeholder consultation

In March 2019, the Commission launched a call for proposals inviting stakeholders to contribute ideas for potential EU-U.S. regulatory cooperation activities in the field of conformity assessment, standards and sectors.

The call for proposals ran for seven weeks and closed on 29 April. Stakeholders showed significant interest in reinforcing transatlantic regulatory cooperation and the Commission is currently assessing the 62 inputs received from stakeholders. Although a majority of the proposals originate from EU and U.S. business and/or associations, the Commission has also received valuable input from non-profit organisations, including consumer representatives.

The Commission has published on the internet all the proposals received as well as a short synopsis report in which it provided an initial reaction to the main recommendations of stakeholders. A meeting with stakeholders took place on 9 July when all respondents to the call for proposal as well as other interested parties were able to engage directly with relevant Commission officials.

Based on the feedback received and following its internal assessment the Commission aims to propose enhanced and new tracks of regulatory co-operation that could be pursued under the framework of the Executive Working Group. The Commission would welcome a joint reflection with the U.S. to assess and agree on the best way to take forward initiatives for regulatory cooperation in areas of common interest.

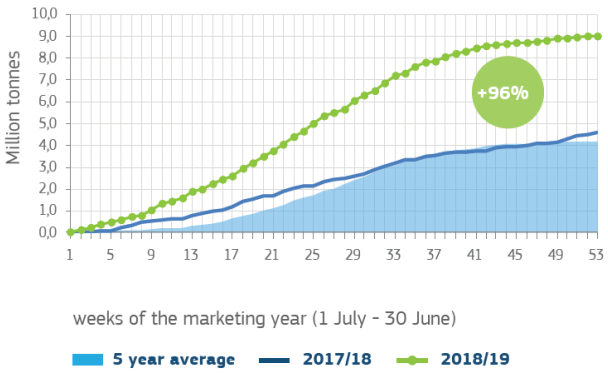
2. Cooperation on soya beans

The EU imports about 14 million tonnes of soya beans per year for feed and food purposes. Soya beans from the U.S. happen to be a very attractive feed option for European importers and users thanks to their competitive prices.

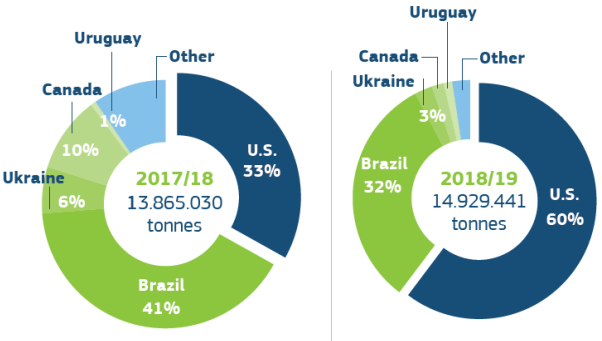
Overall, there has been a significant increase in U.S. exports since the start of the 2018/19 marketing year on 1 July 2018. Over the whole 2018-19 marketing year (from July 2018 to June 2019), the EU imported 9 million tonnes of soya beans from the U.S., representing an increase of 96% compared to the previous 2017-18 marketing year. These imports were valued at €2.9 billion, representing an increase of 88% compared to the same period in the previous marketing year. Given this strong trade performance, the U.S. is the European Union's number one supplier and presently has a 60% share of all EU imports (compared to 33% in the same period in 2017-18).

On 29 January 2019 the Commission recognised the U.S. soya bean production scheme (Soybean Sustainability Assurance Protocol) until 1 July 2021, concluding that U.S. soya beans meet the technical requirements to be used in biofuels in the EU. In the EU, biofuels must fulfil a set of sustainability criteria contained in the Renewable Energy Directive in order to be eligible for public support or to count towards the EU's renewable energy targets. The recognition of the U.S. production scheme further improves the competitive position of U.S. soybean growers, as it makes the oil fraction of U.S. soya beans more attractive for the biofuels market. The Commission's recognition can be extended beyond 2021 if the U.S. scheme puts in place the changes regarding the sustainability criteria in line with the requirements of the new Renewable Energy Directive, adopted last year for the period 2021-2030.

EU IMPORTS OF SOYA BEANS OF UNITED STATES ORIGIN (cumulative volume)

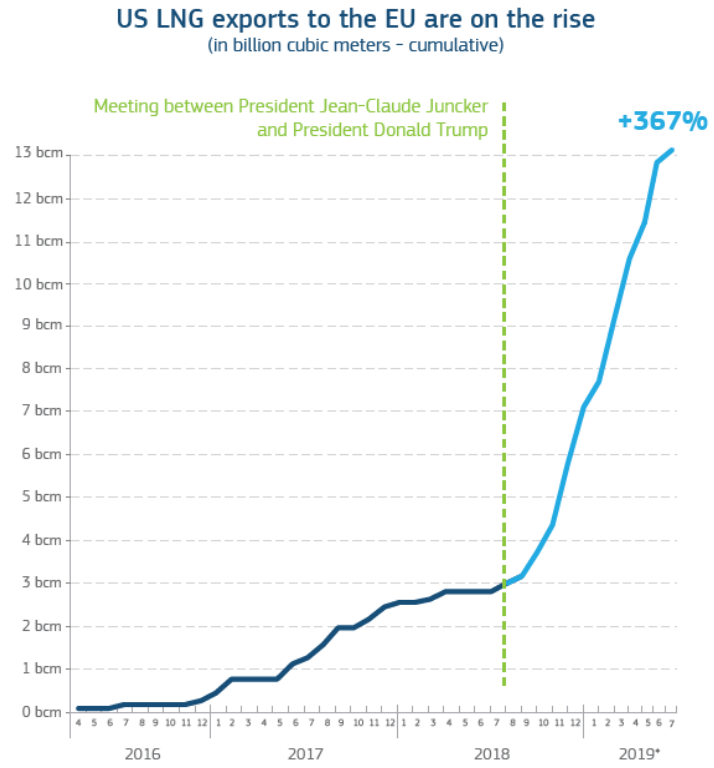


EU IMPORTS OF SOYA BEANS
provisional data for the complete marketing year
(update 15 July 2019)



3. Cooperation on energy issues, including liquefied natural gas (LNG)

The Joint Statement acknowledged that both sides *"agreed to strengthen our strategic cooperation with respect to energy. The European Union wants to import more liquefied natural gas (LNG) from the United States to diversify its energy supply."*

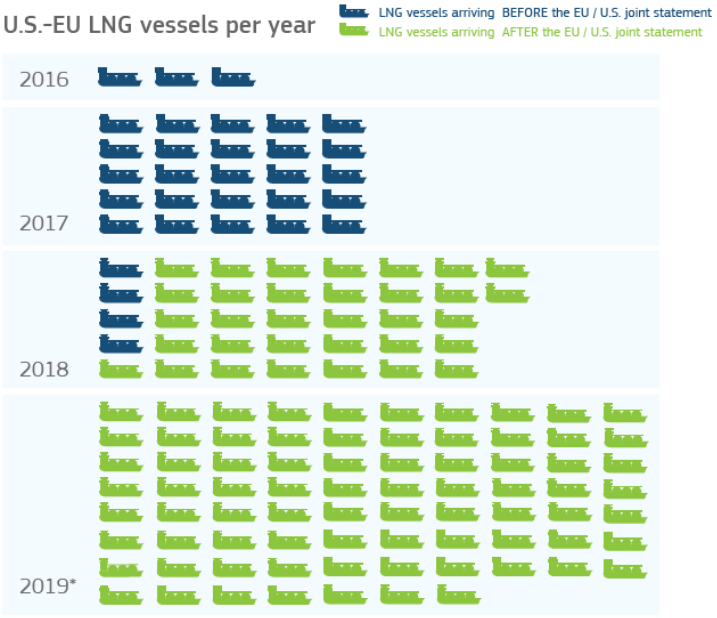


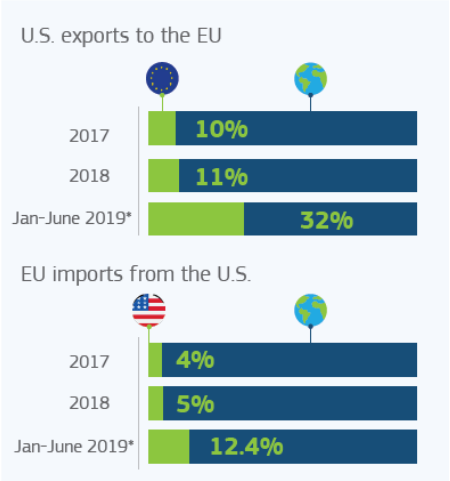
* Data until 10 July 2019
Source: European Commission.

Since July 2018, cumulative EU imports of liquefied natural gas from the U.S. have increased by 367%. As of 10 July 2019, 32% (7.3 billion cubic metres) of total U.S. exports of liquefied natural gas has arrived in the EU in 2019, which represented 12.4% of total EU imports of liquefied natural gas for that period. This year, the U.S. is Europe's third biggest supplier of liquefied natural gas, while Europe has emerged the primary destination of the U.S.. This is a very significant increase compared to 2018, when imports of liquefied natural gas from the U.S. (3.3 billion cubic metres) represented just over 5% of all EU imports of liquefied natural gas. Since the meeting between President Juncker and President Trump, imports of liquefied natural gas from the U.S. have intensified and around 10.3 billion cubic metres of liquefied natural gas has been imported from the U.S. into the EU, which is estimated to have a value of over €2 billion.[1] Taking the 2018 market share as a basis, U.S. exports of liquefied natural gas could more than double by 2023.

In October, November and December 2018, the Polish state-owned PGNiG oil and gas company concluded three long-term purchase contracts for liquefied natural gas with different U.S. firms. As a result, at of the beginning of the next decade, up to 7 billion cubic metres of U.S. liquefied natural gas could arrive in Poland in each year, increasing supply source diversification and security of supply in the region.

[1] Using the monthly average of the reference closing price of the Title Transfer Facility (TTF) which is a virtual trading point for natural gas in the Netherlands.





* Data until 10 July 2019.
Source: European Commission.

Promotion of liquefied natural gas

Together with the U.S. Departments of Commerce and Energy, the European Commission has actively promoted business-to-business contacts on liquefied natural gas. On 2 May 2019 a joint EU-U.S. High Level Business-to-business forum on liquefied natural gas was held in the European Commission premises in Brussels. It was attended by over 210 representatives from the U.S. Government, the European Commission and EU Member States, and some 240 representatives of the U.S. and EU transatlantic liquefied natural gas business. As part of this event, the U.S. Department of Commerce organised nearly 100 business-to-business and business-to-government contacts to further promote U.S. liquefied natural gas exports to the EU.

In the margins of this event, the U.S. Department of Energy announced the signing of two long-term orders authorising the export of domestically produced liquefied natural gas from export facilities to be built in Louisiana and Texas.

The Commission is also organising a series of workshops to assess the feasibility of liquefied natural gas imports into the EU's Eastern Partnership region. The first workshop took place on 19-20 February 2019 in Warsaw and a second took place in Klaipeda, Lithuania on 17 May 2019. The third will be taking place in Kyiv, Ukraine on the 20 September 2019 and a fourth is expected to be held in Poland during November 2019.

Infrastructure for liquefied natural gas

The EU continues to work to ensure that all EU Member States can directly or indirectly benefit from liquefied natural gas supplies and that the infrastructures are in place to permit gas to flow around a European-wide continental market.

A Final Investment Decision was taken in January 2019 for the Krk Liquefied Natural Gas Terminal in Croatia. It will be the first liquefied natural gas terminal in the region and will

ensure access to liquefied natural gas for Croatia and Hungary as well as other parts of the Central-East and South-East European region.

April 2019 saw the signature of a grant agreement for the extension of the liquefied natural gas terminal in Świnoujście, Poland, where the EU is investing almost €352 million.

Further infrastructure developments are foreseen that will enhance the ability of EU Member States to directly or indirectly benefit from liquefied natural gas supplies, including possibly new liquefied natural gas terminals in northern Germany. Overall, the total regasification capacity for liquefied natural gas in the EU is expected to increase from 210 billion cubic metres in 2017 to 232 billion cubic metres by 2022 even though there is significant spare capacity in the existing terminals.

The European Commission is also launching a study that assesses the options to improve the existing regulatory framework for liquefied natural gas import terminals in the EU in order to further improve access of liquefied natural gas to the EU market.

Licensing for liquefied natural gas

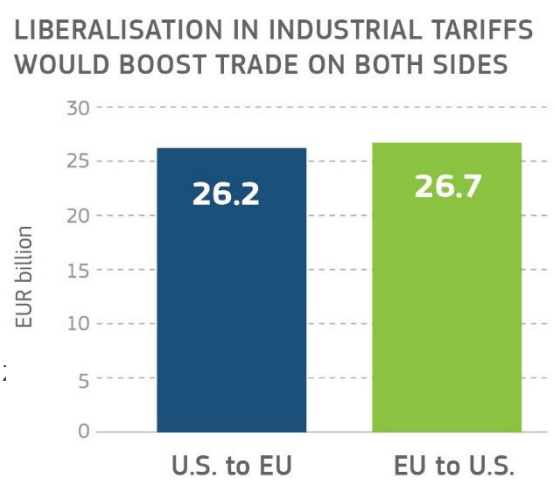
The EU side has conveyed to the U.S. its clear expectation that the U.S. will take steps to enable automatic licencing for liquefied natural gas exports to the EU.

The U.S. side has indicated that it is working towards a decision, by Executive Action that exports to the EU fulfil the U.S. "national interest" test of the U.S. Natural Gas Act. This would mean that applications for export licences to the EU would henceforth be granted automatically. Secretary Perry also indicated, during the 2 May 2019 EU-U.S. High Level Business-to-Business Forum on liquefied natural gas, that the U.S. was undertaking a streamlining exercise with respect to the export authorisation procedures required by the U.S. Natural Gas Act.

4. Liberalisation of tariffs for industrial goods

Presidents Juncker and Trump agreed on 25 July 2018 *"to work together toward zero tariffs, zero non-tariff barriers, and zero subsidies on non-auto industrial goods".*

On 15 April 2019, the EU Council authorised the European Commission to negotiate an agreement with the United States on the elimination of industrial tariffs. Initial discussions have taken place and the Commission remains ready to engage and take negotiations forwards swiftly within the scope of the Joint Statement and on the basis of this authorisation.



An assessment made by the Commission shows that both sides stand to gain from eliminating tariffs on industrial goods, in a balanced manner: €26.7 billion in additional annual exports for the EU in 2033 and €26.2

billion in additional exports for the U.S. over the same timeframe, in comparison to trade flows in the absence of tariff elimination. In percentage terms of new trade, the U.S. would benefit slightly more than the EU, 9% versus 8%, according to the assessment.

A copy of this assessment is attached in Annex.

5. Cooperation on global issues and the non-market-oriented policies and practices of third countries

In the Joint Statement both sides committed *"to join forces to protect American and European companies better from unfair global trade practices. We will therefore 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."*

5.1. Bilateral cooperation to address unfair trading practices

The EU and U.S. are both concerned by the distortions to global markets caused by the unfair trading policies and practices of third countries, which include excessive state intervention, non-market oriented policies, industrial subsidies and forced transfer of technology policies.

The EU is taking this challenge very seriously. The EU has recently modernised its trade defence instruments to ensure their continued effectiveness and adopted a Regulation establishing a new EU-level screening mechanism for foreign direct investment. The EU is also reviewing its other relevant instruments – such as the EU rules for public procurement, competition, state aid and export controls – against the need for an adequate and up-to-date toolbox to address the consequences of these distortions in global markets.

Given that a strong EU-U.S. partnership is critical to put pressure on relevant third countries to conduct necessary structural reforms and discipline non-market-oriented policies and practices, the EU and the U.S. have been engaged in several areas of work, at the bilateral, trilateral and multilateral level.

The EU and the U.S. have reinforced their bilateral cooperation in particular in the following areas, which are presented more in detail below: (i) Industrial subsidies and trade defence; (ii) Investment and other policies of third countries relating to forced technology transfer; and (iii) Inward Investment screening and outward export controls of the EU and U.S..

5.2. Industrial subsidies and trade defence

The EU and the U.S. cooperate successfully in many ways in the field of trade defence. There is a regular information exchange and cooperation between the respective authorities (DG Trade and the U.S. Department of Commerce) responsible for implementing domestic trade defence legislation against unfairly traded imports. The EU has recently updated its anti-dumping methodology to deal more effectively with imports from World Trade Organization Members whose prices and costs are distorted because of state intervention. EU and U.S.

authorities will continue a bilateral exchange of information and to share their assessments of the industrial subsidies of key third countries, such as China, also with a view to making use of such information in the context of potential trade defence action. In the World Trade Organization, the EU and U.S. have cooperated closely on World Trade Organization Dispute Settlement cases regarding trade defence methodologies for economies distorted by State intervention and have made joint proposals in the Subsidies Committee to strengthen the implementation of existing World Trade Organization rules, for example the potential use of counter-notifications to force third countries to disclose all their subsidies.

The EU has also proposed bilateral negotiations with the U.S. on new rules regarding subsidies in the area of civil aircraft. This would bring to a fair and balanced conclusion the long running trade dispute over past supports to Airbus and Boeing and help avoid mutually damaging trade retaliation. In addition, establishing clearer disciplines in this sector would be useful for the future given the growing role played by third countries such as China and Russia.

The EU and the U.S. are also jointly applying pressure on China to deliver on commitments to eliminate subsidies and related excess capacities in the steel and semi-conductor sectors.

In the framework of the Global Forum on Steel Excess Capacity, comprehensive policy rules were developed to enhance market economy dynamics in China and tackle state subsidies and other “support measures contributing to overcapacity”. On this basis, the report of the Japanese Chair distributed to G20 Leaders in May 2019 specifically called on China to reduce capacity by an additional 100 million tonnes and to eliminate a wide range of support measures in line with the commitments it had made at earlier Ministerial meetings in Berlin and Paris. The Osaka G20 Summit of June 2019 asked Forum Ministers to explore and reach a consensus by fall 2019 on ways to further the work of the Forum with a view to extend its mandate beyond December 2019.

The EU and U.S. have been cooperating closely in the Government/Authorities Meeting on Semiconductors (GAMS) to increase transparency, including a review exercise to assess whether members' subsidies and encryption practices measure up to jointly agreed guidelines and best practices. The main objective is to address China's subsidies and encryption practices in the semiconductor sector, given its plans to expand capacity exponentially in the short to medium term, in accordance with the Made in China 2025 strategy. Because of EU-U.S. joint efforts, in 2018 China took first steps to share non-WTO notified information on its subsidies and admitted state involvement in its biggest semiconductor subsidy funds.

5.3. Forced technology transfer policies and practices

Forced Technology Transfers (FTT) are a complex phenomenon. EU and U.S. companies are often forced to transfer technology as a pre-condition to access and operate on particular third country markets. Such technology transfers are forced through policy guidance as well as through different legal instruments and practices, including joint venture requirements, authorisation or licensing procedures, or insufficient protection or enforcement of intellectual property rights and trade secrets. By limiting contractual freedom and impeding the normal functioning of a market economy, forced technology transfer deprives the EU and U.S. economies of their innovation potential and long-term capacity to create wealth for their citizens.

Among third countries, China represents a particular challenge, as the problem is systematic and widespread. The EU and U.S. share similar concerns regarding the situation and are both pursuing them actively. For example, both are pushing for similar regulatory changes in China in the context of the review of China's Foreign Investment Law review, bringing World Trade Organization challenges, developing improved commitments, notably in the trilateral cooperation with Japan, and advocating for our respective businesses. Although China`s new Foreign Investment Law is supposed to establish a non-discriminatory treatment for foreign companies, prohibit forced technology transfers, improve access to China's public procurement market and further enhance the protection and enforcement or intellectual property rights, the law is generally rather vague. This may create potential loopholes to avoid implementation. It is the joint interest of both the EU and the U.S. to monitor the implementation of the law through the follow-up regulations and the actual practice. In this context the EU and the U.S. share in particular concerns about compulsory joint ventures and authorisation requirements in many sectors in China, which effectively limit investment access and give to Chinese companies, often state-owned enterprises, significant leverage to negotiate the technology transfers or simply have access to such technology.

5.4. Foreign Direct Investment screening and export control

The EU adopted its new **screening mechanism for foreign direct investment** in March 2019. This will enhance the Union's ability to protect its security and public order. It will focus on foreign investment affecting critical infrastructure, critical technologies, security of supply of critical input, or sensitive data in Europe. It establishes a cooperation mechanism between EU Member States and with the European Commission to exchange information on investment posing security risks to individual Member States or to the Union as a whole. The U.S. has been very supportive during the legislative process that led to the setting up of this mechanism. The very good EU-U.S. cooperation on screening continues and is mutually beneficial, providing opportunities for sharing experience and best practices with the Commission and the EU Member States. This is particularly useful given that the EU Member States are enhancing their own existing or developing new national screening mechanisms, within the overall framework set by the new EU rules. The EU and U.S. should reinforce their cooperation, also with Japan in a trilateral format, on the functioning of the screening systems, to cover also information exchange on investment trends and various risk mitigation strategies.

The EU rules on **export control of dual use items** allow the Union to monitor exports in key technologies and check them for security concerns. The European Commission's recent proposal on the modernisation of EU export controls would strengthen the EU's ability to adjust

to and mitigate evolving security risks and rapid technological developments. For example, it includes provisions for EU controls on cyber-surveillance technology. The Commission would like its proposal on the modernised EU rules on export control to be adopted by the European Parliament and the Council as soon as possible. In this connection, the EU stands ready to engage with the U.S. to ensure in particular that controls on trade in emerging technologies are effective and reinforce international security and do not undermine the global level playing field. The EU also considers that dialogue could extend to other partners, such as Japan, as mentioned in the trilateral Joint Statement of 23 May 2019.

5.5. Trilateral cooperation between the EU, U.S. and Japan

The ongoing discussion in the EU-U.S.-Japan trilateral cooperation process is an important platform to achieve our objectives. At the last trilateral Ministerial meeting on 23 May 2019, Ministers confirmed their commitment to continue working together to address trade-distorting and non-market oriented practices of third countries, for example relating to non-market advantages and non-market domestic behaviour of third countries' State-owned enterprises.

On industrial subsidies, significant progress has been made during the last months and Ministers instructed their services to finalise the text-based work with the aim of initiating negotiations on stronger disciplines on industrial subsidies and state-owned enterprises. The ultimate goal of this cooperation is to develop new binding, effective and enforceable international rules that will better capture the use of market- and trade-distorting subsidies by third countries, which very often escape the application of current World Trade Organization rules.

Regarding forced technology transfers, Ministers confirmed their agreement to cooperate on enforcement, the development of new rules, investment reviews for national security purposes and export controls and to take further stock of this cooperation. The current international rule book is clearly insufficient to deal with the challenges. There is a need for example to improve existing rules in areas such as commitments on investment liberalisation, fair treatment of foreign companies in domestic courts and administrative processes, regulatory transparency and the effective protection of trade secrets and other relevant intellectual property rights.

Ministers agreed to aim at finalising the trilateral work on both subsidies and forced technology transfers by the next Ministerial meeting.

In addition, the EU and the U.S. have a shared objective to improve the monitoring function of the World Trade Organization and they are cooperating very closely on enhancing transparency of Members' trade measures in the World Trade Organization. Together with Japan and other countries, they are actively advocating for a proposal to improve Members' compliance with their obligations to notify measures related to trade in goods. Chances to have the proposal adopted within the next year are realistic.

6. Conclusion

The Executive Working Group ensures effective political oversight of the wide-ranging and mutually beneficial agenda for transatlantic cooperation set out in the July 2018 Joint Statement of the two Presidents. This agenda has already delivered significant results in a relatively short time span, notably in terms of cooperation on energy issues and in sectors such as pharmaceuticals, medical devices and soya beans. The EU is ready to work vigorously with the U.S. to facilitate and progress this agenda further over the coming months. There is in particular a mutually beneficial and economically meaningful agenda in the fields of conformity assessment and standards.

The European Commission stands ready to review with the U.S. side ideas for potential additional regulatory cooperation activities resulting from the consultation with stakeholders it has just undertaken. A regulatory cooperation agenda under the aegis of the Executive Working Group has the potential to deliver results more ambitious and far-reaching than any previous such initiative with the U.S.. This safeguards necessary regulatory levels of protection, while reducing unnecessary costs and trade frictions through a combination of regular stakeholder consultations, mutual interest of regulators, a light coordination structure and full transparency.

Alongside this important bilateral agenda, the EU remains committed to working with the U.S. to address shared strategic challenges on the global agenda, in particular as regards unfair competition by third countries and the need to modernise World Trade Organization rules and procedures. Effective and enhanced transatlantic cooperation on standards, investment screening and export controls should all be part of a joint response to the challenges posed by non-market behaviour. We should also consider how to join resources so as to counter effectively the industrial subsidisation practices of third countries.

Continued delivery of the Executive Working Group work programme depends on both sides' standing by the deal reached by the two Presidents in July 2018. In particular, this means that the EU expects the U.S. to roll back tariff measures on steel and aluminium. This could then open the door for the EU to lift its rebalancing measures on selected imports from the U.S.. The EU equally expects the U.S. to stand by its commitment to respect the spirit of the two Presidents' agreement and refrain from imposing any additional trade restrictions on imports from the EU, notably in the field of trade in cars and car parts. Trade restrictive action in this area will be met by a firm and proportionate response.

The only way to maintain an environment in which transatlantic trade can thrive will therefore be to continue taking this work programme forward in the coming months. By doing so, the EU and U.S. can continue to develop together a positive agenda that benefits businesses and consumers on both sides of the Atlantic, while respecting the regulatory choices of each partner. This should lead the way towards a reduction of current transatlantic trade tensions and further joint cooperation on the important challenges of the future.

ANNEX

EU INTERNAL ANALYSIS ON IMPLICATIONS OF AN AGREEMENT ON INDUSTRIAL TARIFFS

The European Commission (Directorate-General for Trade Policy) carried out an internal economic analysis on the implications of a potential transatlantic agreement on the liberalisation of tariffs on trade in industrial goods in February 2019. The Commission subsequently shared this analysis with EU Member States and the European Parliament. The analysis shows that the EU and the U.S. would stand to gain economically from eliminating the tariffs on all industrial goods. By 2033, this would increase EU exports of industrial goods to the U.S. by 8% and U.S .exports to the EU by 9%. This would be beneficial for EU and U.S. companies of all sizes, as they would receive a comparative advantage, thereby also supporting their global capacity to compete.

The analysis is reproduced below.

Liberalisation of tariffs on industrial goods between the United States of America and the European Union: An economic analysis

1. Trade relations between the EU and the U.S.

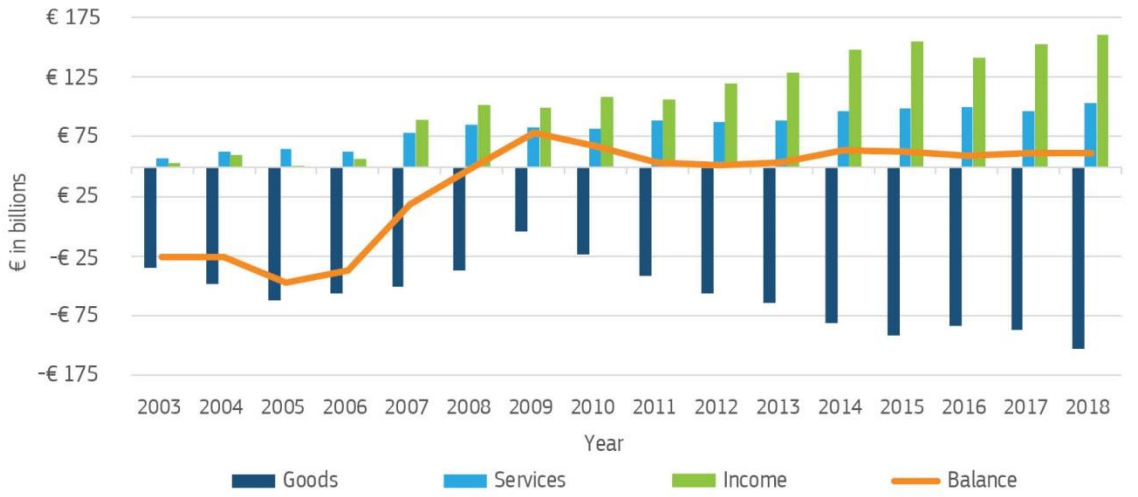
The Commission adopted on 18 January 2019 two proposals to the Council recommending opening negotiations with the U.S. for agreements on the elimination of industrial goods tariffs and on the facilitation of conformity assessment[2]. They are part of a work programme agreed between President Juncker and Trump in July 2018. These negotiation directives echo the Commission's conviction that international trade can deliver on the promise of new economic opportunities, be conducted in a transparent way, and be in line with and support the EU's high regulatory standards and level of protection. The European Commission's Directorate General for Trade has conducted this economic analysis to allow for an assessment of an EU-U.S. agreement limited to the reciprocal elimination of tariffs for industrial goods. This economic analysis will be complemented during 2019 with a Sustainability Impact Assessment that will be conducted by independent experts. The

[2] Industrial goods encompass all goods other than those included in Annex I of the WTO Agreement on Agriculture. The proposals and accompanying draft negotiating mandates as well as more information can be found here: http://europa.eu/rapid/press-release_IP-19-502_en.htm

Sustainability Impact Assessment will focus on the environmental and social aspects of the envisioned EU-U.S. agreement, including its impact on greenhouse gas emissions related to climate change.

The EU and the U.S. are the two largest economies in the world, representing over 46% of global Gross Domestic Product. The EU-U.S. trade and economic relationship is amongst the most open in the world with relatively low barriers and deep investment links unrivalled in any other trade and investment relationship. This is reflected in the continuously growing trade and investments between the EU and U.S. (see Figure 1).

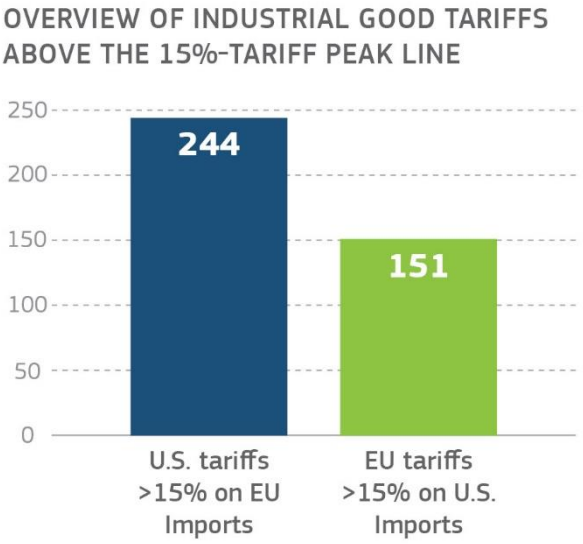
EU TRADE AND INVESTMENT BALANCE WITH THE U.S.



Source: U.S. Bureau of Economic Analysis and Eurostat.

A full picture of EU-U.S. trade, including trade in goods, trade in services, investments and resulting profit flows, shows a rather balanced economic relationship with a small total surplus in favour of the U.S. during the last decade, reaching €12 billion in 2017 according to U.S. government data. Total two-way trade in goods reached an all-time high in 2017 of €633 billion, and generated an EU trade in goods surplus of around €120 billion. As regards industrial goods, the EU imported €242 billion from and exported €338 billion to the U.S. in 2017. The U.S. is the main destination worldwide of EU industrial goods with over one-fifth of all EU exports going to the U.S.. Imports from the U.S. represent almost 15% of all EU imports, second only to imports from China.

The strong EU and U.S. commitment to open economies is characterised by generally low tariff rates and the fact that all tariffs are bound in World Trade Organization schedules; the simple average applied EU import tariff is 4.3% on industrial goods and the US import tariff is 3.8% (detailed tariff structures are presented in table 4.1 and 4.2)[3]. Nevertheless, tariffs still impose significant actual costs given the magnitude of trade between the EU and the U.S., and the existence of tariffs above 15% that are usually the boundary for "tariff peaks", signalling a protected goods category. Those are most restrictive to trade and exist for a number of products on each side. Figure 2 gives a comparative overview of tariff peaks.



The EU and U.S. trade on a non-preferential, most-favoured nation basis. This leaves the EU's economic operators with comparably less favourable conditions to access the US market than competitors from countries with preferential access to the U.S. under Free Trade Agreements.

The same is true for U.S. exporters to the EU. In addition, since many EU and U.S. companies are deeply interlinked, either through intra-company supply chains of multinationals or supply chains with specialised small- and medium-sized enterprises (SMEs), any tariff on industrial goods leads to a direct increase in costs for these companies. In turn, this means a loss of competitiveness on the world market for EU and U.S. companies. Higher costs also discourage EU companies from accessing U.S. market and vice versa. In that sense, even low tariffs are in practice equal to a tax on transatlantic trade. Therefore, economic operators on both sides of the Atlantic stand to benefit from the proposed elimination of tariffs on industrial goods.

2. Trade in industrial goods: a closer sectoral analysis

Machinery

Mechanical engineering is one of the largest industrial sectors in the EU economy in terms of the number of enterprises, employment, production as well as generation of added value. The sector is characterised by relatively small family-owned companies. In 2017, European companies generated aggregated revenues of €690 billion, of which €71 billion stemmed from sales in the U.S. (equivalent to 20% of all exports). When exporting their products to the U.S., EU firms are faced with tariffs of up to 15%.

[3] Average tariff means the simple average ad valorem import tariff over all harmonised system (HS) customs codes based on the applicable EU and US tariff schedules on industrial goods throughout this document if not specified otherwise.

Chemicals

The chemicals sector is one of the largest sectors in terms of employment, turnover and value added, producing and consuming industrial products, including petrochemicals, polymers, basic inorganic chemicals and specialty chemicals, and fuels such as liquefied natural gas (LNG) that are important to the EU's Energy Union strategy for reaching its energy and climate goals. The global turnover of the chemicals industry was valued at €3,475 billion in 2017 with the EU chemical industry ranking second (after China) with a share of 16% followed by the U.S.. The chemicals sector is dominated by large players operating globally: over half of the EU-U.S. trade in chemicals is intra-firm trade. These companies will directly benefit from the elimination of tariffs currently applied at 5.5% and 6.5% in the EU and the U.S.. The EU chemicals sales in 2017 were valued at €542 billion. Over a quarter of the EU chemicals production is exported, and the U.S. is by far the biggest export destination for the EU. In return, the EU imported 30% of all chemicals from the US worth €50 billion. The EU has a trade surplus in chemicals with the U.S. of around €5 billion.

Motor vehicles

The automotive sector is one of the largest manufacturing sectors in the EU; it produced 19.2 million of vehicles (passenger cars, light trucks, trucks and buses) in 2018. The globalisation of supply chains had one of the strongest impacts on the automotive industry. From mostly localised businesses, manufacturers in the EU and, to a lower extent, the U.S. transformed into globally operating companies with large production facilities in both economies; these supply chains help them in producing higher quality products at a lower cost. In light of these deeply interlinked supply chains, tariff liberalisation will help to provide reciprocity and a level-playing field. The EU-U.S. automotive trade represents more than one-sixth of all trade in industrial goods. Some EU manufacturers have located in particular the production of pick-up trucks and sport utility vehicles (SUVs) in the US of which a large share is then exported to the EU or to China. The EU imported motor vehicles worth almost €7 billion from the U.S. while the U.S. imports of EU motor vehicles reached €40 billion in 2017. This accounted for 14% and 29% of all EU motor vehicles imports and exports respectively. U.S. exports of passenger cars to the EU face a tariff of 10% and EU exports to the U.S. face tariffs of 2.5%. But exports of pick-ups and trucks popular in the U.S. face a 25% import tariff. U.S. producers face 10% to 22% in the other direction, depending on engine size. Average tariffs on core motor vehicle parts stand at 1.7% in the U.S. to 4% in the EU.

Textiles, leather and clothing

While much smaller than the automotive or chemicals sector, the EU has a highly competitive industry for high-quality apparel, textiles and leather that mostly consists of small- and medium-sized enterprises that have a strong interest in EU-U.S. trade but are facing relatively high tariff barriers. The turnover for EU textiles and clothing companies represented €181 billion in 2017. Apparel and textiles represented €7 billion of EU-US trade in industrial goods in 2017. The EU imported 1.4% of its total textiles and clothing imports from the U.S., while

the U.S. took in 12.4% of all EU textile and clothing exports. Tariffs on textiles and clothing are much higher, both in the EU and U.S., compared to the average tariff on industrial goods: the EU has tariff protection of 4% for fabrics, 8% for semi-finished garments and 12% for clothing with no duties higher than 12%. In contrast, U.S. imports from the EU face an average tariff of 8.9% with a much larger spread in applicable tariffs, resulting in some EU exported textiles subject to 0% tariff and many others facing tariffs of up to 32%. This is indicative of a stronger protection for certain products where there exists an intense price competition from third countries with lower labour and environmental standards. The EU leather industry, while comparatively smaller with a combined trade volume of €3 billion, sold almost one-sixth of all its exports to the U.S.. However, leather goods still face high US tariffs of up to 20%, impeding trade significantly.

Fishery and fishery products

Fisheries and fishery products represent a small share of overall trade in industrial goods. The EU imported fisheries worth less than €1 billion from the U.S. in 2017, representing under 4% of all EU imports of fisheries. In turn, U.S. imports of EU fisheries reached almost €0.7 billion, equalling 15% of all EU exports of fisheries. Transatlantic trade in fishery and fishery products is therefore very modest – it represents only €1.8 billion out of a total of €598 billion of non-agricultural trade in 2017. The EU applies an average import tariff of 11.8% that is higher than the U.S.' average tariff of 1.4%. However, as for textiles, the spread of tariffs in the U.S. is higher with a peak tariff of 35% for a few products as compared to the EU's maximum of 26%.

Glass and ceramics

The EU is the world's biggest producer of high-quality glass with a market share of around one third of total world production. In addition, the EU ceramics sector generates around €10 billion turnover, out of which 30% is for exports and mostly produced by small- and medium-sized enterprises. U.S. imports of ceramics and glass from the EU represent over a fifth of all EU exports of these products worth over €4 billion in 2017, making it the industry's most important export destination. The average U.S. tariff on glass is 5.1% with a maximum of 38% on certain decorated glassware. The average U.S. tariff on ceramic imports are 4.1% and range from 8.5% to 10% for ceramic tiles with a maximum of up to 28% for ceramic tableware. U.S. exports to the EU accounted for 17.6% of all EU imports, worth well over €2 billion at an average EU tariff of 4% or 12% at maximum.

3. The role of small- and medium-sized enterprises in EU-U.S. trade

Small- and medium-sized enterprises in particular stand to gain from the proposed initiative. Based on available data from 25 EU Member States[4], we can conclude that the majority of firms exporting to the U.S. were small- and medium-sized enterprises. Recent data show that small- and medium-sized enterprises account for 28% (€77 billion) of the total value of EU exports to the U.S. and represent 88% of total EU firms that exported to the U.S.. The participation of small- and medium-sized enterprises in exports to the U.S. varies across EU Member States. Table 1 presents the number of small- and medium-sized enterprises exporting to the US and their export value. It also highlights the relative contribution of small- and medium-sized enterprises to Member States total exports to the U.S. in terms of number of firms and value.

Tariffs and costs of conformity assessment are likely to have a greater impact on these small- and medium-sized enterprises than on larger companies as they generally have more limited financial resources and human resource capacities compared to larger companies. Hence, they are less equipped to handle differing regulatory frameworks, deal with diverse national regulatory bodies and absorb risks. This is especially the case when operating in diversely regulated, intensely competitive markets, particularly those dominated by large and long-established companies like in the EU and U.S. markets.

As a consequence many small- and medium-sized enterprises are effectively hampered in engaging in international trade. This has adverse impact on intra-industry competition, cross-country innovation spill-overs, and economic convergence. Tariff elimination is therefore particularly valuable for small- and medium-sized enterprises as it not only reduces costs but also helps speed-up and simplify customs procedures and paperwork. Lower costs and red tape disproportionately impacts small exporters. Small- and medium-sized enterprises will also benefit from the parallel proposal to negotiate an agreement with the U.S. to reduce the costs of conformity assessments.

[4] No data is available for Slovenia, Luxembourg and Croatia.

Table 1 - Share of small- and medium-sized enterprises (<249 employees) to total goods exporting enterprises (number and value)

	SMEs exporting to the US		SMEs exporting to the US as a proportion of all enterprises exporting to the US	
Member State	Number of exporting enterprises ('000)	Export Value (€billion)	Share of exporting enterprises (%)	Export value (%)
Italy	30.0	11.2	96%	44%
United Kingdom	26.8	11.7	93%	27%
Germany	20.7	12.4	77%	15%
France	19.3	8.3	92%	32%
Spain	15.5	3.0	93%	35%
Netherlands	6.1	9.4	94%	59%
Sweden	5.9	1.8	93%	21%
Poland	3.6	0.6	81%	25%
Belgium	3.2	4.5	69%	23%
Denmark	2.8	1.2	85%	22%
Austria	2.6	2.1	86%	33%
Finland	2.3	0.7	88%	20%
Portugal	2.2	0.5	90%	29%
Czech Republic	1.9	0.4	63%	14%
Ireland	1.8	7.3	90%	44%
Hungary	1.1	0.3	80%	17%
Greece	0.9	0.2	59%	22%
Bulgaria	0.7	0.1	87%	40%
Romania	0.6	0.2	61%	24%
Slovakia	0.4	0.1	75%	9%
Lithuania	0.3	0.1	86%	22%
Latvia	0.3	0.1	88%	58%
Estonia	0.2	0.4	86%	65%
Malta	0.1	0.0	86%	13%
Cyprus	0.1	0.0	79%	28%
Total EU*	***150***	***77***	***8%***	***2%***

Source: U.S.-TEC database breakdown by Member State.
* Croatia, Luxembourg and Slovenia are not included in the total.

4. Economic analysis

The following analysis of the impact of a transatlantic accord on the liberalisation of industrial tariffs is based on a Computable General Equilibrium (CGE) model (the details of the model are included at the end of this section). The proposed policy initiative is simulated by eliminating bilateral tariffs on industrial products. The main results are presented for the EU27[5] and the U.S. by sector. Total exports of industrial goods of the EU27 to the U.S. in 2033 are projected to be €345 billion under status quo policies. A full tariff elimination of industrial goods would increase EU exports to the US by 8% or about €27 billion. US exports of industrial goods to the EU are estimated at €287 billion at the end of the baseline and are simulated to increase by 9% (€26 billion) as a result of tariff abolition.

In relative terms, EU 27 exports to the U.S. increase most strongly in the sectors of processed fish, leather products and textiles, in this order, with percentage changes in trade flows between 58% and 110% (see Table 2). However, these are not the most traded sectors in the baseline, which is why their absolute increases in exports are only in the low to medium range of sectors. The sectors for which exports increase most significantly in absolute terms are motor vehicles and parts, non-transport machinery and equipment and chemicals.[6] Their exports increase by €3.6 billion, €3.3 billion and €7.4 billion, respectively.

On the U.S. side, exports increase most significantly in the sectors of apparel, motor vehicles and parts and textiles, where bilateral exports increase by 46% to 109% (see Table 3). In absolute terms, two of these play a minor role. Motor vehicles and parts together with non-transport machinery and equipment and chemicals are the three sectors in which exports increase considerably. These increases are €3.1 billion for transport equipment (other than motor vehicles), €5.8 billion for motor vehicles and parts and €8.6 billion for chemicals.[7]

The estimated import increase of U.S. fishery into the EU is €56 million. Processed fish products are expected to increase by €694 million. This would bring the US share from 4% to just over 5% of total EU fishery imports; given that this is a modest changed compared to the overall market size, it is reasonable to assume that this small increase will have only negligible price effects. In turn, EU exports to the U.S. would increase by €1 million for fishery products and €739 million for processed fish. It is worth noting that the highest tariff in the sector is maintained by the U.S., i.e. 32% on canned tuna. The total expected increase in fish and processed fish exports to each other is almost equal for both the EU and the U.S. in value, increasing the fishery sector exports in the EU and US.

[5] The model results are taking into account the United Kingdom's withdrawal from the EU. The historical data presented in sections 1-3 is for the EU28, thus including the United Kingdom.
[6] The full sector composition is chemicals, rubber and plastic products.
[7] The sectoral simulation results imply a full preference utilization, which on account of e.g. rules of origin, may not be achieved

When interpreting these results, it should not be forgotten that this scenario does not cover the entire EU-U.S. bilateral agenda, which itself is less ambitious than recent deep and comprehensive trade agreements concluded by the EU. In particular, the component of the ongoing discussions on regulatory cooperation could have further positive impacts and increase the resulting economic benefits presented and discussed so far.

Table 2 - EU-27 industrial goods exports to the U.S. in 2033, € million

	Baseline	Simulation	Change	% Change
Fishery	63	65	1	2%
Forestry	56	56	0	0%
Processed fish*	1,267	2,007	739	58%
Textiles	1,953	2,836	882	45%
Wearing apparel	2,126	4,454	2,328	110%
Leather products	2,346	3,975	1,629	69%
Paper sector	3,666	3,694	28	1%
Wood products	1,058	1,150	92	9%
Chemicals & pharmaceuticals	99,679	107,069	7,390	7%
Petrochemicals, coke and gas	20,851	23,139	2,288	11%
Minerals	4,995	5,621	626	13%
Motor vehicles	57,069	60,673	3,604	6%
Transport equipment	28,155	28,611	456	2%
Electronic products	16,885	17,753	868	5%
Metals	7,202	8,084	882	12%
Non-ferrous metal products	5,343	6,084	741	14%
Machinery	49,566	52,828	3,262	7%
Iron and steel	8,339	8,444	105	1%
Other manufacturing products	16,860	17,592	732	4%
Industrial goods total	**327,478**	**354,133**	**26,655**	**8%**

Source: DG Trade simulations; *Separated out from the "processed food" sector in the Global Trade Analysis Project (GTAP) data base, which otherwise will not be liberalised.

Table 3 - US industrial goods exports to the EU-27 in 2033, € million

	Baseline	Simulation	Change	% Change
Fishery	202	258	56	28%
Forestry	233	233	0	0%
Processed fish*	1,752	2,446	694	40%
Textiles	982	1,429	448	46%
Wearing apparel	387	809	422	109%
Leather products	319	415	96	30%
Paper sector	3,001	3,003	2	0%
Wood products	796	840	44	5%
Chemicals & pharmaceuticals	57,965	66,598	8,633	15%
Petrochemicals, coke and gas	101,939	103,201	1,262	1%
Minerals	3,799	4,061	262	7%
Motor vehicles	12,479	18,277	5,798	46%
Transport equipment	32,352	35,420	3,067	9%
Electronic products	19,499	20,892	1,393	7%
Metals	3,044	3,628	584	19%
Non-ferrous metal products	4,111	4,839	728	18%
Machinery	25,639	28,105	2,467	10%
Iron and steel	1,475	1,519	44	3%
Other manufacturing products	12,864	13,086	222	2%
Industrial goods total	**282,838**	**309,059**	**26,221**	**9%**

Source: DG Trade simulations; *Separated out from the "processed food" sector in the Global Trade Analysis (GTAP) data base, which otherwise will not be liberalised.

Standard Computable General Equilibrium models such as the one used do not typically capture all the important benefits of EU-US trade in full granularity. One important element characterising EU-U.S. trade is the large number of small and medium-sized enterprises engaged in trade. Many sectors with significant economic benefits presented in Table 2 have a large share of small and medium-sized enterprises in terms of the number of exporters and total trade values, for example the apparel, leather, chemicals and machinery sectors.

Another limitation is the single focus on trade in goods without secondary effects. Given the large share of intra-firm trade in the tightly interlinked EU and U.S. economies, the estimated increase in EU-U.S. trade will offer an additional incentive for increased foreign direct investment activity.

5. Conclusions

The transatlantic bilateral trade relationship is extremely important for both partners. It has been, and will remain, a central artery of the world economy. The elimination of tariffs, even if most are moderately low, will lead to cost reductions for economic operators and an increase of bilateral EU and U.S. exports of 8% (€26.7 billion) and 9% (€26.2 billion) respectively. In contrast, stagnating bilateral trade relations undermine the competitiveness of EU and U.S. firms. Many industrial sectors on both sides of the Atlantic operate with small profit margins due to the size and efficiency of the EU and U.S. markets. A limited but meaningful EU-US agreement eliminating industrial tariffs would give transatlantic companies of all sizes a comparative advantage, and support their global capacity to compete.

Table 4.1 U.S. tariffs and imports from EU in 2017[8]

Sector	US imports from EU (EUR million)	Share of total EU exports (%)	Total Tariff Lines	Maximum duty (% of value of product imported)	Average duty (% of value of product imported)
Non-Agricultural products	338,163	20.6%	8,308	48.0%	3.8%
Fisheries	624	15.0%	224	35.0%	1.4%
Industrial products	337,539	20.6%	8,084	48.0%	3.8%
Mineral products	10,901	12.0%	158	7.0%	0.4%
Chemicals	85,067	27.7%	1,450	6.5%	3.5%
Plastics, rubber	10,462	15.1%	374	14.0%	3.7%
Hides, leather	2,199	14.1%	185	20.0%	5.7%
Leather articles	*1,851*	14.6%	*89*	*20.0%*	*8.9%*
Wood	1,515	12.1%	222	18.0%	2.2%
Paper	3,578	11.8%	253	0.0%	0.0%
Textiles and clothing	4,617	12.4%	1,530	32.0%	8.9%
Apparel and make-up	*2,433*	12.3%	*706*	*32.0%*	*10.1%*
Footwear, headgear	1,953	17.6%	176	48.0%	10.2%
Stone, ceramics, glass	4,135	21.7%	305	30.0%	5.4%
Ceramics	*1,325*	19.6%	*81*	*28.0%*	*6.5%*
Pearls, jewellery	7,713	8.8%	101	13.5%	3.1%
Base metals	16,406	16.5%	951	15.0%	1.7%
Machinery, appliances	86,599	19.5%	1,339	15.0%	1.5%
Vehicles, aircraft, vessels	61,924	23.0%	252	25.0%	2.2%
Passenger cars	*38,213*	29.1%	*15*	*2.5%*	*2.5%*
Trucks	*1,065*	6.7%	*9*	*25.0%*	*17.1%*
Instruments	26,187	28.5%	470	16.0%	1.6%
Arms and ammunition	1,379	29.4%	31	5.7%	1.4%
Miscellaneous manufactures	5,659	18.1%	280	16.0%	3.0%
Arts and antiques	7,245	48.1%	7	0.0%	0.0%

[8] By section of the "Harmonised System", which is an international nomenclature for the classification of products.

Table 4.2 EU tariffs and imports from U.S. in 2017

Sector	EU imports from US (million €)	Share of Total EU imports	Total Tariff Lines	Maximum duty (% of value)	Average duty (% of value)
Non-Agricultural products	241,769	14.3%	7,432	26.0%	4.3%
Fisheries	981	3.8%	529	26.0%	11.8%
Industrial products	240,787	14.5%	6,903	22.0%	3.7%
Mineral products	16,719	4.9%	234	8.0%	0.8%
Chemicals	50,341	30.0%	1,152	12.8%	4.3%
Plastics, rubber	9,587	15.9%	301	6.5%	4.6%
Hides, leather	416	2.8%	109	9.7%	3.9%
Leather articles	*146*	1.2%	*36*	*9.7%*	*5.0%*
Wood	1,548	12.3%	234	10.0%	2.2%
Paper	3,551	22.3%	195	0.0%	0.0%
Textiles and clothing	1,596	1.4%	1,117	12.0%	8.2%
Apparel and make-up	*625*	0.7%	*418*	*12.0%*	*11.3%*
Footwear, headgear	177	0.7%	106	17.0%	8.2%
Stone, ceramics, glass	2,458	17.6%	234	12.0%	4.0%
Ceramics	*345*	9.3%	*43*	*12.0%*	*4.8%*
Pearls, jewellery	8,147	11.3%	56	4.0%	0.6%
Base metals	8,474	7.5%	953	10.0%	1.8%
Machinery, appliances	71,669	15.8%	1,370	14.0%	2.1%
Vehicles, aircraft, vessels	38,809	27.2%	286	22.0%	5.2%
Passenger cars	*6,489*	14.4%	*28*	*10.0%*	*9.8%*
Trucks	*235*	3.6%	*22*	*22.0%*	*13.1%*
Instruments	22,422	31.6%	313	6.7%	1.9%
Arms and ammunition	223	24.4%	22	3.2%	2.2%
Misc manufactures	2,330	4.7%	214	10.5%	2.6%
Arts and antiques	2,318	56.4%	7	0.0%	0.0%