
Report on the Implementation of the Trade Policy Strategy Trade for All

Delivering a Progressive Trade Policy to Harness Globalisation
I. INTRODUCTION

Two years ago, the Trade for All strategy set out a vision for a trade policy that is transparent and responsible, benefits all citizens, provides jobs and growth, and modern solutions for the realities of today’s global trade. Since then, the environment in which the EU conducts trade policy has changed considerably. At home, Europe saw an unprecedented public debate about the purpose and legitimacy of trade agreements, linked with renewed concerns about the effects of globalisation. In world trade, there is a real danger of a protectionist resurgence. An increasingly frequent use of domestic policies that damage other countries, even on part of the biggest economies, undermines the rules-based multilateral trading system.

In this environment, a trade policy that is effective, transparent and based on values is needed more than ever before. The fundamentals of the Trade for All strategy thus continue to guide the EU’s approach: openness combined with a level playing field, high standards of labour, environmental, consumer and social protection combined with the right policies at home remains the most fitting way to make globalisation work for all Europeans. The EU is committed to a rules-based multilateral trading system that underpins our prosperity, and that is essential to making trade a positive force around the globe in line with the Sustainable Development Goals. The EU’s policy response seeks out partners such as Canada, Japan, Mexico, Mercosur, Australia or New Zealand who want to team up in building open and progressive rules for the realities of 21st century trade.

The Trade for All strategy anticipated many of the issues businesses, consumers and workers now expect trade agreements to deliver. The commitments to enforce fair competitive conditions for the EU’s companies, safeguard European social and environmental standards and negotiate transparently are just as valid today as then. The full implementation of these commitments is however not without its challenges: two years on, this Report is an opportunity to chart progress to date.

Rather than covering the entire universe of EU trade policy actions, the focus of this Report is the work on the Trade for All commitments since October 2015. It complements other reporting such as the first annual Report on Implementation of Free Trade Agreements, published later in this autumn, the annual Report on Trade and Investment Barriers, and the numerous documents published in relation to ongoing negotiations. This Report includes achievements; areas where there is more work to do; lessons learned; and implications for the Commission’s priorities in the next phase of implementation.
II. A TRADE POLICY THAT HARNESSES GLOBALISATION

In May, the Commission invited a debate on what the EU can do to shape globalisation in line with our shared interests and values. Globalisation is about more than trade and its effects are combined with those of technological change; but there is no doubt trade policy has an important role to play in making these effects positive for people and businesses in Europe and beyond. **Global trade is an opportunity, if we choose to shape it:** openness to flows of goods, services, people and capital has fuelled EU growth, competitiveness and consumer welfare, and there is potential to do more.

Globalisation has created complex production chains, where value is added across a number of countries. **Removing trade barriers** is essential if the EU is to continue to be able to use these global value chains to generate growth, and benefit all European citizens — as importers, exporters, workers, consumers and more. Shutting the EU market or putting up protectionist barriers would hurt not just the highly integrated EU economy, but also those of the EU’s partners, including the world's poorest countries. As the world’s largest trading bloc and a committed international actor, the EU has the potential to shape globalisation in the spirit of **multilateral governance.**

However, **trade policy alone cannot deliver on this ambition:** making globalisation work for all calls for the strengthening of global governance in all areas, including climate. A **comprehensive domestic policy response** is needed, ranging from education to investment, to innovation, to energy, to fiscal and social policies and more, starting at the level of Member States. The Commission is making its contribution for example through the European Pillar of Social Rights proposal or through the EU’s cohesion policy. Addressing issues such as inequality and social inclusion, these policies also ought to be better linked to the European Semester.

Trade has a positive effect on employment, with 1 in 7 EU jobs (or 31 million) dependent on exports. Export-related EU jobs are also on average better paid, with up to 16% wage premium. Still, globalisation can have negative effects on some sectors and regions. The EU works to help those negatively affected to adjust, and to **increase the European economy’s resilience to change.** A modernised Common Agricultural Policy will be essential for the agri-food sector to successfully integrate into international markets and further promote high standards. The Commission is working on making the **European Globalisation Adjustment Fund** more flexible, deploying its assistance faster in case of company closures. In responding to sudden shocks in production chains, the Fund could also address the effects of innovation-driven changes. At the same time, **European Structural and Investment Funds** could help further enhance the resilience of local economic systems and labour force, and anticipate the dynamic changes stemming from globalisation and technological change.

**Global competition must also be fair:** multilateral rules-based trade is the best way to safeguard the European competitive and innovative edge that creates high quality jobs. Trade policies securing a level playing field for EU companies – be it by securing reciprocal market opening, tackling unfair practices or enforcing the EU’s rights and upholding high standards – will help Europe take advantage of the next production revolution, driven especially by digitalisation.

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Moreover, essential EU interests must be protected in the face of new challenges. This is why today, the Commission is proposing to establish a framework to screen foreign direct investment coming into the EU. The aim is to prevent take-overs of strategic assets that could threaten security or public order, while maintaining the openness of the EU market to investment as a whole.\(^3\)

This Report sets out how the *Trade for All* strategy is shaping globalisation into an opportunity.

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III. Delivering Benefits of Trade to All

The EU’s strategic focus is on ensuring trade agreements deliver concrete benefits to its economy and people. Over the past two years, multilateral achievements include the World Trade Organisation (WTO) agreement on combatting distortions in agricultural markets, on freeing up information technology trade, and on facilitating access to medicines in least-developed countries (LDCs). The Trade Facilitation Agreement entered into force this year, modernising customs procedures to help even the smallest businesses and the poorest countries benefit from trade.

On the bilateral front, the EU has concluded free trade agreement (FTA) negotiations with Vietnam, Partnership and Cooperation Agreements with Kazakhstan and Armenia, and reached an agreement in principle on an FTA with Japan. These are modern and progressive agreements with wide-reaching scope, and the Commission now works on their ratification and implementation so that real effects are felt as soon as possible. Following the provisional application of the agreement between the EU and Canada (CETA) on 21 September, preparations will continue for the ratification of agreements negotiated with Singapore, Vietnam, and Armenia. The last two years also saw the application of agreements with Ukraine, Georgia, Moldova, Ecuador, Ghana, Côte d’Ivoire and the South African Development Community.

The right architecture for these agreements can ensure the EU’s ability to act effectively and offer predictability to both EU citizens and its negotiating partners. The European Court of Justice opinion on the Singapore FTA⁴ provides welcome clarity on the division of competence in trade and investment agreements.

CETA is the EU’s most progressive agreement to date

Boosting trade in goods, services and investment, the EU – Canada Comprehensive Economic and Trade Agreement (CETA) creates opportunities for both exporters and importers, and new jobs for people across Europe and Canada. It delivers ambitious outcomes on sustainable development, while respecting the EU’s high standards on labour, environment and consumer protection and explicitly preserving the right of governments to regulate in the public interest.

CETA makes it easier for all traders and especially SMEs to do business. It eliminates 99% of tariffs on trade between the EU and Canada and removes barriers to trade in services in sectors ranging from finance to telecoms to environmental services. The agreement makes technical requirements more compatible, eliminating the need for expensive double testing for conformity standards on for example electrical goods or toys.

Consumers will enjoy lower prices and more choice, while CETA also protects 143 distinctive EU agricultural products with Geographical Indications. The agreement promotes an innovative and competitive economy by safeguarding intellectual property, including by bringing Canada’s rules in line with EU laws for protecting new technologies and managing digital rights. CETA opens up public procurement markets at federal, provincial and municipal level, giving EU firms better access than to any other trading partner.

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⁴ Opinion 2/15 of the Court of Justice of the European Union pursuant to Article 218(11) TFEU delivered on 16 May 2017.
**Ensuring a level playing field: enforcing the EU’s rights**

Open trade must also be fair. The EU actively uses all available tools to enforce commitments undertaken by our partners, to remove trade barriers and to combat unfair practices so as to safeguard a level playing field for EU companies. The interventions range from intensive contact with partner administrations, to numerous processes under FTAs and within the WTO, to leveraging ongoing negotiations and using trade defence instruments.

Better coordination with EU Member States and business via the **Market Access Partnership** has enabled the Commission to successfully tackle a number of trade barriers and deliver concrete improvements for EU exporters. In 2016 alone, the Commission resolved 20 different cases affecting EU exports worth €4.2 billion (the annual *Trade and Investment Barriers Report* gives more details). Tackling discriminatory treatment in the sanitary and phytosanitary area is of great importance for the EU as the world’s foremost trader in agri-food products, and the Commission has for example had success in opening markets for EU beef and pork exports. The Commission is also addressing regulatory barriers and protecting intellectual property including the EU food names (Geographical Indications, GIs).

When necessary, the EU enforces its rights through **dispute settlement**. The EU is currently pursuing 21 complaints in the WTO relating to 10 different trading partners, making it the biggest user of the system alongside the US. In the past couple of years, WTO rulings have secured fair conditions in cases such as imports of raw materials from China or paper and refrigerator exports to Russia.

**Trade Defence Instruments** (TDI) help ensure that EU enterprises face fair competition, forming a necessary pillar of an open economy. The Council and European Parliament are currently considering two Commission proposals aiming to make TDI even more effective in tackling threats to a level playing field: alongside a wholesale modernisation, the Commission also proposed a new anti-dumping calculation methodology to address significant market distortions and to strengthen the EU’s ability to counteract unfair subsidisation practices. In order to prepare these proposals, the Commission held a public consultation which attracted a large number of responses and position papers, and organised a stakeholder conference as well as a dedicated meeting with the EU social partners. The proposals form part of a continuous process of stock-taking of the efficiency and effectiveness of our TDI.

**Making the most of the EU’s trade agreements**

The Commission is working closely with Member States, the European Parliament (EP) and other stakeholders under the enhanced partnership for implementation to enable the widest possible **take-up of the opportunities created** by FTAs. Almost 40% of EU exports are now covered by an FTA (implemented or concluded). For example, the first five years of the EU - South Korea FTA saw European exports increase by 55%, and European companies have saved €2.8 billion in scrapped or discounted customs duties. The forthcoming *Report on Implementation of Free Trade Agreements* from the Commission will give details for each agreement. The EU Institutions and Member States are also working on a more coordinated economic diplomacy approach, improving the coherence of external policies to better promote the EU’s economic interest abroad. At the same time, this year’s review of the Aid for Trade

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strategy aims to enhance the capacity of developing countries to make better use of the opportunities offered by EU trade agreements.

The EU recognises that small and medium-sized enterprises (SMEs) can face specific challenges in taking advantage of FTAs. The Commission surveys trade barriers faced by SMEs as part of the impact assessments. Dedicated SME provisions are now tabled in all negotiations, and the Commission will seek a special SME chapter in all future FTAs, building on the Japan FTA. SMEs account for 30% of EU exports, and targeted implementation projects aim to increase their participation even further.

Simple and easy-to-use rules of origin help EU enterprises maximise the preferential treatment offered by FTAs. The EU strives to craft the easiest and most appropriate set of rules with each FTA partner, including on cumulation. Negotiations have also advanced on the convention providing a single set of rules throughout the 43 countries of the Euro-Mediterranean area. The EU cooperates with its partners within the World Customs Organisation on international instruments and standards in customs matters.

An active and targeted approach to regulatory cooperation prevents regulatory fragmentation and makes liberalisation provisions more effective. For example, a Mutual Recognition Agreement with the US on good manufacturing practices in pharmaceutical products concluded this year reduces the administrative burden facing manufacturers, including smaller producers while fully respecting the levels of protection on both sides.

The Commission is updating and improving online information tools to facilitate trade. The Market Access Database providing information for EU exporters will soon be complemented by further information tools on how to make the most out of the EU’s FTAs, with particular focus on SMEs. Taking stock of existing deals provides invaluable feedback for both agreements already being implemented, and new ones under negotiation. Ex-post evaluations will now be carried out systematically, starting with the Korea agreement later this year.

### A strategic partnership with Japan shapes the rules of global trade

In July, the EU and Japan reached an agreement in principle on the main elements of an Economic Partnership Agreement. As strategic partners and two of the world’s biggest economies, the EU and Japan are shaping global trade rules to promote open and fair trade.

Setting ambitious global standards, this innovative and progressive agreement upholds the EU and Japan’s shared high standards of environmental, labour, and consumer protection, and fully safeguards public services. It is the first international trade agreement to explicitly support the implementation of the Paris climate agreement.

The deal will remove the vast majority of duties paid by EU companies, which sum up to EUR 1 billion annually. It could increase EU exports by as much as EUR 20 billion, creating new opportunities for European companies, big and small, their employees and consumers. The agreement covers areas ranging from medical devices, to telecoms and public procurement; while also including an ambitious chapter on competition and subsidies. The agreement will open the Japanese market to key EU agricultural exports such as cheese and beef, and ensure the protection of more than 200 distinctive European agricultural products with Geographical Indications.

The Commission is now working to conclude a final text of the agreement by the end of the year.
**A forward-looking strategy**

The EU’s “Trade for All” strategy adapts to new economic realities and seeks to take advantage of new trade opportunities. Securing the ability of EU companies to build and participate in global value chains requires free access not only for goods but also for services, professionals and capital. The Commission is stepping up liberalisation in areas key to EU competitiveness, such as energy and raw materials—which has dedicated provisions in the Vietnam and Ukraine agreements and in all new FTA negotiations, contributing to the EU energy security strategy.

The EU pursues investment liberalisation through both FTAs and stand-alone investment agreements. A reformed approach to investment protection and dispute settlement with clearer emphasis on the states’ right to regulate in the public interest led to the setting up of a new Investment Court System with Canada and Vietnam which will be used in future agreements. Going beyond the bilateral context, the Commission is canvassing partners on the possibility of establishing a Multilateral Investment Court for the settlement of investment disputes. Exploratory talks were already carried out with third countries to ensure that this potential major innovation in governance would be truly global. The Commission is today recommending to the Council to open negotiations to establish such a court. This follows an impact assessment and an extensive public consultation carried out by the Commission throughout the past year, such as a dedicated stakeholder meeting with civil society in February 2017. Currently consulting on investment policy more widely, in 2018 the Commission plans to review the 2010 Communication on international investment and map out the way forward.

Today’s modes of production blur the distinction between goods and services, where many EU services directly enable trade in goods. The Commission is therefore working to liberalise services trade hand-in-hand with goods trade across all FTAs and in plurilateral negotiations, including by working to resume the Environmental Goods Agreement (EGA) and the Trade in Services Agreement (TiSA) negotiations. Mobility of professionals also facilitates both goods and services exports, and enabling provisions now feature in CETA and in the FTA with Japan. In addition, provisions on intra-corporate transfers and on recognition of professional qualifications are under consideration on a case-by-case basis. Where mobility is facilitated, cooperation on return and readmission should be strengthened.

The continued rise of digital trade has led the Commission to develop a new dedicated FTA chapter on e-commerce for future negotiations to facilitate electronic contracts and transactions, including enhanced consumer protection. Already proposed to Mexico, the EU is advocating for exploring the topic further in the WTO. The Commission will continue to analyse the effect of digitalisation on the European economy and to identify how trade policy can best reflect these new developments.
IV. ANCHORING TRADE AND INVESTMENT POLICY IN UNIVERSAL VALUES

A trade and investment policy that delivers for everyone responds to citizens’ concerns and reflects the universal values the Union adheres to. First of all, this means that no trade agreement will lead to lower levels of consumer, environmental or social and labour protection than offered in the EU today, or compromise on fundamental rights. Further, EU agreements leave governments hands free to achieve legitimate public objectives, and all the EU’s negotiating texts reaffirm this point.

This approach safeguards progress within the Union. In turn, the EU’s values and standards also shape its engagement abroad. Basing trade policy on EU and universal values allows the EU to shape globalisation to promote sustainable development both at home and abroad, contributing to the UN Sustainable Development Goals and initiatives such as the Paris climate agreement.

Comprehensive, binding sustainable development provisions are now part of all FTA negotiations, projecting key principles of global governance through the whole agreement. Commitments range from respecting core labour standards to conserving natural resources – as seen, for example, in the deals concluded with Canada and Vietnam. Inclusive growth and sustainable development are a cornerstone of the Economic Partnership Agreements with African, Caribbean and Pacific (ACP) countries, and of the EU’s unilateral preference schemes “Everything but Arms” (EBA), the “Generalised System of Preferences” (GSP) and GSP+.

The EU is committed to monitoring and enforcement of sustainable development provisions. The Report on Implementation of Free Trade Agreements will give details on their implementation under each existing EU trade agreement. The EU systematically engages with partner governments, international organisations, social partners, business and civil society to monitor GSP+ commitments, and in 2016 and 2017 monitoring missions covered all nine beneficiaries of the scheme. This engagement extends also to EBA partners such as Bangladesh and Cambodia. Genuine and effective implementation on the ground requires time. It was long-term partnership that helped Sri Lanka advance on human and labour rights: the country gained GSP+ preferences in May 2017. To build on this approach, the Commission has published a paper on the implementation and enforcement of sustainable development provisions in July, 6 kicking off a debate with the Member States, the European Parliament and with stakeholders on whether the current trade and sustainable development chapters are meeting expectations, and what could be done to improve them.

The EU monitors fundamental rights during negotiations, and suspends talks where there are serious concerns, as has happened in Thailand. FTAs contain revision clauses to ensure the most effective approach: the EU and Canada will launch a review of the sustainable development enforcement provisions in CETA once the agreement is provisionally applied on 21 September.

The EU has also updated its Regulation to prevent exports of goods that can be used for capital punishment or torture. The product lists have been updated and certain services including brokerage have been added. This revised Regulation will provide the basis for

discussions with partner countries under a Global Alliance to encourage them to develop similar trade restriction policies, with the aim to minimise the markets globally for this kind of products. The Global Alliance, launched under instrumental EU leadership together with Argentina and Mongolia at the UN in New York this September, will be used to exchange information and to facilitate measures and speed up processes when new products that could be used for capital punishment and torture appear on the markets.

Conflict Minerals Regulation undercuts rights abuse in some of the world’s most vulnerable regions

A new EU law, adopted in May 2017, will stop the export of conflict minerals and metals to the EU. It obliges EU companies in the supply chain to ensure they import gold, tin, tungsten and tantalum metals and minerals from responsible sources only—rather than from sources that might fund violence or lead to human rights abuses. The Regulation shows how a partnership on supply chain management can facilitate local community development through trade, while respecting fundamental rights and decent working conditions.

Building on this success, the EU is proposing self-standing articles on responsible supply chain management in ongoing negotiations. Corporate social responsibility (CSR) principles based on guidelines for multinational companies from the Organisation for Economic Cooperation and Development (OECD) and the International Labour Organisation (ILO) are already anchored in FTAs such as the one with Vietnam. The Commission also encourages companies’ voluntary non-financial reporting. The EU is actively engaged with other countries and international players to reinforce existing instruments and promote similar approaches. For example, the EU participates in the Bangladesh Sustainability Compact and works with the OECD on decent working conditions in the garment sector.

The EU continues to pursue new avenues in making trade policy more responsive to citizen’s concerns. The Commission is delivering its pledge to negotiate trade- and investment-related anti-corruption provisions and has developed an ambitious text proposal ready to be tabled in future negotiations, starting with Mexico and Chile.

Addressing gender equality would help ensure that the benefits of trade reach everyone, and by the same token maximise the overall gains from trade opportunities. The Commission is exploring how to build on existing anti-discrimination provisions and on support for sectors and operators key for women’s economic empowerment such as SMEs. Better understanding the impact of trade instruments on gender equality is a crucial step. To that effect a dedicated Commission study on women’s participation in exports published in June complemented the assessment of impacts of trade actions on gender carried out in the context of the latest Impact Assessments, Sustainability Impact Assessments and ex post evaluations.

Ideas from the International Forum on Women and Trade held this June in Brussels as well as co-operation launched in that context with relevant international actors, including the WTO, the International Trade Centre and others, will inform future policy and negotiations, starting with the negotiations with Chile. Building on the New European Consensus on

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Development and furthering the Commission's commitment to addressing gender issues as part of this year's review of the Aid for Trade strategy, this reinforced focus on the gender angle of trade inclusiveness will continue to be reflected in the Commission's positions across the board, including in the context of the upcoming WTO Ministerial Conference in December.

Promoting sustainable production standards as well as **fair and ethical trade and sustainability assurance schemes** increases consumers’ confidence in the products they buy in the EU. The Commission continues its work to promote these schemes via awareness-raising actions both within the EU, with partner countries and within international fora. Fair and ethical trade is discussed regularly with our partners as part of FTA implementation, and will be addressed in this year’s review of the Aid for Trade strategy. The Commission is teaming up with the International Trade Centre to fund a study on ethical trade, with the “EU City for Fair and Ethical Trade Award” due to be launched in 2018.

Values-based trade policy is more effective if it is **complementary to other EU policies and instruments**, including funding. Simplifying the rules of origin for goods arriving from Jordan has directly helped Syrian refugees' economic integration in Jordan, consistently with the EU’s 2016 Partnership Framework on migration. To reflect the new European Consensus for Development, this year's review of the Aid for Trade strategy supports sustainability and helps implementation of FTAs, Economic Partnership Agreements (EPAs), and GSP. The Commission also joins forces with organisations like the ILO, and directs the EU’s Partnership Instrument funds towards targeted capacity-building projects promoting good governance and respect of human rights.
V. TRANSPARENT AND INCLUSIVE POLICY-MAKING

To ensure that trade benefits everyone, effective trade policy must also be accountable, open and inclusive. Transparency is the responsibility of all EU Institutions, all Member States and all national parliaments. They all play their role as trade agreements are negotiated and adopted, and correspondingly share in the responsibility to inform and consult.

The Commission is committed to conducting trade negotiations in transparency

The EU now regularly publishes its negotiating proposals and reports of negotiating rounds. The Commission systematically invites the Member States to consult national parliaments on proposed negotiating directives, and to publish them as soon as adopted. The public will soon be able to consult for example the mandate for the Japan agreement, building on earlier publications for TTIP, CETA and TiSA.

As an effective trade policy must be transparent, the Commission has also decided to go a step further and to publish from now on its recommendations for negotiating directives, following the practice set out for the Article 50 negotiations. Publishing the negotiating directives, starting today with those for Australia and New Zealand, will also mean that they are automatically transmitted to national parliaments at the same time as they are submitted to the Council for deliberations as with any other Commission proposal, allowing for an inclusive debate on the EU’s negotiating proposals from the outset. This will also facilitate the dialogue on trade agreements that governments need to engage in within each Member State. The Member State governments’ early involvement of a variety of their national constituents is indispensable in crafting a transparent and inclusive trade policy.

As of October 2015, these texts are available on the dedicated “Transparency in Action” webpages, together with other documents relating to negotiations. At the same time, certain proposals such as market access offers must, initially, remain confidential to maintain the EU’s negotiating leverage. Once negotiations are concluded, the entire text is published – even before legal scrubbing and European Parliament and Council procedures have begun. The CETA, Vietnam and Japan texts are recent examples.

The Commission has also increased transparency in trade defence investigations. The “TRON” online platform gives the parties to any new investigation direct access to the full open file. Detailed executive summaries of all complaints, including reviews, are available to the general public.

The Commission is now actively working to move beyond transparency in the simple sense of information sharing. Truly inclusive policy-making demands active engagement with a broad spectrum of stakeholders. To make information not just available but more accessible, the Commission provides additional explanatory material when needed to complement published negotiating texts. The Commission also publishes fact sheets, statistics and a wealth of other information online and via social media to encourage a well-informed, fact-based policy debate – including the dedicated portals “Let’s Talk Trade” or interactive maps of companies across the EU that export to our trading partners (“CETA in Your Town”).

The Commission continues to systematically publicly consult, so that all opinions expressed inform EU decision-making and help the EU respond to people's concerns. For example, the
EU approach to investment protection and investment dispute settlement was reshaped following public consultation. As part of its emphasis on transparent and inclusive trade policy-making, the Commission will be creating an advisory group on EU Trade Agreements to provide advice on EU trade negotiations and their implementation. Through this group the Commission will be able to benefit from different perspectives and insights on trade from European organisations such as employers’ organisations, trade unions, representative associations, consumer associations and other civil society organisations.

Evaluations (Impact Assessments, Sustainability Impact Assessments and ex post analysis) have been enhanced wherever possible, canvassing stakeholders including social partners in greater detail; assessment has been deepened in the areas of consumer protection, human rights and SMEs in particular.

The Commission actively encourages and assists with discussion and debate on trade policy, whether in the European Parliament, Member State parliaments, the European Economic and Social Committee or the civil society at large. This should be a broad policy debate that would go beyond trade specialists. Since taking on the trade portfolio, Commissioner Malmström has so far visited national parliaments in virtually all EU Member States, as well as taking part in citizen’s dialogues. Meetings of a regular Civil Society Dialogue also take place in Brussels, including this May when the Commissioner personally updated participants on the negotiations with Japan and the future of EU trade policy. The EU negotiates FTA provisions giving civil society in both the EU and its partner countries a formal role in monitoring how the sustainable development provisions of trade agreements are implemented. In future negotiations, it will be proposed to extend this oversight to all provisions of FTAs.
VI. ENGAGING PARTNERS AROUND THE WORLD

The **WTO is central to the EU’s trade policy** and negotiating as underlined by the European Council in June 2017.⁸ The EU believes the rules-based multilateral trading system is essential for delivering an effective and fair trade policy that benefits all citizens in all countries. The WTO’s daily work on monitoring, transparency, enforcement and mediation is invaluable and can always count on the EU’s active participation. Still, much remains to be done to ensure that the WTO performs to its full potential as a rule-making body driving the global governance agenda forward.

The Trade Facilitation Agreement and Information Technology Agreement expansion are both delivering significant progress in the WTO setting, and the EU played a crucial role in brokering the final agreements. These examples show that to arrive at a meaningful outcome, WTO members, and emerging countries in particular, must be **ready to make a substantial contribution to the system**. The WTO's negotiating agenda needs to be dynamic and respond to the changing needs and expectations of traders. A broad range of issues needs to be addressed to make WTO tools more relevant to today’s realities of global trade and to level the playing field.

Since the Nairobi Ministerial Conference of December 2015, the EU has led the way in **reshaping the WTO negotiating agenda**, championing proposals to limit the use of distortive agricultural and fisheries subsidies, to promote transparency in industrial subsidies, to create new and much-needed rules on e-commerce, or to agree on domestic regulation disciplines. The EU is also co-sponsoring proposals helping SMEs engage in international trade or promoting gender equality; and is actively engaging in a dialogue on investment facilitation for development.

In the run-up to the Ministerial Conference in Buenos Aires later this year, the EU is stepping up discussions with other WTO members on **how to modernise world trade rules**, and to restore the primacy of the WTO in rule-making. The EU will pursue multilateral solutions while, where necessary, plurilateral approaches should also be further explored – with a strong preference for open platform solutions that would be fully anchored within the WTO framework.

The EU’s **bilateral relationships** can provide a more ambitious reinforcement of the rules-based multilateral system. Nowhere is this consideration more pertinent than in the relationship between the EU and its two biggest trading partners, the **United States** (US) and **China** respectively. Given their combined economic weight’s influence on global governance, these relationships need to live up to their potential to lead on progressive and open rules for international trade.

TTIP talks have now been paused, but the **US** remains the EU’s biggest export market and a key ally. An EU-US convergence on a high level of ambition and on key global governance stances concerning trade rules as well as areas such as climate is a necessary prerequisite for any agreement. In the meantime, the EU and the US are exploring ways to enhance cooperation on global trade challenges – such as overcapacity – as well as concrete initiatives to facilitate transatlantic trade.

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⁸ European Council Conclusions, 23 June 2017 (EUCO 8/17) paragraph 16.
Overcapacity is a problem in China’s economy in particular, and its consequences can only be effectively dealt with by international economic governance such as seeking to address urgent problems in the steel sector within the Global Forum on Steel Excess Capacity, established by the G20 and OECD members. Here, the EU was instrumental in negotiating a set of commitments to cut steel excess capacity, notably by removing market-distorting subsidies and other government support. The EU works with China to encourage its active participation in multilateral trade structures, commensurate with China’s weight in the system and the benefits it draws from it. In the bilateral relationship, the EU uses all available actions to address Chinese policies undermining the level playing field for all producers and traders, including unfair subsidisation and extensive export support. Pursuing reciprocity, the EU is negotiating an investment agreement with China.

The EU’s negotiating strategy adapts to both economic and political shifts, and takes advantage of new opportunities. The wide scope of the EU’s bilateral engagement has broadened even further, in particular in respect to the future growth engines in Asia and Latin America. In Latin America, talks on the modernisation of the Mexico agreement and the Mercosur negotiations are advancing fast. Since the launch of the Trade for All strategy, negotiations started with Indonesia and the Philippines, and are ready to resume with Malaysia and Thailand when the conditions are right. Negotiations with India were launched in 2007, and the last formal round took place in 2013. The EU is preparing to launch investment negotiations with Hong Kong and Taiwan. In the future, investment talks could also complement the existing Korea FTA.

In the EU’s neighbourhood, negotiations with Tunisia are ongoing and could soon be resumed with Morocco. Negotiations were launched with Azerbaijan in the framework of a Partnership and Cooperation Agreement, furthering the EU’s commitment to the Eastern Partnership. At the end of 2016, the Commission proposed to the Council draft negotiating directives on modernisation of the EU’s Customs Union with Turkey.

The EU continues to support our partners’ regional integration projects, and is exploring deeper trade relations with for example the Association of Southeast Asian Nations or African regional integration initiatives. The EU and the African Union are working together to develop guiding principles on investment policy-making.

Looking ahead, the Commission has recently proposed negotiating directives to launch negotiations with Chile, and is doing so today for Australia and New Zealand.

9 The separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu.
VII. CONCLUSION

The first two years implementing the Trade for All strategy have seen considerable concrete progress towards an effective, transparent and responsible trade policy that responds to economic challenges and seizes opportunities. The EU is shaping rules of global trade by pursuing progressive and innovative agreements, as exemplified by the Canada and Japan agreements.

This work is however not complete, and will continue. The Commission must bring ongoing work to a successful conclusion: first, by carefully implementing achieved agreements so as to ensure that the new opportunities create real benefits on the ground. Second, the EU will continue to pursue its strategy for modern rules fit for 21st century trade in ongoing negotiations within the WTO and with bilateral partners. The EU can also learn from practical implementation to update and adapt its action, leading to reflection on, for example, enforcement of sustainable development provisions. Finally, trade policy will explore new areas such as gender equality.

The Commission looks forward to working with the Council, the European Parliament and all stakeholders to further implement the strategy, and ensure that EU trade policy continues serving all in Europe and beyond.