EU trade policy review

In June 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 has contributed to the process with a resolution on 26 November 2020, and will continue monitoring implementation of the new policy in 2021.

Background

Trade is a key contributor to the EU’s economic growth. In 2018, for instance, international trade accounted for nearly 35% of EU gross domestic product, and supported around 36 million jobs in the EU, two thirds more than in 2000. However, in the last few years, the EU has had to conduct its trade policy in an increasingly challenging environment, faced with developments such as tensions among the world’s main economies, rising protectionism in the global trading environment, EU citizens’ higher expectations of trade policy, for instance regarding its sustainability, and the rapid growth of digital trade. Recently, the severe economic and trade downturn resulting from the global pandemic has highlighted pre-existing challenges, such as supply chain resilience and strategic autonomy.

In its 27 May 2020 communication on a comprehensive recovery package, the European Commission announced the launch of an EU trade policy review. The review, including the WTO reform initiative, also featured in the adjusted Commission work programme for 2020. Commission Executive Vice-President Valdis Dombrovskis, who took over the trade portfolio in October 2020, has been tasked by Commission President Ursula von der Leyen with ensuring that the review focuses on swift and sustainable socio-economic recovery from the coronavirus crisis, strengthens EU competitiveness in a challenging environment, contributes to the twin green and digital transitions, and promotes EU values and standards. The Commission presented its last major trade policy communication ‘Trade for All – Towards a more responsible trade and investment policy’ in October 2015. That strategy aimed to address criticisms of globalisation and international trade, and placed a strong focus on making trade policy more effective, transparent and values-based. Parliament welcomed the strategy in its resolution of July 2016.

The review procedure

The current trade policy review was launched with a speech by former Trade Commissioner Phil Hogan on 16 June 2020. On the same day, the Commission published a road map on the initiative, and opened a consultation process with the release of a consultation note, including guiding questions.

Scope of the review

Based on this consultation note, the review aims to set a new medium-term direction for EU trade and investment policy by building on the lessons learned from the coronavirus crisis and adjusting EU trade policy to the new global trading environment. It covers the following main themes.

The review assesses how trade policy can help strengthen the EU by means of an ‘open strategic autonomy’ concept. This means keeping trade free and open while ensuring a level playing field for EU businesses and people, notably through stronger trade defence and enforcement, and building up resilience. It also means enhancing EU global leadership in the international sphere, to deliver on its broader priorities in areas such as climate change and the digital economy. Developing and managing balanced relationships with key trading partners, such as the United States and China, is key, as is developing ways to address strategic autonomy, especially through improved supply chain resilience and sustainability.

The review also determines how trade policy can support a swift and sustainable recovery from the pandemic, by strengthening competitiveness, better preparing the EU for future challenges and helping to promote EU values and standards. Levelling the playing field and ensuring a stable and predictable trade environment are considered essential for economic recovery. Special attention is therefore paid to WTO
reform, including the modernisation of the rulebook and a permanent solution to the paralysis of the Appellate Body, which has resulted from the blockage of nominations. Consideration is also given to how trade policy can create opportunities for EU companies, especially small and medium-sized businesses (SMEs), to obtain the greatest benefit from global trade. Other priorities include exploring how trade policy can facilitate the twin green and digital transition, and how trade can be made more sustainable and responsible, e.g. by further promoting the United Nations sustainable development goals (SDGs).

**Consultation process**

The Commission asked stakeholders to reply to the questions included in the consultation note and give views on the review. The process also included consultations with Members of the European Parliament and the Member States, public events in Member States, and engagement with stakeholders and civil society representatives. For instance, two civil society dialogue meetings were organised on 13 July 2020 and 13 November 2020, and the Commission contributed to dedicated events in 22 Member States.

On 1 December 2020, the Commission put forward a summary of the 414 contributions received by the end of the procedure on 15 November 2020. With responses from 24 Member States, 65 % of the contributions were submitted by businesses and industry associations. Almost all respondents highlighted the need for an EU that remains committed to an open, fair and sustainable trade system. At the same time, a consensus emerged that the EU should improve its resilience, including, for the vast majority, a better understanding of its supply chains’ vulnerabilities. There was broad support for restoring rules-based trade and reforming the WTO, with many replies insisting that the WTO should also work on sustainability. Most respondents supported the conclusion of ambitious bilateral free trade agreements (FTAs), with high EU standards for environment and social protection, and many respondents called for stronger trade and sustainable development (TSD) chapters and effective implementation of them. Many contributions addressed the need to provide SMEs with support, pointing, for instance, at the existing information gap and the importance of stronger protection from unfair practices. The vast majority of responses stressed the significance of the transatlantic relationship and a close trading relationship with the UK. It was strongly held that new tools are needed to ensure a level playing field, however, in line with the EU's role as defender of open and rules-based trade. Accelerating the e-commerce initiative and ensuring free data flows, as well as ensuring that data protection rights and privacy are not weakened, were also considered necessary.

The results of the consultation process feed into a Commission communication on trade and investment policy, likely to be published in the first quarter of 2021.

**European Parliament position**

Following a debate on the trade policy review with former Trade Commissioner Phil Hogan and guest experts in the European Parliament’s Committee on International Trade (INTA) on 6 July 2020, on 12 October 2020, Trade Commissioner Valdis Dombrovskis gave a speech for the INTA committee’s Trade Policy Day, which was dedicated to a renewed trade policy. He also took part in a plenary debate on the trade policy review in the European Parliament on 24 November 2020.

In its resolution of 26 November 2020, Parliament welcomed the timely launch of the trade policy review and the debate on the EU’s unique concept of ‘open strategic autonomy’. It considered it crucial that the trade strategy contribute to inclusive and sustainable economic development, in line with the Green Deal. Parliament called on the Commission to identify raw materials critical for the twin transformation, and to analyse how to increase supply chain resilience. While calling for support to focus on strategic sectors, it also asked for special attention to be paid to SMEs, so as to facilitate their export activities. Parliament highlighted the need for a reinforced trade toolbox to protect EU interests, and thus welcomed the white paper on foreign subsidies as a tool to complement trade defence measures. It called for ambitious WTO reform, with a focus on the United Nations SDGs and the fight against climate change and emphasised the importance of a WTO agreement on e-commerce, and of legislation for mandatory EU-level horizontal due diligence in supply chains, also calling for effective implementation of FTAs and the enforcement of TSD chapters. On the latter, Parliament invited the Commission to study the creation of a sanctions-based mechanism as a last resort. It welcomed the Commission’s pledge to make Paris Agreement compliance a key part of future trade deals and stressed that a positive trade agenda should be set up with the US, also arguing for the conclusion of an investment deal with China to address the urgent need for reciprocity.