

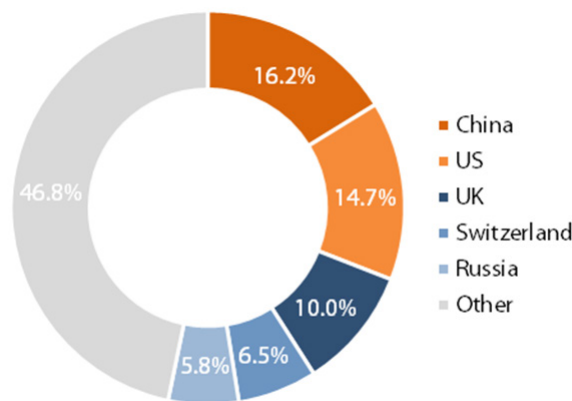


June 2022

Trade policy remains at the centre of European Union (EU) external action amid a general crisis of multilateralism, exemplified by the breakdown of parts of the World Trade Organization (WTO) system, supply chain challenges caused by the Covid-19 pandemic, increasing protectionism around the world, growing United States-China strategic rivalry, and, now, [Russia's war on Ukraine](#), to which the EU has responded in part with trade restrictions against Russia and Belarus. The long-term impact of the war will be shaped by EU and international efforts to find alternative sources of energy, raw materials and food.

The EU seeks to keep trade flowing, and to ensure the survival of the multilateral trading system while seeking bilateral and regional trade agreements with partner countries from Asia to Latin America. The European Parliament promotes values-based trade and rules that 'level the playing field', particularly in human rights and social, labour and environmental standards. This topical digest summarises the most recent research published for EP policy-makers to help understand this complex and dynamic field, including publications on **international trade law and the WTO, the economics of trade, investment, trade and sustainable development, digital trade, and export controls**, as well as overviews of **free trade agreements** and **trade-related legislation**. For an overview of analyses on the EU's bilateral trade negotiations and relations, see our topical digest on [Trade and Investment Agreements](#).

Top five trading partners of EU27 – Trade in goods, 2021



Source: Eurostat, calculations by Györgyi Macsai, EPRS.

Legislative Train Schedule fiches on trade

A single table summarising the state of play of EU trade legislation and international trade agreements, using the analogy of the arrivals/departures board of a railway station.

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Overviews

EU trade policy: Frequently asked questions

In-depth analysis by Jana Titievskaja, October 2019

This paper seeks to provide immediate answers to the most commonly asked questions related to EU trade policy: from the evolution and scope of EU common commercial policy to the role of different EU institutions and the economics of trade. It includes explanations of key trade concepts. In addition, the paper covers the procedures for the conclusion of international trade agreements, types of trade relationship, and the specific characteristics of EU legal instruments in the area of trade. Lastly, it addresses the issues of trade and sustainable development, which have grown into a key area of concern for Parliament.

EU international procurement instrument

'At a glance' note by Marcin Szczepański, June 2022

The Parliament was due to vote during the June I 2022 plenary session on an agreement reached between the co-legislators in trilogue negotiations on the proposed international procurement instrument (IPI), designed to facilitate reciprocal opening of procurement markets in non-EU (third) countries.

EU international procurement instrument

Briefing by Marcin Szczepański, March 2022

Government procurement forms an important part of national economies. The EU has opened up its public procurement markets to third countries to a large degree, while many other economies have had limited appetite to liberalise market access. The IPI would give the EU leverage in negotiating the reciprocal opening of public procurement markets in third countries.

Review of EU Enforcement Regulation for trade disputes

Briefing by Gisela Grieger, March 2021

The Enforcement Regulation enables the EU to suspend or withdraw concessions or other obligations under international trade agreements in order to respond to breaches by third countries of international trade rules that affect the EU's commercial interests. The proposed amendments were aimed at empowering the EU to impose counter-measures in situations where EU trade partners violate international trade rules and block the dispute settlement procedures included in multilateral, regional and bilateral trade agreements, thus preventing the EU from obtaining final binding rulings in its favour.

EU trade policy review

'At a glance' note by Krisztina Binder, December 2020

In 2020, the European Commission launched an EU trade policy review that will lead to a revised strategy to be adopted early in 2021. The aim is to set a new course for trade policy in a changing global context, aligned with EU priorities and supporting recovery from the coronavirus crisis. Parliament contributed to the process with a resolution on 26 November 2020, and has continued monitoring implementation of the new policy.

Key issues in the European Council: State of play in December 2021 **Chapter on Trade pp. 86 ff**

In this quarterly publication, the European Council's commitments are scrutinised and assessed for accountability purposes. The trade chapter provides a useful angle on the European Council's position with regard to international trade.

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Slowing international trade, pp. 5-7 by Jana Titievskaia, in **Slowing down or changing track?: Understanding the dynamics of 'Slowbalisation'**, *EPRS In-depth analysis, December 2020*

Following the global financial crisis, the year-on-year annual growth in international trade has fallen. This trend was exacerbated by the onset of US-China trade tensions in 2019. This is striking, given that trade has consistently outpaced GDP since the mid-1800s, with the exception of the interwar years. In nominal terms, trade appears even weaker, failing to keep up with GDP growth owing to the fall in the relative prices of traded goods and services, particularly commodities.

International trade policy

Briefing by Jana Titievskaia, July 2020

In recent years, the multilateral liberal trading order has already been facing unprecedented turbulence. The rise of protectionism and zero-sum thinking, trade wars and the blockage within the WTO.

Trade and competitiveness policies in the European Council: Background, current developments and way forward

In-depth analysis by Izabela Bacian and Marko Vukovic, March 2020

In recent years, international trade has gained increasing visibility on the European Council agenda. Profound changes have occurred in the global trading landscape, with common rules and standards questioned and new actors entering the world stage. A high level of economic interconnectedness and the ineluctable rise of emerging economies on the world stage, notably China, have highlighted differences across economic systems and divergences over the impact of certain policies and practices in the global economy.

Delivering for citizens: International trade and globalisation

Briefing by Jana Titievskaia and Roderick Harte, February 2019

This comprehensive summary of the last five years of EU trade policy asks what the EU did for citizens on trade and globalisation during the 2014-2019 Parliamentary term. The briefing sets out the legal basis of EU trade policy, and the underlying strategies and discourses that drove EU's trade policy. It also sets out the state of play of trade negotiations, trade agreements concluded, and the key trade-related legislative developments in the 2014-2019 term.

The power of the European Parliament: Examples of EP impact during the 2014-2019 legislative term,

Chapter on trade (CETA), pp. 8-9; by Jana Titievskaia, EPRS, April 2019

A good example of the Parliament's role in trade from the 2014-2019 Parliamentary term is the shift from the controversial investor-state dispute settlement mechanism to a more institutionalised International Court System under the Comprehensive Economic and Trade Agreement (CETA) between the EU and Canada.

Economics of trade

Distortive foreign subsidies regulation: A level playing-field for the single market

Briefing by Marcin Szczepański, March 2022

Public financing of enterprises, which has been on the rise globally, can have a distortive effect on competitive markets. In response to this trend, the European Commission published a proposal in May 2021, for a regulation to tackle foreign subsidies with a distortive effect on the EU single market.

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Proposed anti-coercion instrument

Briefing by Marcin Szczepański, March 2022

While there is broad support for creating a legislative tool to address the growing problem of economic coercion, opinions are divided as regards the severity of countermeasures and the manner of establishing when they should kick in.

Resilience of global supply chains: Challenges and solutions

Briefing by Marcin Szczepański, November 2021

The growing importance of global supply chains has fundamentally changed the way the global economy and goods manufacturing are organised. While trade conducted through global supply chains has fallen somewhat as a share of total trade since the 2008-2010 global financial and economic crisis, more than two-thirds of international trade still involves transactions made possible by such chains.

Rules of origin in EU trade agreements

Briefing by Issam Hallak, November 2021

Rules of origin are complex and rely on negotiations with partner countries, and their harmonisation poses a genuine challenge. The European Commission is simplifying and harmonising the rules of origin for EU trade agreements, with the aim of enhancing the effectiveness of the latter.

Distortive foreign subsidies regulation: A level playing-field for the single market

Briefing by Marcin Szczepański, June 2021

A draft regulation aims to tackle foreign subsidies that have a distortive effect on the single market. It proposes to do this by giving the Commission powers to investigate subsidies granted by non-EU public authorities to companies operating on the internal market. If these are found to be distortive, the Commission will be able to apply countervailing measures.

Critical raw materials in EU external policies: Improving access and raising global standard

Briefing by Marcin Szczepański, May 2021

Global demand for critical raw materials (CRMs) is rising, yet the export restrictions imposed by resource-rich countries intensify the competition for these materials. To boost its access to CRMs, the EU has a dedicated strategy based on three pillars: two internal (increasing domestic sourcing and circularity) and an external pillar focusing on securing supply from third countries.

Understanding trade balances

'At a glance' note by Jana Titievskaja, February 2019

Focusing on trade balances of exports and imports can be misleading in the trade policy context. Trade balances need to be considered as an integral part of a larger whole, the balance of payments of an economy.

Global and regional value chains: Opportunities for European SMEs' internationalisation and growth

Briefing by Ioannis Zachariadis, February 2019

International value chains have emerged as the new paradigm for the organisation of production globally. Today, most production processes across the world are vertically fragmented, as a result of the increased unbundling of tasks and functions and their sourcing from different geographical locations. This briefing analyses how this impacts small and medium-sized enterprises in particular.

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The added value of international trade and impact of trade barriers – Cost of Non-Europe Report

Study by Risto Nieminen and Laura Puccio, October 2017

This Cost of Non-Europe Report analyses the economic framework of international trade. The first part contains an overall presentation of international trade and a brief description of the significance of global value chains. The second part provides an analysis of the benefits of international trade and the consequences of protectionism.

World Trade Organization

World Trade Organization TRIPS waiver to tackle coronavirus

'At a glance' note by Jana Titievskaja, September 2021

Despite embedded flexibilities in the WTO Agreement on Trade-related Intellectual Property Rights (TRIPS), India and South Africa, co-sponsored by a large number of developing countries, submitted an initial proposal for a temporary waiver in response to Covid-19 in October 2020, which was met with divided opinion.

International trade dispute settlement: WTO Appellate Body crisis and the multiparty interim appeal arrangement

Briefing by Jana Titievskaja, April 2021

To find a temporary solution to the United States' blockage of appointments to the WTO Appellate Body, the EU and a number of trade partners set up a multiparty interim appeal arbitration arrangement (MPIA). The parties continue to seek resolution of the Appellate Body crisis, and agree to use the MPIA as a second instance as long as the situation continues.

WTO rules: Compatibility with human and labour rights

Briefing by Jana Titievskaja and Ionel Zamfir with Cecilia Handeland, March 2021

Supply chains are increasingly international, but many of EU's trade partners fail to meet both the labour standards of the International Labour Organization (ILO) and international human rights norms. EU trade policy is designed to ensure that economic development complies with WTO rules, whilst upholding human rights and high labour standards.

WTO e-commerce negotiations

'At a glance' note by Jana Titievskaja, October 2020

A high-standard outcome to e-commerce negotiations that builds on WTO agreements was the goal in WTO e-commerce negotiations. Participants wished to modernise trade rules to fit the digital age and show that the WTO's negotiating function can deliver. Key issues in the negotiations included e-contracts and e-signatures, data flows, data localisation requirements, disclosure of source code, and customs duties on electronic transmissions.

US duties on imports of Spanish ripe olives

'At a glance' note by Jana Titievskaja, March 2019

In January 2019, the European Union launched a case before the World Trade Organization (WTO) against the United States, challenging duties on imports of Spanish ripe olives. Given the importance of such support for EU farmers, the US measures could have far-reaching consequences for the EU's agricultural model and set precedents in the WTO.

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Multilateralism in international trade: Reforming the WTO

Briefing by Roderick Harte, October 2018

Despite having achieved various successes since its creation, the WTO is facing major challenges that undermine its status as the world's primary forum for negotiating trade rules, settling trade disputes and addressing trade issues. The EU is a strong supporter of the rules-based trade system and therefore has a strong interest in preserving the WTO.

Investment

EU international investment policy: Looking ahead

Briefing by Issam Hallak, February 2022

Opinions requested from the Court of Justice of the EU (CJEU) established that the EU had neither exclusive competence in portfolio international investments (which, unlike direct investments, provide limited control over a firm) nor in the investor-state dispute settlement (ISDS) mechanism.

Multilateral investment court: Framework options

Briefing by Issam Hallak, June 2021

Intergovernmental talks at the United Nations Commission on International Trade Law (UNCITRAL) aim at reforming the investor-state dispute settlement (ISDS) system; the overarching goal of the Council mandate is to establish a full-fledged permanent multilateral investment court with an appellate mechanism and tenured judges.

See also *Multilateral Investment Court: Overview of the reform proposals and prospects*, briefing by Issam Hallak, January 2020

CETA: Investment and the right to regulate

'At a glance' note by Laura Puccio, February 2017

Under international public law, states can be asked to compensate investors whenever regulatory measures become expropriation measures or violate standards of treatment, such as the 'fair and equitable treatment of investors' obligation. The EU-Canada Comprehensive Economic and Trade Agreement (CETA) takes a relatively restrictive approach to these investor rights.

Trade and sustainable development

EU carbon border adjustment mechanism: Implications for climate and competitiveness

Briefing by Jana Titievskaia and Henrique Morgado Simões with Alina Dobrova, May 2022

The carbon border adjustment mechanism (CBAM) would initially apply to imports in five emissions-intensive sectors deemed at greater risk of carbon leakage: cement, iron and steel, aluminium, fertilisers, and electricity. The CBAM charge would cover imports of these goods from all third countries, except those participating in the ETS or a linked mechanism. The CBAM aims to contribute to the EU's climate neutrality objectives, and encourage partner countries to decarbonise their production processes.

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Labour rights in EU trade agreements: towards stronger enforcement

Briefing by Ionel Zamfir, January 2022

Since the EU introduced elaborate sustainable development provisions into its agreement with the Cariforum group of states in 2008, provisions on labour rights and the environment have become a central part of most of the EU's subsequent trade agreements, the one with South Korea (2011) being the first to contain a dedicated chapter.

New EU scheme of generalised preferences

Briefing by Ionel Zamfir, January 2022

Two of the current scheme's three components are due to expire at the end of 2023, which would deprive developing countries of a vital opportunity to trade under preferential terms with the EU.

US approach to preventing imports of goods made using forced labour

'At a glance' note by Gisela Grieger, January 2022

In recent years, the USA has taken a range of steps to strengthen US legislation and enforcement practice from a human rights, trade and foreign policy perspective in the fight against the widespread use of forced labour in the increasingly complex global supply chains of the 21st century.

Towards a new Generalised Scheme of Preferences regulation for developing countries

Briefing by Isabelle Ioannides, December 2021

This briefing provides an initial analysis of the strengths and weaknesses of the European Commission's impact assessment (IA) accompanying the proposal for a new Generalised Scheme of Preferences regulation for developing countries submitted on 22 September 2021.

Trade policy for the 2030 biodiversity strategy

'At a glance' note by Jana Titievskaja, June 2021

The 2030 EU biodiversity strategy commits to better assessing trade agreements' potential impact on biodiversity and to better enforce biodiversity-related provisions. The International Trade Committee of the European Parliament has adopted an opinion on the trade aspects of the new strategy.

Using trade policy to tackle climate change

'At a glance' note by Jana Titievskaja, October 2019

European leaders have called for urgent action against climate change. Since the Paris Agreement is binding only in part, and aspirational concerning national emissions targets, there are calls to resort to trade policy instead.

Human rights in EU trade agreements: The human rights clause

Briefing by Ionel Zamfir, July 2019

The EU human rights clause, which also covers democratic principles and often the rule of law, is more than just a legal mechanism enabling the unilateral suspension of trade commitments in times of crisis.

Human rights in EU trade policy: Unilateral measures applied by the EU

Briefing by Ionel Zamfir, May 2018

The generalised system of preferences (GSP), granting certain developing countries preferential trade access to the EU market covers 90 non-EU (third) countries. The scheme includes explicit human rights conditionality, providing that preferences can be withdrawn in case of systematic violations of core human or labour rights norms.

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Gender equality and trade

'At a glance' note by Ionel Zamfir, January 2019

The EU has established specific mechanisms in its trade policy to enforce women's labour and human rights, and monitor the gender impact of its trade preferences.

The Generalised Scheme of Preferences Regulation (No 978/2012): European Implementation Assessment

Study by Isabelle Ioannides, December 2018

This evaluation focuses on the incentives in the GSP provisions that aim to push beneficiaries to comply with human rights and the extent to which these have been implemented and have had an impact on poverty reduction and good governance.

EU aid for trade: Taking stock and looking forward

Briefing by Marta Latek, April 2018

Most commentators agree that 'Aid for Trade' investments have helped developing countries to improve and diversify their export and trade performance. Their impact on poverty reduction has been much less clear.

Trade and Sustainable Development Chapters in CETA

Briefing by Laura Puccio and Krisztina Binder, January 2017

The EU's inclusion of sustainable development chapters in free trade agreements it concludes with its partners plays a role in ensuring that trade and investment liberalisation does not lead to a deterioration in environmental and labour conditions.

Digital trade

WTO e-commerce negotiations

'At a glance' note by Jana Titievskaja, October 2020

A high-standard outcome to e-commerce negotiations that builds on WTO agreements was the goal in WTO e-commerce negotiations. Participants wished to modernise trade rules to fit the digital age and show that the WTO's negotiating function can deliver. Key issues in the negotiations included e-contracts and e-signatures, data flows, data localisation requirements, disclosure of source code, and customs duties on electronic transmissions.

Blockchain for supply chains and international trade

Study for the Scientific Foresight Unit (STOA), May 2020

This study provides an analysis of blockchain technology in the context of international trade. It analyses the potential impacts of blockchain development and applications in eight use cases for supply chains and international trade. It also provides an analysis of the current legislative framework and existing initiatives. Based on this analysis, and following a broad consultation of relevant organisations, the study identifies several challenges in international trade documentation and processes, and presents a range of policy options for the European Parliament.

The advent of blockchain in trade

'At a glance' note by Krisztina Binder and Angelos Delivorias, July 2018

The use of blockchain in supply chains and trade-related business processes have gained ground in recent years. Start-ups and large companies exploit a wide range of blockchain-based applications in these areas.

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Export control

Review of dual-use export control

Briefing by Beatrix Immenkamp, January 2021

The proposed regulation will recast the regulation in force since 2009. Among other elements, the proposal explicitly defines cyber-surveillance technology as dual-use technology, and introduces human rights violations as an explicit justification for export control. It also includes provisions to control emerging technologies. The proposed regulation introduces greater transparency into dual-use export control, by increasing the level of detail Member States will have to provide on exports, licences, licence denials and prohibitions.

EU imports and exports of medical equipment

Briefing by Issam Hallak, October 2020

A mapping of EU trade in four categories of product – pharmaceuticals, medical equipment, personal protection and medical supplies – shows that, in all four categories, as few as five trade partners provide about 75 % of EU imports. Exports are more diffuse, with five partners receiving approximately half of EU exports. In 2019, the EU was a net exporter of medical products in all four categories, with pharmaceutical products representing most of its trade surplus of medical products.

EU export authorisation scheme for personal protection equipment

Briefing by Issam Hallak, May 2020

A mapping of exports and imports of personal protection equipment (PPE) subject to authorisation shows that, even though the EU runs a large trade surplus for medical products in general, it had been running trade deficits on these specific products pre-pandemic. The scale of trade in these products is also very small since imports represented as little as 0.05 % of EU gross domestic product (GDP) in 2019. This all goes to show how stresses on what amounts to a tiny portion of international trade can have dramatic consequences.

Food trade and food security in the coronavirus pandemic

'At a glance' note by Krisztina Binder, May 2020

The coronavirus pandemic not only created a global public health crisis, but also had a significant effect on the global economy and international trade. Measures to deal with the consequences of the pandemic while also affecting food trade have impacted on the world's food systems and have raised concerns for global food security. The EU is committed to keeping trade flowing and supply chains functioning, and supports international cooperation to promote food security.

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