International trade and globalisation

SUMMARY

The European Community was founded on the belief that economic integration leads to peace and economic prosperity. Trade is therefore a fundamental part of the identity of the European Union (EU) today. Given the success of the internal market in fostering the longest period of European peace in modern history, the EU considers itself an example of the benefits of trade, globalisation and economic openness. International trade policy is an exclusive competence of the EU, and with the combined economic weight of its Member States behind it, the EU is one of the key players in global trade. Yet trade policy is about more than stability and growth for the EU, as it is also used to encourage poor countries to develop, foster international alliances and support fundamental values in the world. A strong partner in the World Trade Organization (WTO), the EU backs an international trading system based on rules rather than might.

The benefits of globalisation and international trade have nevertheless been questioned in recent years, including within the EU. This has led it to reinvigorate its trade policy, in particular by presenting a new trade strategy and a reflection paper on harnessing globalisation. The EU's new 'trade for all' strategy addresses criticisms and focuses on making its trade policy more effective, transparent and value-based. In line with this strategy, the EU has pursued ongoing trade negotiations with renewed vigour and launched new trade and investment talks, resulting in state-of-the-art agreements with countries such as Canada and Japan.

The EU faces uncertain times due to major shifts in international trade, coming from both the West and the East. In response, it seeks to promote economic openness, standing up for its values and protecting its interests. For example, the EU has retaliated against United States (US) steel tariffs and continues to defend the rules-based international trading order. Contentious trading practices on the part of third countries, including China, have led the EU to modernise its trade defence instruments, prepare a new foreign investment screening mechanism and seek a reform of the WTO. The EU is likely to continue this approach in the coming term, pursuing international cooperation and new agreements, possibly also at a continental level with Africa, and striving to protect its citizens and businesses from economic harm.

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In this Briefing

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State of play

International trade affects EU citizens in a myriad of ways. Trade and globalisation influence our economic cycles, impact our labour markets, and broaden the spectrum of consumer choice. International trade is also a central driving force behind globalisation, a process of integration among countries and people. According to economic theory, as technological development drives down transaction costs (communication, transport), cross-border trade and investment will increase. This prediction holds true for the EU, both within its single market and beyond its borders.

Today, the EU-28 forms the world's largest trading bloc, giving it a strong position in global trade affairs. This position of strength is due to the fact that the EU has the combined economic weight of 28 countries, which increases its bargaining power in relation to third countries. If instead the EU's Member States were to act alone in international trade, they would have considerably less economic clout and influence in the world, and this would only diminish further in the foreseeable future given the rise of new economic powers.

The EU is currently more globalised in terms of trade than ever before. One key measure of economic globalisation is the percentage of exports and imports of goods and services of gross domestic product (GDP). According to Eurostat data, the proportion of trade relative to the size of the national economy has been increasing in the last decade, in particular for EU exports (which have increased from 38.6 % in 2010 to 45.7 % in 2017). Foreign direct investment (FDI) to and from non-EU countries relative to GDP has also grown, as has the share of value added from intermediate products reflecting the connection between the EU and global value chains.

At the same time, international trade has become more politicised in the EU and beyond. Trade was an important electoral topic in the 2017 presidential election in France and in the 2016 presidential election in the United States. In 2018, US President Donald Trump's administration imposed tariffs on steel and aluminium imports of friends and foes alike (including the EU), as well as on approximately US$200 billion worth of imports (so far) from China. The EU responded with rebalancing measures for a list of US products, safeguard measures to address the diversion of steel into the EU from other countries, and legal proceedings at the World Trade Organization (WTO). Of particular concern to the EU is the US blockage of new appointments to the WTO's Appellate Body, which can undermine the multilateral rules-based trading system. The United Kingdom's future trade relations with the EU following Brexit is also a contentious issue. Meanwhile, more broadly, while anxiety over globalisation and free trade has led to the rise of protectionist parties, the autumn 2018 Eurobarometer confirmed that 71 % of citizens support EU trade policy as it stands.

There are a number of economic benefits from international trade for both businesses and consumers. According to the European Commission, about 30 million jobs and over 600 000 small- and medium-sized enterprises (SMEs) in the EU depend on exports. Meanwhile, imports have lowered the prices of (intermediate) goods and services and increased choices for consumers as well as businesses. To govern international trade, the EU has concluded trade agreements with 69 countries around the world, representing 40 % of global GDP. Consumers have benefited from an estimated €24 billion per year thanks to these agreements.

Nevertheless, the benefits of international trade and globalisation for the EU go beyond the strictly economic: economic integration through trade also promotes peace and stability, as the European project itself has successfully demonstrated for many decades. Every day, the record for the longest period of peace in Europe since the *Pax Romana* is broken. International trade enables the EU to engage with other countries and to build alliances around the world. The EU's active involvement in the WTO allows it to pursue multilateralism and international cooperation through a system that is based on rules rather than might. At the same time, the EU's trade policy seeks to encourage economic development, for example by providing developing countries with preferential access to the EU market. The EU also uses its trade policy as leverage to promote fundamental values in third countries to help improve people's living conditions.

That does not mean that there are no downsides to international trade and globalisation. In terms of undesirable effects, trade can bring about regional inequalities, for instance lower wages, as production moves to countries with a comparative edge. As resources are reallocated to more productive firms within an economy, efficiency gains are expected to produce net welfare gains. However, these benefits are not always distributed evenly. Production shifts have led to job losses in particular in the manufacturing sector. Nevertheless, the overall effects of trade-related worker displacement are arguably offset by economic gains from trade and job reallocation. The environmental effects of trade depend, inter alia, on the environmental variables measured and on the country's level of economic development. Trade liberalisation without mitigating regulation may also undermine personal data protection.

The EU plays an important role in managing the social, political and economic aspects of globalisation. First, it has exclusive competence for managing trade relations and negotiating trade agreements with third countries. Second, it is instrumental in addressing unfair trade practices of third countries and furthering international rules in this area, such as through a reform of the WTO. This, for example, helps to protect European businesses against the influx of under-priced goods on the European market and to level the international playing field. Third, the EU contributes to helping workers who have lost their jobs as a result of globalisation, for example through the European Globalisation Adjustment Fund (EGF). Primary responsibility for employment policy remains with the Member States, however, which limits the EU's possibilities in this specific area.

EU framework

Legal framework

The EU's powers in the area of international trade are defined by the EU Treaties. On the basis of Article 3(1) of the Treaty on the Functioning of the European Union (TFEU), the EU has exclusive competence in the area of customs union and international trade policy (also known as the 'common commercial policy'). The EU's exclusive competence in international trade is the direct result of the establishment of the customs union in the EU's early days, which led to the abolishment of intra-EU borders for trade in goods and the establishment of a common external customs tariff (Article 28 TFEU). This common external customs tariff required Member States to also adopt a common commercial policy, which has since developed into the EU's comprehensive trade policy.

Specific rules for EU trade policy vis-à-vis third countries are set out in Article 207 TFEU. The Commission, for example, has a central role in negotiating trade agreements based on a mandate given to it by Council. In addition, Article 218 TFEU contains the procedure for concluding international agreements with third countries, to which the EU's trade agreements are also subject. That procedure inter alia requires the European Parliament to give its consent to new EU trade agreements.

EU trade agreements can be EU-only or mixed agreements. Whereas EU-only agreements fall under the EU's exclusive competence and only need to be approved at the EU level, mixed agreements may have a number of legal bases that also involve shared competences and therefore need to be signed and ratified by both the EU and each Member State. For instance, certain economic partnership agreements with developing countries are also based on Articles 208-211 TFEU, which cover development cooperation. In an opinion issued in 2017, the Court of Justice of the European Union (CJEU) concluded that the EU-Singapore Free Trade Agreement (FTA) could not, in its original form, be signed and concluded by the EU alone, as some of its investment provisions (such as on portfolio investment) did not fall under the EU's exclusive competence. As a result, the FTA was split into an EU-Singapore Trade Agreement (covering EU exclusive competence) and an EU-Singapore Investment Protection Agreement (involving shared competences).

The EU and its Member States are members of the WTO, which embodies the rules-based international trading system that was established in the aftermath of World War II. The Commission speaks as a single voice for the Member States in most WTO meetings. The EU has agreed to a large number of WTO rules, which are set out in multilateral agreements. These rules are enforceable under the WTO's dispute settlement system.

Within the EU budget, a part that is devoted to external action finances trade-related tasks, civil society dialogue on trade or trade facilitation in developing countries. Outside the EU budget, the EGF can be mobilised on an ad hoc basis to support workers displaced as a result of globalisation.

A new approach to trade

As a result of the heated debates inside the EU about the benefits of international trade and globalisation in recent years, the EU has reinvigorated its trade policy. Two documents published by the Commission are of particular importance in this respect.

The first is the EU's new trade strategy 'trade for all – Towards a more responsible trade and investment policy', which the Commission presented in October 2015. This strategy emphasises three principles in EU trade and investment policy, namely:

- **Effectiveness**: The EU's trade and investment policy should be effective by tackling new economic realities, such as the rise of global value chains, and should live up to its promises, in particular in relation to implementation, enforcement, small businesses and workers.
- **Transparency**: The EU's policy (-making process) in the area of trade and investment should be made more transparent and open, including by working more closely with Member States, the European Parliament and civil society.
- **Values**: The trade and investment policy of the EU should be based on values: at home, by being responsive to the public's expectations on regulations and investment, and abroad, by promoting sustainable development, human rights and good governance.

The Commission's 'trade for all' strategy also stresses the importance of a forward-looking programme of negotiations to shape globalisation, in particular by reinvigorating the multilateral trading system and moving bilateral relationships forward. The European Parliament has welcomed this new trade strategy.

The Commission also affirmed its focus on shaping globalisation when it released a reflection paper on harnessing globalisation in May 2017. In that paper, the Commission suggests that the EU responds to globalisation at **the external level** with:

- **international cooperation** to shape globalisation, including by continuing to support existing international institutions as well as regulating new areas that are currently not subject to international rules;
- **economic diplomacy** to pursue the EU's economic interests abroad;
- **instruments to ensure a level playing field**, for example through effective trade defence instruments (TDIs) and better enforcement of existing trade agreements and rules.

At **the internal level**, the Commission proposes that the EU respond to globalisation by:

- **building resilience** through better sharing of the benefits of globalisation, in particular through robust social and education policies;
- **promoting long-term competitiveness**, with a particular focus on innovation, investment, sectorial policies, regulation and taxation;
- working in **close partnership** with more empowered regions when responding to globalisation.

In response to this paper, the European Parliament adopted a resolution in October 2018 on the trade aspects of harnessing globalisation. Together, the new trade strategy and the reflection paper constitute key elements of the EU's current approach to international trade and globalisation and they have guided the EU's most recent activities in this area.

One of the ten original policy priorities of the present Commission was changed halfway through this term from 'a reasonable and balanced free trade agreement with the United States' to 'a balanced and progressive trade policy to harness globalisation'. Apart from reflecting political changes on both sides of the Atlantic (in particular the termination of the TTIP negotiations), this shift demonstrates the current Commission's desire to explicitly link its trade agenda and policy to the broader issue of globalisation.

Deliveries of the 2014-2019 parliamentary term

Implementation of the EU's new trade agenda and strategy

The 2014-2019 term was very much focused on implementing the EU's new trade strategy. In September 2017, the Commission adopted a report on the implementation of the 'trade for all' strategy, which gives a good overview of what the EU had achieved so far. This section includes some of the report's key findings as well as new developments that have taken place since 2017.

Effectiveness

In relation to the effectiveness of EU trade policy, the EU (through the Commission) has tackled a number of trade barriers via the market access partnership through which the Commission coordinates its activities with Member States and businesses. For example, the Commission resolved 45 trade barriers affecting €8.2 billion worth of EU exports in 2017 and another 20 cases affecting €4.2 billion in exports in 2016. This has made it easier for EU businesses to export their products to third countries. In the WTO, the EU is currently pursuing many cases against different trading partners. Following the European Parliament resolution on the US attack on EU farm support in the context of duties on Spanish olives, the Commission announced that it was taking the case to the WTO dispute settlement. Other recent cases concern US steel and aluminium tariffs and China's technology transfer practices. Successful outcomes in these cases would make it easier for European enterprises to do business in these markets.

In the 2014-2019 term, the Parliament increasingly monitored the implementation of trade agreements, including their social and environmental impacts. In October 2018, the Commission released its second annual report on the implementation of FTAs, which comes on top of existing annual implementation reports on specific FTAs (such as with South Korea). This report gives an overview of the effectiveness of the EU's FTAs, looking at both progress and shortcomings, and in so doing contributes to transparency about the EU's work. While it shows that many EU FTAs have resulted in increased trade flows with partner countries, it also highlights that the implementation of such agreements (in particular the use of trade preferences) on the ground could be improved.

Transparency

During the 2014-2019 legislature, the Commission created a transparency in action website containing all published documents on the various negotiations underway (although sensitive market access offers will remain confidential). As part of its September 2017 trade package for the EU, the Commission also announced the creation of a new advisory group on EU trade agreements in order to foster an inclusive trade policy. This advisory group met five times in 2018. In addition, the Commission holds regular civil society dialogues on various aspects of trade policy in order to include civil society in policy-making processes and improve accountability. The Commission also decided as part of this package to henceforth publish its recommendations for Council negotiating directives. In parallel, the Council took steps towards greater transparency in 2018 by publishing for the first time an entire negotiation mandate for the modernisation of an association agreement (in this case between the EU and Chile) at a very early stage in the negotiations. This is in line with repeated calls from the Parliament to increase transparency at all stages of trade negotiations.

Values

Regarding values in EU trade policy, the Commission initiated a debate in 2017 on trade and sustainable development (TSD) chapters in its FTAs and what could be done to improve them. Based on the subsequent discussions, it published a non-paper in 2018, with 15 actions to be taken to revamp TSD chapters. Such actions include encouraging trade partners' early ratification of core international agreements (including International Labour Organization conventions), facilitating the monitoring role of civil society, and strengthening coordination with the European Parliament. In 2017, the Commission also suggested the launch of a review of TSD provisions in the EU-Canada Comprehensive Economic and Trade Agreement (CETA), and in September 2018, the CETA Joint Committee affirmed the commitment of the EU and Canada to effectively implement the Paris Agreement on climate change.

The planned modernisation of the EU's agreement with Mexico will also include new chapters on cooperation in animal welfare and anti-microbial resistance as well as on anti-corruption. With regards to gender equality and trade, in a 2018 own-initiative resolution the Parliament called for the inclusion of gender equality in trade agreements, and the Commission published draft provisions on trade and gender equality in its negotiations with Chile. In its talks with Indonesia, the Commission has also tabled a first text on data flows. In addition, the EU has suspended trade negotiations with Thailand due to concerns over fundamental rights.

Under the generalised scheme of preferences (GSP), the EU allows the most vulnerable developing countries to pay fewer or no duties on exports to the EU. The GSP aims to promote sustainable development and good governance, and it can also be used as a vehicle for promoting fundamental values in partner countries. In late 2018, the Commission began a review of its trade preferences for Cambodia in the light of deteriorating human and labour rights there. It is also considering a review of the preferences for Myanmar due to the worsening situation of the Rohingya people. As a complement to the GSP, the EU also provides financial assistance to developing countries to support their integration into the global trading system in line with the WTO's 'aid for trade' initiative.

A progressive trade policy that harnesses globalisation

As regards a progressive EU trade policy, the Commission managed to introduce several new issues in some of the EU's FTAs during the 2014-2019 term. These include energy and raw materials in its agreements with Vietnam and the Ukraine, the inclusion of a new investment court system (ICS) in several agreements (see below), and mobility of professionals (such as architects and crane operators) in CETA and the EU-Japan Economic Partnership Agreement (EPA).

The Commission has also been working on making the EGF more flexible. This fund was created in 2006 to (co-)finance active labour market policies in Member States that help workers who have lost their job as a result of globalisation or the economic and financial crisis to find new employment. From 2007-2016, the EGF supported 147 cases covering around 140 000 dismissed workers, half of whom became unemployed for trade-related reasons.

Trade and investment negotiations

The EU also made significant progress during the 2014-2019 term in numerous, both existing and new, trade and investment negotiations.

New and planned agreements

In December 2018, the Parliament gave its consent to the biggest ever EU bilateral trade agreement: the EU-Japan Economic Partnership Agreement. The agreement entered into force on 1 February 2019. Another significant new trade agreement that entered into force provisionally in the last term was CETA in September 2017. The Parliament gave its consent to the agreement in February 2017. CETA has been described as the EU's most advanced and progressive FTA to date because of its ambitious trade and sustainable development, labour and environment provisions. The

Commission considers that the agreement delivered positive results in its first year. CETA will only enter into force fully and definitively when all Member States have ratified it.

The EU is also finalising new agreements with several other countries:

- With Singapore, the EU signed both a trade agreement (TA) and an investment protection agreement (IPA) on 19 October 2018. The Parliament gave its consent to the FTA and the agreement should enter into force after the conclusion of final formalities by each party. The EU-Singapore IPA will have a longer ratification procedure because it will also have to be approved by the Member States.
- With Vietnam, negotiations on a new FTA with Vietnam were initially concluded in 2015, but the EU decided to also split that agreement into a separate TA and IPA following the aforementioned CJEU opinion on the EU-Singapore FTA. Ratification of the FTA before autumn 2019 is very unlikely; the IPA will take longer due to the requirement for Member State ratification.
- With Mexico, the Commission has reached an agreement to modernise the trade pillar of the existing EU-Mexico Global Agreement, which was considered to be outdated (the original agreement entered into force in 2000). Specific technical details and the legal text of the updated agreement remain to be finalised. The modernised Global Agreement will then have to be ratified at both the EU and the Member State level in the coming term.

New and ongoing trade negotiations

The EU has also worked on a large number of new and ongoing FTA negotiations during the 2014-2019 term, with some progressing more than others:

- With the Philippines, negotiations were formally launched in 2015 and two rounds of negotiations have taken place so far. Parliament has expressed repeated concerns over extrajudicial killings in the Philippines, calling for the removal of trade preferences if no concrete improvements take place.
- With Indonesia, negotiations were launched in 2016, resulting in six rounds of talks as of January 2019.
- With Chile, negotiations on the modernisation of the trade part of the 2002 EU-Chile Association Agreement were launched in 2017 and four rounds of talks have since taken place.
- With Australia and New Zealand, negotiations were formally launched in June 2018, with talks advancing at a good pace.

The EU has also continued working on negotiations for a FTA with the South American trade bloc Mercosur. These talks started almost 20 years ago and although in recent years hopes were high that they could be concluded in the 2014-2019 legislative term, a political agreement appears unlikely. The Commission has simultaneously been working on several other ongoing trade negotiations, including with Morocco and Tunisia, and new multilateral initiatives, including a reform of the WTO.

New and ongoing investment negotiations

As part of its trade policy, the EU also seeks to enhance international investment flows (both into and out of the EU), as investment is generally viewed as beneficial for economic growth and competitiveness. It therefore frequently includes investment chapters in its FTAs or negotiates stand-alone investment agreements with third countries.

In the last term, the EU worked on several new and ongoing investment negotiations. The ongoing negotiations on investment protection standards and dispute resolution with Japan should ultimately complement the EPA. Investment negotiations with China have continued, leading to a first exchange of market access offers in July 2018. At the same time, the EU has been preparing to launch similar talks with Taiwan and Hong Kong, and since 2014 five rounds of talks have taken place with Myanmar on an IPA.

In response to strong opposition from civil society in recent years to investor-state dispute settlement (ISDS) mechanisms in FTAs, the EU has also pursued a reform of international investment protection. The European Parliament has played a particularly important role in pushing the EU towards changing its approach by calling for the replacement of international arbitration with a new system. The EU has since managed to include a new investment court system (ICS) in its latest and planned agreements, including with Canada, Singapore, Vietnam and Mexico. Following public concerns over this new system, however, Belgium has requested an opinion from the CJEU on the compatibility of CETA's ICS provisions with EU law. In January 2019, the non-binding opinion of the Advocate-General of the CJEU issued its opinion, which found that the ICS is compatible with EU law.

In parallel, the EU has also begun negotiating a convention establishing a multilateral investment court (MIC) at the international level that builds on the innovations of the EU's bilateral ICS. These multilateral talks are taking place under the auspices of the United Nations Commission on International Trade Law (Uncitral) and are expected to move into a decisive phase in 2019.

Trade relations with the United States

The US is traditionally one of the EU's most important economic allies and together the two trade partners form the largest economic relationship in the world. Despite the EU's, at times, difficult trade relationship with the US, not least with regard to the attitude of the current US President Donald Trump, it did succeed in adopting a bilateral agreement on mutual recognition of inspections of medicine manufacturers in March 2017, and to conclude another agreement on insurance and reinsurance with the new US Administration, in March 2018. Following several trade conflicts with the Trump Administration since 2017 (including a threat to impose tariffs on EU cars), Commission President Jean-Claude Juncker reached a tentative deal with President Trump in July 2018, to avoid further escalation. As part of this deal, the EU and US are holding talks on an agreement on conformity assessment and on the elimination of tariffs on industrial goods. Notably, the mandate for these talks was approved by Member States without full consensus, with France voting against and Belgium abstaining.

Legislative files

Another important area on which the EU has worked during 2014-2019 is the adoption of new legislation to protect its citizens and businesses against unfair trade practices and to promote fundamental values in global trade.

The EU **upgraded its TDIs** by adopting two new pieces of legislation. TDIs enable the EU to protect EU businesses and citizens against other countries' unfair trade practices, such as selling goods in the EU at below-market prices to win market share.

- The first of these pieces of legislation is a new anti-dumping calculation methodology, adopted in late 2017. This new methodology should result in higher EU anti-dumping duties on goods dumped by third countries in the EU and is therefore expected to be more effective in countering market distortions.
- Shortly afterwards, the EU's instruments were further strengthened through a second piece of legislation that modernised EU TDIs and entered into force on 8 June 2018. This complete modernisation should make the EU TDIs more effective inter alia by accelerating EU procedures, increasing transparency and predictability, and reflecting the EU's high environmental and social standards.

The EU's legislative work has also focused on **promoting values** in its trade policy.

- One such example is the adoption in 2016 of an amending regulation to a 2005 regulation on export of certain goods which could be used for capital punishment and torture (also known as the Anti-torture Regulation). This amended piece of legislation should prevent EU exports from contributing to human rights violations in third countries.
- A second example is the adoption in 2017 of a new regulation on trade in conflict minerals, which will enter into force in 2021. This is intended to halt the trade in certain minerals (including tin and gold) from politically unstable countries, used by armed groups to fund their violent activities.

Also in the 2014-2019 term, work was carried out on the proposal for a European framework to screen foreign direct investment. This seeks to enhance cooperation between the Commission and Member States in scrutinising foreign takeovers of EU firms on the grounds of security and public order in order to protect the EU's essential interests. Following trilogue negotiations between the Parliament and Council, agreement was reached on this file in November 2018.

In 2017, the Commission published a legislative proposal that is intended to stop illicit imports of cultural goods into the EU, which are often used to finance terrorism. The Parliament adopted its position on this proposal in October 2018 and reached agreement with Council in December 2018.

In 2018, the EU also adopted a horizontal safeguards regulation and, in January 2019, increased its Brexit preparedness by agreeing on the future apportionment of tariff rate quotas in the EU's WTO schedule following the UK's withdrawal from the EU, currently expected on 31 October 2019.

Potential for the future

Anti-globalisation and protectionist sentiments have been on the rise in recent years and are not expected to disappear any time soon. As a long-time proponent of the benefits of free trade and globalisation in a rules-based international system, the EU will have a key role to play in furthering international cooperation and demonstrating the benefits of international trade. The Dutch Prime Minister Mark Rutte also made this point in a 2018 speech to the European Parliament, saying: 'Let us broadcast a strong message to the world: that Europe's belief in the power of multilateral cooperation and free trade is as firm as ever'.

Ongoing trade and investment negotiations

In the new term, many of the ongoing negotiations for new bilateral EU trade and investment agreements should be concluded. One of the first new agreements that the EU could complete is the modernisation of the trade pillar of the EU-Mexico Global Agreement, large parts of which would then be applied on a provisional basis. Similarly, talks with Australia, Chile, China, Indonesia, Mercosur and New Zealand could potentially lead to new trade and investment agreements. The EU is also likely to continue including progressive trade rules (such as on data flows and gender issues) in these and other new agreements in order to mainstream such matters. As regards entirely new EU agreements, in the 2018 State of the Union address, the Commission President suggested developing the EU's existing FTAs with African countries into a continent-to-continent FTA. Following the UK's expected departure at the end of October 2019, the EU will also have to start negotiating its future trade relation with the UK. Last but not least, as the EU showed in the 2014-2019 term, there is much to gain from improving the implementation of existing agreements, in particular the use of trade preferences.

Much potential also exists in the area of **plurilateral trade initiatives**. While negotiations on a trade in services agreement (TiSA) and an environmental goods agreement (EGA) were unsuccessful in the last term, such initiatives nevertheless continue to be in line with the EU's trade agenda. In fact, the WTO's 11th Ministerial Conference in 2017 created several new plurilateral initiatives that are of interest to the EU, including on e-commerce, investment facilitation, and micro, small- and medium-sized enterprises. At the World Economic Forum in Davos, in January 2019, the EU and 48 other members of the WTO agreed to launch negotiations on e-commerce.

At the multilateral level, the EU is determined to **preserve and reinvigorate the global trading system** as currently embodied in the WTO. This system is facing mounting pressure from different directions. A long-standing impasse in WTO negotiations has meant that its existing agreements, notably on subsidies, are unable to address the wide use of state support to companies in state-controlled economies, such as China. US concerns about these and other contentious Chinese trade practices, as well as more general concerns about China's rise as the soon-to-be largest economic power in the world, have come to a head under the Trump Administration. This resulted in a de facto trade war between the US and China in 2018, with both countries imposing tariffs on hundreds of billions of each other's exports. The EU, being a staunch supporter of the multilateral trading system, has for now teamed up with the US and Japan on a trilateral basis to attempt to reform the WTO and better equip it to address non-market oriented practices. In the near future, however, the EU may be asked to explicitly take sides in this trade dispute. At the same time, the EU will probably have to deal with the continued US blockage of nominations to the WTO's Appellate Body, which threatens to paralyse the WTO's Dispute Settlement System. To address US concerns in this area and keep the WTO at the centre of global trade dispute settlement, the EU is likely to continue to work with numerous trade partners, including Canada, Japan and China.

As regards the preparation of the future EU budget (the multiannual financial framework (MFF) 2021-2027), the Commission has suggested keeping the EGF as a special instrument outside the MFF ceiling. This will allow it to maintain its characteristic as a flexible emergency relief fund. In 2018, the Commission also proposed a reform of the EGF, including inter alia a higher maximum spending ceiling (from about €170 million to €225 million per year), a lower eligibility threshold, and a faster procedure. The EU's EGF is therefore being equipped to play a greater and more effective role in the next MFF in helping European workers dismissed as a result of globalisation to find new jobs. Efforts to promote the international role of the euro as a key currency for trade in goods and services are also envisaged in the 2019 Commission work programme.

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