

## Trade for all: Please fasten your seat belt

Long-term economic trends have transformed the world trading scene and, as underlined by European Commission President Jean-Claude Juncker in his 2017 State of the Union address, new challenges make it essential to strengthen the European trade agenda. In line with the 'trade for all' strategy, EU trade policy follows four main objectives: concluding balanced trade agreements, implementing the agreements in force effectively, tackling unfair trade practices and promoting a sustainable approach to trade.

### The largest global trading power in challenging times

In the trading world, the EU represents the largest single market with a single border and a single trade policy, enabling it to speak with one voice on trade matters. The EU has established its position and remains the [world's largest trading power](#) when accounting for trade in both goods and services. However, the trading world has been undergoing radical change. The rising importance of Asian countries, and China in particular, has shifted trade flows toward the east. Since 2016, the EU has ranked [second in merchandise](#) trade after China reached the top position. Another marked trend in recent decades has been the multipolarisation of the World Trade Organization (WTO). The development of [technology and services](#) is changing the economy. [Global value chains](#), slicing production processes for goods and services into different stages performed in different countries by the most efficient suppliers, have become the backbone of the trading system, making the world economy more dependent on open trade. Moreover, recent years have seen the emergence of at least three new challenges for EU trade policy. First, the election of Donald Trump as president of the United States has substantially transformed US trade policy from a pro-trade to a defensive policy. Second, the decision of the UK to leave the European Union (Brexit) could affect the EU's standing. Finally, the EU has witnessed growing public debate concerning the purpose, legitimacy and effects of its trade negotiations, examples being the negative outcome of the Dutch referendum on the agreement with Ukraine and the demonstrations against the trade negotiations with the US and the agreement with Canada.

### Concluding balanced trade agreements

[Economic theory](#) shows that trade brings net benefits to the domestic economy. In the 2014 to 2016 period, trade accounted for [16.8 %](#) of EU gross domestic product. [According to the Commission](#), EU exports provide jobs for 31 million Europeans, and one in seven jobs in the EU depends on exports. The EU therefore views trade as a means to boost jobs, growth and investment. At the same time, ambitious trade agreements need to strike a balance between market openness and the need for reciprocity, and go hand in hand with respect for human rights, labour, environmental, and health and safety protection regulations.

Even though the EU remains committed to the WTO rules-based system, the current global political environment and negative stance of the US with respect to [multilateral and plurilateral](#) negotiations, led to an [unsuccessful WTO ministerial conference](#) in December 2017. Plurilateral negotiations [on services](#) and [on environmental goods](#) have not resumed since 2016. Therefore, the 2018 [Commission programme](#) is focused mainly on the negotiation of [free trade areas](#) (FTAs). The EU's trade negotiations are indicative of the shift toward Asia, with the conclusion of negotiations with [Singapore](#), [Vietnam](#) and [Japan](#), with those agreements now to be formally adopted. The EU is also negotiating FTAs with [Indonesia](#) and the Philippines. Negotiations with Latin American countries are also a priority. After a failed attempt to finalise agreement with [Mercosur](#) at the end of 2017, negotiations continue; [agriculture](#) remains the main stumbling block. The EU [finalised negotiations](#) to modernise the existing Global Agreement with Mexico, opening new markets for agriculture, services and public procurement, and introducing new rules on sustainable development and on intellectual property rights. Negotiations for a modernised agreement were also launched with [Chile](#). The Commission is [negotiating](#) with partners all around the globe, and has proposed to start FTA negotiations with [Australia](#) and [New Zealand](#). Investment negotiations are ongoing [with China](#).

## Ensuring effective implementation and monitoring

As highlighted by [the Commission](#), the EU has 40 bilateral/bi-regional [trade agreements](#) in place with 75 partners. The EU monitors its trade agreements in order to ensure effective implementation and to explore ways to improve them. Future action will include publication of the [ex-post evaluation](#) of the EU-South Korea FTA five years on. The European Parliament has already debated an [implementation report](#) on the subject. An ex-post evaluation has begun for the trade pillar of the agreement with the [Euromed countries](#) and is due to begin for the agreement with Columbia and Peru. The Commission has also published a report on [FTA](#) implementation and the [generalised system of preferences](#) (GSP), which grants preferential treatment to developing countries. The EU is further pursuing enforcement of its rights under WTO law through [participation](#) in the WTO dispute settlement procedure and has begun talks on a new [multilateral investment court](#) in response to a European Parliament request [to change](#) the dispute settlement system for investment agreements. Finally, the Commission has proposed a new [screening](#) mechanism for foreign direct investment in the EU, to assess the implications for security and public order.

## Ensuring fair and inclusive trade

Trade rules must ensure that trade competition remains fair. Trade defence instruments can be introduced under WTO law to counter the injury caused by unfair trade practices, such as exports from subsidised industries and dumped exports (exports sold at a lower price than the normal value of the like good in the domestic market of the exporter). The EU is [reforming](#) its trade defence instruments in order to tackle unfair trade practices more efficiently. Moreover, the EU has revised its [methodology](#) for assessing dumping in the presence of state-driven distortions of costs and prices, and the European Commission has published [a report on Chinese state-induced market distortions](#). This new methodology has raised doubts [from lawyers](#) as to its compatibility with WTO law, and [China](#) has voiced opposition. A [Global Forum on Steel Excess Capacity](#) was launched in 2016 and, [in March 2018](#), the EU confirmed with Japan and the US the intention to address practices that lead to overcapacity and unfair competitive conditions. This debate is closely related to certain Chinese industries and the EU [has worked](#) to establish a bilateral platform with China to discuss the issues. The need for an inclusive trade policy was at the heart of the Commission's 2017 communication on [harnessing globalisation](#). In order to ensure that the benefits of trade are not unevenly distributed, the Commission has suggested working on [reforming](#) the [European Globalisation Adjustment Fund](#), an emergency fund to help workers displaced because of changes attributed to globalisation and the global economic crisis. It is yet to be seen [how Brexit](#) will impact the future of European funds in general.

## Promoting EU values and standards

The concerns of civil society and the debate surrounding trade policy have focused mainly on the fear that trade agreements will [lower regulatory standards](#). The EU has [underlined](#) that 'no trade agreement will lead to lower levels of consumer, environmental or social and labour protection than offered in the EU today, or compromise on fundamental rights'. Answering calls from civil society and the European Parliament for more transparency, the Commission decided to [publish](#) negotiating proposals and negotiating round reports. The civil society debate also called for the trade and sustainable development (TSD) chapters (covering labour and environment) to be bolstered, a position shared by the European Parliament [from the outset](#). In 2017, the Commission issued [a discussion paper](#) highlighting two options for reform: either maintaining the current model without sanctions or introducing a sanctions-based enforcement mechanism but reducing the scope of the chapter. In February 2018, the Commission published [a second paper](#) outlining 15 possible measures without sanctions-based enforcement. These include: facilitating monitoring by civil society; involving the European Parliament; working with international institutions; providing for more assertive enforcement; introducing further commitments on corporate social responsibility, climate action and labour issues; and creating an efficient system to respond to stakeholders' submissions. [Specific monitoring](#) of respect for human rights and sustainable development is also covered by the GSP. Moreover, the EU wants to promote its model [anti-torture regulation](#); in 2017, the EU, with Argentina and Mongolia, launched a [Global Alliance](#) to end trade in goods used for capital punishment and torture. Finally, the [Conflict Minerals Regulation](#), on the responsible importation of tin, tantalum, tungsten and gold, designed to prevent trade in this mineral from contributing to conflicts, will apply as of 2021.

*This note has been prepared for the [European Youth Event](#), taking place in Strasbourg in June 2018.*

