New trade policy for Europe under the Europe 2020 strategy

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PURPOSE: to define the Union's strategy in the area of trade policy.

BACKGROUND: the European Union is the largest economy in the world. It is also the largest exporter. In 2009, European companies exported goods and services worth EUR 1.6 trillion representing 13% of GNI. The EU is also the largest supplier and beneficiary of direct foreign investment (FDI).

The opening up of trade offers a **triple advantage**:

- **Economic growth**: if the EU can manage to complete all the negotiations under way (Doha cycle and bilateral agreements) and to make significant new progress in its relations with its strategic partners, it will gain one point in GNI between now and 2020.

- **Advantages for the consumer**: the greater variety of goods and services will allow the average European consumer to economise around EUR 600 per year, on top of the savings arising from lower prices.

- **Labour market effects:** the integration of the EU in the global economy by the strengthening of trade generated by more and better paid jobs. More than 36 million jobs in Europe, either directly or indirectly, depend of the EU's ability to trade with the rest of the world. Japanese and US-owned companies alone employ more than 4.6 million people in the EU.

Between now and 2015, 90% of global growth will be generated outside Europe, a third of it alone by China. In the years to come, the EU will have to seize the opportunities offered by higher rates of growth recorded abroad, in particular in South and East Asia. Developing and emerging countries will probably represent close to 60% of global GDP between now and 2030, compared with less than 50% today.

The EU's objectives have to evolve as a consequence. The reduction in customs duties on industrial and agricultural products are still of high importance. However, the **crucial challenge** will be market access for services and investments., the opening up of public procurement, the improvement is agreements on the protection of intellectual property rights (IPR) and on the enforcement of that protection, barrier-free supply of raw materials and energy and, lastly and above all, the removal of regulatory barriers, in particular by the promotion of international standards. Through trade, the EU should also encourage a greener global economy and decent working conditions.

CONTENT: this communication is a key element of the Europe 2020 strategy's external dimension and describes in what manner trade policy and investment should contribute to this objective. It should also be considered as a clear declaration of Europe's intent to play an active and proactive role in the promotion of trade policy objectives within the G20 and all other trade bodies working at global level.

In summary, the following actions will be undertaken:

1. **To continue the programme of negotiations to stimulate growth:** the priority for trade policy must involve obtaining better access to the greatest and most dynamic economies in the world, in particular by concluding ambitious trade agreements.

Complete the cycle of Doha negotiations urgently and by no later than the end of 2011: world trade should increase by more than 300 billion euros per year and global revenues by more than 135 billion euros. The conclusion of the Doha Round is still very precious to achieve, not only for the economic gains it will bring but also to confirm the central role of the WTO in the world trade system. Nevertheless, the Doha agreement will not give answers to the newer questions that global trade rules ought to take care of. It is time to start reflecting on the next steps after Doha, and the Commission will set up a group of eminent people to that effect.

Conclude the programme of negotiation of free trade agreements (FTAs) already under way: negotiations to conclude an FTA have started with Korea, as well as with Peru, Colombia and Central America. Talks with the Gulf countries, India, Canada, and Singapore are at an advanced stage. We reopened important negotiations with the MERCOSUR region. We will seek to expand and conclude bilateral negotiations with ASEAN countries, beginning with Malaysia and Vietnam, and to deepen our trade and investment relations with the Far East. In parallel, we will continue to pursue Deep and Comprehensive Free Trade Agreements (DCFTAs) within the respective frameworks of the Eastern Partnership and the Euro-Mediterranean Partnership.

Intensify strategic partnerships: because of their economic size and potential, as well as their influence on the global economy, our trade policy needs to pay particular attention to the US, China, Russia, Japan, India and Brazil.

- the **US** is by far the EU's largest trade and investment partner. In spite of occasional disputes, trans-Atlantic trade and investment proceeds with more freedom than almost anywhere else in the world. The biggest remaining obstacles lie in the divergence of standards and regulations across the Atlantic, even though we have very similar regulatory aims.

- China is the EU’s second largest trading partner. However, our trade with China remains well below potential. Important market access barriers persist - in standards and regulations, services, investment and public procurement, as well as insufficient enforcement of IPRs, an opaque standardisation system, burdensome certification procedures and industrial policy measures aimed at import substitution, forced transfers of technology and granting local producers preferential access to raw materials. The EU has challenged a number of these measures in the WTO and bilaterally, and will continue to do so.

- **Russia** is our most important near neighbour. It is also the second largest destination for EU exports, the third largest source of EU imports globally, and the biggest energy provider for many Member States. Russia's integration into the WTO remains a crucial short-term objective for EU trade policy. In the meantime, the bilateral agreement under negotiation between the EU and Russia to replace the current Partnership and Cooperation Agreement would help to achieve a more effective, stable and predictable trading environment.

Public procurement: this is an area where foreign markets are particularly closed for EU companies. With a share of over 10% of GDP in large industrialised countries, and a growing share in the emerging economies, public procurement contracts constitute business opportunities in sectors where EU industry is highly competitive. This includes sectors such as, for example, public transport, medical devices, pharmaceuticals and green technologies. The Commission will present in 2011 a legislative proposal for an EU instrument to increase our leverage to **secure improved symmetry in access to public procurement markets** in developed and large emerging economies.

2. **The enforcement and implementation agenda:** the EU must step up our efforts to enforce our rights under bilateral and multilateral agreements to prise open markets that are illegally closed. Proper enforcement of trade rules is an indispensable pillar of trade policy.

At global level: the Commission will continue to pay particular attention to trading partners' actions in the recovery from the economic crisis. It will act vigorously against any protectionist tendencies that may harm our interests.

As regards **bilateral agreements**, we will prioritise the implementation of free-trade agreements, particularly in respect of the regulatory component and non-trade barriers.

The **Market Access Strategy (MAS)** will remain a key element of our enforcement activities. In line with our aim of stronger enforcement activities, the Commission will look to i) set up additional market access teams in half a dozen third countries and reinforce the existing 33 teams with a particular focus on monitoring the implementation of free trade agreements; ii) produce an annual **trade and investment barriers report** which will monitor trade barriers and protectionist measures in third countries. It will trigger appropriate enforcement action, with the possibility of "naming and shaming" third countries.

In order to ensure **better respect of IPRs**, the Commission will review its 2004 strategy on the enforcement of **intellectual property rights** in third countries to respond to new challenges. In negotiating FTAs, the IPR clauses should as far as possible offer identical levels of IPR protection to that existing in the EU while taking into account the level of development of the countries concerned. The Anti-Counterfeiting Trade Agreement (ACTA), when agreed and implemented, will effectively introduce a new international standard, building on the WTO TRIPS agreement.

The Commission will apply **trade defence instruments** in compliance with WTO rules to new forms of distortions such as subsidisation of strategic sectors, including where third countries use export restrictions to confer indirect benefits to downstream industries. It will support EU businesses if third countries use trade defence instruments in an unfair way, including, where appropriate, by raising these issues in the WTO.

In addition, the Commission will present a Communication on possible support measures to **help SMEs** that want to develop their international activities. It will also enhance the **role of EU Delegations as contact points for EU business abroad** and, where appropriate, create specific business support structures in third countries.

It will continue to develop **export control measures** aimed at simplifying and making more transparent the business environment for EU exporters, which at the same time contribute to strengthening international security efforts. It will bring forward a Green Paper to consult on the functioning of the current system and possible areas of reform.