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TRADE POLICY REVIEW

Report by the

EUROPEAN UNION

Revision

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by European Union is attached.

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1. INTRODUCTION

1. The European Union (EU) acknowledges the central role that the WTO plays in safeguarding the rules-based international trading system, and ultimately in promoting openness and global prosperity. The surveillance of national trade policies through the Trade Policy Review Mechanism is an important element of this work; transparency is a fundamental component of an effective world trading system.

2. This is the tenth Trade Policy Review of the EU (though the first under the name "European Union"). The aim of this report is to give an outline of how the EU trade policy is formulated and to highlight the EU's current trade priorities.

3. Since the last Trade Policy Review of the EU in 2009, there have been a number of important developments that have impacted trade and trade related policies, both globally and within the EU.

4. The EU vision for a new trade policy is outlined in the Commission's Communication, "Trade, Growth and World Affairs"[1], which is part of the important 10-year "Europe 2020" implementation strategy. Together with the Council's conclusions and the European Parliament's resolution on the Communication, these strategy papers set the framework for the Union's future actions on trade.

5. The EU emerged from the global crisis still as a major trading power, accounting for 16.8% of world trade in goods and for over one fourth of world trade in services in 2009. Being such an important player in the world trade brings responsibility, not only towards the EU citizens to promote economic growth and jobs in Europe, but also towards the rest of the world.

6. Trade has been and continues to be an engine for global growth. Accordingly, the EU showed leadership in its response to the global economic and financial crisis by shaping its policies guided by the principle that a sustainable recovery needs to remain rooted in open markets and international rules.

7. Equally, a key feature of the EU trade policy has been an active participation in the DDA negotiations, as well as in the regular work of the WTO councils and committees to monitor and ensure the implementation of the covered agreements.

8. Besides its commitment to work in the WTO, the EU is pursuing its liberalisation agenda bilaterally and also unilaterally aiming at facilitating trade for the less advanced economies.

9. The EU aims to achieve these trade policy objectives whilst also driving improvements in social inclusion, supporting green growth and climate change objectives, and promoting sustainable development, both in the EU and in the rest of the world.

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[1] Communication from the Commission to the European Parliament, the Council, the European economic and social Committee and the Committee of the regions, 9 November 2010. http://trade.ec.europa.eu/doclib/docs/2010/november/tradoc_146955.pdf.

2. KEY DEVELOPMENTS IN THE EU

2.1 INSTITUTIONAL DEVELOPMENTS

10. This is the first Trade Policy Review after the new Treaty of Lisbon entered into force on 1 December 2009. The European Communities was then replaced by the European Union which succeeds it and takes over all its rights and obligations. In the WTO context, this meant changing from "The European Communities" to "The European Union" – the European Union remains a Member of the WTO alongside 27 EU Member States and the Delegation of the European Union continues to represent the EU and its Member States in the WTO. [2]

11. The Treaty of Lisbon provides the EU with the legal framework and tools necessary to meet future challenges and to respond to citizens' demands: 1) A more democratic and transparent Europe, with a strengthened role for the European Parliament and national parliaments. New legislation is now routinely preceded by assessments of socioeconomic and fundamental rights impact as well as long-term viability. 2) A more efficient Europe, with simplified working methods and voting rules. 3) A Europe of rights and values, freedom, solidarity and security, promoting the Union's values, introducing the Charter of Fundamental Rights into European primary law, providing for new solidarity mechanisms and ensuring better protection of European citizens. 4) Europe as a stronger actor on the global stage as the Treaty brings together Europe's external policy tools.

12. Overall, the Treaty of Lisbon does not fundamentally change the EU's institutional set-up, which is still based on its three main institutions: European Parliament, Council and European Commission. However, the Treaty of Lisbon has retuned the relations between the European Parliament, the Council, and the European Commission, so that full benefit can be derived from the new arrangements under the treaty. As regards trade policy, the Lisbon Treaty has significantly enhanced the role of the European Parliament, making it a fully fledged decision-maker in this field:

- The European Parliament, together with the Council, adopts legislation implementing the EU's common commercial policy under the ordinary legislative procedure (previously referred to as "co-decision procedure"); and,

- The Parliament's "consent" is required for the ratification of all trade agreements.

13. This contrasts with the pre-Lisbon situation where the Council alone was responsible for the adoption of trade legislation while the European Parliament was only consulted and in a few limited circumstances involved in the ratification of major trade agreements.

14. The Lisbon Treaty also modified the way the EU reaches decisions on many day-to-day issues. In light of this, legislation is currently underway to adapt the decision-making procedures of existing trade legislation (such as for instance the Basic Anti-Dumping regulation) to the new rules of TFEU.

15. The Treaty of Lisbon contains two important institutional innovations that impact EU external action, as it creates: a President of the European Council and a High Representative of the Union for Foreign Affairs and Security Policy. In November 2009, the European Council appointed Ms. Catherine Ashton as High Representative of the Union for Foreign Affairs and Security Policy. She is assisted by the European External Action Service (EEAS).

[2] Member States maintain an active role in the Committee on Budget Finance and Administration.

16. In June 2009, the European Parliament elections for 2009-2014 took place, and in July 2009, the European Council formally nominated Mr. José Manuel Barroso as President of the next European Commission until 2014. Mr. Karel De Gucht is the Commissioner responsible for trade.

17. As of 1 January 2011, Mr. Jean-Luc Demarty has been appointed Director General of the Directorate General of Trade, replacing Mr. David O' Sullivan.

18. During the period since the last Trade Policy Review, the euro-area expanded by one Member: Estonia adopted the euro on 1st January 2011. The euro is now the single currency in 17 European Union's Member States: Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, and Spain.

19. No new Member States acceded the EU since the last Review. Accession negotiations with Croatia and Turkey are ongoing, and new negotiations were opened with Iceland in July 2010. The former Yugoslav Republic of Macedonia is a candidate country since December 2005 and Montenegro since December 2010. The EU has also received applications from Albania and Serbia.

2.2 DEVELOPMENTS IN THE INTERNAL MARKET AND CENTRAL POLICY AREAS

"Europe 2020"

20. Beyond the immediate action required to tackle the most pressing challenges posed by the economic and financial crisis, the EU has continued laying solid foundations for a sustainable and job-creating growth. This is the purpose of the new economic strategy, the "Europe 2020 Strategy[3]" for jobs and growth, adopted in June 2010. It is a new 10-year plan for spurring growth and creating jobs in the EU. The structural measures under the "Europe 2020" strategy tackle the underlying causes of the crisis. The goal is smart, sustainable, inclusive growth. This strategy will maximise the EU's assets, in particular the single market, and equip it for success in a rapidly changing world. It identifies specific areas of action to turn ambition into achievement. Sound public finances, tighter financial supervision and open world markets are part of the EU's comprehensive strategy to create a more sustainable and dynamic growth path delivering high levels of employment, productivity and social cohesion.

21. To counter the risks from strained public finances, dented business confidence and the threat of unemployment, the EU proposed a series of actions over the course of 2010 to invigorate the economy, to unlock the EU's growth potential, stimulate investment and to upgrade skills. The EU put emphasis on low energy use, low carbon emissions, up-skilling its population, making work attractive, seizing the potential of a digital single market, research and development and advanced technology.

22. The strategy is complemented by the EU's continued development of the single market and the pursuit of smarter regulation coupled with a stimulating environment for competition. Equally important is the goal of creating an ever-more inclusive society, which is why social cohesion and social inclusion are at the heart of the "Europe 2020" strategy.

23. The "Europe 2020"strategy provides a coherent framework for the Union to mobilise all its instruments and policies to secure the structural reforms that Europe needs. It sets five specific targets on employment, innovation, education, social inclusion and climate/energy[4] to be achieved by 2020.

[3] http://ec.europa.eu/europe2020/index_en.htm.
[4] http://ec.europa.eu/europe2020/targets/eu-targets/index_en.htm.

The specific targets are amplified by a series of flagship initiatives[5], and by integrated guidelines for economic and employment policies.

24. The first flagship initiative is the "Digital agenda for Europe"[6] - Europe's strategy for a flourishing digital economy by 2020 - a sector that can deliver smart growth. This initiative will promote a digital single market, extend Internet access, help make devices and applications more interoperable, boost trust in the Internet by enhancing security and protecting privacy for citizens and businesses and leveraging investment in ICT research and innovation.

25. The second flagship initiative – "Innovation Union" - places innovation at the heart of the "Europe 2020" strategy. With over thirty action points, the Communication on Innovation Union[7] aims at improving conditions and access to finance for research and innovation in Europe, to ensure that innovative ideas can be turned into products and services that create growth and jobs.

26. The third flagship initiative – "Youth on the move"[8] - aims at enhancing young people's chances of finding a job by helping students and trainees gain experience in other countries, and improving the quality and attractiveness of education and training in the EU.

27. The fourth flagship initiative – "An Agenda for new skills and jobs"[9] - aims to give fresh momentum to labour market reforms, to help people gain the right skills for future jobs, to create new jobs and to overhaul the EU employment legislation.

28. The fifth flagship initiative – "European platform against poverty and social exclusion[10]" - aims to increase the pace towards the target of lifting at least 20 million people out of poverty and exclusion by 2020.

29. The sixth flagship initiative – "An integrated industrial policy for the globalisation era"[11] - sets out a strategy that aims to boost growth and jobs by maintaining and supporting a strong, diversified and competitive industrial base in Europe, offering well-paid jobs while becoming less carbon intensive.

30. "A resource-efficient Europe"[12] is the seventh flagship initiative, which establishes resource efficiency as the guiding principle for EU policies on energy, transport, climate change, industry, commodities, agriculture, fisheries, biodiversity and regional development. By using synergies across these policy-areas, the strategy will be instrumental in reaching a variety of EU objectives, from reducing European greenhouse gas emissions by 80 to 95% by 2050 to reforming the agricultural and fisheries sectors, from reducing food insecurity in developing countries to making the Union more resilient to future rises in global energy and commodity prices.

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[5] http://ec.europa.eu/europe2020/tools/flagship-initiatives/index_en.htm.

[6] http://ec.europa.eu/information_society/digital-agenda/index_en.htm.

[7] http://ec.europa.eu/research/innovation-union/pdf/innovation-union-communication_en. pdf#view= fit&pagemode=none.

[8] http://ec.europa.eu/social/main.jsp?catId=950&langId=en.

[9] http://ec.europa.eu/social/main.jsp?catId=958&langId=en.

[10] http://ec.europa.eu/social/main.jsp?catId=961&langId=en.

[11] http://ec.europa.eu/enterprise/policies/industrial-competitiveness/industrial-policy/index_en.htm.

[12] http://ec.europa.eu/resource-efficient-europe/index_en.htm.

Single Market Act

31. Improving the single market is a pillar of the "Europe 2020" strategy and a prerequisite for its success. In October 2010 the Commission set out its plans to strengthen the single market with measures to boost growth and enhance citizens' rights. To boost growth, competitiveness and social progress, it made proposals to make the single market work better, and make life easier for companies, consumers and workers. The Single Market Act[13], issued on 13th April 2011 and based on the results of a public consultation from November 2010 to the end of February 2011 is a comprehensive two-year plan for 2011–12 designed to relaunch growth and create jobs in the EU. Its "12 levers to boost growth and strengthen confidence", together with the 12 key actions proposed thereunder should be implemented before the end of 2012.

Customs legislation

32. The "Safety and Security Amendment" to the Customs Code was introduced by Regulation 648/2005 and its implementing Regulation 1875/2006. The Amendment aims to ensure an equivalent level of protection through customs controls for all goods brought into or out of the EU's customs territory and provides Authorized Economic Operators (AEO) with facilitation measures. The "Safety and Security Amendment" entered into force in an incremental fashion. After the entry into force in 2007, risk management became immediately applicable. On 1 January 2008, the EU AEO programme became operational and on 1 July 2009 the automated advance cargo information requirements were introduced. However, a transitional period was provided to grant customs authorities and traders the opportunity to adapt to these requirements. At the end of this transitional period, on 1 January 2011, relevant security data have to be sent in advance - before goods leave or enter the EU – to customs. The aim of this measure is to increase security in international trade, by enabling customs to carry out better risk analyses on the basis of the information received in advance and therefore to better target controls without delaying the customs clearance of consignments at the border.

Agriculture

33. The implementation of decisions under the Health Check of the Common Agricultural Policy[14] (CAP) started on 1 January 2009. This reform package is a continuation of the process of reforms which modernise, streamline and simplify the CAP. Reforms were also introduced in specific markets, the most recent one being the wine sector reform in force since 2009.

34. The EU is currently in the process of designing the Common Agricultural Policy after 2013. Following a wide-ranging public debate, the Commission presented in November 2010 the Communication entitled "The CAP towards 2020: meeting the food, natural resources and territorial challenges of the future"[15], which outlines options for the future policy and launches the debate with the other institutions and stakeholders. The presentation of legal proposals is foreseen for later this year.

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[13] http://ec.europa.eu/internal_market/smact/index_en.htm.

[14] Council Regulations 72/2009, 73/2009 and 74/2009 of 19 January 2009, published in the Official Journal L30 of 31 January 2009.

[15] http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:0672:FIN:en:PDF.

Energy

35. On 10 November 2010, the European Commission has adopted the Communication "Energy 2020 - A strategy for competitive, sustainable and secure energy"[16] . The Communication defines the energy priorities for the next ten years and sets the actions to be taken in order to tackle the challenges of saving energy, achieving a market with competitive prizes and secure supplies, boosting technological leadership, and effectively negotiate with our international partners.

36. On 4 February 2011, for the first time a European Union Summit dedicated to Energy took place[17]. One of the decisions taken at this summit was to complete an internal market for energy by 2014. Also, the Commission was invited to adopt a Communication on Energy Security and International Cooperation, which is now scheduled for September 2011.

2.3 DEVELOPMENT AND IMPLEMENTATION OF THE EU INVESTMENT POLICY

37. Prior to the Lisbon Treaty, investment was an area in which the EU shared competence with Member States. The Union negotiated the liberalisation of investment, by establishing conditions for the access of EU investors to foreign markets (either multilaterally in GATS – for mode 3 commitments - or bilaterally through FTAs). At the same time, the EU Member States were seeking to promote and protect investment. Investment promotion and protection was generally pursued by Member States through the negotiation of so-called Bilateral Investment Treaties (BITs) with third countries, of which about 1200 have been concluded as of today by the EU Member States.

38. The Treaty of Lisbon has established the EU's exclusive competence on foreign direct investment (FDI), as part of the common commercial policy (Article 207(1) and Article 3(1)e). This change implies two immediate needs:

- for transitional arrangements to enhance legal certainty for existing investment agreements concluded by Member States with 3rd countries; and
- for developing a targeted and gradual policy that would define EU interests in exercising its newly gained competence.

39. In response to these needs on 7 July 2010, the Commission adopted two initiatives on investment.

40. In a proposal for a Regulation on transitional arrangements regarding BITs concluded by Member States with third countries, the Commission proposes to authorise Member States to maintain in force all investment agreements they concluded prior to entry into force of the Regulation, and – under certain conditions – to negotiate new and/ or to renegotiate old agreements. The draft Regulation is to be adopted by the Council and the Parliament in the ordinary legislative procedure. Discussions are ongoing at the moment.

41. In the Communication "Towards a comprehensive European international investment policy" the Commission lays down its views on the broad orientations of the future EU comprehensive investment policy that in addition to investment liberalization should also seek for best available standards of protection for all European investors, to ensure they can operate in a stable, fair and predictable environment. In this Communication, the Commission takes the view that the principles

[16] http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52010DC0639:EN:HTML:NOT.
[17] http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ec/119141.pdf.

and parameters for EU investment protection negotiations will be inspired by the best practices developed by Member States, and include among others such standards as the guarantee of a fair and equitable treatment, full protection and security, non-discriminatory treatment or protection against unlawful expropriation. As enforcement mechanisms are of crucial importance for ensuring effectiveness of any investment agreement, the Communication calls to include in the EU agreements provisions establishing investor-to-state dispute settlement mechanisms. The Communication determines criteria for defining priority countries for the EU comprehensive investment negotiations. These include the magnitude of actual and potential investment flows, and the stability and predictability of the investment climate in countries – prospective candidates for the EU investment negotiations. The Communication has already been followed by conclusions by the Council and a resolution in the Parliament on the Communication is also underway.

42. The best prospects for comprehensively addressing EU investment interests, both in terms of market access and investment protection, arise in the context of broader trade negotiations. Nonetheless, the EU will also explore the desirability and feasibility of negotiating stand-alone investment agreements with certain countries which receive a high proportion of EU investment, and with whom an FTA negotiation is not envisaged.

43. The EU will develop its investment policy progressively. The Commission has already tabled proposals for investment negotiating directives for Canada, India and Singapore to seize opportunities of ongoing wider trade negotiations with these countries. These directives are currently under consideration by the Council.

2.4 ECONOMIC PERFORMANCE AND CHALLENGES AHEAD

44. In 2010, the EU economy rebounded, following the earlier financial crisis. Real output growth in EU-27 reached 1.8%. After a strong performance in the first half of 2010, real GDP growth for both the EU and the euro area slowed down in the second half of 2010. The deceleration was expected and in line with a soft patch in global growth and trade, which reflected the withdrawal of stimulus measures and the fading away of positive impulses from the inventory cycle. The growth pattern was not uniform, though, with some of the Member States still technically in recession.

45. EU-27 external merchandise trade (excluding intra-EU trade) grew in 2010 around 23%, following earlier decline of 20% in 2009. It reached a value of €2,302 trillion in 2009 which represented 16.8% of the total world trade in goods, keeping the EU firmly in the position of the largest global merchandise trader. The EU continued to run a trade deficit of about € 108 billion in 2009.

46. In 2010, the US remained by far the largest market for the EU merchandise exports, absorbing about 18% of the total. In comparison, China, Switzerland and Russia, which came second, third and fourth respectively, took much smaller shares of between 6-8% each. However, on the import side, China in 2010 strengthened its position as the main source of goods imports into the EU. It accounted for nearly 19% of all goods imported into the EU, while around 11% of imported merchandise came from the US. Russia (just over 10%, of which nearly 80% consisted of fuel and mining products), followed by Switzerland and Norway (both approximately 5.5%) completed the list of top five EU's import partners in 2010 which together were the source of as much as half of all its goods imports.

47. Developing countries as a group continued to increase their share in the EU imports to well over 50% in 2010, entirely dominating imports in the textiles and fuels (more than three quarters of

the total). The EU has continued to import more agricultural goods from developing countries than all other WTO Members combined.

48. Its 26% share of the global trade in commercial services in 2009 illustrates that the EU continues to hold a solid lead position in the global services market. The EU services trade performed relatively well, amounting to €878 billion in 2009, representing only a slightly lower number than before the crisis. Exports continued to perform better than imports resulting in a surplus of €64 billion in 2009.The EU services trade remained more concentrated towards other industrialised economies. The US was the main partner on both the supplying and the receiving side.

49. According to the latest available data, the EU continues to be the world's biggest investor and the principal host. FDI flows, both from and into the EU, were subdued in the recession year of 2009, amounting to €493 billion. Excluding intra-EU flows, the EU accounted for 35% of global FDI outflows and was the recipient of 29% of the global inward FDI in 2009. The main destinations of EU FDI outflows were the US (€79 billion), EFTA countries (€46 billion), Switzerland (€44 billion) followed by Brazil, South Africa and China. On the other hand, EU FDI inflows originated from the US (€97 billion), EFTA countries (€29 billion), Switzerland (€25 billion), Canada (€11 billion), followed by Australia and Latin America.

50. According to the recent Commission economic forecast, the pace of the GDP growth is going to continue, and the EU-27 GDP is projected to increase at the current pace of 1.8% in 2011, as the recovery has been gaining strength and has been more balanced towards domestic demand. On the downside there are signs that the upsurge in energy and commodity prices is feeding into stronger inflationary pressures, which may lead to the tightening of monetary policy in the near future. If that happens, the expected strengthening of domestic demand may be more difficult to materialize.

51. The improved outlook for the external environment will provide a boost to the EU exports. While exports should continue to support the recovery going forward, a rebalancing of growth towards domestic demand is expected for 2011, driven by growth in private investment. A better export outlook should translate into a stronger impetus for equipment investment, which will increasingly contribute to growth. In addition to this impetus from the export-led industrial rebound, equipment investment should benefit from the continued improvement in corporate profits, stronger order inflows and the low level of stocks, as well as from higher capacity utilisation rates, now close to their long-term averages. This view is supported by the strong business confidence and the latest Commission's investment survey, which suggests robust investment plans for 2011. Construction investment is, however, projected to remain relatively subdued this year due to ongoing adjustment in this sector.

The EU response to tackle the financial turmoil and the economic slowdown

52. During 2009, the EU economic recovery plan started to come into effect. Its priorities were restoring business and consumer confidence, kick-starting lending and investments, and supporting and creating jobs. Central to the plan was the ability of the EU to catalyse cooperation. The EU could exert its influence because it was able to harness Member States' and Union action, using the strengths of each part of Europe to best effect. This allowed the EU to help in shaping the global response to the crisis. The recovery plan is a response to the crisis with a clear eye to the future. It called for investments to improve the EU's competitiveness, not just to rebound from the crisis but to foster economic growth.

53. To counter the threats to the international trading system, the EU invested heavily and successfully in influencing the London G20 pledges, when world leaders agreed to base their trade policy on WTO rules and disciplines and the prospect of further liberalisation offered by the Doha Development Agenda.

54. The EU also took a leading role in promoting international responses to the crisis. It was prominent in discussions within the G20 as the premier forum for international economic cooperation. The EU argued for global efforts to fill in the gaps in financial regulation and supervision at international level. It took a leading role in promoting new rules on bank capital. It kept up pressure for effective action to plug deficits and reduce debt while stimulating growth prospects. The EU proactively supported a commitment at the G20 summit in November 2010 in Seoul to fight protectionism in all its forms and to promote joint action to boost global growth and jobs. A "Seoul action plan" commits the G20 further to global action for balanced growth, and is a clear recognition of joint responsibility under which all major economies have agreed to do their part to achieve rebalancing to tackle imbalances. The EU also helped to build a consensus on cooperative solutions to tensions on currency issues and trade. Leaders agreed to move to more market based exchange rates and enhance exchange rate flexibility to reflect underlying economic fundamentals and refrain from competitive devaluations — as EU leaders had called for in advance of the summit. By endorsing the Basel III reform, the G20 also kept up the momentum for global financial regulatory reform, a key priority for the EU.

55. In September 2010 the Commission delivered a comprehensive package of legislative measures to reinforce economic governance in the EU and the euro area. It aims at broader and enhanced surveillance of fiscal policies, as well as of macroeconomic policies and structural reforms. It also provides new enforcement mechanisms for non-compliant Member States. Four of the six proposals deal with fiscal issues, including a wide-ranging reform of the Stability and Growth Pact, so that sanctions will be the normal consequence for countries in breach of their commitments. Two other regulations aim at detecting and addressing emerging macroeconomic imbalances within the EU and the euro area.

56. In October 2010, the European Council agreed that Member States should establish a permanent mechanism for crisis resolution to safeguard the financial stability of the euro area as a whole. At the December 2010 European Council, it was agreed that the treaty will be amended to allow for the creation of the European Stability Mechanism (ESM). It will be activated by mutual agreement of the euro-area Member States in situations where the stability of the euro area as a whole is at risk.

57. As regards the measures to tackle social dimension of the crisis, changes have been made as regards support from the European Social Fund (ESF)[18] to help people stay in job or to look for a new one and also changes have been introduced into the Regulation (EC) No. 1927/2006 on the European Global Adjustment Fund (EGF)[19] aiming to help workers recently made redundant get back to work.

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[18] http://ec.europa.eu/employment_social/esf/news/news/article_7362_en.htm.
[19] http://ec.europa.eu/social/main.jsp?catId=326&langId=en&newsId=432&furtherNews=yes.

3. KEY DEVELOPMENTS IN THE EU TRADE POLICY (2009-2010)

3.1 INTRODUCTION

58. The communication "Trade, Growth and World Affairs"[20], an integral part of the "Europe 2020” strategy, was adopted in November 2010. It sets the direction of the EU trade and investment policy for 2010-2015, based also on the lessons learned from "The Global Europe 2006-2010"[21]. It proposes a strategy to reduce trade barriers, to open global markets and to get a fair deal for European businesses. The overall aim is to ensure the benefits of trade reach European citizens — in the form of stronger economic growth, more jobs and increased consumer choice at lower prices.

59. The EU plans to draw on its trade policy to help exit the current crisis and to create the right environment for a strong EU economy. Specifically, the communication proposes to complete the negotiations on the Doha Development Agenda in the WTO by reaching an ambitious and comprehensive agreement before the end of 2011. Moreover, it calls for concluding the negotiations of FTAs with major trading partners such as India and Mercosur; to deepen trade relations with other strategic partners, such as the US, China, Russia and Japan, where the main focus will be on tackling non-tariff barriers to trade. To help European businesses access global markets, the Commission will present in 2011 a legislative proposal for an EU instrument to increase the leverage to secure improved symmetry in access to public procurement markets in developed and large emerging economies, building on the implementation of international commitments.

60. The European Commission on 18 November 2010 adopted a regulation[22] revising rules of origin for products imported under the generalised system of preferences (GSP), notified to the WTO on 29 March 2011. This regulation relaxes and simplifies rules and procedures for developing countries wishing to access the EU's preferential trade arrangements, while ensuring the necessary controls are in place to prevent fraud. In addition, special provisions are included for Least Developed Countries (LDCs) which would allow them to claim origin for many more goods which are processed in their territories, even if the primary materials do not originate there. The new rules of origin are applied from 1 January 2011. The proposal also puts forward a new procedure for making out proofs of origin, which places more responsibility on the operators. From 2017, the current system of certification of origin carried out by the third country authorities will be replaced by statements of origin made out directly by exporters registered via an electronic system. This will allow the authorities of the exporting country to re-focus their resources on better controls against fraud and abuse, while reducing red-tape for businesses. This future Commission proposal will be subject to ordinary legislative procedure by the Council and Parliament.

61. The EU uses transparency mechanisms in the design and implementation of trade policy which significantly contribute in identifying and addressing potential barriers to international trade and investment. These instruments include meetings between civil society and the EU officials to discuss aspects of Europe's trade policy, and public consultations with domestic and foreign stakeholders.

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[20] http://trade.ec.europa.eu/doclib/docs/2010/november/tradoc_146955.pdf.
[21] http://trade.ec.europa.eu/doclib/docs/2010/november/tradoc_146941.pdf.
[22] http://ec.europa.eu/taxation_customs/customs/customs_duties/rules_origin/preferential/article_777_en.htm.

3.2 WTO

62. The World Trade Organisation (WTO) and the multilateral trading system are the focus for the EU trade policy, as the EU believes that a system of global rules is the best way to ensure that trade between countries remains open and that prosperity can be widely shared.

63. Despite the slow progress since the last review, completing the Doha Round remains the EU's top priority. The potential benefits are simply too important to be lost. 2011 represents the best opportunity to conclude an ambitious, balanced and comprehensive agreement to which *all* major players make significant contributions and from which *all* players, big and small, could benefit. Doha represents a potentially sizable boost to the world economy. A failure to conclude the Doha Round would on the other hand be significantly detrimental to the current global economic uncertainty and could challenge the credibility of the multilateral trading system.

64. This commitment to multilateralism was clearly demonstrated in the EU negotiation activity since the last report. The EU has remained flexible to ensure an agreement is reached and has played a constructive and proactive role in all areas of negotiation.

65. Concerning Non-Agricultural Market Access (NAMA), the EU seeks meaningful liberalisation through sectoral arrangements, which it sees as a necessary complement to the formula approach. Liberalisation in non-agricultural products is key for the development dimension of the round since the large majority of exports from developing countries are manufactured products. An ambitious outcome in NAMA is beneficial also for South-South trade, as 70% of the duties paid in this sector by developing countries (DCs) are paid to other DCs. The EU considers that WTO Members should contribute to sectoral initiatives in accordance with their capacity and share in world trade: in addition to developed countries, also the more advanced emerging economies should make a meaningful contribution, given both their increasingly important role in the world trading system and the importance of improved access to their markets for the development of South-South trade to the benefit of other developing countries. The EU recognises that developing countries should be able to benefit from appropriate flexibility in response to their particular development needs and challenges. The EU considers that the sectoral initiatives for chemicals and machinery are particularly important, and sees scope for sectoral arrangements also for gems and jewellery, forestry and possibly some other industrial sectors. Non-tariff barriers are another clear priority for the EU, and it considers the horizontal mechanism and a series of proposals for the elimination of non-tariff barriers for electric and electronic products, textiles, clothing and footwear as crucial complements to the tariff side of the negotiations.

66. The EU pursues gradual liberalization of global trade in services, which represents a very important contribution to economic performance, long term investment and development. At the multilateral negotiations, the EU seeks the consolidation of existing liberalisation as well as new market access for services providers. The EU's approach is respectful of national public policy priorities such as public services or cultural diversity and takes into account developing and least developed members' priorities. Services liberalization is essential to ensure an overall balance with the two other core market access pillars (Agriculture and NAMA). Since the last EU TPR, the EU has been heavily involved in the negotiations and has continued to push for meaningful progress in this key economic sector.

67. The EU has played a leading role in the agricultural negotiations throughout the Doha Round with the firm belief that further liberalization of trade in agricultural products is an important contribution to sustainable growth of the global economy. Conditional on meaningful offers by our

negotiating partners and a balanced outcome in all areas of the negotiations, and hence of a successful conclusion of the round, the EU has in particular shown its willingness to make substantial cuts in its agricultural tariffs based on a tiered formula which will cut highest tariffs the most, to significantly reduce trade distorting subsidies, and to eliminate export refunds, on the condition of a successful completion of the Doha Round, containing inter alia the parallel elimination of all forms of export subsidies and disciplines on all export measures with equivalent effect. Furthermore, the EU seeks to promote the protection of geographical indications through the establishment of a meaningful multilateral register and the extension of additional protection of geographical indications for wines and spirits to geographical indications for all products.

68. The EU has also participated actively in negotiations on Trade Facilitation and would hope to find an agreeable solution that provides enhanced technical assistance and capacity-building in this area and has been active in suggesting solutions acceptable to developing countries on the rules governing the aid. The EU will be working to clarify and improve GATT Articles V, VIII and X with a view to facilitating trade and removing obstacles to the movement of goods across borders, as well as unnecessary and cumbersome formalities while promoting cooperation across agencies for that purpose. This streamlining may offer some of the biggest gains from the Doha Round, as it can dramatically reduce the cost of trading across borders.

69. The EU's approach to the DDA has been to complement further market opening with stronger rules and disciplines. The EU has been an active participant in the Negotiating Group on Rules. The EU favours amendments of the Anti-Dumping Agreement so as to clarify existing rules and prevent protectionist abuse. Equally, the EU seeks to strengthen current rules of the Agreement on Subsidies and Countervailing Duties and disciplines on fisheries subsidies. Furthermore, the EU has continued to support the further clarification of existing rules on regional trade agreements.

70. The EU maintains its strong commitment to environmental protection and the fight against climate change in its trade policy, including through its work in the Committee on Trade and Environment and its Special Session; the EU promotes the liberalisation of trade in environmental goods and services and seeks a clarification of the relationship between the WTO and Multilateral Environmental Agreements (MEAs).

71. The EU, together with Brazil, Colombia, Costa Rica, Ecuador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Peru, Venezuela initialled the "Geneva Agreement on Trade in Bananas" (GATB) on 15 December 2009 and in parallel, a separate EU-US agreement on bananas was initialled by the parties on the same day**.** This closed one of the most protracted disputes in the multilateral trading system. According to GATB, the EU will gradually reduce its banana tariff from 176 € per tonne to 114 € per tonne by 2017 (or by 2019 at the latest should the conclusion of the Doha Development Round be postponed). The GATB includes a "settlement clause" for the definitive settlement of all pending disputes. The EU-US agreement reflects the GATB: the EU-US dispute on bananas will be considered as settled upon settlement of the disputes brought by the Latin-American banana exporters. GATB was signed on 31 May 2010, the tariff cuts being provisionally applied as of 8 June 2010 (and retroactively as of 15 December 2009, the date of initialling). The EU internal procedure for the ratification of the agreements has been completed and it has been notified to the WTO on 8 March 2011. The GATB will enter into force once all parties to the agreement notify the WTO on the completion of their internal procedures while the US agreement will follow suit and will enter into force upon entry into force of GATB.

72. On 18 November 2010, the EU has lodged a waiver request in the WTO to be allowed to grant exceptional autonomous preferences to imports of a limited number of Pakistani products as part of the EU response to the devastating floods that hit Pakistan in August 2010.

73. In a rapidly changing environment that poses ever new challenges, the importance of full compliance and effective implementation of all WTO rules and agreements, including the plurilateral accords, cannot be overemphasized. In parallel with its committed participation in the DDA negotiations, the EU has paid full attention and has been engaging actively in all other negotiating and non-negotiating work within the various WTO bodies and committees.

74. In particular, the EU has been very actively engaging in the TPRB tasks of monitoring protectionism. The EU has been the most transparent and cooperative Member by timely reporting comprehensive information on its trade practices and measures to the WTO Secretariat. Consequently, the WTO TPRB monitoring reports contain substantial information on wide-ranging EU practices, illustrating the high level of transparency exerted by the EU. In this context, the EU has strongly advocated greater transparency, and encouraged other WTO Members to follow the EU example and champion in transparency.

75. The EU will continue to give priority to further accessions, notably of LDCs, and will aim to improve and clarify the unique dispute settlement system of the WTO.

3.3 CREATING THE RIGHT ENVIRONMENT FOR TRADE

76. The Market Access Strategy is an essential element of the enforcement agenda of the EU's renewed trade strategy. It was initially launched in 1996 with the purpose to provide a framework for removing tariff and non tariff barriers to trade in goods, services, intellectual property and investment as well as to supply the EU exporters with information on market access conditions in third countries. Since the onset of the economic crisis, the structures of the Market Access Strategy have been used to monitor compliance with the G20 anti-protectionism commitment resulting in several public reports[23]. As a visible sign of the EU's commitment to tackle trade barriers, the Commission announced in the Europe 2020 strategy that it would henceforth submit an annual "Trade and Investment Barriers Report" to the European Council with the objective of triggering appropriate enforcement action including at political level. The first such report was submitted to the European Council of 24/25 March[24].

77. The EU actively promotes the implementation of effective standards for IP protection and enforcement world-wide. The EU continues its pursuit of the full implementation of the standards set out by the WTO TRIPs Agreement. In parallel, the EU negotiates and implements bilateral agreements with partner countries, which include substantial IP provisions, also on customs border measures. The EU also provides technical cooperation to a significant number of developing countries in this field.

78. A deal was concluded on an anti-counterfeiting trade agreement (ACTA), which helps to ensure a high level of enforcement by participating countries, limiting the market for counterfeit goods and strengthening protection for copyright and trademarked EU goods and products with EU geographical indications.

[23] http://trade.ec.europa.eu/doclib/docs/2010/october/tradoc_146796.pdf.
[24] http://trade.ec.europa.eu/doclib/docs/2011/march/tradoc_147629.pdf.

79. The codification exercise of all Trade Defence Instrument basic regulations took place in 2009[25].

80. The EU continued to address competition distortions in international trade via the use of its trade defence instruments (anti-dumping, anti-subsidies and safeguards), in full compliance with WTO rules. While an increase in trade defence actions could have been expected following the global economic downturn, it is notable that in 2009 these measures affected only around 0.5 % of trade.

81. The fair and sustainable supply of raw materials and energy is of strategic importance for the competitiveness of the EU economy. This is clearly emphasized by a large number of business and civil society contributors during the public consultation. A number of governments outside the EU are developing industrial policies that create supply bottlenecks and other distortions affecting not only their domestic market, but also global markets on downstream products. In its 2008 Communication "Raw Materials Initiative", the Commission defined an integrated approach for raw materials encompassing all relevant policy fields. In February 2011, the Commission adopted a new Communication on "Tackling the challenges in commodity markets and on raw materials", updating and reinforcing the trade strategy in this field.

3.4 SECTORAL POLICIES

Agriculture

82. The Common Agricultural Policy (CAP) has successfully undergone substantial reforms in the recent years which achieved market orientation of the policy. Most aid to farmers is now granted in the form of decoupled income support whereby no obligation to produce exists and farmers are therefore free to follow market incentives, while for certain sectors a limited safety net is provided. In parallel, the role of the rural development policy has been further strengthened

83. On the basis of this reformed policy, a debate on the future CAP post 2013 has been initiated. As outlined in the Communication from the Commission entitled "The CAP towards 2020: Meeting the food, natural resources and territorial challenges of the future" the main focus of the debate is set on the following aspects:

- 'Greening' of the first pillar direct payments by supporting environmental measures and thus contributing to the overall environmental performance of the CAP;

- A more equitable distribution of payments among Member States in order to increase effectiveness and efficiency of the income support;

- An increased focus on competitiveness, innovation and environment in the rural development policy in line with the Europe 2020 objectives.

84. The legislative proposals for the CAP post 2013 will, for the first time in the history of the policy, follow the ordinary legislative procedure as mandated by the Lisbon Treaty with increased participation of the European Parliament alongside the Council and the Commission. The presentation of legal proposals is foreseen for later this year. The reformed CAP is expected to enter into force on 1 January 2014.

[25] Safeguards: Council Regulation (EC) No 260/2009 and 625/2009, Anti-dumping: Council Regulation (EC) No 1225/2009, Anti-subsidy: Council Regulation (EC) No 597/2009.

Manufacturing

85. The manufacturing sector is an integral part of the EU economy and an engine for its growth. In 2006, it generated €6,816 billion in turnover, producing €1,711 in added value, generated a trade surplus (outside the EU) of €107 billion, and employed 34 million people. Specific policies in this sector focus on creating better framework conditions for manufacturing industries in the EU so that they attract investment and job creation, and ensure that business can compete openly and fairly. In respect of the EU strict competition policy, measures involving state-aid would only be approved if consistent with the requirements of a level-playing field where competitive companies succeed.

86. In parallel with efforts on the external front to open up international markets, the current priority areas of the EU enterprise and industrial policy on the internal front include: promoting entrepreneurship, for example through better access to funding and support networks; flexible regulatory framework that facilitates access to the single market, with an additional focus on the contribution of voluntary standards to the regulatory framework; simplification of the regulatory and administrative environment; promoting competitive performance by encouraging businesses to adapt to structural change and maintaining a high and consistent level of productivity growth; ensuring availability of essential inputs for industry; promoting innovation; and improving skills. Increasing attention also goes into fostering consistency with energy and environmental policies.

87. The EU tariffs for industrial products are among the lowest in the world. The EU average level of customs duty protection amounts to around 3.9% on industrial goods, 2.4% in trade-weighted terms (taking into account MFN rates)[26]. However, the effective average industrial tariff is much lower because imports from many of the EU's suppliers of industrial products enter the EU preferential rates under the terms of bilateral agreements, the Generalised System of Preference (GSP) or tariff suspension regimes. Furthermore, low non-tariff barriers also contribute significantly to making the EU economy one of the most open to trade.

Services

88. Services are the largest economic sector in the EU, accounting overall for close to 70% of its GDP and for a similar – and rising – proportion of employment. The Treaty on the Functioning of the EU (TFEU) establishes the central principles governing the internal market for services: the freedom for EU companies to establish themselves in other Member States, and the freedom to provide services on the territory of another Member State other than the one in which they are established. In so far as the market integration for services is still not complete within the EU, significant efforts have been underway to remove the remaining regulatory and administrative obstacles to trade in services between Member States within the framework provided by the Directive on Services in the Internal Market (the "Services Directive" No. 2006/123/EC) adopted in December 2006 and other sector-specific legislation and initiatives. The deadline for the implementation of the Services Directive by Member States has expired: very significant results have been achieved and next steps for further deepening the internal market for services are being examined. Since the last TPR of the EU, notable progress has been achieved particularly in the financial services, telecommunications and postal services.

89. Despite the effects of the financial and economic crisis, the EU holds firmly the position of the world's leading exporter and importer of commercial services with a share of 25.5% in 2009 (extra EU trade). In 2009, it accounted for over a quarter of global services exports as well as imports.

[26] World Tariff Profiles 2010, WTO (2010).

The latter reflects the degree of openness of its trade regime in services. The EU and its Member States have undertaken major scheduled commitments under the GATS in practically all major service categories. The EU and its Member States have also entered into commitments on the protocols for the telecommunication and financial services sectors. MFN exemptions are maintained in compliance with Article II.

90. In recent years, further trade openness in services beyond the multilateral commitments made in the WTO has been provided through bilateral negotiations with different countries and regions. These have been based on a platform that combines trade in services and establishment in both services and non-services sectors under one set of provisions and often some provisions on further liberalisation in the telecommunications, financial services, international maritime transport services or postal and courier services, which enable trade liberalisation while preserving each partner's right to regulate its market.

3.5 BILATERAL AND REGIONAL TRADE RELATIONS

91. In parallel to its firm commitment to the multilateral system, the EU has pursued ambitious complementary trade liberalization at both regional and bilateral levels. The EU has consistently defined its own RTAs in ways that ensure they complement the multilateral trading system, and that make them a stepping stone rather than a stumbling block for further multilateral trade opening. In accordance first with its Global Europe strategy, re-emphasised in the new trade communication, the EU has decided to aim at a new generation of FTAs that extend beyond present agreements and build towards future multilateral negotiations. The EU thus seeks FTAs which are - in line with the letter and the spirit of the WTO Agreements - comprehensive in scope and deep in terms of level of commitment, in both goods and services. Particular emphasis is placed on tackling regulatory and non-tariff obstacles to trade. FTAs also address areas such as intellectual property rights, investment and government procurement. They are, moreover, designed to promote sustainable development, and therefore include high environmental and labour standards.

92. The EU–South Korea Free Trade Agreement was signed at the EU–South Korea Summit in October 2010 and will be provisionally as of 1st July 2011, pending final ratification of the agreement by the Member States. South Korea is already the EU's eighth largest trade partner, while the EU has become the second largest export destination for South Korea. The Agreement provides for the progressive liberalisation of trade in goods and services, and for rules on i.a. competition and state aid, intellectual property and public procurement. To tackle non-tariff obstacles to trade, it includes specific provisions on electronics, motor vehicles and vehicle parts, pharmaceuticals, medical devices and chemicals. It will bring major benefits to economic operators and to consumers, as well as sending a strong message that trade liberalisation is a key element for the recovery of the world economy.

93. Following the suspension of the EU-ASEAN FTA negotiations in 2009, negotiations for bilateral free trade agreements were launched with Singapore in March 2010 and with Malaysia in October 2010.

94. Negotiations for comprehensive Economic Partnership Agreements continued with all the African regions as well as with the Pacific. Progress in these regions is uneven. The Commission ensures proper implementation of those agreements which have already been finalised, in particular in the Caribbean and Papua New Guinea.

95. Progress in negotiations on free trade agreements with Canada and Ukraine held out the prospect of significant shifts in the global trade landscape and of new trade opportunities for EU businesses and investors in these growing markets.

96. Significant progress was also made in the negotiations for a free trade agreement with India launched in 2007, with both sides confirming their commitment at the EU – India Summit on 10 December 2010 that both sides would dedicate all efforts necessary to conclude the negotiations as rapidly as possible.

97. The EU successfully concluded the negotiations for an Association Agreement with Central American countries. These were launched in 2007 with 5 countries, and were concluded in 2010 with the participation of a sixth Central American partner, Panama. Similarly, the negotiations with the Andean Community were concluded in 2010, resulting in a Multi-Party Trade Agreement with Peru and Colombia. Although Ecuador and Bolivia decided to opt out of the negotiations, the EU is leaving the door open for these countries to resume the negotiations and join the Agreement at a later stage. Both of these preferential agreements reflect a high level of ambitions in terms of tariff reductions, services coverage, market access for investments, and government procurement. They also effectively target beyond-the-border trade barriers with a comprehensive coverage of disciplines on intellectual property rights, sanitary and phyto-sanitary requirements, and technical requirements and standards. The agreements also promote regional economic integration through rules and via linkages with cooperation activities, and take care of broader concerns notably in the area of sustainable development, the environment and of labour rights.

98. The EU has continued negotiations with Southern Mediterranean partners to complement Euro-Mediterranean agreements. Negotiations on agreements on further liberalisation of agricultural, processed agricultural and fisheries products were concluded with Egypt and Israel (entry into force in 2010), and with Morocco and the Palestinian Authority (approved by Council but pending consent of the European Parliament); they are ongoing with Tunisia. Negotiations to liberalise trade in services and establishment are ongoing with Egypt, Morocco, Tunisia and Israel. A number of protocols establishing bilateral dispute settlement mechanisms for trade matters were signed with Egypt, Jordan, Lebanon, Morocco and Tunisia. Negotiations continue with the Palestinian Authority. Also, the first agreement on conformity assessment and acceptance of industrial products, which developed from the earlier mutual recognition agreement, was signed with Israel in 2010, and discussions are ongoing with other Southern Mediterranean countries, aiming at launching some negotiations end of 2011. With Libya, the EU suspended negotiations on a deep and comprehensive free trade area on 23 February 2011. Currently the EU is implementing UNSCR 1970 (2011) sanctions against Libya with additional EU autonomous sanctions.

99. In 2010, the EU also agreed with Mercosur to re-launch negotiations for an EU-Mercosur Association Agreement which would notably include a comprehensive and ambitious preferential trade component.

100. With Iraq, negotiations on a Partnership and Cooperation Agreement were concluded in 2010 and the agreement will be signed later this year. The trade part of that agreement is based on WTO rules with wide coverage of trade policy sectors. It also provides for some substantial elements, namely as regards public procurements and services.

101. With Mongolia, the EU concluded in 2010 a Partnership and Cooperation Agreement that will be signed later this year. The trade part of that agreement is based on WTO rules and particular attention was devoted to the disciplines applicable to the trade of raw materials.

Other important bilateral activity

102. The EU places a particular emphasis on developing new relationships with key trading partners, including the USA, China, Russia and Japan. To make life easier for traders while keeping security standards high, the EU improved its customs cooperation with strategic partners.

103. With the United States, its most important trading partner, the EU enjoys trade relations that are unrivalled in scope and breadth. Given the size of the bilateral economic relations, there is wide range of issues that both sides are engaging on. The meeting of the Transatlantic Economic Council with the United States on 17 December 2010 underlined the intention of both sides to intensify the bilateral economic relationship, to tackle barriers and create new opportunities. At the TEC meeting, a wide range of issues were discussed and the TEC took concrete steps to promote a forward-looking business environment that reduces regulatory barriers and encourages innovation, shared standards and high-tech business. Delegates agreed on a common approach regarding electronic health record systems, and to focus attention on regulatory cooperation in key sectors, access to raw materials, eco-friendly products and innovation and research policy. They agreed to work towards joint principles on ICT services trade and launched a joint website against counterfeiting. At the meeting, they also announced the understanding on final steps towards mutual recognition of authorised traders with the objective of implementation by October 2011. Further, they agreed to deepen transatlantic cooperation in supply chain security policies.

104. China is the EU's second largest trading partner, the EU's fastest growing export market, and the EU's biggest source of imports. Building on solid and fast developing economic relations, the EU is looking forward to turn this relationship into a truly strategic partnership. The High Level Economic and Trade Dialogue (HED) was launched in April 2008 to give direction to EU-China trade, investment and economic cooperation and address issues of mutual concern. The third HED meeting was held end December 2010 in Beijing and delivered on its aim to enable strategic discussions while also allowing for concrete discussions to reach progress on specific issues and help resolve frictions. Among the issues discussed were: the international economy and ways forward for the two economies; competition issues; trade and investment; innovation; and customs cooperation. Focal points include the business climate, intellectual property rights, discriminatory non-tariff barriers, and transparency concerns.

105. Russia is the EU's 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, also a point clearly made by many respondents in our public consultation. It would be the single most significant measure to anchor Russia into the global system and it would give a boost to the modernisation and diversification of its economy. The EU and Russia concluded their bilateral talks on Russia's accession to the WTO in November 2010.

106. Japan is a strategic partner of the EU. Bilateral meetings are based on the 2001 Action Plan, which comes to an end this year. The renewal and enhancement of the bilateral relations are at the centre of work of the High Level Group which is due to report possible options to this year's EU-Japan Summit.

3.6 SUSTAINABILITY AND DEVELOPMENT

3.6.1 Trade and sustainable development

107. In the EU, mainstreaming sustainability with its social and environmental dimension in all relevant policies is a basic requirement set out in the Treaty on the European Union, both as regards internal policies and external action. The 2006 renewed EU Sustainable Development Strategy has guided the EU activities in that regard. Given the wide ranging effects that trade policies and agreements can have on the economy, employment, labour standards, social cohesion, and the environment, including to policy development and regulatory aspects, the EU is concerned with ensuring that all its trade actions are supportive of sustainable development within the EU, in our partner countries, and at global level.

108. One basic tool to ensure coherence between trade liberalisation and sustainable development are the ex-ante assessments of the potential effects of trade agreements on the pursuit of economic, social and environmental goals. In the EU, such ex-ante assessments take the form of Impact Assessments (carried out when considering a new initiative) and Sustainability Impact Assessments (SIAs). SIAs, conducted during the trade negotiations, by independent contractors, assess the potential economic, social and environmental impacts of trade agreements in the EU as well as its negotiating partners. They use a broad set of indicators and involve wide consultation of stakeholders, such as private sector associations, trade unions, NGOs and civil society at large. The results of the assessments guide EU negotiators in determining the best possible outcome of a trade negotiation. They also provide guidelines for the design of possible policy measures to accompany the trade agreement, to help maximise the positive effects and/or mitigate any negative consequences of the future agreements. The SIAs are thus intended to enable trade liberalisation in a sustainable way. The EU currently conducts SIAs to all major regional or bilateral trade negotiations.

109. The EU grants additional autonomous trade preferences under the GSP+ arrangement as an incentive to vulnerable developing countries to ratify and effectively implement internationally agreed standards on sustainable development and good governance. Furthermore, the EU has agreed provisions and commitments on implementing social and environmental standards and creating mechanisms for wider stakeholder involvement in its contractual bilateral agreements, be they PCAs, FTAs or EPAs and irrespective of whether the partners are developed countries or not. In parallel, the EU continues to be devoted to multilateral action to ensure that trade rules are supportive of sustainable development.

110. The EU promotes Corporate Social Responsibility (CSR) and a reference to CSR is also included into the sustainable development chapter of a new FTA generation.

111. Over the last years, climate change has emerged as a crucial sustainable development challenge facing policy makers, requiring also a careful consideration of the interaction between climate and trade policies with a view to ensuring that they reinforce each other. The EU has been in the frontline in the fight against climate change both at the domestic level as well as on the international stage. Domestically, the EU has developed a robust policy with some of the most aggressive carbon emissions reduction targets underpinned by a strengthened Emissions Trading System (EU ETS). In parallel, on an international level, the EU is a leading player in the climate change negotiations under the United Nations Framework Convention on Climate Change (UNFCCC) to agree on a new post-Kyoto climate regime.

112. There is a high awareness within the EU on the need to safeguard and support such direct efforts to mitigate and adapt to climate change with complementary trade policies. At the global level, trade policy could directly contribute to climate policy goals through the liberalization of trade in environmental good and services. While prioritizing the multilateral path, the EU has also been pursuing early liberalization of environmental goods and services in its FTAs. Further trade policy tools that may be significant with regard to climate change objectives and which the EU is examining closely include certification of natural resource based products and voluntary/private labelling.

3.6.2 Trade and development

113. The Treaty of Lisbon recognises development as a policy in its own right, on an equal footing with other components of the EU's external policy. It puts a new focus on coordinating the Union's and Member States' development policies, and on coherence between development policy and the other EU policies. This coincides with a shift to integrate EU development policy into the Europe 2020 agenda. Moving away from a donor–recipient relationship, the policy is one of mutual interest: working in partnership with developing countries to provide sustainable and inclusive opportunities for growth and poverty reduction whilst at the same time benefiting the EU.

114. The resources provided by the EU remain significant. Together with its Member States, preliminary figures for 2010 show the EU provided €53.8 billion of aid a year, a doubling over the past 10 years. As the world's biggest donor, the EU reconfirmed its commitment for its aid to reach the target of 0.7 % of gross national income by 2015.

115. The last "Policy coherence for development" communication from 2009 outlined EU responses to the global challenges of trade and finance, climate change, global food security, migration and security. It proposed mechanisms to ensure that development objectives are taken into account and reconciled with other EU objectives.

116. Trade is a major factor in the EU's relations with developing countries. Many developing countries are linked to the EU on a contractual basis. In this context, the negotiation of Economic Partnership Agreements is the cornerstone of the EU's trade and development partnership with ACP countries *(see § 94*). EU external assistance supports these reforms of the trading regime by providing the funding to strengthen institutional and productive capacities required to exploit the opportunities created by the agreements.

117. In addition to this, or, for those developing countries who do not have an agreement with the EU, the EU's Generalised System of Preferences (GSP) offers generous access to 176 developing countries and territories to the EU's market on an autonomous basis. A public consultation during 2010 on future adaptations of this system was accompanied by a proposal to roll over the current scheme. The "roll-over" Regulation, which will avoid the system lapsing at the end of 2011, has been approved by the European Parliament on 24 March 2011 and should be published in June.

118. The Commission will put forward a comprehensive "review" of the GSP system in May 2011; once adopted by the European Parliament and Council of Ministers this new regulation will enter into force by January 2014 at the latest. According to the Commission proposal, the new system will be open-ended and will strive to: a) take into account the fast-changing economic and trade patterns, acknowledging that the crisis and preference erosion have been hitting hard poorest countries, and therefore concentrating preferences on those most in need; b) strengthen the GSP+ incentive scheme for human and labour rights, the environment and good governance, by making applications easier but at the same time enhancing monitoring and implementation; c) make the system more stable, transparent and predictable.

119. The Commission is preparing a "Communication on Trade and Development", which will be adopted before the end of the year 2011. The main aim of this Communication is to set out a clear picture on how the EU can best support those developing countries that are presently not benefitting (or only marginally) from international trade in order to better harness the opportunities in favour of inclusive growth and poverty reduction, in a global scenario which has considerably changed. The related public consultation will be launched in May 2011.

120. In November 2010, the Commission published a Green paper on its future development policy, launching a reflection on how the EU's development policy should be oriented to best support the efforts of developing countries looking to achieve the MDGs, and how it can leverage new opportunities to tackle poverty. The public consultation was carried out from November 2010 to January 2011; and a Communication will be adopted during the course of 2011.

121. The EU with its Member States continues to be a leading player within the Aid for Trade agenda and moves decisively to put Aid for Trade into practice. Based on the recommendations of the WTO Aid for Trade Task Force, the EU adopted a joint Aid for Trade Strategy in 15 October 2007, through which it intends to honour its pledge on increasing Trade Related Assistance (TRA) made at the Hong Kong WTO Ministerial, as well as to achieve broader improvements in both the quality and quantity of its Aid for Trade. The EU has put in place a range of specific activities to implement the Strategy, including active participation in work in WTO and OECD to improve monitoring of global Aid for Trade flows and effectiveness.

122. The EU seeks to respond to the needs of developing countries, to support their sustainable development and their integration into the global trading system. Efforts to assist the developing countries in achieving growth, alleviating poverty and improving social equality within a framework of sustainable development have to be undertaken through a range of policy tracks, including trade policy. In this context, the EU continues to be fully committed to put trade at the service of development.

123. In the context of the DDA, the EU has continued to engage constructively with developing countries to reach suitable solutions to their particular realities and needs, and consistent with the principle of differentiation. EU proposals across all negotiating areas have consistently considered the development aspect and often include explicit provisions for special and differential treatment. Beyond the DDA and the WTO, the EU has participated actively in discussions on trade and development in other international fora such as the United Nations and UNCTAD.

124. In 2009, the EU as a whole continued to increase its TRA commitments substantially. Provisional data for this year, available at the time of writing, indicates that TRA reached almost €3 billion, compared to €2.4 in 2008. This results mainly from an increase in Members States TRA commitments to €2 billion. Although one year to go, the EU therefore exceeded its Hong Kong pledge to provide €2 billion in such assistance by 2010 (€1 billion each by the Commission and Member States). As in the case of TRA, the EU is also the largest provider world-wide of Aid for Trade. In 2006 the EU provided €7.3 billion (€2.6 billion by the Commission, €4.7 billion by Member States). Provisional data for 2009, available at the time of writing, indicates that this figure had increased to €10.5 billion (€3.35 by the Commission and €7. 15 by Member States) It should be stressed that these increases, delivered via existing channels of development cooperation, did not come at the expense of other sectors but rather in the context of a growing overall Official Development Assistance (ODA). In terms of activities financed in the trade area, the EU assisted developing countries across the whole spectrum of trade policy and regulation and trade development categories, while making sure that the distribution of available funds corresponded as close as possible to their own priorities and demands.

For instance, a substantial and growing part of TRA was allocated for technical assistance to help beneficiaries meet European technical and phytosanitary standards.

125. On the multilateral side of Aid for Trade, the EU and its Member States are closely engaged in work on enhancing the Integrated Framework on Trade Related Technical Assistance for the LDCs. The Enhanced Integrated Framework (EIF) is now fully operational and as of December 2010, 47 LDCs benefitted from the programme. The EU and its Member States are involved as important donors, in some cases as donor facilitators on the ground and by participating in the EIF. Furthermore, there is a commitment to using the EIF as a guiding tool for bilateral assistance, in accordance with the joint Aid for Trade Strategy.

126. Finally, the European Commission has also been regularly improving and updating its Export Helpdesk[27]. This is a free online service to facilitate market access to the EU for economic operators in developing countries in particular. The website includes relevant information required by exporters interested in supplying the EU markets, such as, inter alia, import requirements, import tariffs, customs documents, rules of origin and trade statistics. The statistics on the use of this online information service demonstrates its growing importance. From 2004 (the year of its launch) to 2010, the number of hits increased from 1,500 to more than 12,000 hits a day. In 2010 in order to further address the needs of economic operators in the European Neighbourhood countries, the current language versions of the website (English, French, Spanish, Portuguese) were extended to Arabic and Russian.

4. LOOKING FORWARD

127. Notwithstanding the difficulties that the WTO Members encounter in moving forward the Round, the EU remains convinced that concluding the Doha round of negotiations is the priority on the WTO agenda. An ambitious, balanced and comprehensive outcome should be achieved that would deliver substantial new trade opportunities for all WTO members. This would be the right response to the global economic crisis and in order to achieve this, *all* major players, including large fast-emerging economies, will have to make significant contributions so that *all* players, big and small, can benefit.

128. The EU will continue to play its leadership role in promoting trade liberalization and developing a trading system of benefit to all. In this regard, the EU will continue to participate actively in the work of the WTO, while pursuing regional trade agreements which are a catalyst for multilateral liberalization, encouraging sustainable development and supporting the advancement and integration of less advanced economies in the multilateral scene. The EU believes that the transparency pillar is of utmost importance for the good functioning of the WTO. The surveillance and monitoring capacity of the WTO should be enhanced by pursuing work in peer reviews processes, transparency and multilateral scrutiny of trade policies in order to stem possible protectionist tendencies. The dispute settlement pillar remains central for ensuring stability to the global trading system and its judicial nature should be further developed.

129. The EU will work on the implementation of the communication "Trade, Growth and World Affairs", and continues to be committed to an open, fair and rules-based trading system, in order to achieve sustainability and growth at home and abroad.

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[27] http://exporthelp.europa.eu.