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**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN  
PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL  
COMMITTEE AND THE COMMITTEE OF THE REGIONS**

**Trade Policy Review - An Open, Sustainable and Assertive Trade Policy**

## Trade Policy Review - An Open, Sustainable and Assertive Trade Policy

### **1. EUROPEAN TRADE POLICY AT A TIME OF ECONOMIC TRANSFORMATION AND GEOPOLITICAL INSTABILITY: PREPARING FOR THE WORLD OF 2030**

Trade is one of the EU's most powerful tools. It is at the centre of Europe's economic prosperity and competitiveness, supporting a vibrant internal market and assertive external action. As a result of the openness of our trade regime, the EU is the world's largest trader of agricultural and manufactured goods and services and ranks first in both inbound and outbound international investments. Thanks to the common commercial policy, the EU speaks with one voice on the global scene. This is a unique lever.

With new internal and external challenges and more particularly a new, more sustainable growth model as defined by the European Green Deal and the European Digital Strategy, the EU needs a new trade policy strategy – one that will support achieving its domestic and external policy objectives and promote greater sustainability in line with its commitment of fully implementing the UN Sustainable Development Goals. Trade policy must play its full role in the recovery from the COVID-19 pandemic and in the green and digital transformations of the economy and towards building a more resilient Europe in the world.

Making the right policy choices in designing a trade policy for the world of 2030 means taking into account recent political, economic technological, environmental and social shifts and the global trends emerging from them<sup>1</sup>.

Restrictions imposed in 2017-2019 already affected a higher value of trade than during the 2009-16 period and the IMF regards trade tensions as still posing a serious risk to the global economy, at a time of particular weakness.

*IMF Strategy, Policy and Review Department  
(2020), Developments in Global Trade Policy:  
Broadening Conflict May Hinder Recovery,  
October 1, 2020*

**Global uncertainty** is on the rise fuelled by political and geo-economic tensions. Instead of international cooperation and multilateral governance, there is **growing unilateralism**, with the consequent disruption or bypassing of multilateral institutions. These trends have their roots in several developments.

First, **globalisation, technological evolutions** and the build-up of global value chains have had a dichotomous impact on economies and societies. On the one hand, they have created massive efficiency

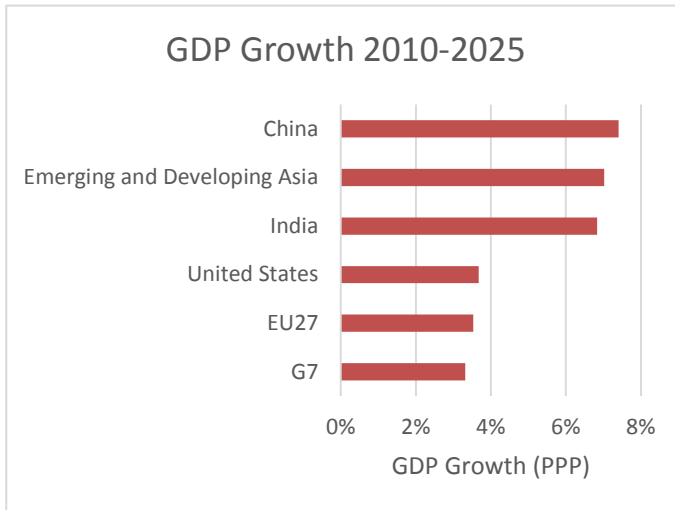
gains, fuelling sustained, trade-led economic growth in many parts of the world. This has helped to lift millions of people out of poverty. On the other hand, these developments sometimes have had a strong disruptive effect leading to growing inequalities and leaving some individuals and communities behind. What were expected to be transitory adjustment costs have sometimes turned into permanent losses in living standards, employment opportunities or wages and other working conditions. In many cases, governments are perceived to have been insufficiently responsive to **economic adjustments** and mitigating

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<sup>1</sup> The Commission's 2020 Strategic Foresight report analyses the impact of the COVID-19 pandemic on the dynamics of some relevant megatrends, COM(2020) 493 final. The Commission's 2021 Strategic Foresight Report will focus on open strategic autonomy.

their negative impacts<sup>2</sup>. This has led to calls for de-globalisation and to the rise of inward-looking and isolationist reactions.

Second, the rapid **rise of China**, demonstrating global ambitions and pursuing a distinct state-capitalist model, has fundamentally changed the global economic and political order. This poses increasing challenges for the established global economic governance system and affects a level playing field for European companies competing globally and at home.<sup>3</sup>



Source: IMF WEO

Third, the acceleration of **climate change**, together with biodiversity loss and environmental degradation, paired with tangible examples of their devastating effects have led to the recognition of the green transition as the defining objective of our time.

The European Green Deal is the EU's new growth strategy which facilitates resetting our economic policy to better correspond to the challenges of the 21<sup>st</sup> century. Its overarching objective is the transition towards a climate neutral, environmentally sustainable, resource efficient and resilient economy by 2050, with the ambition to reduce GHG

emissions by at least 55% by 2030 as well as the protection, conservation and enhancement of the EU's natural capital. As such, it will be the driving force behind our competitiveness and will lead to a **progressive but profound transformation of our economies**, which in turn will have a strong bearing on trade patterns.

The green transition needs to go together with social equity. A serious **decent work deficit persists** in global supply chains in many parts of the world<sup>4</sup>, from serious violations of freedom of association to poor working conditions<sup>5</sup>. Depriving workers of their fundamental rights puts downward pressure on social conditions globally and fuels people's disenchantment with globalisation and open trade.

Fourth, the **digital transformation** is another key enabler of sustainable development, but also a space of competition and inadequate multilateral governance. As it embarks on its Digital Decade, supporting Europe's digital transformation is a priority both in internal and external policies including trade policy and instruments. At the same time, the **nature of**

<sup>2</sup> At the EU level, the European Globalisation Fund aims at making a contribution to deal with such adjustment costs; cf Regulation (EU) No 1309/2013 of the European Parliament and of the Council of 17 December 2013 on the European Globalisation Adjustment Fund (2014-2020) and repealing Regulation (EC) No 1927/2006. A new regulation is being adopted, allowing the Fund to continue supporting workers and self-employed persons whose activity has been lost.

<sup>3</sup> This challenge is particularly visible in the area of energy intensive industries and notably the steel sector, where global solutions are needed to address the immense imbalances on the world market negatively affecting European companies and undermining the successful green transition of this ecosystem.

<sup>4</sup> According to the International Labour Organization (ILO), an estimated 25 million people remain in forced labour, 152 million are victims of child labour and 2.78 million workers around the world die from work-related accidents or diseases every year; Sources: Global estimates of modern slavery: forced labour and forced marriage, ILO (2017); Global Estimates of Child Labour, ILO (2017) and ILO website.

<sup>5</sup> Commission Staff Working Document: Promote decent work worldwide, SWD(2020) 235 final.

**trade will continue to evolve.** It will become more innovation-driven, supported by intellectual property (IP) protection, with an increasing role of services trade compared to goods.<sup>6</sup> Services not only contribute directly to the value chain (financial services, telecommunication, IT, transport and logistics) but - often even more importantly - they contribute by being incorporated in manufacturing products. The servicification of the economy and the rise of digital technologies have created well-paid and high quality jobs and have fuelled economic growth.

The **COVID-19 pandemic** has accelerated and focused attention on these shifts, while creating challenges of its own. It has highlighted the interconnected nature of economies, which rely on stable and predictable international rules and resilient transportation channels. It has exposed the risk of a breakdown of global cooperation and trust. It has also raised questions regarding the right policy mix in terms of diversification of domestic and external sources of supply and the build-up of strategic production capacities and reserves. It has also shown the importance of expanding production of health products in a crisis situation and the need for cooperation to ensure equitable access for the more vulnerable populations. Moreover, it has led to a significant increase in government support and involvement in the economy, which is necessary to rescue healthy companies and protect jobs, but may not be sustainable in the long-run and may generate tensions.

Finally, the economic outlook across the globe needs to be factored in. The EU will remain a global economic power and a leader on sustainable growth. The latest OECD long-term forecasts indicate that real GDP in the euro area will increase by 1.4% annually (compounded annual growth rate) over the next 10 years<sup>7</sup>. Nevertheless, these growth prospects will be eclipsed by developments in other regions, and Europe's relative position in the international economy will change. Already in 2024, 85% of the world's GDP growth is expected to come from outside the EU. The continued rise of China will impact heavily on global economic developments over the next 10 years - the OECD predicts Chinese GDP will grow by 4.7% annually.

EU trade policy has to take into account these global trends and challenges to reflect the political ambition of 'a stronger Europe in the world'<sup>8</sup>. It should also respond to the expectations of stakeholders as signalled in discussion with Member States, the resolution adopted by the European Parliament<sup>9</sup> and the views expressed in the public consultation<sup>10</sup>.

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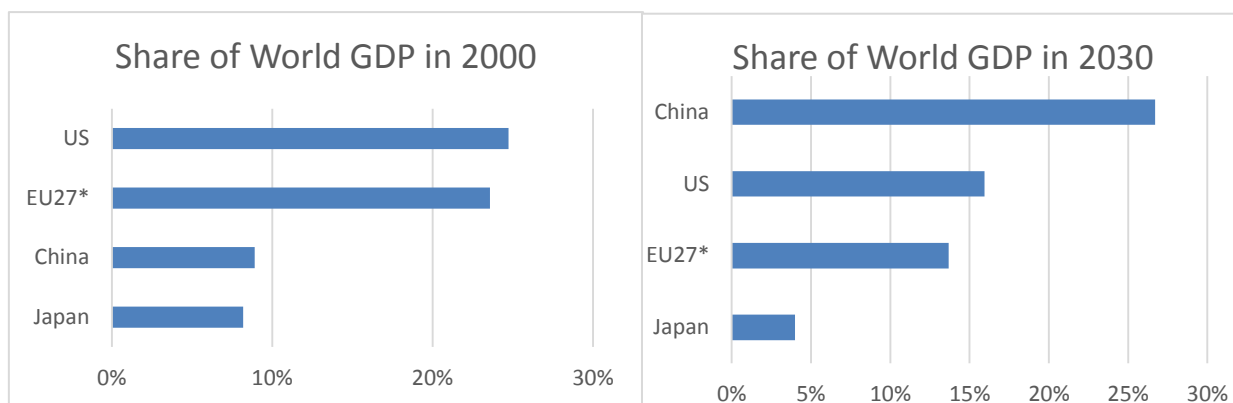
<sup>6</sup> In 2016, taking both goods and services into account, 80% of EU imports and 82% of EU exports were generated by the IP-intensive industries. IPR-intensive Industries and Economic Performance in the European Union, Industry-Level Analysis Report, joint EPO/EUIPO study, 3rd edition, September 2019.

<sup>7</sup> OECD (2020), Real GDP long-term forecast (indicator).

<sup>8</sup> Political guidelines for the next European Commission 2019-2024.

<sup>9</sup> European Parliament resolution on the EU Trade Policy Review (2020/2761(RSP)).

<sup>10</sup> [https://trade.ec.europa.eu/consultations/index.cfm?consul\\_id=266&utm\\_source=dlvr.it&utm\\_](https://trade.ec.europa.eu/consultations/index.cfm?consul_id=266&utm_source=dlvr.it&utm_)

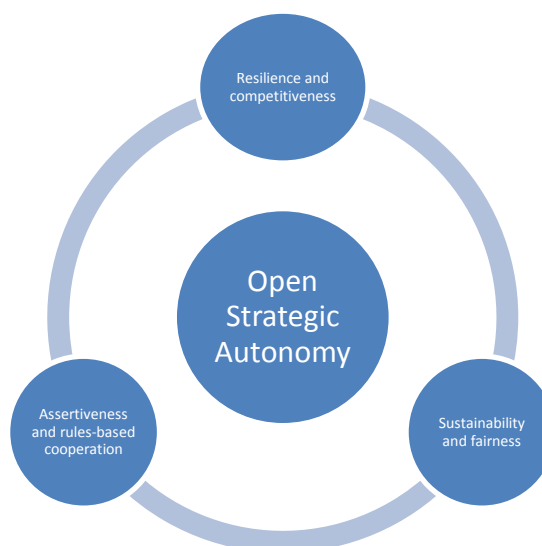


Source: OECD Real GDP Long Term Forecasts

## 2. A TRADE POLICY THAT SUPPORTS THE EU'S OPEN STRATEGIC AUTONOMY

### 2.1. Open strategic autonomy

A stronger and more resilient EU requires joined up **internal and external action**, across multiple policy areas, aligning and using all trade tools in support of EU interests and policy objectives. It requires leveraging our strengths while engaging with partners. “Open strategic autonomy” responds to this need. **Open strategic autonomy<sup>11</sup> emphasises the EU’s ability to make its own choices and shape the world around it through leadership and engagement, reflecting its strategic interests and values.** It reflects the EU’s fundamental belief that addressing today’s challenges requires more rather than less global cooperation. It further signifies that the EU continues to reap the benefits of international opportunities, while assertively defending its interests, protecting the EU’s economy from unfair trade practices and ensuring a level playing field. Finally, it implies supporting domestic policies to strengthen the EU’s economy and to help position it as a global leader in pursuit of a reformed rules-based system of global trade governance.



Open strategic autonomy is a policy choice, but also a mind-set for decision makers. It builds on the importance of **openness**, recalling the EU’s commitment to open and fair trade with well-functioning, diversified and sustainable global value chains. It encompasses:

- **resilience and competitiveness** to strengthen the EU’s economy;
- **sustainability and fairness**, reflecting the need for responsible and fair EU action;

<sup>11</sup> Europe's moment: Repair and Prepare for the Next Generation, COM(2020) 456 final.

- **assertiveness and rules-based cooperation** to showcase the EU's preference for international cooperation and dialogue, but also its readiness to combat unfair practices and use autonomous tools to pursue its interests where needed.

## 2.2. Openness and engagement as a strategic choice

*In 2019, the EU exported over EUR €3.1 trillion worth of goods and services and imported EUR €2.8 trillion of goods and services. Taken together, it makes the EU the biggest actor on the world trading scene.*

**The EU is built on openness, both internally and externally.** It is the biggest exporter and importer of goods and services worldwide. Among the large economies, it is the one where trade accounts for the largest share of its economy. EU exports support 35 million jobs in the EU, up from 20 million in 2000<sup>12</sup>. The EU economy equally relies on imports, providing access to critical raw materials and other inputs. 60% of EU imports are actually used to produce EU goods and the EU's increased openness to imports since 1995 has boosted its income by about EUR 550 billion. The EU is also a major destination for exports

from low-income countries – in particular from Africa – and from the EU's neighbours, thus helping to foster development and economic growth worldwide. Just as in the aftermath of the last economic and financial crisis, trade will be critical for the EU's green recovery from the COVID-19 economic slump.



Source: Eurostat COMEXT

For the EU to strengthen resilience and support the competitiveness of its various economic sectors, we need to ensure open and undistorted access to international markets, including

<sup>12</sup>Internal calculations by DG TRADE based on Arto, I., Rueda-Cantuche, J.M., Cazcarro, I., Amores, A.F., Dietzenbacher, E. Kutlina-Dimitrova, Z. and Román, M. V., EU exports to the World: Effects on Employment, Publications Office of the European Union, Luxembourg, 2018, ISBN 978-92-79-93283-0, doi:10.2760/700435, JRC113071. [https://trade.ec.europa.eu/doclib/docs/2018/november/tradoc\\_157516.pdf](https://trade.ec.europa.eu/doclib/docs/2018/november/tradoc_157516.pdf)

new market access and open trade flows to the benefit of both our industry, workers and citizens. The EU's industrial ecosystems that encompass all players operating along a value chain, from farmers and manufacturers to service providers, from global multinationals to SMEs and start-ups, play a key role in the internationalisation of the EU's economy.

The EU is also the **world's largest provider of Aid for Trade**.<sup>13</sup> The COVID-19 pandemic has strengthened the need to implement fully the 2017 EU Joint Aid for Trade Strategy. Indeed, the EU has a strategic interest to support enhanced integration in the world economy of vulnerable developing countries, many of which are in the geographical proximity of Europe.

*The EU is the **number one** trading partner for 74 countries around the world. It is the number one trading partner for Asia, Africa, the US, the Western Balkans and the EU's Neighbourhood.*

The EU must fully use the **strength provided by its openness and the attractiveness of its Single Market**. The EU's openness and engagement on the international scene make it a credible supporter of international cooperation, multilateralism and the rules-based order, which in turn are critical to the EU's interests. The EU works with partners to ensure adherence to universal values, notably the promotion and protection of human rights. This includes core labour standards, and social

protection in line with the European Pillar of Social Rights, gender equality<sup>14</sup>, and the fight against climate change and biodiversity loss.

**Tackling climate change and other environmental challenges can only be done through openness, global engagement and cooperation.** The EU will not win the fight against climate change by acting alone. In order to succeed, it is important to promote the understanding among our partners that the green transformation is not only a necessity in the medium term, but already constitutes smart economic policy today. The EU needs to leverage its openness and engage its partners, notably the biggest emitters and polluters, so that they contribute their fair share to climate change mitigation. Likewise, the preservation of biodiversity is a global challenge that requires global efforts.

**Openness and engagement are a strategic choice** that also cater for the European Union's well-understood self-interest. Openness brings prosperity, competitiveness and dynamism. At the same time, an open economy needs to be combined with decisive action to mitigate and adapt to climate change, protect the environment and strong social and labour policies, responding to the expectations of EU citizens. Only this will allow us to spread the benefits of openness fairly and facilitates adjustment to the transformations of the global economy so that no one is left behind.

### **2.3. Enhancing resilience and sustainability of value chains**

**Strengthening the resilience and sustainability of the EU economy**, and its supply chains is a pillar of the European Union's drive towards open strategic autonomy.<sup>15</sup> The COVID-19

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<sup>13</sup> Aid for Trade aims to support developing countries in using trade as a leverage for poverty reduction. Target 8.a of the Sustainable Development Goals (SDGs) 8.a in the 2030 Agenda for Sustainable Development refers to increasing Aid for Trade, in particular to Least Developed Countries (LDCs). SDG 17 includes, inter alia, efforts to increase exports of developing countries, LDCs in particular.

<sup>14</sup> See Gender Equality Strategy 2020-2025 and the Gender Action Plan III.

pandemic has tested the resilience of economies worldwide. The first lesson to be drawn from the crisis is that most supply chains have shown remarkable resilience. Given the right conditions, companies are able to ramp up global production and distribution, particularly if they can rely on open supply chains, supported by stable, predictable and transparent trading rules.<sup>16</sup> Governments have a special responsibility for creating such an environment, but also supporting fair and equitable distribution of supplies for which demand is greater than available supply. Trust between countries, but also between governments and the private sector is critical in this regard. The EU has thus strongly supported global efforts in the G20, the WTO and bilateral relations, to monitor critical supply chains, keep them open and undisrupted, and ensure fair and equitable access to critical goods. This has been particularly important in the context of the rollout of COVID-19 vaccines, where production in a limited set of countries needs to meet the demand of the entire world. The EU intends to reinforce cooperation with other countries and the private sector to expand production and support equitable access to vaccines. It will ensure that any short-term measures aimed at access to vaccines do not disrupt supplies to vulnerable countries and are implemented in a well-targeted, equitable and transparent manner. Resilient and sustainable transport plays a key role in facilitating international trade and preserving the EU's supply chains. The development of EU connectivity has the potential to boost resilience for EU trade and to maintain the EU as a global connectivity hub as recognised by the Sustainable and Smart Mobility Strategy.

- *When faced with an unprecedented rise in demand, as in the case of facemasks, trade openness was key in expanding the range of alternative sources of supply.*
- *Transparency is also very important, as it effectively contributed to the resilience of food supply chains where the Agriculture Market Information System (AMIS) may have been useful in assuaging fears on the security of food supply. Crisis preparedness will be particularly important in the agriculture sector.*
- *The risk of trade-restrictive measures cutting developing countries off from global value chains should not be underestimated.*

Given the scale of the COVID-19 crisis and the impact it had on all aspects of economic and social life, including production and mobility, disruptions in certain sectors and products were inevitable. The combination of an exponential increase in demand of certain health related critical products with supply shortages due to lock-down or restrictive measures has exposed some vulnerabilities in the health sector. They need to be analysed carefully and addressed effectively for the future. Solutions can range from crisis preparedness to diversifying production and supply chains, ensuring strategic stockpiling, as well as fostering production and investment including in neighbouring countries and Africa.

The private sector has a central role to play in assessing the risks and balancing 'just in time' production with appropriate safeguards. It is a key factor to ensure resilience in the face of supply disruptions or demand shocks, especially where companies depend on a single supplier.

<sup>15</sup> The Commission adopted its first-ever Strategic Foresight Report, which highlights resilience as a new compass for all EU policies under this Commission's transition-led agenda and as a result of the tragic coronavirus pandemic.

<sup>16</sup> OECD analytical work has confirmed that global value chains not only maximize economic efficiency, but that resilient, supply chains are essential in times of crisis to absorb shocks, to offer options to adjust and to speed up recovery. Cf. Shocks, risks and global value chains: insights from the OECD METRO model, June 2020.



Policy makers also need to deepen their understanding of vulnerabilities, share information and foster cooperation. The Commission's work on **identifying strategic dependencies**, particularly in the most sensitive industrial ecosystems such as health, will provide a solid basis for defining the necessary policy responses and for engagement with the industry. This work will support, amongst others, the implementation of the new Pharmaceutical Strategy<sup>17</sup> and the preparation of the updated industrial policy strategy.

Trade policy can contribute to resilience by providing **a stable, rules-based trading framework, opening up new markets to diversify sources of supply, and developing cooperative frameworks for fair and equitable access to critical supplies**. In this context, the EU is pursuing with partners a trade and health initiative in the WTO.

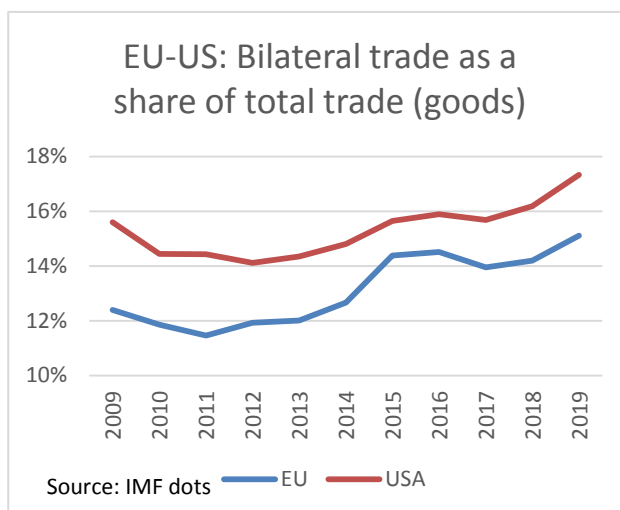
Enhancing the resilience of supply chains also goes hand-in-hand with the EU's objective of making supply chains more sustainable, in particular by promoting sustainability standards across global value chains. More sustainable supply chains have generally proven to also be more resilient.<sup>18</sup> Trade policy can also contribute to this objective by promoting responsible business conduct and greater transparency and traceability in supply chains. The forthcoming legislation on sustainable corporate governance as well as deforestation will be important milestones in this regard.

#### 2.4. Trade policy in support of the EU's geopolitical interests

Close cooperation with partners will be important in **supporting multilateralism<sup>19</sup> and the rules-based international order**. The existing international economic governance framework is being undermined. If this continues, it will impact economic relations and trade, and also the security and stability that we take as normal. For these reasons support for effective rules-based multilateralism is a key geopolitical EU interest. WTO reform must therefore be seen in a broader context of the EU's priorities of ensuring that functioning global institutions support global economic recovery, decent jobs, sustainable development and the green transition. The EU should intensify work to develop alliances in support of effective multilateral institutions. In this connection, dialogue will be intensified with the US, the Ottawa Group, African countries, India and China.

The EU will need to **operate in a new multipolar global order marked by growing tensions between major players**. The EU should promote approaches to reduce tensions and seek solutions based on a modernised rules-based framework. At the same time, the EU needs to equip itself with tools to operate in a more hostile international environment if necessary.

The **transatlantic relationship** is the biggest and most economically significant partnership in the world. It is deeply rooted in common interests and values.<sup>20</sup> The new



<sup>17</sup> Pharmaceutical Strategy for Europe, COM(2020) 761 final.

<sup>18</sup> See in relation to this OECD paper on Covid 19 and responsible business conduct.

<http://www.oecd.org/coronavirus/policy-responses/covid-19-and-responsible-business-conduct-02150b06/>

<sup>19</sup> Cf. also the Joint Communication on strengthening the EU's contribution to rules-based multilateralism.

<sup>20</sup> Joint Communication to the European Parliament, the European Council and the Council, "A new EU-US agenda for global change", JOIN(2020) 22 final.

US administration provides an opportunity to work together to reform the WTO, including by reinforcing its capacity to tackle competitive distortions and to contribute to sustainable development. It also offers new prospects to cooperate closely on the green and digital transformation of our economies. The EU will therefore give priority to strengthening its partnership with the US.

**The EU's trade and investment relationship with China** is important and challenging.<sup>21</sup> The EU's policy is based on a combination of active engagement, both at bilateral and multilateral level, and of parallel development and implementation of autonomous instruments necessary to protect the EU's essential interests and values – in full compliance with its international commitments. Building a fairer and rules-based economic relationship with China is a priority. Ensuring that China takes up greater obligations in international trade, and dealing in parallel, with the negative spillovers caused by its state-capitalist economic system will be central to the EU's efforts to rebalance the bilateral trade relationship. The recent political conclusion of the negotiations on a Comprehensive Agreement on Investment is part of these efforts. The work to ratify it will require a clear engagement towards the effective implementation of the agreement, on market access, level playing field commitments and on sustainable development.

From a broader strategic perspective, it will be important for the EU to reinforce relationships with **countries in and around Europe** and to deepen engagement with the **African continent and African states**. There are multiple cultural, economic and political ties between the two continents. Stability and prosperity in Africa is critical for the EU's stability and prosperity and needs to be supported by closer economic integration of the two continents, driving the green and digital transitions jointly with Africa.

In order to help fulfil its geopolitical ambitions globally, the EU will need to diversify its relations and build alliances with like-minded partners, **including through its broad network of trade agreements**. This network is essential with each and every current and future agreement forging our relationships with partners. The EU's free trade agreements (FTAs) are **platforms for enhanced cooperation pursuing our values and interests**. They are the basis for engagement with important markets and countries around the world, particularly in the Asia-Pacific region, in Latin America and the Caribbean.

### **3. MEDIUM TERM DIRECTION OF TRADE POLICY**

#### **3.1. Three core objectives of trade policy for the medium term**

The EU's trade policy needs to focus on three core objectives:

*First, supporting the recovery and fundamental transformation of the EU economy in line with its green and digital objectives.*

In the context of recovery efforts, EU trade policy should continue to perform its core function of facilitating the exchange of goods and services in a manner that creates opportunities and economic welfare. The focus must be on benefits for citizens, workers and business. At the same time, EU trade policy should help transform the EU's economy in line with the green and digital transitions. It should unequivocally support the Green Deal in all its dimensions, including the ambition to achieve climate neutrality by 2050. At the same time, the EU's long-term competitiveness, prosperity and global position will depend on its ability to embrace and harness the digital transformation. The green and the digital transitions should

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<sup>21</sup> Joint Communication to the European Parliament, the European Council and the Council, “EU-China – A strategic outlook”, JOIN(2019) 5 final.

therefore be a key priority for multilateral and bilateral trade policy. For the EU to retain and enhance its influence in shaping the rules necessary in this respect, it needs to develop a more strategic approach to international regulatory cooperation. This calls for closer policy integration between trade policies and internal EU policies.

*Second, shaping global rules for a more sustainable and fairer globalisation.*

Global trade rules are in urgent need of being updated to reflect today's economic environment and the challenges the global community faces. Making globalisation more sustainable and fairer should be the underlying driver of trade policy, delivering on the expectations of Europeans and other people around the world. EU trade policy should use all the tools at its disposal to support social fairness and environmental sustainability.

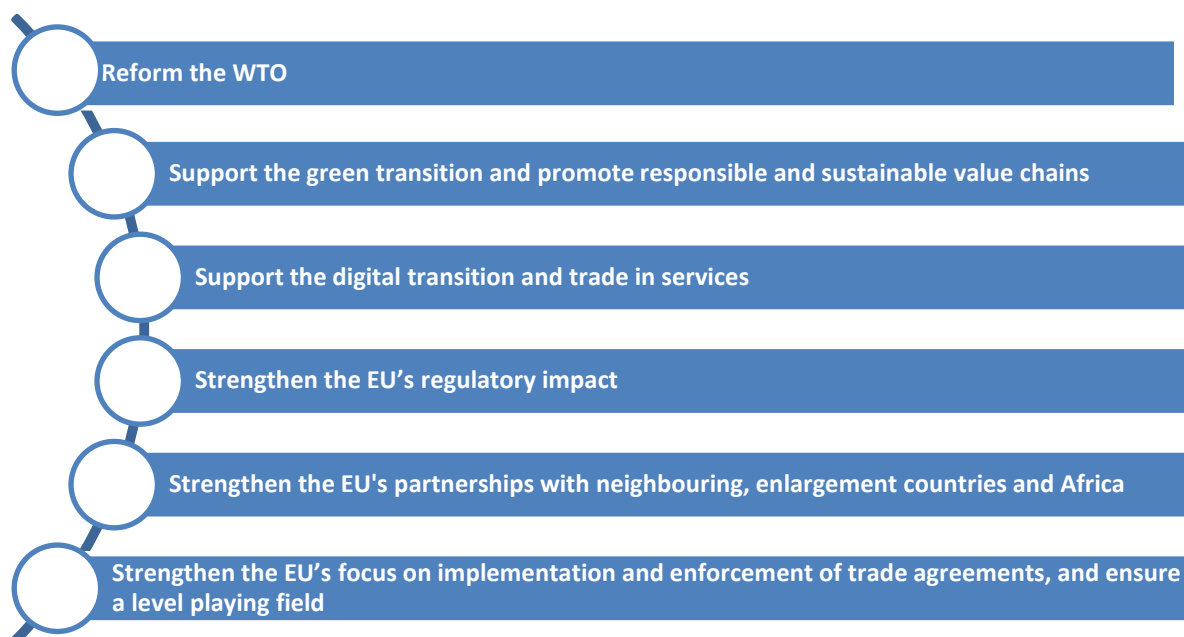
Leading efforts to reform the World Trade Organization and improving the effectiveness of the multilateral framework for trade governance should be the key priority for the EU to achieve this objective. Strengthening stability and rules-based trade will be the central pillar of the EU's actions, as it is only in such an environment that trade can thrive and international cooperation can develop in the interest of a global sustainable future. At the same time, there is a need to ensure that the rules respond to current economic realities and are well equipped to respond to competitive distortions and ensure a level playing field.

*Third, increasing the EU's capacity to pursue its interests and enforce its rights, including autonomously where needed.*

Negotiating trade agreements has been an important tool to create economic opportunities and promote sustainability; implementing those agreements and enforcing the rights and obligations contained in them will be much more significant. This will include ensuring that the EU has the right tools at its disposal to protect workers and businesses from unfair practices. It also implies a greater effort to ensure the effective implementation and enforcement of sustainable development chapters in EU trade agreements, to level-up social, labour and environmental standards globally. By strengthening the implementation and enforcement of its agreements, the EU's trade policy creates the conditions for businesses to develop, grow and innovate; and secure high-quality jobs in Europe and beyond. Supporting multilateralism and being open for cooperation is not in contradiction with the EU being ready to act assertively in defending its interests and enforcing its rights. The EU should strengthen its toolbox as necessary to defend itself against unfair trading practices or other hostile acts while acting in accordance with its international commitments.

**3.2. Six areas that are critical to achieving the EU's objectives in the medium term**

To deliver the three objectives outlined above, the Commission will focus on **six areas**. For each of these areas a number of headline actions to be accomplished during the Commission's current mandate are specified under the respective points below.



### 3.2.1. *Reform the WTO*

The WTO has been of enormous benefit to its members since its establishment in 1995. It has provided a stable and predictable trading environment, allowing for a massive expansion of global trade, whilst providing a framework for settling trade disputes through adjudication. However, it is now facing a crisis where it is failing to provide negotiating outcomes that deal with the challenges of global trade. Its ability to solve trade disputes is not working, and its system of monitoring need to be improved to ensure transparency or prevent trade barriers.

The Commission intends to **pursue reform of the WTO across all of its functions.**

WTO rules and practices must be updated and improved to reflect today's trade realities. This should be based on its membership sharing a common sense of purpose: economic recovery and development, environmental and social sustainability. Modernising the rules and improving the WTO's functioning - including through open plurilateral agreements - is critical in tackling competitive distortions, and providing an agreed framework for digital and sustainable trade.

As the credibility of a rules-based system crucially hinges on an independent and generally accepted system to adjudicate trade disputes, restoring the dispute settlement system is crucial.

Annex I on 'Reforming the WTO: towards a sustainable and effective multilateral trading system' sets out the EU's views on the priorities for WTO reform.

The Commission will also push for multilateral reform in other fora, for example on the creation of a multilateral investment court in the United Nations Commission for International Trade Law.

#### **Headline actions**

The Commission will:

1. **Seek the adoption of a first set of reforms of the WTO** focusing on enhancing the WTO's contribution to sustainable development, and launch negotiations on reinforced rules to avoid distortions of competition due to state intervention. It will

- give priority to enhancing **transatlantic cooperation** on WTO reform.
2. Work to **restore a fully-functioning WTO dispute settlement** with a reformed Appellate Body.

*3.2.2. Support the green transition and promote responsible and sustainable value chains*

As reflected in the European Green Deal, combatting **climate change and environmental degradation is the EU's top priority**. All EU policies need to contribute but progress will depend on global partners, on large emitters and polluters, being ready to increase their level of ambition. Trade policy will have an important supporting role.

The Commission's resolve for the next decade is to ensure that trade tools accompany and support a global transition towards a climate neutral economy, including accelerating investments in clean energy, and promote value chains that are circular, responsible and sustainable. This includes promoting responsible business conduct and the respect of environmental, human rights and labour standards. At the same time, it means creating the conditions and opportunities for sustainable products and services.

Making this vision a reality will require action at all levels – **multilaterally, bilaterally and autonomously**.

An **improved multilateral framework** will be needed to underpin the green transition to a climate neutral, environmentally friendly and resilient economy. The EU will engage with like-minded countries to pursue a strong environmental agenda at the WTO. As part of this effort, it will take forward initiatives and actions that promote climate and sustainability considerations throughout the various functions of the WTO, including a trade and climate initiative. These initiatives will include the liberalisation of selected goods and services, transparency, and greening of aid-for-trade. This should also include the progressive development of disciplines on fossil fuel subsidies. It will also promote deliberation in the WTO on how trade can support decent work and social fairness.

The EU's vast **network of bilateral trade agreements** facilitates trade in green technologies, goods, services and investments. In addition to providing for ambitious trade and sustainable development chapters, the sustainability dimension will continue to be reflected in many other aspects of the EU's trade and investment agreements. They support the diffusion of clean and more efficient production methods and technologies and create market access opportunities for green goods and services. They help secure access to third country markets for our renewable energy industry, and ensure undistorted trade and investment in the raw materials and energy goods that are required to secure the necessary supplies to support the transition to climate neutral economies. In addition, they provide an essential platform to engage with our partners on climate change, biodiversity, circular economy, pollution, clean energy technologies including renewable energy and energy efficiency and on the transition to sustainable food systems. And for future trade agreements, the Commission will propose a chapter on sustainable food systems. The EU will propose that the respect of the Paris Agreement be considered an essential element in future trade and investment agreements. In addition, the conclusion of trade and investment agreements with G20 countries should be based on a common ambition to achieve climate neutrality as soon as possible and in line with the recommendations of the Intergovernmental Panel on Climate Change (IPCC). This ambition should also be properly reflected in Nationally Determined Contributions (NDCs) submitted under the Paris Agreement. The EU will also prioritise effective implementation of the Convention on Biological Diversity in trade and investment agreements.

EU trade and investment agreements, as well as the Generalised System of Preferences (GSP) have also played an important role in **promoting respect for core human and labour rights**, as reflected in the UN fundamental conventions of the International Labour Organization (ILO). Particular priority will be given to the implementation of these commitments, including action against child labour as part of the Commission's broader action to ensure zero tolerance for child labour. One of the key objectives of the upcoming review of the Generalised System of Preferences (GSP) will be to further increase trading opportunities for developing countries to reduce poverty and to create jobs based on international values and principles, such as labour and human rights.

The Commission will further reinforce the sustainability dimension of existing and future agreements in the implementation of all chapters. It will strengthen the **enforcement of trade and sustainable development commitments** on the basis of complaints made to the Chief Trade Enforcement Officer (CTEO). Further actions will be considered in the context of an early review in 2021 of the 15-point action plan on the effective implementation and enforcement of Trade and Sustainable Development Chapters (TSDs) in trade agreements. The review will cover all relevant aspects of TSD implementation and enforcement, including the scope of commitments, monitoring mechanisms, the possibility of sanctions for non-compliance, the essential elements clause as well as the institutional set-up and resources required.

In addition, **autonomous measures** are supporting the objective to ensure that trade is sustainable, responsible and coherent with our overall objectives and values. The Carbon Border Adjustment Mechanism (CBAM) is a case-in-point. The Commission is working on a proposal for a CBAM in order to avoid the effectiveness of its own climate policies being undermined by carbon leakage. Another example is the intention of the Commission to put forward legislation addressing deforestation and forest degradation. An important element in ensuring that supply chains are sustainable and responsible will be the Commission's proposal on sustainable corporate governance, including mandatory environmental, human and labour rights due diligence. Subject to the impact assessment, this will include effective action and enforcement mechanisms to ensure that forced labour does not find a place in the value chains of EU companies.

The new global human rights sanctions regime will also have a role to play to ensure compliance with human rights. With this regime, the EU equipped itself with a framework that will allow it to target individuals, entities and bodies – including state and non-state actors – responsible for, involved in or associated with serious human rights violations and abuses worldwide<sup>22</sup>.

Imports must comply with relevant EU regulation and standards. As the examples above show, under certain circumstances as defined by WTO rules, it is appropriate for the EU to require that imported products comply with certain production requirements. Global trade rules aim at securing a predictable and non-discriminatory framework for trade while safeguarding each country's right to regulate in line with their societal preferences. The legitimacy of applying production requirements to imports is based on the need to protect the

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<sup>22</sup> EU sanctions are a key instrument used to promote the objectives of the Common Foreign and Security Policy (CFSP) through which the EU can intervene, among others, to prevent conflict or respond to emerging or current crises (Communication from the Commission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee and the Committee of the Regions - The European economic and financial system: fostering openness, strength and resilience; COM/2021/32 final).

global environment or to respond to ethical concerns. Whenever the EU considers applying such measures to imported products, this will be done in full respect of WTO rules, notably the principle of non-discrimination and proportionality, aiming at avoiding unnecessary disruption of trade.

The Commission will pioneer work on developing standards for sustainable growth and shape international standards in line with the European Green Deal, while engaging with its partners to develop and implement rules that are similarly ambitious.

#### Headline actions

The Commission will:

3. Take forward initiatives and actions that **promote climate and sustainability considerations in the WTO.**
4. **Seek commitments from G20 partners** on climate neutrality, strengthen cooperation on other **aspects of the green deal such as biodiversity, sustainable food policy, pollution and the circular economy**, and propose to make the respect of the **Paris agreement an essential element in all future agreements.**
5. Improve the effective implementation and enforcement of sustainable development chapters in trade agreements through the **early review in 2021** of the **15-point Action Plan**. The outcome of the review will feed into ongoing and future negotiations.
6. **Promote sustainable and responsible value chains** through a proposal on mandatory due diligence, including effective action and enforcement mechanisms to ensure that forced labour does not find a place in the value chains of EU companies. Bridging the time towards binding provisions, the Commission will provide guidance to assist EU business in taking the appropriate measures already now in line with international due diligence guidelines and principles.

#### 3.2.3. Support the digital transition and trade in services

EU trade policy must help to create an environment in which EU services providers can innovate and grow. As a priority, the **global framework of international rules needs to be updated.**

The digital sphere will see intense global competition that will reconfigure global economic relations. The EU can only succeed in its digital transformation if it builds its digital agenda in an outward-looking manner, taking full account of a global environment that is increasingly, fiercely competitive and sometimes challenging the EU's values-based approach to digitalisation. Trade policy will play a vital role in attaining the EU's objectives linked to the digital transition. European businesses rely on digital services, and this will only increase. Data are the lifeline of many businesses and a critical component of the EU's supply chains. Digital technologies provide efficiency gains, which

***The EU is the world's largest trader of services\*. Trade in services accounts for 25% of the EU's GDP, with services exports exceeding €900 billion per year. It also supports 21 million EU jobs directly or indirectly. Of all the EU foreign direct investment to the rest of the world 60% is in services, as is nearly 90% of the foreign direct investment coming into the EU.***

\* <https://data.oecd.org/trade/trade-in-services.htm>.

are needed to remain competitive<sup>23</sup>, but are also transforming traditional industrial sectors where European companies will need to maintain and boost their competitive position. At the same time, the digital transformation and emergence of new technologies have an important security and values dimension for Europe and require a carefully calibrated policy approach internally and externally. The implications of new **digital technologies, including artificial intelligence**, need to be addressed globally through **more ambitious global standards and rules**.

**Supporting Europe's digital agenda is a priority for EU trade policy.** The objective is to ensure a leading position for the EU in digital trade and in the area of technology, most importantly by promoting innovation. The EU should continue to lead the way in digital standards and regulatory approaches, in particular as regards data protection, where the EU's General Data Protection Regulation is often seen as a source of inspiration<sup>24</sup>. To achieve this, **the WTO needs to set the rules for digital trade and the EU needs to play a central role in creating them**. Once they have been agreed, the EU should support further plurilateral WTO negotiations to liberalise trade in services in sectors going beyond e-commerce.

The EU will also need to step up bilateral engagement and explore **stronger frameworks for cooperation on trade-related digital issues with like-minded partners**. It will seek to deepen its regulatory dialogues with like-minded partners.

The question of **data** will be essential for the EU's future. With regard to cross-border data transfers and the prohibition of data localisation requirements, the Commission will follow an **open but assertive approach, based on European values and interests**. The Commission will work towards ensuring that its businesses can benefit from the international free flow of data in full compliance with EU data protection rules and other public policy objectives, including public security and public order. In particular, the EU will continue to address unjustified obstacles to data flows while preserving its regulatory autonomy in the area of data protection and privacy.<sup>25</sup> To better assess the size and value of cross-border data flows the Commission will create a European analytical framework for measuring data flows.

#### Headline actions

The Commission will:

7. Seek the rapid conclusion of an **ambitious and comprehensive WTO agreement on digital trade**, including rules on data flows, in full compliance with the EU's data protection framework, and provisions on enhancing consumer trust ensuring a high level of consumer protection.
8. Explore the possibility of **closer regulatory cooperation** with like-minded partners on issues of relevance for digital trade.

<sup>23</sup> Access to data and new developments such as product passports can also unlock further value in products and provide information critical to maximising circular value, but all too often such data is not transmitted along value chains.

<sup>24</sup> Proposal for a Regulation of the European Parliament and of the Council on a Single Market For Digital Services (Digital Services Act) and amending Directive 2000/31/EC - COM(2020) 825 final; and Proposal for a Regulation of the European Parliament and of the Council on contestable and fair markets in the digital sector (Digital Markets Act) - COM/2020/842 final, and Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation; GDPR).

<sup>25</sup> As reflected in the Digital Trade title of the Trade and Cooperation Agreement concluded with the UK.



#### 3.2.4. *Strengthen the EU's regulatory impact*

The ability to influence the development of regulations and standards of global significance is an **important competitive advantage**.

For decades, the **EU has been a leader on this front**. It has championed work in international standard-setting bodies such as the International Organization for Standardization (ISO) and sector-specific international fora. These efforts have helped European companies to access global markets, removed trade barriers and supported regulatory convergence. This approach, together with its market size, has given the EU a strong influence on international standardisation, in some cases also leading to a voluntary adoption of its high standards, regulations and policy objectives along global supply chains. European exporters, including SMEs, have derived significant competitive advantage from a strong EU regulatory impact globally.

The EU's relative weight is shrinking given the emergence of new regulatory powers and rapid technological development, which is often driven from outside the EU.

For the EU to enhance its influence in this area, it needs to **develop a more strategic approach to international regulatory cooperation**, in particular in relation to the green and digital transitions. The EU needs to adopt a more proactive stance when designing new regulations so as to be better equipped to promote EU regulatory approaches around the world. This will require greater synergies between internal policies and external policies to identify at an early stage those strategic areas on which international regulatory cooperation should focus. It will also require dialogue and cooperation with EU standard setting bodies to identify strategic priorities relating to international standards. The Commission will reinforce its analysis of the external dimension of its regulatory policies in the impact assessments of important regulations and identify priority partners for regulatory cooperation. Trade policy should be ready to support cooperation activities led by regulators and for this purpose make full use of the opportunities provided by trade agreements. Trade policy, together with international partnerships and development cooperation - including through Aid for Trade - should also play a role in supporting the uptake of international standards in developing partner countries and facilitating compliance with new regulatory requirements. The EU will also reinforce its regulatory dialogues with like-minded countries in the Asia Pacific and Latin America.

Cooperation with the United States will be critical to ensuring that new regulations are in line with the values of democratic, open and inclusive societies.

#### **Headline actions**

The Commission will:

9. **Enhance regulatory dialogues with like-minded partners** in strategic areas for EU competitiveness. This will require early identification of priority areas for regulatory cooperation and closer dialogue with EU and international standard organisations.
10. Develop a closer **transatlantic partnership on the green and digital transformation** of our economies including through the EU-US Trade and Technology Council.

### *3.2.5. Strengthen the EU's partnerships with neighbouring and enlargement countries and Africa*

**Our most significant relationships are with those who are geographically closest to us.** Stability and prosperity in the EU's neighbouring countries and Africa are in the EU's political and economic interest. The EU intends to do everything it can to support partners in their efforts to recover from the impact of the COVID-19 pandemic and to achieve sustainable development. The EU's dense network of trade agreements with these countries offer the prospect of closer economic integration and the development of integrated production and services networks. This would be part of a broader strategy to promote sustainable investment and improve the resilience of our economies through diversified value chains and foster the development of trade in sustainable products, including in order to support the climate and energy transformation. It will also contribute to addressing the root causes of irregular migration, as part of trade policy's broader contribution to comprehensive partnerships, in line with the New Pact on Migration and Asylum<sup>26</sup>.

The EU will strengthen its close economic partnerships within the European Economic Area. The EU looks forward to working closely with the United Kingdom to use the full potential of the Trade and Cooperation Agreement. The EU also looks forward to the modernisation of its trade and economic relationship with Switzerland as well as with Turkey, provided the right conditions are met.

Supporting stronger economic integration with the **Western Balkans** and the **Eastern Partnership** countries<sup>27</sup> will be of particular importance. For the **Western Balkans**, the enhanced enlargement methodology and the Economic and Investment Plan<sup>28</sup> present the framework for accelerated EU market integration ahead of accession, while ensuring a level playing field. This increased economic integration builds on the Western Balkans' own commitments to create a Common Regional Market, based on EU rules and standards. For the Eastern Partnership, in particular DCFTA partners (Ukraine, Georgia and Moldova), the EU supports efforts to align more closely with the EU's regulatory model, including for the digital and green transitions. For those partners, efforts to incorporate EU regulations could be accompanied by closer dialogue on how to develop and implement them, including by participating in expert groups and being more closely associated with EU standardisation organisations. Consideration should also be given to additional steps to facilitate trade, including through agreements on conformity assessment.

Upgrading the EU's relations and economic integration with the **Southern Neighbourhood**<sup>29</sup> will be a strategic necessity for long-term stability. The EU benefits from geographical proximity, cultural and linguistic ties with South Mediterranean countries that facilitate this strategic economic and commercial integration. Trade policy can be a key tool to foster strategic interdependencies between the EU and the Southern neighbourhood and develop win-win integration initiatives, in particular on strategic value chains. Since the early 2000s, the EU has concluded free trade agreements with eight countries of the southern Mediterranean as part of broader association agreements. Deep and Comprehensive Free Trade Area (DCFTA) negotiations with Morocco and Tunisia have been underway for several

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<sup>26</sup> New Pact on Migration and Asylum COM (2020) 609 final.

<sup>27</sup> Reinforcing Resilience - an Eastern Partnership that delivers for all, JOIN (2020) 7 final.

<sup>28</sup> An Economic and Investment Plan for the Western Balkans, COM(2020) 641 final.

<sup>29</sup> Renewed partnership with the Southern Neighbourhood - A new Agenda for the Mediterranean; JOIN(2021) 2 final.

years. The EU is ready to discuss options with both partners to modernise trade and investment relations, to better adapt them to today's challenges.

The EU will significantly **step up its engagement with African partners** to unlock their economic potential, foster economic diversification and inclusive growth. This will further enhance sustainable trade and investment links both between the continents and in Africa itself<sup>30</sup>. This is in line with the long-term prospect of a continent-to-continent trade agreement based on the successful implementation of the African Continental Free Trade Area (AfCFTA). It notably builds on Africa's regional economic communities and the economic partnership agreements with the EU. This stronger relationship with Africa should be fostered at all levels, including through political dialogue with the African Union and its members, through widening and deepening the economic partnership agreements, and through developing bilateral relations with individual countries to promote sustainable investment in agriculture, manufactured goods and services. The Commission will also start a reflection on the potential for facilitating integration in the continent through harmonised rules of origin applicable to their trade with the EU.

The Commission will propose a **new sustainable investment initiative** to partners or regions in **Africa and the Southern Neighbourhood** interested in doing so. This could be done in the form of stand-alone investment agreements or as part of the modernisation of existing trade agreements. To maximise their impact and facilitate implementation, these agreements will be designed together with EU development cooperation tools to support investment and, wherever feasible, with a Team Europe approach to ensure synergies with EU Member States, the private sector, civil society, and all relevant actors. The most prominent of those initiatives is the External Investment Plan (EIP) launched in 2017 for Sub-Saharan Africa and the EU Neighbourhood. It also includes the European Fund for Sustainable Development Plus (EFSD+), which is becoming globally applicable in the new multiannual financial framework (MFF) for 2021-2027. The three pillars of the EIP will help support sustainable investment in Africa and the Neighbourhood, while inducing reforms to improve the business environment and investment climate. This will be done with a view to cross-regional integration and closer EU-Africa trade relations as the AfCFTA advances.

#### Headline actions

The Commission will:

11. Deepen trade and economic relations with other countries in Europe, including the **Western Balkans and countries that have concluded DCFTAs with the EU**, focusing in particular on closer regulatory cooperation in support of the green and digital transitions. It will modernise its trade and investment relations with those countries in the **Southern Neighbourhood** interested in fostering closer integration with the European Union.
12. Reinforce its engagement with **African countries** by:
  - a) enhancing **political dialogue** and cooperation with the African Union and its Members and the smooth implementation of AfCFTA, including engagement with the private sector and promoting common standards in Africa to enhance regional and continental integration.
  - b) **deepening and widening its existing trade agreements with African regional**

<sup>30</sup> As outlined in the EU-Africa strategy joint communication of March 2020, "Towards a comprehensive Strategy with Africa", JOIN(2020) 4 final.

**economic communities** and strengthen their sustainability dimension.

c) exploring further the possibility of **enhancing links and synergies between different trade arrangements with African countries**, for example through more harmonised rules of origin in trade with the EU.

d) pursuing **sustainable investment agreements** with Africa and the Southern Neighbourhood.

### *3.2.6. Strengthen the EU's focus on implementation and enforcement of trade agreements, and ensure a level playing field*

Following the wave of new agreements in recent years, the Commission will focus its efforts on **unlocking the benefits of the EU's trade agreements**, coupled with **assertive enforcement** of both its market access and sustainable development commitments. European stakeholders need to be aware of the opportunities EU trade agreements offer and be confident that they can reap the gains that the EU negotiated. The EU has concluded, or is engaged in, negotiations of trade agreements in the Asia-Pacific region and in Latin America, which open significant economic opportunities. It is therefore important to create the conditions for the ratification of agreements with Mercosur and Mexico, and to conclude ongoing negotiations, in particular with Chile, Australia, and New Zealand, which are well on track. In the case of Mercosur, a dialogue is ongoing on enhancing cooperation on the sustainable development dimension of the Agreement, addressing the implementation of the Paris Agreement and deforestation in particular.

This will be a critical element of the EU's drive toward open strategic autonomy, and facilitate access to markets, particularly for SMEs. It will also help counter protectionist tendencies and distortions affecting EU exports. The centrality of this area of work was confirmed in July 2020 with the appointment of the **Chief Trade Enforcement Officer**.

This will mean working in the following areas:

- **Making full use of the opportunities provided by the implementation of trade agreements.** The EU will use all in-built flexibilities in its trade agreements so that they are fit for purpose and respond to the new challenges relating to the green and digital transition. The EU will also continue to use its Aid for Trade to help developing countries implement trade agreements and support compliance with rules and standards, in particular in relation to sustainable development.
- **Supporting EU stakeholders to make the best of the opportunities EU agreements create.** The Commission will build on the success of the **Access2Markets portal**, integrate further functionalities into it and interlink it with other important information channels<sup>31</sup>, especially for SMEs. The Commission will also continue to support the EU agricultural and agrifood sector, composed primarily of SMEs, with a focus on promoting the sustainability and quality of their products, making them a standard-bearer of the EU food sustainability system.
- **Monitoring the proper implementation and enforcement of the EU's trade agreements** and facilitating complaints related to market access barriers and

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<sup>31</sup> Synergies could in particular be explored with other sources of information including the Enterprise Europe Network (EEN), the EU Japan Centre for Industrial Cooperation, the EU SME Centre in China, the European Business Organisation Worldwide Network, European Trade Promotion organisations and the SME IPR Helpdesks.

infringements of trade and sustainable development commitments through the Single Entry Point. The Commission will work with EU Member States, the European Parliament and stakeholders to monitor implementation by the EU's trading partners and ensure a coherent approach. It will propose a specific legislative act necessary for the enforcement of inter alia trade related provisions of the EU-UK Trade and Cooperation Agreement.

- Addressing non-compliance through **WTO or bilateral dispute settlement**, where other means fail. The **updated Enforcement Regulation**<sup>32</sup> strengthens the EU's capacity to act in situations in which dispute settlement, under WTO or bilateral agreements, is blocked.

*New online tools to support EU businesses, in particular SMEs:*

- explore more **efficient digital systems for trade facilitation and regulatory compliance**, based on the EU Single Window Environment for Customs and the EU Information and Communication System on Market Surveillance system (ICSMS) and consider in this context the digitalisation of product compliance information, including certificates of conformity for products, and its implementation in EU legislation.
- establish a new **Access to Procurement (A2P)** tool allowing EU economic operators to identify if and under what conditions they have legally guaranteed access to procurement tenders in third countries;
- extend the **Access2Markets (A2M) Portal online** tool to increase and include information for **EU services** exporters and **investors**, and consider other upgrades to the platform;
- improve the Rules of Origin Self-Assessment Tool (ROSA) to help companies, in particular European SMEs, to correctly apply rules of origin when exporting to third countries.

- The Commission will continue to use **Trade Defence Instruments** in a firm manner so that European industry is not exposed to unfair trade. This also includes tracking new forms of subsidisation by third countries, for instance, in the area of investment financing, and adequately addressing them with countervailing duty measures.

- In the **security field**, under the **FDI Screening Regulation**, the Commission restates its call to all Member States to set up and enforce a fully fledged FDI screening mechanism to address cases where the acquisition or control of a particular business, infrastructure or technology would create a risk to security or public order in the EU.<sup>33</sup> The Commission will continue implementing the cooperation mechanism with Member States' authorities to protect security and public order from risky foreign direct investments and consider enhancing the cooperation mechanism established by the FDI Screening Regulation.

- The Commission will work with Member States' authorities to ensure the effective implementation of the modernised **Export Control Regulation**<sup>34</sup> on sensitive dual-use goods and technologies to support secured value chains, promote international

security, protect human rights, and ensure a level-playing field for EU exporters.

Nevertheless, the EU needs to **develop its tools to confront new challenges** and protect European companies and citizens from unfair trading practices, both internally and externally.

- The Commission will propose a new legal instrument in the area of trade policy, to protect the EU from potential **coercive actions** of third countries.

<sup>32</sup> <https://trade.ec.europa.eu/doclib/press/index.cfm?id=2204>

<sup>33</sup> Communication of 25 March 2020 concerning foreign direct investment and free movement of capital from third countries, and the protection of Europe's strategic assets, C(2020) 1981 final.

<sup>34</sup> [https://ec.europa.eu/commission/presscorner/detail/en/IP\\_20\\_2045](https://ec.europa.eu/commission/presscorner/detail/en/IP_20_2045)

- The Commission will propose a legal instrument to address **distortions caused by foreign subsidies on the EU's internal market**.
- To enhance reciprocal access for EU operators in public procurement the Commission will seek to advance the **International Procurement Instrument and calls on the Council to finalise its work as a matter of urgency**.
- Finally, to ensure a better level playing field for EU businesses on third country markets, in which they increasingly have to compete with the financial support foreign competitors receive from their governments, the Commission will explore **options for an EU strategy for export credits**. This will include an EU export credit facility and enhanced coordination of EU financial tools. In line with the Green Deal objective to phase out fossil fuel subsidies, it will also incentivise climate friendly technology projects and propose to immediately end support for the coal-fired power sector, and to discourage all further investments into fossil fuel-based energy infrastructure projects in third countries, unless they are fully consistent with an ambitious, clearly defined pathway towards climate neutrality in line with the long-term objectives of the Paris Agreement and best available science.

The Commission will further continue working towards the **harmonisation of preferential rules of origin in the EU's trade agreements**, taking into account the interests of EU stakeholders, in particular SMEs.

Unlocking the benefits of the EU's trade agreements for individuals and companies, tackling existing barriers more systematically, and preventing new ones from emerging requires a collective effort of all EU institutions, Member States, as well as civil society and other stakeholders. The Commission will lead these efforts, including through the work of the EU Delegations and the networks, which Member States and business associations have in third countries.

#### **Headline actions**

The Commission will:

13. Seek to **consolidate the EU's partnerships with key growth regions** – in the Asia Pacific and Latin America - by creating the conditions to conclude negotiations and ratify outstanding bilateral agreements.
14. Make full use of the **Chief Trade Enforcement Officer's (CTEO)** role to maximise benefits of negotiated outcomes for companies, in particular SMEs and farmers, and to eliminate hurdles that impair on the potential of the agreements to deliver, including on sustainable development.
15. Further strengthen the **EU's tools to confront new challenges** and to protect European companies and citizens from unfair trading practices, including via the preparation of an anti-coercion instrument. In addition, the Commission will explore **options for an EU strategy for export credits**.
16. Develop **new online tools** to support EU businesses, in particular SMEs.

#### **4. SUPPORTING AN INFORMED DISCUSSION ON TRADE POLICY**

With its Trade for All Communication<sup>35</sup> the Commission had significantly increased its commitment to ensuring a transparent and inclusive trade policy. The Commission will continue on this path, which has been reflected positively throughout the contributions to the

<sup>35</sup> Trade for All: Towards a more responsible trade and investment policy - COM/2015/0497 final.

Trade Policy Review<sup>36</sup>. The latest Eurobarometer surveys published in 2019 showed that people welcome the efforts made over the past years. Six in ten say that they trust the EU to conduct trade policy in an open and transparent manner.

Given the importance of **stakeholder dialogue** and to encourage concrete collaboration on key questions, the Commission will deepen its engagement with civil society and social partners, on the basis of the Civil Society Dialogue review study launched in 2020. A particular focus will be given to implementation and enforcement, focusing on ensuring that the EU's interests are fully met as regards the expected benefits of trade agreements. The focus on WTO reform will be reflected in enhanced exchanges on these matters.

To ensure a sound basis for trade policy development, the Commission will also **deepen its analytical and data collection efforts**, and will encourage analytical input from stakeholders. The Commission will carry out an ex-post evaluation of the impact of the EU's agreements on key environmental aspects, including the climate. The Commission will also carry out work to develop a better understanding of the gender equality implications of various parts of trade policy and inform actions for improved gender awareness in trade policy<sup>37</sup>, including in Aid for Trade. Further analytical work will be undertaken on the impacts of trade policies on employment and different aspects of social development.

## **5. CONCLUSION**

The EU's trade policy has to adapt and reflect the challenges of our times and the expectations of our people. It is our responsibility to ensure that it serves to pursue the EU's interests, helping it achieve its ambitions and safeguarding its position in the world, today and for future generations. This is why it is so critical to reorient the EU's trade policy toward the objectives of supporting the fundamental green and digital transformation of the EU economy, building a more sustainable and fairer globalisation based on modernised rules, and stronger enforcement action. Ultimately, it is only by doing so that we can generate in a responsible and sustainable manner the opportunities that EU citizens, workers and businesses expect, and the planet needs.

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<sup>36</sup> [https://trade.ec.europa.eu/consultations/index.cfm?consul\\_id=266&utm\\_source=dlvr.it&utm\\_](https://trade.ec.europa.eu/consultations/index.cfm?consul_id=266&utm_source=dlvr.it&utm_)

<sup>37</sup> Joint Declaration on Trade and Women's Economic Empowerment on the Occasion of the WTO Ministerial Conference in Buenos Aires in December 2017.