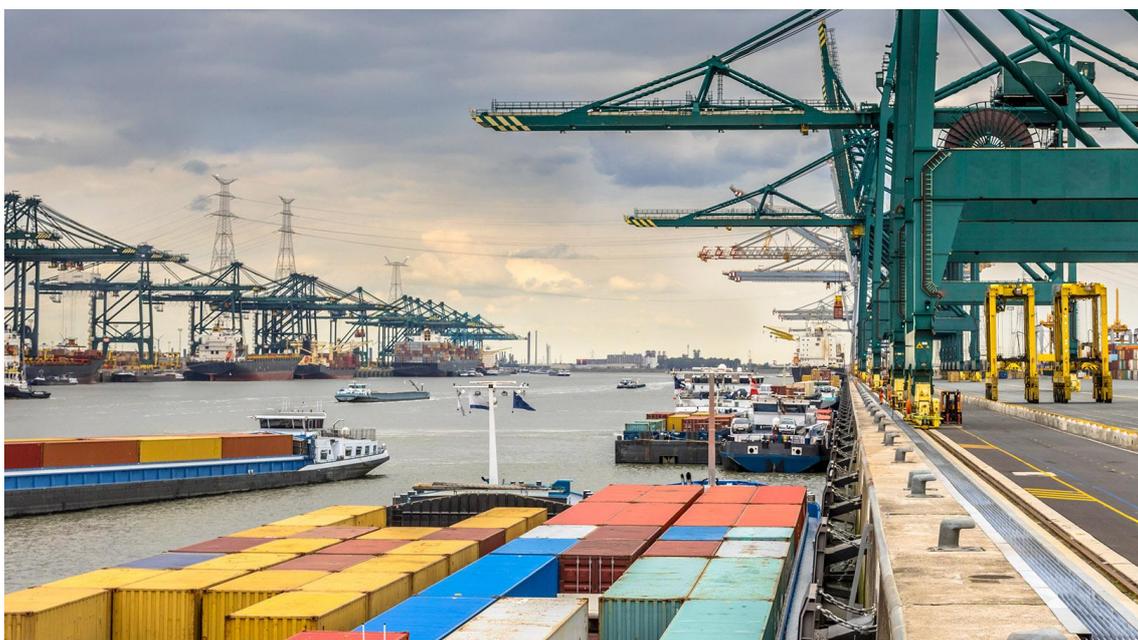


Making the most of globalisation: EU trade policy explained



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What is the EU's trade policy? Why is it important in a globalised economy and how does it work? Find out more about one of the EU's most intricate policies.

Why is EU trade policy important in a globalised economy?

Economic globalisation is characterised by an increase in international trade and a growing interdependence of economies at a global level. The EU's trade policy is a central tool to [respond to the challenges posed by globalisation](#) and to turn its potential into real benefits.

Having a trade policy at EU level rather than at a national level allows for more weight in bilateral negotiations and in multinational bodies such as the World Trade Organisation (WTO). The main goal of the EU's trade policy is to increase trading opportunities for European companies by removing trade barriers such as tariffs and quotas and by guaranteeing fair

competition.

It is essential for the European economy as it affects growth and employment. More than [36 million jobs](#) in the EU depend on exports outside the European Union. On average, every €1 billion worth of exports to non-EU countries supports more than 13,000 EU jobs.

Check out our infographic on the [EU's position in world trade](#)

The EU's trade policy protects Europeans by ensuring imports respect consumer protection rules.

The EU also uses its trade policy to promote human rights, social and safety standards, respect for the environment and sustainable development.

How does the trade policy work?

The EU's trade policy covers the trade in goods and services, foreign direct investment, commercial aspects of intellectual property, such as patents, and public procurement.

It is composed of three main elements:

- Trade agreements with non EU-countries to open new markets and increase trade opportunities for EU companies
- Trade regulation to protect EU producers from unfair competition
- EU membership of the World Trade Organisation, which sets international trade rules. EU countries are also members, but the European Commission negotiates on their behalf.

Trade agreements

Trade agreements are negotiated with non-EU countries to ensure better trading opportunities. There are different types:

- Economic partnership agreements, with developing countries from the Caribbean, Pacific and Africa
- Free trade agreements with developed countries
- Association agreements that strengthen larger political agreements such as the Union for the Mediterranean with Tunisia

The focus of all the agreements is to reduce trade barriers and ensure investment.

Read our [overview of trade negotiations in progress](#).

EU trade regulation

The EU also has rules to protect European companies from unfair trade practices. Such practices can include [dumping](#) or subsidies in order to make prices artificially low compared to European products. European products could also face customs barriers or quotas. If trade disagreements cannot be resolved, they can lead to a trade war.

Read more on [EU trade defence instruments](#).

Foreign direct investment in the EU is also regulated. In February 2019, MEPs approved a new screening mechanism to ensure that foreign investment in strategic sectors do not harm Europe's interests and security.

Read more on [the scrutiny of foreign direct investment](#).

The EU and the WTO

The World Trade Organisation (WTO) is made up of more than 160 members representing 98% of world trade. It aims to keep the world's trading system predictable and fair by agreeing and monitoring common rules for trade between nations

The EU is a strong supporter of the WTO and has played a central role in developing the international trading system.

It is closely involved in WTO multilateral trade talks. The European Parliament closely follows such negotiations and adopts reports assessing their state. The current round of WTO negotiations - the Doha cycle (2001) - has stalled due to a lack of agreement on key policies such as agriculture.

The EU also uses the WTO's ruling and enforcement powers when there is a trade dispute and it is one of the biggest users of the dispute settlement system.

Read more on [the EU and the WTO](#)

How is the EU's trade policy decided?

Trade policy is an [exclusive EU competence](#), meaning the EU as a whole, rather than individual member states, has the power to legislate on trade matters and conclude international trade agreements (*article 207 of the Treaty on the Functioning of the European Union - TFEU*).

The Treaty of Lisbon (2007) made the European Parliament a co-legislator on trade and investment with the Council, representing the member states. International trade agreements can only enter into force if the Parliament votes in favour of them. The Parliament can influence negotiations by adopting resolutions.

More on globalisation and the EU

Check out the following articles:

- Globalisation: how the EU's trade policy helps to promote human rights
- The EU's position in world trade (infographic)
- Facts : the benefits of economic globalisation in Europe
- Globalisation's impact on employment and the EU

Find out more

[European Commission page on trade policy](#)

[Council page on trade policy](#)

[World Trade Organization](#)