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EPP Group **Position Paper**

EU Trade Policy in a Global Context

epp group in the european parliament

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EU Trade Policy in a global context

The EU is at the forefront of free and fair world trade. This is demonstrated by our numerous trade partnerships worldwide and strong commitment in a multilateral system embodied in the World Trade Organisation (WTO). In light of current challenges, the EU must seize the opportunity to actively reach out to partners all over the world to pursue an ambitious trade agenda in a global context. Trade policy is an important pillar complementing foreign policy as well as internal and external security, fostering global development and projecting our European values on the global stage, strengthening the Union's strategic partnerships and helping to build new alliances.

We want to **shape globalisation** and **take citizens on board**

Globalisation and open markets have significantly improved living standards and reduced poverty in the EU and around the world. We continuously remain engaged to shaping EU trade policy with the aim of sharing the benefits of globalisation more equally. European companies importing and exporting within today's global value chains create competitiveness, jobs and growth as well as more choice and lower prices for consumers, whilst serving our citizens' needs. Committed to free, rules-based and value-based trade, we want to maintain a level playing field, safeguard and foster our high EU standards as a standard-setter in forging international trade as well as promote fundamental principles of democracy and human rights in a spirit of reciprocity and mutual benefit. Boosting our competitiveness and exports worldwide are key to securing new jobs. Accounting for 30% of the Union's exports, effective provisions for small and medium-sized enterprises (SMEs) as drivers for jobs, growth and innovation must be included in EU trade agreements. At the same time, we will always ensure the protection of our public utilities and services as well as the exclusion of audio-visual services. To take citizens on board, we ask all stakeholders to develop a better communication strategy on the Union's trade policy. We want transparency and openness at all stages of the negotiations, but defend confidentiality where necessary to reach the best negotiating results.

Trade policy is an important Union competence. In this regard, the European Court of Justice's Opinion on the Singapore Free Trade Agreement (FTA) has strengthened the European Parliament's democratically legitimate role and provided clarity on the EU's competences in general. Our Group welcomes the Council proposal on the general future architecture of trade agreements. We call on the Commission, when presenting the finalised agreements for signature and conclusion, and on the Council, when deciding on signature and conclusion of future agreements, to fully respect the distribution of competences between the EU and its Member States.

We want a **value-based trade policy** and the promotion of **sustainable development**

We want a responsible, value and rules-based trade policy. However, it should not be over-burdened with issues not directly related to international commerce. The successful revision of the EU Anti-Torture Regulation, the new EU Conflict Minerals Regulation and the still ongoing recast of the EU Regulation on Dual-use Export Controls will contribute to strengthening human rights and improvements on the ground whilst avoiding red tape for European companies.

We want to promote sustainable development by negotiating Economic Partnership Agreements (EPAs) combining European as well as African, Caribbean and Pacific (ACP) interests, fostering development by promoting regional integration, creating opportunities for trade and investment, improving economic governance and reducing poverty. We are convinced that Everything but Arms (EBA), the General System of Preferences (GSP) and GSP+ are good tools to support development and economic growth. The EPP Group welcomes the proposals for strengthening the EU's partnership with Africa in the long-term perspective of a comprehensive continent-to-continent FTA. We support plans to increase the available funding for corresponding projects in the next Multiannual Financial Framework (MFF) to increase trade exchanges with the EU and enable its full potential as well as to stimulate public and private investment, jobs and education.

Trade and Sustainable Development (TSD) chapters in the EU's FTAs are suitable and effective tools to promote relevant international standards in labour and environmental protection, the overall projection of human rights principles and good governance by closely involving civil society based on dialogue and cooperation. Existing TSD provisions are binding and broad in scope; they reinforce the multilateral system and are subject to a specific, mutually-recognised, dispute settlement mechanism. We welcome the Commission's non-paper to make the implementation and enforcement of EU trade and sustainable development chapters more effective.

We prefer a **multilateral approach while supporting FTA negotiations**

In our view, the multilateral trading system embodied in the WTO remains by far the best framework for achieving free and fair trade on a global basis in accordance with the rule of law. FTAs are only the second best but necessary option. We expect the WTO agenda to be brought forward in full, while keeping up our high European standards in all areas. EU producers' interests, including those in our Outermost Regions (OR), and the interests of the Overseas Countries and territories (OCT) associated to the EU have to be sufficiently taken into account. We remain strongly committed to a binding dispute settlement system as well as an independent Appellate Body, which are crucial for the proper functioning of the WTO. Therefore, we are concerned about the issue of outstanding WTO Appellate Body appoint-ments and call on our international partners to unblock the process of nominating new judges to the Appellate Body. At the same time, we stand ready to continue discussing possible improvements to the WTO with our international partners. Therefore, we regard the recent political agreement on EU-US trade relations as a good basis to work closely together with like-minded partners to reform the WTO and to address unfair trading practices. We support the Commission in proposing a comprehensive approach to modernise and strengthen the functioning of the WTO in crucial areas, including new rules addressing cur-rent challenges such as industrial subsidies, intellectual property and forced technology transfers as well as a new approach to development.

We want to give a **new vision** to our **strong transatlantic bond**

The United States is the EU's key strategic partner. We share common values and enjoy the most integrated economic relations in the world. The undergoing transformation of the international system and the challenges we face further highlight the importance of the Transatlantic relationship in ensuring peace, security and stability. After the freeze of the Transatlantic Trade and Investment Partnership (TTIP) negotiations, we need to give a new momentum to our partnership to shape the 21st century together and explore re-starting trade negotiations when conditions are right. We therefore consider that the political agreement of President Juncker and President Trump of 25 July 2018, reflected in a Joint Statement and to be followed up in the context of the Executive Working Group, can pave the way to launching a new process to work together and to start negotiations towards zero tariffs on industrial goods and on conformity assessments with evident reciprocal advantages. We share the concerns about the excess capacities in key sectors globally to ensure a functioning international trading system, innovation and sustainable growth. It is therefore crucial that the EU and the US continue working together and enhance cooperation in multiple fora, including the Global Forum, to find common ground on trade issues of mutual concern and avoid negatively affecting the transatlantic relationship in the future. We consider that the universal imposition of import tariffs on steel and aluminium by the current US Administration is an inappropriate remedy for the problems of overcapacity. We strongly support the Commission in ensuring that the interests of the EU are fully protected, also with regard to all other actions of a protectionist nature, including those calling into question the Common Agricultural Policy and the ongoing investigation of possible tariffs on the automotive sector. In the light of a political agreement, we urge both sides to work on a solution to resolve the issue of tariffs and to refrain from imposing new ones.

We support **deeper trade relations** with our partners in the **Eastern Neighbourhood**

We are aware of the importance to create a stable, democratic and prosperous Eastern European Neighbourhood and support Deep and Comprehensive Free Trade Agreements (DCFTAs) offering our willing partners in the Eastern Partnership (EaP) a framework for modernising trade relations and economic development. We welcome an attractive longer-term 'EaP+' model for associated countries that have made substantial progress in implementing AA/DCFTA-related reforms as a vital tool to develop trade exchanges with the EU. We call for the swift and full implementation of the Georgia, Moldova and EU-Ukraine Association Agreements, in particular the trade pillars. In this context, we look forward to an ear-ly solution to open questions with regard to the EU-Ukraine DCFTA chapter between the EU and Ukraine and urge for the swift implementation thereof.

We want to **deepen EU trade negotiations** with the **Mediterranean**

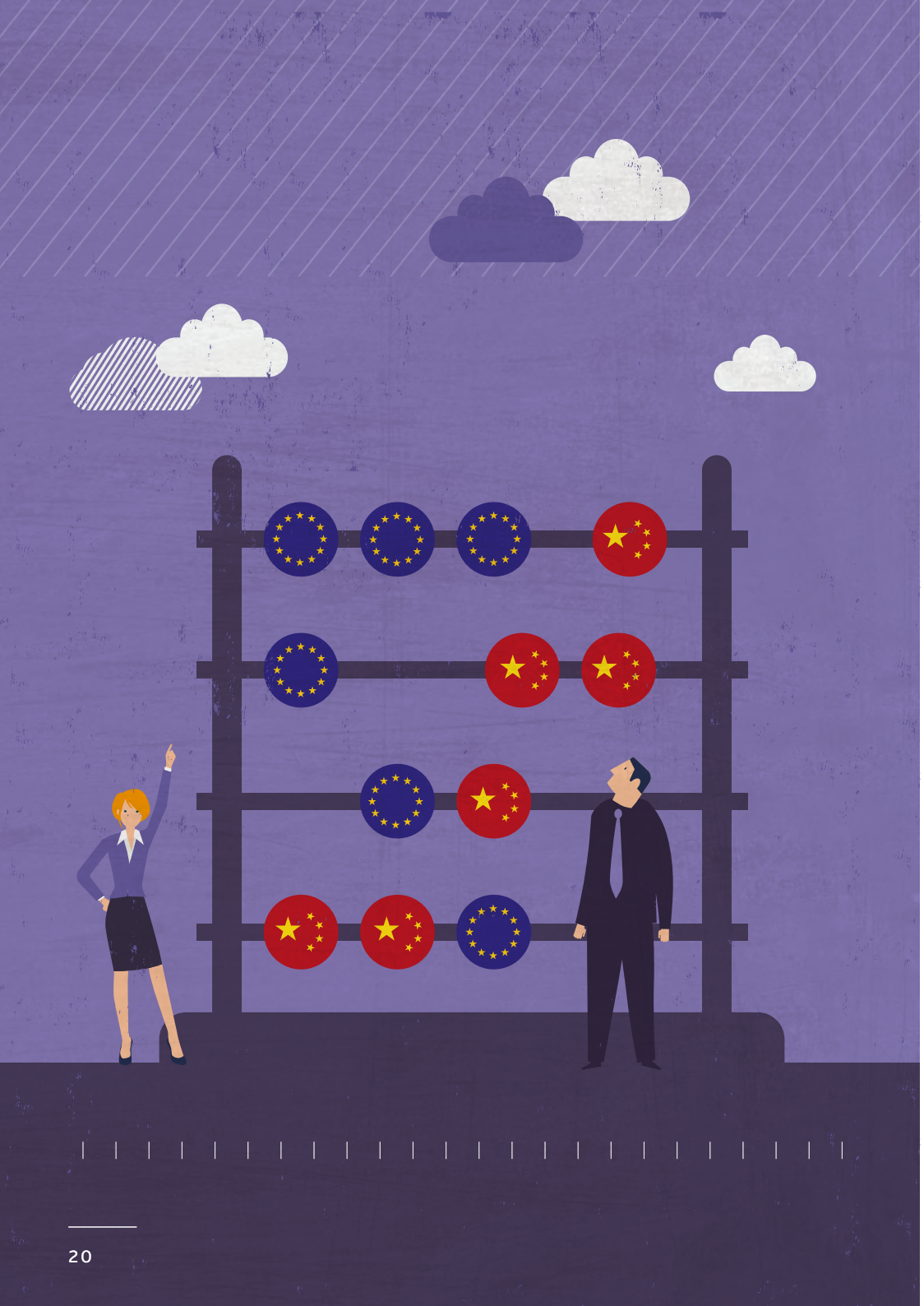
Trade between the European Union and the Mediterranean provides good prospects. We support the start of DCFTA negotiations with certain Mediterranean countries in the region and continued discussions on the removal of non-tariff and technical barriers with special attention with regard to our standards and sensitive products (such as agricultural products).

We welcome the **ratification of the EU-Canada Trade Agreement (CETA)**

We consider the ratification of CETA and its provisional entry-into-force as the most recent example of a win-win trade agreement and as a blueprint for future agreements. In times of growing protectionism, the ratification of CETA sends a clear signal to the world that we are committed to rules-based open trade and we are shaping globalisation by setting our rules and standards. The agreement strengthens the EU's Transatlantic ties with our longstanding ally Canada.

We support more **active** and **updated trade policies** with **Latin America** and the **Caribbean**

Trade relations with partners in Latin America and the Caribbean have finally become a priority for the European Union and are mirrored in a network of regional agreements. We welcome the entry-into-force of the trade pillar of the Association Agreement with Central America as well as the provisional application of the Trade Agreement with Colombia and Peru, having also been extended to Ecuador as a third partner since January 2017. We consider the entry-into-force of EPAs with 14 Caribbean countries as an important step in working towards preserving and promoting regional integration. We call for a swift conclusion of the ongoing negotiations for the modernisation of the Association Agreement with Chile and welcome the conclusion of the negotiations for a comprehensive update of the EU Agreement with Mexico. We consider that a comprehensive and balanced agreement with the MERCOSUR countries with special attention to and tariff/quota treatment for the most sensitive EU products (e.g. some agricultural goods) as well as a level playing field for the concerned sectors could be an extremely helpful stimulus for economic growth for both regions. The successful conclusion of a balanced agreement will also help remove the existing excessive trade barriers, in particular high tariffs, import complexities and subsidies in the region. We are convinced that there are overall large opportunities to create a fully Euro-Latin America interregional partnership area based on a WTO-compatible regionalism model and in a spirit of trust and mutual benefits.



We want a **level playing field with China**

China is one of the biggest economies in the world. Its huge internal development offers important opportunities for our exports and investors. The EU is China's biggest trading partner, while for us, China is second only to the US. The volume of trade in goods with China has greatly increased in recent years, with EU exports growing rapidly; however the EU consistently records a significant trade deficit. This is partially a result of the persisting unjustified non-tariff measures, technical barriers and lack of reciprocity. In order to ensure the sustainability of our economic partnership, these have to be progressively eliminated. As long as unfair trading practices persist, we call for the continued and strict application of the EU's trade defence instruments and the new anti-dumping methodology. Nevertheless, the EU is committed to opening trade relations with China on fair conditions and in full respect of its WTO obligations.

In the meantime, we support and scrutinise the ongoing negotiations for a comprehensive EU-China Investment Agreement with the aim of creating a more secure legal framework for long-term market access. In this context, our priorities remain the promotion of reciprocity, establishing a level playing field, tackling overcapacity and non-discriminatory treatment of businesses and investors. The progress of these talks and the progressive elimination of the other unjustified and non-WTO-compatible tariffs and non-tariff barriers will send a strong signal concerning the role to be played by China in the global economy. We urge for more transparency and governance of the Belt and Road Initiative (BRI) adopted by China and welcome the setting-up of the EU-China Connectivity Platform. Member States should ensure that the EU has one voice in its relationship with China and that possible bilateral projects are in line with a common European approach.

We support the launch of negotiations for a bilateral investment agreement with Taiwan and call on the Commission to finish the preparatory work in order to formally start negotia-tions as soon as possible.

We support a **new strategy for Central Asia**

We welcome the achieved progress of the Central Asian countries under Partnership Agreements with the EU as they have become significant partners. We stress the importance of having a proposal for a new Strategy by the end of 2019 in accordance with the EU Global Strategy.

We welcome the **ratification of the EU-Japan EPA**

The ratification of the EPA between the EU and Japan is an important milestone and of high geopolitical importance to put in place the biggest bilateral trade agreement ever negotiated by the EU. It will forge an economic zone of 600 million people worth more than 30 percent of global GDP. The EPA will open huge market opportunities for both sides, strengthen cooperation in a range of areas, reaffirm their shared commitment to sustainable development, and include for the first time a specific commitment to the Paris Climate Agreement. We support the Commission's continued negotiations on investment protection standards and investment protection resolution. The EPP Group considers that the comprehensive and ambitious EPA with Japan represents the best opportunity for European companies and citizens to reap the full benefits of our relations with Japan.

We want a **proactive strategy** for the **Pacific area (e.g. ASEAN countries)**

The EPP Group supports a proactive strategy to negotiate and fully apply bilateral agreements with ASEAN countries as well as with Australia and New Zealand to promote better access for European companies and eliminate non-tariff barriers. The EPP Group considers that the Singapore and Vietnam free trade and investment agreements have the full potential to boost our trade exchanges with these two ASEAN countries with positive effects on growth and employment and in terms of a secure investment environment with both countries. We welcome the recent start of negotiations with Australia and New Zealand in order to swiftly finalise a comprehensive, balanced trade agreement. We support the current negotiations with Indonesia, Thailand, Malaysia and the Philippines and creating a region-to-region FTA in the next five years.

We want to **shape future EU-UK trade relations**

The UK will continue to be an important partner for the EU given our common values and history, including the UK's Membership of the EU for more than 40 years. A comprehensive framework for the future relationship is therefore in the interest of all parties to ensure that both markets remain as closely integrated as possible. We consider that the UK's membership of the Internal Market and the Customs Union would be the best solution for both the UK and the remaining EU Member States and the only one which can guarantee continued frictionless mutual trade flows and fully preserve the benefits of our economic relations. The EU should continue to foster and nurture its relationship with the UK. This will serve to ensure that in the future, mutual trade flows suffer the least possible disruption. The European Parliament must be fully involved in the process of negotiating a future trade relationship between the EU and the UK and any trade agreement is subject to its final consent.

We call for **strong investment protection**

We support the new EU approach on investment protection which improves the individual approaches followed by the EU Member States in over 1.400 existing Bilateral Investment Treaties (BITs). While the competence shifted from the Member States to the EU in the Lisbon Treaty, these BITs remain a successful instrument to protect EU investors and their investments against unfair practices abroad, until they are replaced by agreements concluded at EU-level. It is essential that the EU approach combines strong and effective protection for investors and their investments with the preservation of the policy space needed in other areas, e.g. for current and future legislative standards concerning questions of consumer protection, environmental and social policy as well as the exercise of parliamentary prerogatives. The instrument of effective investment protection, which could be part of the EU's FTAs or stand-alone investment agreements, should comply with and safeguard the states' right to regulate; forum-shopping should be impossible. Our long-term goal is to have an independent international court. Therefore, we welcome the Council mandate for the establishment of a multilateral court for the settlement of investment disputes (MIC) and encourage the Commission to continue its efforts in reaching out to third countries to establish such a court as soon as possible.

We want **effective trade defence instruments** and **open markets**

Further trade liberalisation still requires an ability to prevent and swiftly react against unfair trading practices in our markets in the interest of European businesses and citizens. We thus support the utilisation of the different mechanisms, such as anti-dumping, anti-subsidy and safeguard clauses when the relevant legal requirements are met. We therefore consider the recent strengthening of trade defence instruments, also made swifter and more accessible to SMEs, as key in the EU's trade strategy. Moreover, more transparent, non-discriminatory and positive reciprocal access in foreign procurement markets, especially for SMEs, is an essential element in EU Trade Policy.

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