



Questions and Answers: An open, sustainable and assertive trade policy

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Why is the Commission producing a new trade strategy?

The EU needs a new trade strategy to address the challenges we face: the economic recovery, climate change and environmental degradation, growing international tensions, greater recourse to unilateralism, and its consequences for multilateral institutions.

The new strategy will therefore further integrate EU trade policy within the bloc's economic priorities as reflected in the Green Deal and the European Digital strategy, specify trade policy's role in the post-COVID economic recovery and support the pursuit of the EU's geopolitical ambitions. As such, it will show how trade policy supports the EU's open strategic autonomy.

The new strategy aims to establish a new consensus for trade policy based on openness, sustainability and assertiveness. It reinforces the EU's position as a global champion of open, rules-based trade that is fair and sustainable.

What are trade policy's core objectives for the medium term?

The EU's trade policy needs to focus on three core objectives:

1. Supporting the recovery and fundamental transformation of the EU economy in line with its green and digital objectives;
2. Shaping global rules for a more sustainable and fairer globalisation;
3. Increasing the EU's capacity to pursue its interests and enforce its rights, including autonomously where needed.

To deliver on these three objectives, the Commission will focus on:

1. Reforming the WTO;
2. Supporting the green transition and promoting responsible and sustainable value chains;
3. Promoting the digital transition and trade in services;
4. Strengthening the EU's regulatory impact;
5. Deepening the EU's partnerships with neighbouring, enlargement countries and Africa;
6. Reinforcing the EU's focus on implementing and enforcing trade agreements, and ensuring a level playing field for EU businesses.

For each of these areas, the strategy sets out a number of headline actions to be accomplished during this Commission's mandate (see end of text for full list).

What is 'Open Strategic Autonomy' and what does it mean for trade policy?

The concept of Open Strategic Autonomy (OSA) reflects the EU's desire to chart its own course on the global stage, shaping the world around us through leadership and engagement while preserving our interests and values. OSA foresees making the best possible use of the opportunities of our openness and global engagement, while assertively defending our interests, both internally and externally.

In essence, the EU will continue to work with partners to advance this positive agenda, but will work autonomously when it must.

Will the EU remain open to trade and investment?

Yes. The EU has a strong network of trade agreements: 46 deals with 78 partners and a substantial trade surplus. Across the EU, 35 million jobs depend on trade. Many are high-quality jobs: competitive gains from global trade have increased wages by 12%. There is the potential to build on this strong foundation but to do so we have to look beyond our borders, given that 85% of global

growth will take place outside Europe in the next decade.

The best way to ensure the EU's prosperity is to keep trading with our global partners, rather than turning inwards. Indeed, we need open trade more than ever to support our recovery from the COVID-19 pandemic.

In the concept of 'open strategic autonomy', the first word is 'open'. The EU is and will remain a champion of openness and global cooperation, a global economic power and a leader on sustainable growth.

Yet being open does not mean being defenceless. We will ensure that we reap the benefits of our international engagements and lead global change by standing ready to defend ourselves from unfair trade practices.

The EU is built on – and needs – openness to strengthen resilience and help keep our industries competitive, to make the Single Market more attractive, and to tackle climate change and other environmental challenges. Openness and engagement are a strategic choice that lead to more prosperity, competitiveness and dynamism.

How will trade policy support the EU's geopolitical goals?

The EU has been and continues to be steadfast in its support for multilateralism and a rules-based international order. We want to update the global rulebook so that its rules take into account the profound economic developments of the recent decades. Such reform is needed to ensure the stability and predictability necessary for trade to thrive. This is why reforming the WTO is our priority.

The EU intends to intensify its engagement with Africa and its neighbouring countries, including enlargement countries, and to consolidate its partnerships with key growth regions, notably in Latin America and Asia-Pacific. We also aim to work closely with the new US administration to pursue our shared interests, including reforming the WTO.

How will the EU seek to reform the WTO?

The EU's new strategy sets out an agenda to reform the WTO by:

- adopting a first set of WTO reforms focusing on sustainable development and working towards mainstreaming sustainability in the work of the Organization;
- reinforcing WTO rules against negative spill-overs of state intervention in members' economies;
- making it easier to negotiate new agreements on issues of importance for large subgroups of WTO members;
- finding a lasting solution to the current impasse surrounding the WTO's system of binding dispute settlement;
- making the WTO's monitoring of its members' trade policies more effective by:
 - increasing transparency of members' trade practices, and
 - improving how the WTO's committees work.

How will this strategy contribute to improved EU-US relations?

The transatlantic relationship is the biggest and most economically important partnership in the world. It is deeply rooted in common interests and values. The new US administration provides an opportunity to work together to reform the WTO, including by reinforcing its capacity to tackle competitive distortions and to contribute to sustainable development. It also offers new prospects to cooperate closely on the green and digital transformation of our economies.

We are at a pivotal moment in terms of transatlantic relations and look forward to engaging with the new Biden administration to find solutions to the many problems ahead of us. The EU has made it very clear that we are ready to turn a new page. Cooperation on WTO reform will be a priority. For example, to support a greener economy, we have proposed transatlantic leadership in a Trade and Climate initiative within the WTO. We will further work with the US and others to ensure that trade rules are well equipped to deal with competitive distortions and promote a level playing field.

What about EU-China relations?

The EU's trade and investment relationship with China is important and challenging. Building a fairer and rules-based economic relationship with China is a priority. The Communication sets out ways to address the complexities of dealing with China and to ensure that the EU has effective policy tools to enforce its rights.

The Comprehensive Agreement on Investment recently concluded in principle is an important step forward in EU-China trade relations. It forms an element of the EU's broader and multi-pronged strategy towards China. The work to ratify it will require a clear engagement towards the effective implementation of the agreement, on market access, level playing field commitments and sustainable development.

What are the Commission's plans for further stakeholder engagement?

The Commission welcomes the more than 400 submissions made in response to the public consultation, which played an essential part in the preparation of this Communication. The Commission values this level of stakeholder engagement and remains committed to ensuring a transparent and inclusive trade policy. Given the importance of stakeholder dialogue and to encourage concrete collaboration on key questions, the Commission will deepen its engagement with civil society on the basis of the Civil Society Dialogue review study launched last year.

Based on analytical input from stakeholders, the Commission will also carry out:

- an ex-post evaluation of the EU's agreements on key environmental aspects;
- work to better understand the gender equality implications of trade policy; and
- analysis on the impact of trade policies on employment and social development.

How do the actions set out in the strategy relate to an open, sustainable and assertive trade policy?

The strategy includes a series of headline actions to support economic recovery and the green and digital transformations, strengthen sustainability in all its dimensions, and take a more assertive approach to the defence of our rights and values. While the headline actions are setting out specific new actions to be accomplished under the mandate of this Commission, many other actions will continue or be reinforced to further support these goals.

1. Openness: post-COVID-19 recovery and economic transition

The EU's prosperity builds on the openness and attractiveness of its Single Market and its active trade with partners around the world. With most future growth taking place outside the EU, trade policy plays a critical role in the EU's economic recovery, connecting it to key global growth regions. Trade policy also has an important role to play in supporting the transition of the EU economy to be climate-neutral, and more competitive in a well-regulated digital market. All these priorities require an updated, fit-for-purpose global rulebook.

Actions:

- Detailed EU strategy for WTO reform;
- Stronger focus on gaining full value from existing trade deals for workers and businesses, especially SMEs;
- A more strategic approach to regulatory cooperation;
- More green trading opportunities;
- Enhancing trade and investment by creating the right conditions to conclude and ratify pending agreements in Central and Latin America and the Asia-Pacific;
- Strengthening trade and investment ties with our neighbourhood, enlargement countries and Africa by better integrating them into our supply chains and fostering sustainable investment;
- Exploring options for an EU strategy for export credits to support EU business.

2. Sustainability: putting green ambition at the heart of trade policy:

For the first time, sustainability becomes an explicit and central pillar of trade policy. The EU is committed to leveraging its global power and strong trade relationships to support more sustainable and fair trade, and to increase the ambition of its trading partners to address global challenges like climate change.

Actions:

- Promote sustainability action in the WTO, including a trade and climate initiative;
- Seek commitments from G20 countries to make their economies climate-neutral as a basis for concluding trade agreements;
- Use the full potential of the EU trade and investment agreements as platforms to engage with partners on all aspects of the European Green Deal, including biodiversity, sustainable food

policy, pollution and the circular economy;

- Propose to make the Paris agreement an essential element in all future trade agreements;
- Launch a comprehensive early review of trade and sustainable development chapters in trade agreements to ensure the most effective means of their enforcement and implementation, with the results of this review feeding into ongoing and future negotiations;
- Set up EU rules on mandatory due diligence for companies, including effective action and enforcement mechanisms to ensure forced labour is not part of value chains of EU companies. Until such binding legislation, the Commission will provide guidance to companies to assist EU business in taking the appropriate measures already now in line with international due diligence guidelines and principles.

3. A more assertive approach in defending EU rights and values

While favouring cooperation wherever possible, the EU will not shy away from enforcing its rights and defending its values more assertively and - where needed - autonomously. The EU will develop tools to confront new challenges and protect European companies and citizens from unfair trade practices, both internally and externally.

Actions:

- Make full use of the Chief Trade Enforcement Officer's (CTEO) role to maximise the benefits of negotiated outcomes for companies, in particular SMEs and farmers, and to eliminate hurdles that impair the potential of the agreements to deliver, including on sustainable development;
- Develop new online tools to support EU businesses, in particular SMEs;
- Strengthen the EU's tools to protect European companies and citizens from unfair trade practices, including via the preparation of an anti-coercion instrument;
- Explore options for an EU strategy for export credits. A common strategy would improve coordination between different EU-level external financing instruments, in order to better support EU policy priorities such as tackling climate change and helping EU firms to better compete in the world.

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