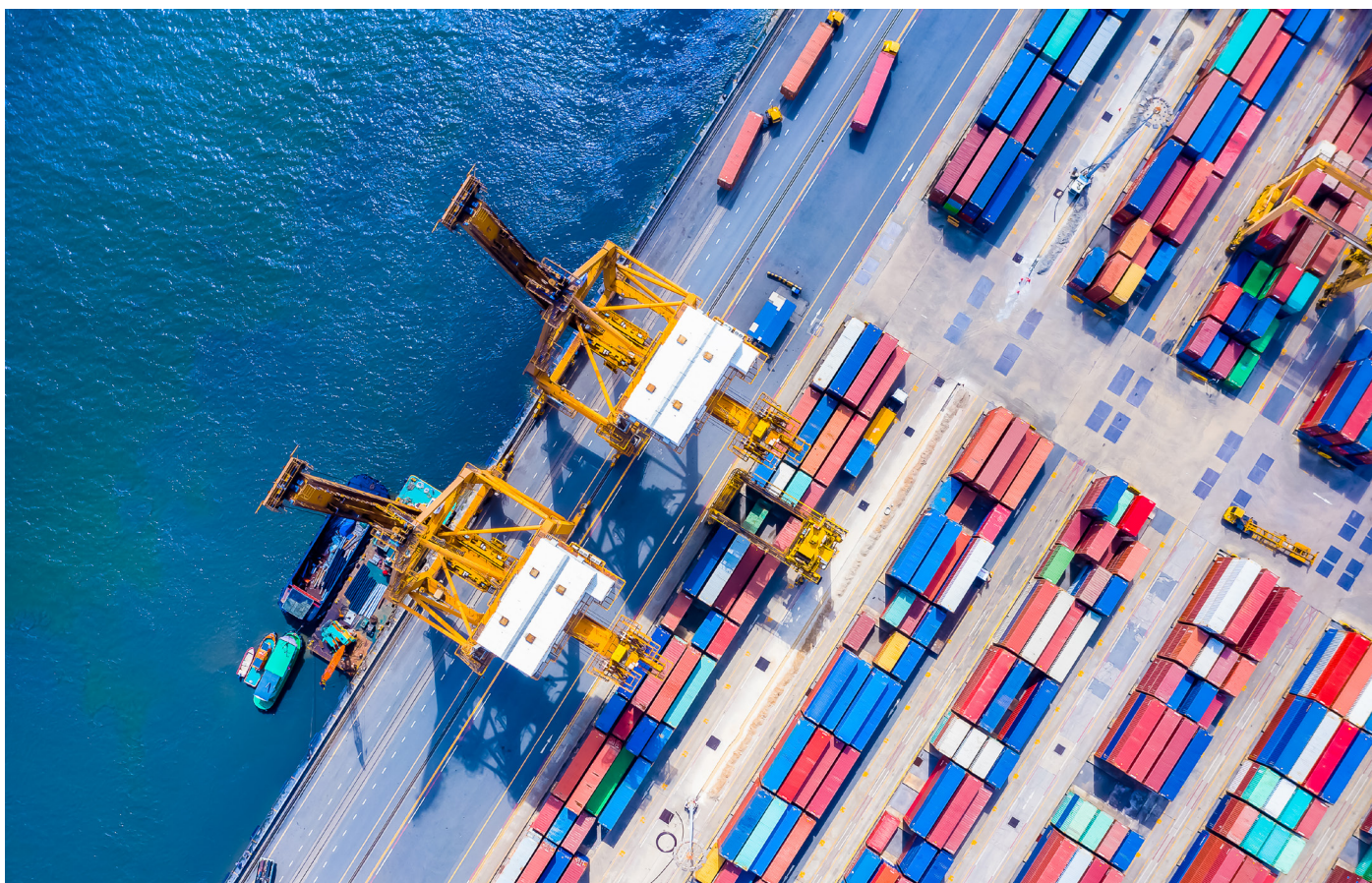


# For a Powerful, Targeted EU Global Trade Policy



## Introduction

Trade policy, an exclusive EU competence, is one of the EU's most effective tools for fostering stable and reliable economic partnership with third countries. Trade also has a fundamental role to play in the recovery of Europe's economy. It accounts for almost 35% of the EU's Gross Domestic Product (GDP). 35 million European jobs depend on exports, 16 million on Foreign Direct Investment (FDI). Trade is particularly important for Small- and Medium-Sized Enterprises (SMEs) — around 85% of all EU exporters. In short, trade is key for Europe's prosperity and growth. Indeed, based on the EU's economic weight, trade policy is the Union's strongest tool for creating competitiveness and growth, leveraging its international influence and asserting its geopolitical stance. In a rapidly changing world order, the EU must be a global trade power.

EU trade policy is equally critical for supporting our companies, especially our SMEs, throughout the green, digital and demographic transitions — and for translating these objectives into external action. The EPP champions open and fair trade globally, which means trade based on commonly agreed and respected rules and on a global level playing field that ensures the fair treatment of workers as well as the sustainability of our planet.

Trade means commerce; and trade policy aims ultimately at boosting competitiveness, growth and prosperity. These are the outcomes which will enable the EU to better achieve its many other goals. EU trade policy is no substitute for environmental, industrial, digital, development, human rights or other policies, external or internal; and yet all these are and must be inter-connected, and all must work together, as a coherent whole, to achieve common EU aims. Of essential importance is the EU's ability to build multilateral consensus around core European values, and then to implement and enforce the EU's trade and other agreements in promoting and defending these values. The EU's model of trade and investment openness demands reciprocity from global trading partners. The EU must use its economic leverage to ensure that its unequivocal commitment to human rights, its ambitious climate and environment and sustainability goals, and its high-quality standards for producers and consumers alike become the common global norms. Trade policy, in tandem with other tools strategically aligned — combining economic as well as political objectives under a clear, unified EU policy — can and should support a renewed European effort, together with the United States and other essential partners, including in particular African nations, to achieve a safer, healthier and fairer, a more open, a more prosperous and a more sustainable rules-based international order: and a world in which democracy prevails against the threat of rising authoritarianism.

The European Steel and Coal Community, the European Economic Community, the Single Market: the European Union with its competitive social market economy is a story of success and prosperity, a story of hope and achievement — rule of law, freedom and democracy, human rights, fair competition alongside commitment to cooperation and striving for a sustainable society — which we are proud to defend and promote. It is a story many others, outside the EU, want to participate in, and one we want to share. Our EU trade policy from 2021 must reflect the essential role the Union plays as a major multilateral actor in a world riven by new tensions. We must use our leverage responsibly and strategically, to further both our economic interests and core values, and to ensure European citizens and companies, and our societies as a whole, can fully reap the benefits of free and open trade.

## A new approach

The EPP has endorsed and the European Union has adopted going forward the new concept of 'open strategic autonomy'. What does this mean?

First, it means a continuation of our openness to the outside world: in terms of trade and investment, people-to-people contacts, exchanges of ideas and commitment to strengthening partnerships at the multilateral level, with the World Trade Organization (WTO) at its core. We welcome free and fair, rules-based competition, both within the Single Market as well as globally. Such competition drives progress and innovation; it also strengthens the European Union's ability to bounce back from downturns or crises. At a time of rising protectionism and increasing calls from the political margins to deconstruct economic globalisation, the EU needs to be at the forefront of defending free trade and the multilateral trading regime — the very foundation of Europe's prosperity and a key to eradicating global poverty.

Second, it means being strategic about projecting our values and interests in an increasingly turbulent world. Europe's challenges are global in nature: foremost the COVID-19 pandemic, economic recession and climate change, in a context of new geopolitical and security challenges. Being strategic means reinvigorating existing partnerships, first with the United States, as well as engaging with a range of partners to shape the multilateral system for the decades ahead. Europe must play an active role in shaping regulatory frameworks and global standards. The EPP supports a strategic EU with a strong role to play on the global stage.

Third, it means being assertive on behalf of EU citizens and businesses. It means establishing a level playing field for global trade and adding tools to ensure fair treatment for businesses in the marketplace, both at home and abroad. It means capacity: having the resources and ability to act independently — both for and within a common agenda alongside our partners. As such, open strategic autonomy is not about trade barriers or disengaging from globalisation; it is about reducing dependencies and strengthening the EU's ability to act on a legislative basis fit for the 21st century, and integrating less-developed actors into global markets. It means strong enforcement: to ensure EU agreements are correctly implemented.

Finally, open strategic autonomy for the European Union will always be rooted in our core European values: foremost democracy and rule of law, human rights and human dignity, freedom and responsibility, equality between men and women, pluralism, tolerance, solidarity and subsidiarity. This is the firm ground we stand on in forging priorities for a new strategic approach for global engagement.

Several priorities — all interrelated — stand out as we enter 2021. A European Union guided by open strategic autonomy will lead the way in reforming the multilateral system, including in particular the WTO. It will pursue a purposeful plan with the EU's neighbours, reinvigorated transatlantic relations, tough but fair negotiations with China over a range of key challenges, and ambitious engagement with the broader world. It will ensure a stronger EU, starting with a full and speedy recovery from the public health as well as economic crises of the COVID-19 pandemic. Open strategic autonomy should correspond to structural changes in the global economy — transformations and reforms which the EU must be at the forefront in leading. It is thus that the European Union will build better resilience for the future.

### **Hand in hand: Reinvigorating the multilateral system**

We reiterate our strong EPP support for the multilateral framework: created to make cooperation and problem-solving easier, and which has served us well for decades. The broadest forum for such cooperation is that of the United Nations, whose Sustainable Development Goals (SDGs) must remain essential guideposts. We call for a stronger and more effective integration of the SDGs into the WTO.

Despite its past utility at the heart of the multilateral system, after 25 years in existence the WTO must now



be reformed to reflect new realities in international trade. The WTO must be given a renewed impetus and relevance, by focusing on the main challenges facing humanity as a whole: recovery from the COVID-19 pandemic and fighting climate change while supporting an ever more sustainable economy as a basis for stability and prosperity. Integrating the SDGs and the Paris Climate Agreement into the work of the WTO will make the organisation more relevant and more effective in meeting the needs of its members. The EPP supports the EU-led trade-and-health and climate initiatives at the WTO, ensuring the aims of the Paris Agreement and the Trade and Sustainability Chapters (TSD) become not only part of all EU-negotiated Free Trade Agreements (FTAs) but an intrinsic part of the global trading architecture itself. Agreed commitments on climate and sustainability must be fully implemented and strictly enforced.

Also critical, in the framework of the WTO, is work to move forward with stalled efforts to reach an Environmental Goods Agreement (EGA) — to ensure planet-friendly products are more accessible and competitive around the world — and full and universal implementation of the Convention on Biological Diversity and other Multilateral Environmental Agreements (MEA), such as the Basel, Stockholm and Rotterdam (BSR) Conventions. The WTO should thus play an even stronger role in environmental and climate issues. An in-depth discussion is needed on how to link these targets with the global trading regime: the EU should push for the adoption of circular economy standards at multilateral level; and WTO members should redouble their efforts to finalise negotiations on Illegal, Unreported and Unregulated Fishing (IUU), protecting our oceans as well as local fisheries communities.

Similarly, we continue to push as well for full and universal compliance with core International Labour Organization (ILO) conventions, including prohibitions of all child and forced labour. We call for strict enforcement of ILO and other commitments to promote sustainable development.

The WTO, now with a new director-general in place since February 2021, can be given a new impetus in pursuing a strong agenda for the upcoming 12th Ministerial Conference. The EPP firmly believes decisive progress on plurilateral initiatives, such as Services Domestic Regulation and Investment Facilitation, and an agreement to tackle harmful fisheries subsidies can imbue the WTO with renewed momentum. We call for a conclusion in 2021 to the Fisheries Subsidies Agreement.

The EU should work with like-minded partners in the WTO, World Customs Organization (WCO), World Intellectual Property Organization (WIPO), International Telecommunication Union (ITU), Organisation for Economic Co-operation and Development (OECD) and other relevant bodies to support an ever more digital global economy and meet the dynamic challenges of the future. The EU is committed to ongoing, and ambitious, negotiations on e-commerce at WTO level: to make regulations smarter and more consistent, boosting prosperity while protecting personal data and privacy, which is a basic right. High data protection standards are therefore a must. Open strategic autonomy requires setting the right framework for digital trade, to allow European companies to become leaders in the export of digital goods and services and to ensure the EU leads in digital trade globally. This will be critical not just for the future of multilateralism but for Europe's recovery following the COVID-19 pandemic.

European value added in production chains is increasingly knowledge- and creativity-based. The EU must strongly defend industrial and intellectual property rights and their full implementation.

Finally, the EU should also play a leading role in reforming the WTO's Appellate Body, empowering the organisation's dispute settlement mechanism so it can fully function once again. This can be achieved through strong engagement with the US and other partners, taking on board valid US concerns regarding the current Appellate Body structure while continuing to strive to resolve ongoing disagreements.

The EU has a role to play in mainstreaming other multilateral agreements into the global trading rulebook.

And, crucially, in the midst of the worst global pandemic in more than a century — a crisis making clear the inextricability of health and trade policy, and the vital need to keep global supply chains open — the World Health Organization (WHO) needs our full support. The European Union's commitment, reiterated by the Council in October 2020 and June 2021, is clear and critical to this endeavour. The EU has already played a leading role in combating the global pandemic, in fora such as the G7 and G20 and in the context of the WHO's Access to COVID-19 Tools (ACT) Accelerator programme — bringing together industry, science, government and civil society — including the ACT-Accelerator's COVAX Facility, enabling joint procurement and ensuring fair distribution of vaccines. We firmly support these initiatives going forward, as we support the European Commission's proposed Health Emergency Preparedness and Response Authority (HERA): an initiative which will strengthen Europe's autonomy by strengthening Europe's ability to develop, produce and distribute key medicines and medical supplies. We support in this regard the EU's Trade and Health Initiative in the WTO.

### **A global strategy**

#### *To the east, south and west*

Stronger trade with the EU's neighbours means more stability and closer partnership. The EU has concluded Stabilisation and Association Agreements with all six Western Balkans countries — each with a clear European perspective, and for each of whom the EU is the main trading partner. Trade with the EU comprises 70% of the total for the region; and this trade has grown by almost 130% in the past decade, with a bottom-line EU surplus of €8.9 billion. The EPP continues to fully support the European perspective of the Western Balkan countries, while underlining the importance of continued reform efforts in areas of democracy, rule of law and security.

Trade with the Eastern Neighbourhood, in particular in the context of the Eastern Partnership, is fundamental to supporting closer alignment with European values. Deep and Comprehensive Free Trade Agreements (DCFTA) with Georgia, Moldova and Ukraine have all entered into force in recent years and are essential to our ongoing commitments to achieving greater integration. These three EU Associated Trio countries have demonstrated the success of the 'more for more and less for less' approach. Such engagement in the Eastern Partnership is also significant from a geopolitical and geo-economic standpoint, and EU presence and cooperation is vital in maintaining strong perspectives for stability in our neighbourhood.

We strongly support maintaining the EU's economic sanctions against Russia in light of Russia's illegal — and unredressed — annexation of Crimea and efforts to destabilise Ukraine. Ukraine is high on Europe's agenda; and we continue to provide political, financial and technical assistance, especially during this time of crisis. We support Ukraine's reform agenda to build a more resilient economy.

The EU has a strategic interest in the development of cooperative, mutually beneficial relations with Turkey, a NATO ally and member of the EU Customs Union. Turkey, however, despite overtures by the EU, has acted repeatedly with aggression and in violation of international law in the Eastern Mediterranean — in particular against the sovereign interests of two EU Member States: Greece and Cyprus — and has unlawfully attempted to boycott French products. Its foreign policy increasingly collides with the EU's Common Foreign and Security Policy priorities: be this in Libya, Syria or Iraq. The offer of a positive EU-Turkey agenda remains on the table, including in areas of economy and trade, provided Turkey makes constructive

efforts to stop its illegal activities vis-à-vis Greece and Cyprus: showing readiness to promote a genuine partnership with the Union and its Member States and to resolving differences through dialogue and in accordance with international law. Any improvement in official EU-Turkey relations, and any movement forward on the positive agenda as outlined in the European Council's October 2020 and December 2020 Conclusions, depends on improvement in Turkey's rule-of-law and civil and human rights situations. In case of Turkey's renewed unilateral actions or provocations in breach of international law, the EU must be ready to use all instruments and options at its disposal to defend its interests and those of its Member States, as stated by the European Council.

To the south, the EU is the foremost trading partner for Algeria, Egypt, Lebanon, Israel, Morocco and Tunisia — and for the region as a whole of Southern Mediterranean and Middle Eastern countries. Talks with Morocco, Tunisia and others are ongoing to deepen and broaden existing association agreements, including to promote sustainable investments. New hope for stability in Libya calls for renewed EU efforts for an economic partnership encouraging local development. And 25 years after the Barcelona Declaration, ten years after the Arab Spring and five years after the last European Neighbourhood Policy Review, the relaunch of EU relations with the Southern Neighbourhood, as outlined by the European Commission's February 2021 'Renewed partnership with the Southern Neighbourhood – A new agenda for the Mediterranean', offers via its Economic Investment Plan a roadmap for a comprehensive, inclusive and sustainable recovery further integrating the economies of Europe and Southern Neighbourhood countries.

Further south, the future prosperity and stability of Europe depend on the prosperity and stability of Africa. The EU is pursuing a robust agenda to widen and deepen partnerships, with Economic Partnership Agreements (EPAs) being implemented with 14 countries in sub-Saharan Africa, a region whose growth has doubled in the past ten years. We are encouraged by the start, on 1 January 2021, of trading under the African Continental Free Trade Area (AfCFTA) agreement, marking the dawn of a new era. The EPP supports the strong and full implementation of the AfCFTA, along with full coherence between the different policy tools available to the European Commission, including the External Investment Plan, the new multiannual programmes for development cooperation as well as technical assistance linked to capacity-building in the area of trade facilitation.

Looking west, relations with the United Kingdom enter a new phase with the official adoption in April 2021 of the Trade and Cooperation Agreement (TCA). We remain committed to fundamental partnership, on the basis of mutual respect and cooperation, with our British friends on a whole range of issues uniting us in ties of common interests and values: combating climate change, fighting terrorism, rooting out corruption and organised crime, collaborating in fields of innovation and research, providing for the common defence within the framework of NATO — and of course, maintaining close ties on investment and trade, in both goods and services. The TCA, including full implementation of the Withdrawal Agreement (WA) and its Protocol on Ireland and Northern Ireland, remains the fundamental framework for cooperation post-Brexit. The EPP supports the TCA and the WA and its Protocol as a manner for governing a level playing field and assuring the integrity of the Single Market. We must also emphasise that this is a living agreement, and we remain open to deepening our trade and economic cooperation should the UK government wish to pursue this goal. We stand firmly with the Republic of Ireland in defending the Good Friday Agreement and in rejecting any re-imposition of a hard border on the island of Ireland; the Protocol on Ireland and Northern Ireland was agreed precisely to balance such exigencies, and it must be fully and legally applied.

Financial services remain an area critical to market stability where clarification and further cooperation with the UK are still needed. The EPP welcomes the ongoing process to grant General Data Protection Regulation (GDPR) adequacy to the United Kingdom; this will strengthen both EU and UK security by allowing law enforcement agencies ongoing access to important shared databases.

Further west, and beyond the EU's immediate neighbourhood, the Comprehensive Economic and Trade Agreement (CETA) with Canada, provisionally applied since 2017, has resulted in an almost 25% increase in bilateral trade, with EU machinery and pharmaceutical exporters among the main beneficiaries. CETA has also provided a framework for closer cooperation on climate initiatives and the alignment of safety standards.

### *The United States*

The transatlantic partnership remains the most important trade and investment relationship in the world. This relationship is about more than just goods and services; it is based fundamentally on the values of democracy, human rights and the rule of law. Now, more than ever — vis-à-vis a new US administration and Congress committed to multilateral engagement — this partnership must be reinvigorated, with renewed commitment and effort on both sides of the Atlantic, to offer strong and democratic global leadership. As stated in our February 2021 EPP [position paper](#), the transatlantic partnership 'must be reinvigorated if the West is to prevail as a viable and attractive model based on core democratic values.' The EPP welcomes President Biden's proposed Summit for Democracy initiative. A strong transatlantic partnership should form the cornerstone of this initiative: with closer bilateral and multilateral cooperation on trade and investment, in the framework of the WTO, at its centre.

Close coordination with the US is a key prerequisite both for successful and ambitious WTO reform as well as for the advancement of key dossiers, such as e-commerce. In order to strengthen trust between both sides, the EU should acknowledge legitimate concerns of the US regarding the functioning of the WTO, particularly regarding its dispute settlement system.

Ultimately, the EU and US must move beyond longstanding bilateral disputes: to overcome the deepest crisis in decades in transatlantic relations in order to tackle more fundamental common challenges. The so-called Lobster Agreement, in the second half of 2020 — the first time in twenty years that tariffs between the EU and US were actually reduced via negotiation — was a small but significant step in this direction. Another was the EU-US agreement, in early March 2021, to suspend for four months all Airbus-Boeing-related tariffs, followed by the major, breakthrough agreement on 15 June to suspend these tariffs for five years, boosting EU exporters and facilitating further progress towards a final resolution.

Having regard to the biggest pandemic and economic crisis in a century, the EPP calls for a new, ambitious transatlantic project in trade: the elimination of trade irritants and, building on this progress, the further development of trade facilitation through tariff elimination and closer cooperation on standards. We fully support the announced establishment on 15 June 2021 of an EU-US Trade and Technology Council. Such a formation will offer a new space and new institutional energy for a common project of standard-setting between the European Union and the United States, including in critical fields like robotics and microelectronics. This project should also involve the European Commission's relevant directorates-general working alongside their US counterparts. In future this framework could also be open to potential cooperation with the United Kingdom or other like-minded partners. Brussels and Washington, working together, can shape the rules and standards of the 21st-century global economy. If we do not, others will.

Regarding energy and energy security, Europe should pursue a safe, reliable and diverse energy supply; closer strategic EU-US cooperation offers another key way to build not only trust but business: creating jobs and ensuring more long-term market stability.

The EU and US, each the other's main source of FDI, should also work towards more open investment markets, including for public procurement.

We also support ongoing anti-trust investigations into major tech platforms, as well as work at the OECD to agree on a regime for fair taxation on digital services. Creating a level playing field will be important for the EU's long-term competitiveness and resilience.

Finally, a new transatlantic data flow regime — stable yet flexible, and in line with GDPR — must be a priority, as Standard Contractual Clauses (SCCs) are impractical and costly. This new regime can and should then become the basis for a multilateral agreement at WTO level.

The EU must also do its utmost to continue working closely with the US and Japan in trilateral partnership to address the new challenges posed by China, including with regard to industrial subsidies and forced technology transfers. The new EU-US Dialogue on China is another important format which should be optimised.

### *China*

Our September 2020 EPP [paper 'EU-China Relations in a COVID-19 World and Beyond'](#) reiterates our commitment to a holistic international system built on cooperation, open trade and societal and corporate values — and, in this context, to working with China on the basis of reciprocity and mutual respect, but also to countering China's influence where it weakens democracy, freedom, human rights and the rule of law. In 2020, China became the EU's main trade partner in goods (the US remains the EU's main partner in trade in goods and services combined). As countries around the world, including in Europe, struggle to recover post-pandemic, China's economy in 2021 is expected to grow by more than 8%. And as China's role in the global economy grows, imbalances resulting from China's state-owned enterprises and industrial subsidies must be corrected; and rules protecting intellectual property must be strengthened, especially with the growing importance of new technologies like Artificial Intelligence (AI).

The EPP has welcomed the conclusion of an in-principle Comprehensive Agreement on Investment (CAI) between the EU and China, an agreement which must ultimately ensure fairness, reciprocity and sustainability and which must include strong enforcement mechanisms: in particular regarding China's relevant ILO commitments. The CAI will help correct the asymmetry in the EU-China relationship, notably in areas of market access and a level playing field. Chinese companies currently enjoy more favourable and open market access conditions in the EU than vice-versa.

The CAI would thus address a geopolitical imbalance, given that at the end of 2020, the EU was the only major global trade actor lacking an economic deal with China; as such, the CAI would put EU companies on a par with companies in the US or in Regional Comprehensive Economic Partnership (RCEP) countries, locking in binding commitments and promoting rules-based engagement with China.

In the negotiated CAI text, China has made commitments on the three key pillars of 1) market access, 2) level playing field and 3) sustainable development. The result is the most ambitious outcome China has ever agreed with a third country, particularly regarding Sustainable Development, since this is in fact the first time China has agreed to such commitments.

We remain open in due course to completion of the CAI while acknowledging the agreement is not a panacea to address the sum of complex problems related to China. Rather, the CAI is one piece in what must be a broader EU strategy for China. The EU must develop and reinforce its full suite of autonomous measures needed to defend our values. At the same time, the EU must work together with international partners in order to complement unilateral EU efforts in tackling market distortions and structural concerns about coercive Chinese action internationally.



The human rights situation in China must be taken into consideration before final ratification of the CAI. And we are greatly concerned by increasing signs of systematic human rights abuses within China. For instance, in Hong Kong, the Chinese Communist Party has undermined democracy in numerous ways, in violation of its commitments under the 1984 Sino-British Joint Declaration, thus calling into question Hong Kong's designation as an autonomous region. We reiterate our strong concerns regarding violations in Xinjiang, Tibet and Inner Mongolia; against Christians, Muslims and other religious minorities; and over the lack of basic freedoms affecting all those — both within China and beyond — subject to surveillance and recrimination by the Chinese Communist Party (CCP).

In response to China's systematic human rights violations, all EU options should be on the table, including further restrictive economic measures against China and use of the recent EU Global Human Rights Sanctions Regime (GHRSR). We welcome and fully support the use of the EU's GHRSR in March 2021, targeting four Chinese individuals and one entity from China deemed responsible for serious human rights violations.

Moreover, and in full agreement with the European Parliament's resolution of 20 May 2021, we condemn as arbitrary, unsubstantiated, without legal justification and totally unacceptable the retaliatory sanctions imposed by China against elected European officials and other European entities; and we echo the Parliament's strong determination that no further discussion of ratification of the CAI should take place until such time as these countersanctions be removed.

The EPP stands in full solidarity with all Members of the European Parliament, with the European Parliament's Subcommittee on Human Rights and with all other individuals and entities across the EU affected by these Chinese sanctions, as well as with all those similarly sanctioned representatives from non-EU countries, such as the United States, United Kingdom, Canada and Australia.

We also condemn the political coercion exercised by China against several international companies expressing concern over reports of forced labour in Xinjiang.

The European Union must act in unison, strategically and in accordance with our fundamental principles and values — in partnership with likeminded allies and friends. In this vein, the EU should seek close cooperation with the new US administration and Congress. The EU and the US, the world's leading democratic actors, must find a common approach and a joint vision for addressing the economic and systemic challenge of a rising China.

### ***The Pacific and southern oceans***

China's influence makes only more critical EU policy in the Asia-Pacific, a region accounting for nearly 2/3 of global growth. In recent years the EU has embarked on an ambitious trade agenda with partners in this region, an effort yielding concrete dividends. The FTA with South Korea, in force since 2011, has netted the EU €4.4 billion. In 2019 the Economic Partnership Agreement with Japan entered into force — boosting EU goods exports by 6% and helping in particular European pork-, cheese- and wine-makers. Agreements with Singapore and Vietnam have now also been ratified and implemented. And intensive negotiations are ongoing to reach FTAs with Australia and New Zealand, as are trade and investment talks with the member states of the Association of Southeast Asian Nations (ASEAN). With large plurilateral deals now agreed by other actors in the region, including most recently the RCEP — with China its leading member — as well as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), EU engagement is especially crucial. Given that the Asia-Pacific is home to several important centres of innovation and R&D,

the EU must be particularly engaged in shaping global norms and standards alongside regional actors. The EU has to remain a rule-maker, not a rule-taker.

Critically, the EU must remain a strong supporter of enhanced economic and investment ties with Taiwan, a strategic partner in a volatile area: not only due to Taiwan's capacity to support EU demand for critical components, such as semi-conductors, but also given its democratic governance and market economy structures. The EU should initiate negotiations towards a bilateral investment agreement and an FTA with Taiwan. Chinese provocations in the Taiwan Strait must not go uncondemned; and the EU's full diplomatic apparatus must be used in sustaining the EU's values-based engagement in the region.

Also of greater urgency now is the need to deepen the EU-India Strategic Partnership: building on the successful July 2020 EU-India Summit — which established a High-Level Dialogue on trade and investment, and further integrating Europe's and India's economies through closer alignment on standards, including for sensitive technologies — and the Leaders Meeting of May 2021, launching a Connectivity Partnership among other initiatives.

Across another southern ocean, the South Atlantic, the South American nations of Mercosur present another opportunity for greater EU influence and growth. In June 2019, twenty years after talks began, a political agreement was reached for a far-reaching and comprehensive trade agreement. This deal is the first of its kind which Mercosur has reached with any outside partner. The European Union should not now, at the final step, renege on an agreement made in line with its negotiating mandate, especially at a time of rising geo-economic competition with China in South America. We should seize the opportunity to deepen our partnership with a region representing roughly 270 million people and 1/6 of global GDP — and a region in which the EU enjoys a trade surplus of €22 billion. The EU-Mercosur deal presents an opportunity to leverage the EU's standards at an interregional level and to push for Mercosur countries' alignment with these standards, including as

regards the environment and workers' rights. Of real and particular concern is rising deforestation in the Amazon. We acknowledge the reservations expressed by many EU citizens at various levels. To ensure full implementation and enforcement of the Trade and Sustainable Development Chapter and to mitigate the risk of deforestation, therefore, an additional instrument is needed before ratification of the agreement is possible. We welcome ongoing work by the European Commission to negotiate this additional instrument, or whatever other construction or initiative such negotiations might unblock. Once this work is completed, the Mercosur agreement should be ratified at Council level and by the European Parliament, as the deal would increase the EU's leverage in setting high standards, including with regard to climate, at plurilateral as well as global levels.

The EU is not only the foremost trade and investment partner for Mercosur but the largest source of development cooperation and FDI in Latin America as a whole. The EU has FTAs or other political or cooperation agreements with 27 of 33 Latin American and Caribbean countries. Notably, the updated EU-Mexico Economic Partnership, Political Coordination and Cooperation Agreement — concluded in April 2020 and currently undergoing ratification — benefits in particular European food and drinks producers and European service providers as well as ensures higher labour and environmental protections. Ongoing efforts to modernise the EU's FTA with Chile, as part of the 2002 EU-Chile Association Agreement, provide another important example of the potential for EU trade policy to promote growth, raise standards and strengthen partnership between democracies. Europe's economic, political and cultural ties to Latin America run deep; deepening these ties further should be even further prioritised in line with the European Union's core democratic values, including sustainable development and in full support of the Paris Agreement.

## A stronger EU

The European Union can only keep an open outlook and pursue ambitious outreach if the EU itself is strong: open, resilient, dynamic, capable. Strengthening the EU must begin with recovery from the pandemic, in terms of both public health and the economy. The recovery must be a future-proof effort, with the key areas of the EU's twin transition on digitalisation and sustainability as the engines for innovation and future competitiveness of the Single Market.

The European Union has responded to the coronavirus crisis to ensure the Single Market itself functions properly: in particular, the ability of medicines and medical equipment to cross intra-EU borders to get where they need to go thanks to the Guidelines for border management, known as 'Green Lanes', introduced by the European Commission in March 2020. We support the excellent ongoing work to forge a European Health Union to guard against future public health crises. The Conference on the Future of Europe can play a foundational role here.

The EU should reinforce its position as a global connectivity hub, boosting its trade on all global markets through modern connections in all modes of transport as recognised by the Sustainable and Smart Mobility Strategy published in December 2020.

A stronger EU is also one where jobs and growth rebound quickly. As Europe transitions to a post-pandemic reality, we must turn the disruptions of the pandemic into opportunity. Alongside the Multiannual Financial Framework 2021-2027, the stimulus outlined in the €750-billion NextGenerationEU package calls for smart transitions to a more digital Europe. NextGenerationEU's cornerstone is the €672.5 billion in grants (€312.5) and loans (€360) to Member States: to be administered through the Recovery and Resilience Facility (RRF). The RRF creates a unique opportunity to build back better by using the green and digital transitions as vectors for jobs-led growth. To catalyse this to the maximum, there needs to be broad and concerted incentives and at all levels of governance in Member States: local, city, regional and national. In addition, the RRF will foster the recovery of SMEs and give them incentives through financial instruments, subsidies and other instruments.

As Europeans get back to work, employees as well as employers, across sectors, must be able to benefit from the opportunities created by EU trade policy on the global marketplace. European SMEs, in particular, stand to gain the most from FTAs; yet SMEs often face prohibitive burdens in accessing the complex information and protocols needed to implement FTA provisions. Special support, therefore, is needed to ensure SMEs can make the most of the good work done at EU level on their behalf. In this regard, the EPP welcomes the European Commission's efforts to implement new mechanisms meant to help SMEs tap into the benefits of trade, particularly the Access2Markets tool, the Single Entry Point mechanism and the Rules of Origin Self-Assessment tool.

As the EPP, we place a strong emphasis on subsidiarity and on cohesion between the regions that make up Europe, as fundamental values. Also vital is the perspective of local, national and regional authorities, which, as sub-national authorities with varying degrees of legal competence, closely follow the challenges and opportunities arising from FTAs and their impact on local industrial ecosystems, communities and enterprise. Here, Territorial Impact Assessments (TIAs) by the European Committee of the Regions and also the FTA Implementation Reports play a crucial role in providing transparent and reliable information.

Ensuring the European workforce as well as businesses benefit from free and open trade also means they must be protected from unfair foreign competition in the form of 'climate dumping'. A WTO-compatible carbon border adjustment mechanism (CBAM) — a legislative proposal for which is expected in the second

quarter of 2021 — could help to decrease global CO<sub>2</sub> emissions, avoid carbon leakage and level the playing field, given the adjustments being asked of European producers in meeting the EU's ambitious climate goals. A CBAM could not only further empower an EU policy of fairness but could also further incentivise the EU's bold, interest-driven climate agenda. Here again the principle of 'open strategic autonomy' is pivotal. Doing business in the EU — the world's largest market — comes with responsibility: it is only fair to ask everyone to play by the same rules. To avoid confusion or unnecessary disruption, EU partners should be consulted early on regarding any CBAM proposal. And any CBAM should be aligned with EU development policy, per the 'Principle of Common but Differentiated Responsibility'.

Data flows, particularly cross-border, underpin digital trade and enable growth in all industries. The COVID-19 pandemic has accelerated this trend. Policies that impede or hinder data flows can put European companies, especially SMEs, at a disadvantage. The EPP rejects digital protectionism and undue data localisation. We support open markets and multilateral, rules-based free trade based on reciprocity.

The EPP supports pushing back strongly against unfair or insidious foreign investment. New investment screening and anti-subsidies mechanisms are key tools. In this context, the EPP welcomes the newly proposed regulation to counteract distortive effects of foreign subsidies in the Single Market. The EU must be aware of the increasing security implications for trade and investment, particularly when it comes to strategic economic dependencies or coercive practices used as tools of hybrid interference and influencing. The EU must strongly and clearly call out such practices, especially in the framework of the upcoming anti-coercion mechanism. The EU must also insist on reciprocity in procurement markets via tools such as the International Procurement Instrument, and must resist counterproductive technology transfer requirements, for instance regarding source code or encryption keys.

The EU can also strengthen its capacity for open strategic autonomy globally via a stronger use of Trade Defence Instruments (TDI), to be overseen now for the first time by a new EU role: Chief Trade Enforcement Officer. Ensuring greater trade compliance by the EU's partners will ensure the global trading system functions smoothly. The EU must take a stronger stance against child labour and forced labour — the new EU Global Human Rights Sanctions Regime will be an important tool towards a zero-tolerance approach to such practices. No product made with child labour should ever be bought or sold in the European Union.

Also at the heart of a strong, resilient European Union is a strong and stable euro, as outlined by the European Commission's January 2021 strategy for a stronger, more open and more resilient economic and financial system. The EU should become the global leader in green and digital finance, supported by a greater supply of euro-denominated bonds within the NextGenerationEU framework. A stronger euro will allow the EU to exercise greater influence in the global financial infrastructure: granting the EU greater autonomy and rendering EU sanctions a stronger tool for deterrence and enforcement. We support the Commission's plan to develop a Sanctions Information Exchange Repository to facilitate critical information-sharing.

And finally, as workers and all employees need protection from unfair trade or labour practices, so too do consumers require the protection of high-quality standards. We support the European Commission's November 2020 New Consumer Agenda aiming to better protect and empower consumers in the context of the green and digital transformations accelerated as a result of the COVID-19 pandemic. Here, too, the EU must play a global leadership role.



**Conclusion**

EU trade is a powerful tool for promoting European prosperity, interests and values. It must do so. The world is undergoing powerful transformations: economically, politically, technologically, demographically — to mention only a few. Every country has suffered from the COVID-19 pandemic. As we recover and look to the future, the EU, as the biggest trade block in the world, must lead based on a model of open strategic autonomy, alongside likeminded partners, for a free and fair, rules-based 21st-century order that protects and promotes the European Union's core democratic values.

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**If you have any question you  
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