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TRADE POLICY REVIEW

REPORT BY

THE EUROPEAN UNION

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 the European Union is attached.

Contents

1 INTRODUCTION

1.1. The years under review have been characterised by the continuing sovereign debt crisis accompanied by some remaining uncertainties in the euro and in the possibility of a swift recovery.

1.2. Trade has never been more important for the European Union's economy; it has become an important means of achieving much needed growth and creating jobs without drawing on public finances because it is the conveyor belt that links Europe to the new global growth centres and is a unique source of productivity gains.

1.3. In the face of the crisis, the European Union adopted important decisions to strengthen its capacity to overcome the economic slowdown and to move beyond it. The new crisis resolution mechanisms are effectively addressing the short-term issues while economic and budgetary surveillance have been strengthened to put public finances and growth on a sustainable footing. Furthermore, the first steps have been made towards a banking union like the single supervisory mechanism and further legislative measures were put forward to better protect investors and to strengthen the single market.

1.4. Now in place for 20 years, the single market has played a key role in delivering growth and employment and promoting competitiveness. The European Union has pursued policies for developing the right domestic policy framework to support competitiveness, to open up trade in services, to strengthen the industrial basis in Europe and to enhance Europe's place in global value chains.

1.5. Trade has played an important role as growth driver so far and it is expected to remain the main contributor to growth of the EU economy in 2013. The European Union has put a lot of emphasis on its trade agenda and the Communication 'Trade, Growth and World Affairs, Trade policy as a core component of the EU's 2020 strategy'[1] – an integral part of the Europe 2020[2] strategy – continued to be the mainstay of the European Union's trade and investment policy. The European Council held on 7 and 8 February 2013 reiterated the EU's determination to promote free, fair and open trade whilst asserting its interests, in a spirit of reciprocity and mutual benefit.

1.6. In promoting free, fair and open trade, the European Union has always been fully committed to a strong, rules-based multilateral trading system recognising the utmost importance of fighting all forms of protectionism, including as regards non-tariff trade barriers, ensuring better market access, promoting appropriate investment conditions (see paragraph 1.3 above), enforce and promote intellectual property rights – and opening up public procurement markets.

2 THE EUROPEAN UNION IN A CHANGING WORLD

2.1. The world's economy is changing at an unprecedented pace, with sustained growth in emerging markets surpassing that of the old industrial economies several times over. The global economic and financial crisis has accelerated the shift in economic power away from developed countries towards emerging economies.

2.2. In this new situation, Europe faces the rise of new challenges, but also new opportunities linked to the reorganisation of global production.

2.1 Economic Performance and Challenges Ahead

2.3. The weakening global environment and the aggravation of the sovereign-debt crisis in the first half of 2012, reflecting high deleveraging needs in the public and private sector in the EU, have shackled economic activity throughout 2012 and pushed the euro area back into a recession. At the beginning of 2013, the EU economy is characterised by a double disparity. Firstly, the improvement in financial market conditions contrasts visibly with the weakness of the real economy. Secondly, growth differentials across Member States remain very large.

[1] http://trade.ec.europa.eu/doclib/docs/2010/november/tradoc_146955.pdf.
[2] http://ec.europa.eu/europe2020/index_en.htm.

2.4. First, despite the substantial easing of financial market tensions and the recent tentative rise in confidence the economic situation has further deteriorated at the end of 2012 and the outlook for the near future remains subdued. With the large internal and external rebalancing needs that typically characterise the aftermath of deep debt crises and often entail balance-sheet recessions, a strong rebound of domestic demand was unlikely. In particular, the improvement of the financial market situation has not yet impacted on credit growth which is still marked by low demand and tight bank lending conditions to households and non-financial corporations. Moreover, uncertainty has had a strong and lasting impact on domestic demand, given that high levels of uncertainty are generally associated with households and corporations cutting back on spending, investment and employment.

2.5. The second disparity concerns the macroeconomic situation across EU Member States, which is likely to remain diverse according to different external and internal rebalancing needs, labour market situations, and export capacities in terms of regions and products. In particular, economic activity in Member States where domestic demand is less constrained by structural challenges or adverse financing conditions is expected to recover relatively fast, while growth in those Member States that are still mired in a balance-sheet recession is set to take longer to return. But disparities are also observable at the sector level within countries, and in particular in some vulnerable Member States, where a relatively good export performance is predicted to contrast sharply with subdued domestic demand.

2.6. The latest readings of survey indicators suggest that both the EU economy and the euro area should start improving at the beginning of 2013. Based on the assumption that the consistent implementation of policy decisions both at the EU and at Member States level will continue to reduce uncertainty and increase confidence, output is forecasted to stabilise in the EU and the euro area in the first half of 2013 according to the Commission services' Winter 2013 Forecast.[3] The EU and the euro-area economy have contracted by 0.3% and 0.6% in 2012 respectively. Given the substantial structural challenges in some euro-area Member States the currency area is still likely to contract by 0.25% in 2013, while GDP in the EU is forecasted to remain broadly unchanged. In 2014, both areas are forecasted to grow by around 1.5%.

2.7. Although the European Union grew only very slowly in the years under review, it remains the largest economy in the world with a per capita GDP of over €25,000 for its 500 million citizens.

2.8. The European Union belongs to the most open economies in the world and is the top trading partner for 80 countries.

2.9. The European Union's industrial base remains strong: it has a manufacturing trade surplus of almost €300 billion, a figure that has increased fivefold since 2000. Its surplus in services has multiplied by more than 20 times in ten years to over €100 billion. The European Union agricultural trade balance has shifted from a deficit to a surplus since 2010. While the European Union's overall trade balance for goods and services is slightly negative (€74 billion), this is due to import of energy related products and the size of this deficit is small when compared to total trade.

2.10. The European Union retains close to 28% of global income generated by the production of manufactured goods, against 18% for the US and a bit less than 16% for China. The European Union's share of this income has remained fairly stable since 2000, while the share of other large industrialised countries has significantly declined.

2.11. The Single Market has been vital in creating globally competitive companies in Europe and has been a cornerstone of the European Union's ability to compete in a globalised world. It has fostered the development of high quality rules and standards that help shape global norms. The enlargement of the European Union and integration within it, combined with third countries adopting European Union norms, means European Union firms operate in the world's largest single market. This has facilitated the emergence of efficient European value chains. European firms export not only thanks to the value that is created in the EU Member State where exports are registered, but also thanks to contributions from across the whole Single Market. The distribution of jobs created by exports reflects this. For every two jobs created in an EU Member State where exports are statistically counted, one job is created elsewhere in the European Union.

[3] http://ec.europa.eu/economy_finance/eu/forecasts/2013_winter_forecast_en.htm.

2.12. Europe is the world's largest importer of both manufactured goods and services. In the current crisis context, the European Union has not fallen prey to protectionist tendencies as demonstrated by the fact that our imports continue to rise: the European Union imported €1 trillion worth of manufactured goods in the first seven months of 2012, up 4.5% on the same period last year. Europe has the largest stocks of foreign direct investment abroad and is the world's largest host of foreign direct investment.

2.13. European companies are world leaders in providing the infrastructure that many emerging countries need to take them to the next stage of development – whether in transport, sanitation, environmental services, logistics, telecoms or oil and gas exploration. Importing such products from Europe is a short-cut to a more advanced economy.

2.2 The EU Response to the Financial Turmoil and the Economic Slowdown

2.14. The continuing financial and economic crisis has been addressed by intense and sustained action by the European Union's institutions and national governments and this work continued apace over the course of 2012. All have been working closely together to support financial stability, to put in place a stronger governance system for the future and to strengthen the necessary conditions to boost growth and employment. In the face of the crisis, important decisions were taken in the course of the year that considerably enhanced the Union's capacity to address the crisis and to move beyond it.

2.15. Across the European Union, reform and consolidation measures have been implemented. Effective crisis resolution mechanisms have been put in place, while further steps have been taken to strengthen economic and budgetary surveillance. In particular, one must keep in mind the decision to set up a genuine banking union whose role is to break the negative interconnections between banks and public debt management.

2.2.1 Strengthening economic and budgetary coordination

2.16. The lessons learnt in the context of the economic, financial, and sovereign debt crises have been drivers of a major overhaul of the EU's and Economic and Monetary Union's economic governance. Economic, budgetary and structural surveillance is undertaken in a coherent fashion over the first six months of each calendar year, allowing the EU Member States to take country-specific guidance into account in their national budgetary processes over the next six months.

2.17. On 13 December 2011, the European Council and the European Parliament adopted a set or legislative measures to reform the Stability and Growth Pact. This set of measures is known as the 'Six-Pack' and it aims at strengthening the procedures to reduce public deficits and address macroeconomic imbalances. In 2012, the first implementation of these measures significantly strengthened budgetary surveillance and introduced the Macroeconomic Imbalances Procedure to prevent and correct macroeconomic imbalances, both of which are backed up by the possibility of financial sanctions for euro area Member States. The 'Six-Pack' also included a proposal for a Directive defining minimum requirements for national budgetary frameworks to ensure that Member States' fiscal frameworks are fit to respect the EU rules.

2.18. The so-called 'Two-Pack' of additional legislation proposed in November 2011 and approved in March 2013 aims to further strengthen budgetary surveillance of euro area Member States particularly through the introduction of ex ante discussions on national budgetary plans and introduces a framework for enhanced surveillance of vulnerable euro area Member States.

2.19. The European Council in June 2012 invited the President of the European Council, in close collaboration with the President of the Commission, the President of the Euro Group and the President of the European Central Bank (ECB), to present a specific and time-bound roadmap for the achievement of a genuine European Monetary Union (EMU). Further work is on-going, notably in setting up additional measures for ex ante coordination of major economic reforms, contractual arrangements for competitiveness and growth linked to solidarity mechanisms and the social dimension of EMU.

2.2.2 Towards a banking union

2.20. In spring 2012, the European Commission called for a Banking Union, to restore confidence in banks and the euro as part of a longer term vision for economic and fiscal integration.

2.21. The Banking Union would take the form of a Single Supervisory Mechanism (SSM) and a Single Resolution Mechanism (SRM), building on the single rule book that will be applicable to all banks in the European Union.

2.22. On 13 December 2012 the Council of the European Union unanimously agreed on a position regarding the two Commission proposals for a Single Supervisory Mechanism, comprising a regulation conferring specific tasks on the ECB concerning policies relating to the prudential supervision of credit institutions, and a regulation aligning the existing regulation on the European Banking Authority (EBA) to the new set-up for banking supervision.

2.23. The Council compromise is currently subject to discussions with the European Parliament. Pursuant to the Council compromise, the SSM is envisaged to be fully in place by 1 March 2014 or 12 months after the entry into force of the SSM-Regulation, whichever is the later. To allow for a smooth transition to the new mechanism, the ECB may postpone the date.

2.24. Once agreement on these proposals is reached, the Commission envisages proposing the next critical step in Banking Union before the summer: a Single Resolution Mechanism to resolve banks in Member States participating in the Banking Union.

2.2.3 Effective crisis resolution mechanisms

2.25. A key part of the crisis resolution approach was the development of a crisis resolution mechanism to address financial market fragility and to mitigate the risk of contagion across EU Member States.

2.26. On the European Commission's initiative, in May 2010 two temporary crisis resolution mechanisms were established: the European Financial Stabilisation Mechanism (EFSM) and the European Financial Stability Facility (EFSF). The euro area's permanent financial backstop, the European Stability Mechanism (ESM) was finally inaugurated on 8 October 2012, and is now fully operational following completion of ratification of the ESM Treaty by all euro area Member States. The ESM is the world's most capitalised international financial institution and the world's biggest regional firewall (€500 bn).

2.27. The ECB has played a crucial role in the euro area response to the economic and financial crisis. First, the official refinancing rate has been lowered almost to zero, as the economy has slowed. In addition, the ECB has taken a range of measures to address the effects of the crisis on the functioning of financial markets when interbank market activity nearly stalled. Most recently, in September 2012 the ECB has adopted a decision as a basis to undertake Outright Monetary Transactions (OMT) in the secondary sovereign bond markets subject to strict and effective conditionality.

2.3 Developments in the Internal Market and Central Policy Areas

Single Market

2.28. The Single Market remains the European Union's most important vehicle for growth and job creation. Modernising and deepening the Single Market is a continuous exercise as the Single Market must respond to a constantly changing world where social and demographic challenges, new technology and imperatives, such as climate change must be incorporated in policy thinking. The European Commission launched an ambitious process to give new momentum to the Single Market. Following the Communication on the Single Market Act[4] adopted in April 2011, as a

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[4] COM (2011) 206 of 13.04.2011, viewed at: http://ec.europa.eu/internal_market/smact/docs/20110413-communication_en.pdf.

response to the crisis and the need to foster growth, the European Commission adopted a second Communication, Single Market Act-II[5], on 3 October 2012.

2.29. This new policy document proposes a second set of priority actions for a renewed growth designed to generate real effects on the ground and to make citizens and businesses confident to use the Single Market to their advantage. In particular, this Communication proposes twelve levers and corresponding key actions, concentrated on four main drivers for growth, employment and confidence: (i) integrated networks; (ii) cross border mobility of citizens and businesses; (iii) the digital economy; and (iv) social entrepreneurship, cohesion and consumer confidence. They constitute the next steps towards the objective of a highly competitive social market economy. Once implemented, the Single Market Act II, together with the Single Market Act I, will open new paths towards growth, jobs and social cohesion for 500 million Europeans.

Intellectual property rights (IPR)

2.30. For the European Union, given its stakes and objectives to grow as a knowledge-based economy, IPRs are considered as a vital backbone of the economy and a key driver for its growth. With this in mind, the European Commission adopted a Strategy for IPR in May 2011 to boost creativity and innovation.[6] The objective is to establish a coherent and holistic framework that contributes to enhanced economic growth, job creation and competitiveness in the European Union's Single Market while ensuring a high level of protection of IPR. The European Union recognises the need to opt for a balanced approach that provides the right incentives to promote creative and innovative activity and ensure cultural diversity, but also ensures the widest possible access to IPR-protected creations and innovations.

2.31. In December 2012, the European Parliament and the Council reached a political agreement on the unitary "patent package" composed of two Regulations and an international Agreement and laying the ground for the creation of unitary patent protection in the European Union. Following the adoption of the two Regulations (Regulation (EU) No 1257/2012 and Regulation (EU) No 1260/2012 both of 17 December 2012)[7], 25 Member States signed the Agreement on a Unified Patent Court, which, after ratification, will set up a single and specialised patent jurisdiction of the participating Member States.

IPR enforcement

2.32. In May 2011, companies, trade associations and internet platforms signed a Memorandum of Understanding (MoU)[8] on the sale of counterfeit goods over the internet, which aims at developing good practices in order to tackle online counterfeiting. An evaluation report was adopted by the European Commission in April 2013. Furthermore, signatories agreed in the last quarter of 2012 to extend the MoU to companies from other sectors of industry as well as to broaden the scope of application of the agreement.

2.33. The European Commission set up in 2009 the European Observatory on Counterfeiting and Piracy, which was moved to the Office for Harmonisation in the Internal Market (OHIM)[9] in 2012 and renamed the 'European Observatory on Infringements of Intellectual Property Rights'. It covers all IP rights and functions as a central resource for gathering, monitoring and reporting

[5] COM (2012) 573 of 03.10.2012, viewed at: http://ec.europa.eu/internal_market/smact/docs/single-market-act2_en.pdf.

[6] Communication from the European Commission on a "Single Market for IPRs, Boosting Creativity and Innovation to Provide Economic Growth, High Quality Jobs and First Class Products and Services in Europe", COM(2011) 287 final of 24.05.2011, viewed at: http://ec.europa.eu/internal_market/copyright/docs/ipr_strategy/COM_2011_287_en.pdf. See also Communication from the Commission on "A Stronger European Industry for Growth and Economic Recovery", COM(2012) 582 final of 10.10.2012, viewed at: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2012:0582:FIN:EN:PDF.

[7] OJ L 361, 31.12.2012.

[8] http://ec.europa.eu/internal_market/iprenforcement/docs/memorandum_04052011_en.pdf.

[9] Regulation (EU) No 386/2012 of the European Parliament and of the Council of 19 April 2012 on entrusting the Office for Harmonization in the Internal Market (Trade Marks and Designs) with tasks related to the enforcement of intellectual property rights, including the assembling of public and private-sector representatives as a European Observatory on Infringements of Intellectual Property Rights Text with EEA relevance.

crucial information that will improve the knowledge about the phenomenon of counterfeiting and piracy, and allow the European Union to target enforcement resources. It also encourages greater collaboration between the public and private sector in IPR enforcement. In July 2012, the European Parliament voted against ACTA, the Anti Counterfeiting Trade Agreement, and hence the EU will not be a party to it.

Customs legislation

2.34. Customs contributes significantly to achieving the objectives of the European Union's trade policy because it is instrumental in facilitating and securing trade and in countering unfair trade. On 20 February 2012 the European Commission proposed to the European Parliament and the Council a Regulation laying down the Union Customs Code, a recast of Regulation (EC) No 450/2008 (the Modernised Customs Code). That proposal mainly aims at rescheduling the application of the new Code to take into account the challenge of the implementation of new, electronic-based processes and aligning it with the requirements of the Treaty of Lisbon.

2.35. On 21 December 2012 the European Commission adopted a Communication on the State of Customs Union[10]. The Communication takes stock of the current state of the EU Customs Union, and identifies the challenges that lie ahead and sets out priority actions for ensuring future evolution of the Customs Union. The aim is to ensure the European Union Customs Union is as modern, effective and efficient as possible, ensuring a safe and competitive Europe.

Public procurement

2.36. The European Union keeps its public procurement market largely open to international competition, despite growing pressure on its domestic market, in particular from emerging economies on certain key sectors (railways, construction, IT services). In the European Union, public expenditures represent nearly 19% of GDP and it is an essential lever for kick-starting growth.

2.37. On 20 December 2011, the European Commission adopted a proposal aimed at a modernization of public procurement in the European Union. This programme includes the revision of Directives No 2004/17/EC[11] (procurement in the water, energy, transport and postal services sectors) and No 2004/18/EC[12] (public works, supply and service contracts), as well as the adoption of a directive on concessions, which were until now only partially regulated at European level. The legislative procedure for the adoption of these proposals progressed well in 2012.

2.38. On 20 April 2012, the European Commission also adopted a Communication on 'A strategy for e-procurement'[13] which sets out a path to achieve the transition to mandatory e-procurement. This builds on the proposal on the modernization of the EU public procurement directives and also includes non-legislative flanking measures intended to support the transition towards e-procurement in the European Union.

Standardisation

2.39. Standards and standardisation are an important policy tool for the European Union. In October 2012 the European Council and the European Parliament adopted the Regulation (EU) No 1025/2012[14] on European standardisation, applicable from 1 January 2013. This Regulation sets basic rules for co-operation between standardisation organisations, the European Commission and EU Member States. The Regulation aims at modernising and improving the European standardisation system and at making the standardisation process faster and more inclusive.

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[10] COM(2012) 791 final of 21.12.2012, viewed at: http://ec.europa.eu/taxation_customs/resources/documents/common/publications/com_reports/customs/com(2012)791_en.pdf.

[11] COM(2011) 895 final of 20.12.2011; viewed at: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0895:FIN:EN:PDF.

[12] COM(2011)896 final of 20.12.2011; viewed at: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0896:FIN:EN:PDF.

[13] COM(2012) 179 of 20.04.2012; viewed at: http://ec.europa.eu/internal_market/publicprocurement/docs/eprocurement/strategy/COM_2012_en.pdf.

[14] OJ L 316 of 14.11.2012.

State aid modernisation

2.40. The European Union's state aid control is an essential component of competition policy and a necessary safeguard for effective competition and free trade. By creating a common framework, state aid rules, first and utmost, ensure a level playing field for European companies and avoid EU Member States engaging in wasteful subsidy races, which are unsustainable for individual Member States and detrimental to the European Union as a whole.

2.41. In 2012 the European Commission launched a far-reaching reform designed to modernise the rules on the control of state aid — the State Aid Modernisation (SAM) initiative[15]. This initiative has three main objectives: to ensure that state aid rules support sustainable, smart and inclusive growth and the Europe 2020 objectives; to prioritise enforcement in cases that have a significant impact on the Single Market; and to streamline the European Commission's decision-making process in relation to state aid. In order to achieve these objectives, the European Commission will focus on 'good aid' — efficient and well-designed aid which addresses real market failures and has a real incentive effect. It will be even more vigilant with regard to 'bad aid', amounting to harmful subsidies crowding out private investment or keeping inefficient and non-viable companies on the market. At the same time, state aid modernisation has to contribute to EU Member States' efforts towards a more efficient use of public finances in the context of fiscal consolidation. The main elements of the reform package should be in place by the end of 2013.

Common Agricultural Policy (CAP) reform

2.42. On 12 October 2011 the European Commission presented a set of legal proposals for the reform of the Common Agricultural Policy (CAP) for the period 2014-2020. The set includes legislative proposals for several regulations, and in particular proposals for the four main regulations:

- a proposal for a regulation establishing rules for direct payments for farmers,
- a proposal for a regulation establishing a common organisation of the markets in agricultural products,
- a proposal for a regulation on support for rural development,
- a proposal on the financing, management and monitoring of the common agricultural policy.

2.43. The European Commission's proposals aim to strengthen the competitiveness and the sustainability of European agriculture and maintain its presence in all regions of the European Union, in order to guarantee European citizens healthy and quality food production, to preserve the environment and to help develop the European Union's rural areas. The future policy will continue the shift towards market orientation, building on the progress achieved through previous CAP reforms over the past twenty years. The decoupled direct payments will remain the core of CAP spending and the role of market measures will not go beyond providing safety-net for farmers in crisis situations.

2.44. The inter-institutional dialogue is currently on-going between the European Parliament, the Council of the European Union and the European Commission. It is expected to lead to the adoption of the different regulations and implementing acts by the end of 2013, in the hope of having the CAP reform in place from 1 January 2014.

Towards a green economy and better governance

2.45. On 25 October 2012, the European Union adopted Directive No 2012/27/EU[16] on energy efficiency. This Directive establishes a common framework of measures for the promotion of energy efficiency within the European Union in order to ensure the achievement of the Union's 2020 20% headline target on energy efficiency and to pave the way for further energy efficiency improvements beyond that date. It lays down rules designed to remove barriers in the energy market and overcome market failures that impede efficiency in the supply and use of energy, and provides for the establishment of indicative national energy efficiency targets for 2020.

[15] COM(2012) 209 of 08.05.2012; viewed at: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2012:0209:FIN:EN:PDF.

[16] O.J. L 315, 14.11.2012.

Digital agenda for Europe and e-commerce

2.46. On 11 January 2012 the European Commission presented a coherent framework to build trust in the digital single market for e-commerce and online services, as also announced in the Digital Agenda for Europe and Single Market Act. Numerous initiatives announced aimed at doubling the share of e-commerce in retail sales (currently 3.4%) and that of the internet sector in European GDP (currently less than 3%) by 2015.

2.47. Online trade and services already account for more than 20% of growth and net job creation in some Member States and the actions announced seek to boost that potential even further, especially through establishing the trust in online services. Moreover, the development of electronic commerce and online services offers enormous potential for beneficial economic, social and societal change. For example, recent study shows that the internet economy creates 2.6 jobs for every 'offline' job lost, and often offers a better choice to consumers, including those in rural and isolated areas.

Promoting and supporting SMEs' economic activities outside the EU

2.48. On 9 November 2011, the European Commission adopted the Communication on 'Small Business, Big World — a new partnership to help SMEs seize global opportunities'.[17] This Communication aims to establish a more coherent and effective European Union strategy for supporting SMEs in international markets and to make better use of existing resources. To reach these objectives, the new strategy sets out 6 fields of action: strengthening and mapping the existing supply of support services; creating a single virtual gateway to information for SMEs; making support schemes at EU level more consistent; promoting clusters and networks for SME internationalisation; rationalising new activities in priority markets; leveraging existing EU external policies.

A renewed Industrial Policy

2.49. On 10 October 2012, the European Commission adopted the Communication on 'A Stronger European Industry for Growth and Economic Recovery'.[18] This Communication proposes a partnership between the European Union, its Member States and industry to step up investment into new technologies and give Europe a competitive lead in the new industrial revolution. The Communication stresses the need for more investments in innovation (focusing on six priority areas with great potential: advances manufacturing technologies for clean production; key enabling technologies; bio-based products; sustainable industrial and construction policy and raw materials; clean vehicles and vessels; smart grids) and better market conditions, both in the Internal Market, with special reference to goods, entrepreneurship and Intellectual Property Rights protection, and in international markets. The economic crisis and difficulties in the banking sector have had a negative impact on lending to the real economy and this Communication proposes a series of measures to remedy this situation. In addition, new technologies cannot be developed and brought to the market if the European work-force does not possess the necessary skills. The Commission therefore also reinforces its strategy through a series of measures as regards human capital and skills, to promote job creation and better anticipation of, and investments in, the skills needed to promote industry's competitiveness.

3 KEY DEVELOPMENTS IN EU TRADE POLICY (2011-2012)

3.1 Introduction

3.1. Europe 2020 is the European Union's ten-year growth strategy guiding the European Union and the Member States in promoting the delivery of growth-enhancing structural reforms. On this basis, the European Union has adopted powerful tools to enhance its economic governance and to ensure that the required measures are taken to pull Europe out of the crisis.

[17] COM(2011)702 final of 09.11.2011; viewed at: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0702:FIN:EN:PDF.

[18] See footnote 6.

3.2. As integral part of Europe 2020, the European Commission adopted in 2010 the communication 'Trade, Growth and World Affairs, Trade policy as a core component of the European Union's 2020 strategy'.[19] It represents the basis for the European Union trade and investment policy for 2010-2015 and proposes a strategy to reduce trade barriers, to open global markets and to get a fair deal for European businesses. The overall aim of this Communication 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.

3.3. The conclusions[20] of the European Council held on 7 and 8 February 2013 emphasised the need to better use trade as an engine for growth and job creation and reiterates the European Union's determination to promote free, fair and open trade whilst asserting its interests, in a spirit of reciprocity and mutual benefit.

3.2 WTO and the Multilateral Agenda

Promoting an inclusive Organisation

3.4. The WTO represents the multilateral bedrock of the European Union trade policy as it provides a forum for enforcing rights under WTO rules and ensures that Members benefit of WTO membership. The European Union is firmly convinced that the multilateral system as set up by WTO would take advantage of the participation of new countries that would commit to adhere to the WTO rules. In that regard, the European Union is actively participating in all accession negotiations. It considers that the recent completion of several accessions is a very positive signal that the Organisation remains attractive and provides a robust framework to ensure the integration of the acceding countries in a solid rules-based system.

3.5. The European Union has been continuously making the case for preserving the integrity of that framework while providing the necessary flexibilities. This is particularly true as regards the accession of LDCs whose specific constraints and challenges must be taken into account. The European Union has approached the recent update of the guidelines on LDCs accession in such a spirit and actively contributed to and welcomed the completion of the work within the ambitious timeframe of six months set at the 8th WTO Ministerial Conference.

The Doha Round and the 9th WTO Ministerial Conference

3.6. The European Union's top priority is to preserve and strengthen the multilateral trading system. The European Union firmly believes that a successful outcome is needed during the 9th WTO Ministerial Conference (MC9) in December 2013 and that MC9 must deliver tangible results in particular in the form of an agreement on a set of issues that would constitute the first step on the road toward the conclusion of the Doha round. Such a set of issues would revolve around a Trade Facilitation Agreement and would also include a development component as well as certain limited agriculture issues.

3.7. In order to help advance negotiations on Trade Facilitation as well as to assist LDCs to reap their benefits the European Union has pledged that it will respond positively to the demands of developing countries and in particular LDCs for technical assistance and capacity building. In a joint statement published in March 2013, the Development Commissioner Andris Piebalgs and Trade Commissioner Karel De Gucht gave their commitment to this support, stating that the European Union's support will come from its overall Aid for Trade commitments.

3.8. Looking forward and beyond the successful MC9, the European Union remains fully committed to furthering negotiations on the remaining elements of the DDA with a view to concluding the entire round.

The Government Procurement Agreement (GPA)

3.9. The EU is a member of the plurilateral WTO Government Procurement Agreement, to date the only legally binding agreement on procurement within the WTO. The EU played a very important

[19] http://trade.ec.europa.eu/doclib/docs/2010/november/tradoc_146955.pdf.
[20] http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/135324.pdf.

role in the re-negotiation of the Agreement, formally concluded on 30 March 2012. The new set of tender rules that form the GPA text provide for a higher level of clarity and transparency and guarantee equal footing to suppliers, supplies and services originating in GPA Parties in procurement procedures. The revised GPA extends significantly business opportunities for the suppliers from GPA parties and contains provisions that facilitate expansion of the GPA membership.

Negotiations for a Plurilateral Agreement on Trade in services

3.10. Following the political guidance of the 8th WTO Ministerial Conference, the European Union has been in discussions with other WTO members with a view to making progress on services liberalisation. In participating in plurilateral negotiations on trade in services, the European Union is ready to contribute to an ambitious agreement that would attract broad participation and which could be multilateralised in the future.

3.11. In this context, the European Union advocates that a plurilateral agreement should be perfectly compatible with the GATS so that it could be multilateralised and thereby support the multilateral trading system.

The review of the Information Technology Agreement (ITA)

3.12. In May 2012, ITA's participants re-launched the process to review the Agreement. The European Union has taken an active and leading role in both of the two parallel processes of expanding the product coverage and establishing mechanisms for addressing non-tariff barriers in the ICT–sector. The EU believes that the review of the ITA is long due. If successfully concluded, potentially already in 2013 and with an expanded membership, it would provide a valuable contribution to growth in the ICT-sector.

Monitoring protectionism

3.13. The European Union has fully recognised and supported the role of the WTO in monitoring protectionism and attaches great importance to the transparency pillar of the WTO. For this reason, the European Union has supported the WTO in its quest to ensure transparency by providing unequalled amount and level of information on its trade related measures. Furthermore, the European Union does not loose occasions, at the level of the WTO committees, to stress the importance of the compliance obligations of Members' with the formal notification of measures.

3.14. The progress made by WTO Members in respecting notification obligations is still slow, as some significant gaps remain in all areas of the WTO's work. The record of compliance is not fully satisfactory, although initiatives have been carried forward in each WTO Committee to improve the situation. The European Union has actively and consistently supported all initiatives conducive to strengthening the system of monitoring trade related developments and to enhancing transparency of trade policies and practices in the WTO.

3.3 The Bilateral Trade Agenda

3.3.1 Comprehensive and modulated bilateral/regional agreements

3.15. While the European Union remains committed to the further development of the multilateral trading system, it has also developed its bilateral trade relations recognising that they can make a positive contribution to complement the multilateral system in a situation where it does not deliver new market access opportunities.

3.16. In recent years, therefore, the European Union has developed a trade policy agenda of an unprecedented scale. The European Union is now even deepening this agenda with the opening of negotiations for an agreement with Japan and the possibility of going down the same road in the near future with the US as declared in a joint statement on 13 February 2013 by President of the United States of America Barack Obama, European Commission President José Manuel Barroso and

European Council President Herman Van Rompuy as a follow up of the final report of the High Level Working Group on Jobs and Growth.[21]

3.17. This focus on an ambitious bilateral trade agenda has already produced results with the successful completion of a new-generation of 'Deep and Comprehensive' FTA with Korea and with Colombia, Peru and Central America. The conclusion of technical negotiations leading to agreements with a similar level of ambition with Ukraine and Singapore were finalised in the course of 2012. Negotiations with Canada are also on-going and are now in their final phase. This shows that even in difficult times, the European Union is able to deliver ambitious trade deals that provide concrete benefits for the European economy.

3.18. The European Union -Korea FTA is a prime example of the European Union policy of achieving ambitious and reciprocal agreements. It has led to an unprecedented level of tariff dismantling (starting with almost 99% of duties within five years) and some ground-breaking provisions on non-tariff barriers. Cumbersome and expensive testing and certification requirements will be reduced. Transparency and predictability in regulatory issues will be increased, including the protection of intellectual property rights, while sectoral annexes on electronics, motor vehicles and parts, pharmaceuticals, medical devices and chemicals provide additional tools to tackle any emerging issue. The agreement covers trade in services with a positive list approach. Market access and national treatment are granted to the services and services providers/establishments and investors in the sectors inscribed in the lists of commitments subject to any conditions and qualifications set out therein. It is the first FTA concluded by the European Union to include a comprehensive chapter on trade and sustainable development, which puts a particular emphasis on the commitments of both sides to adhere to internationally recognised standards in the area of labour and environment. The agreement also provides the first example of implementation of such provisions in practice and for the involvement of civil society. Finally, there will be better access to government procurement markets.

3.19. The European Union is also strengthening its ties in its neighbourhood, where reciprocal economic gains can be expected from deep integration and regulatory convergence. Deep and comprehensive FTA negotiations are on-going with Georgia, Moldova and Armenia or soon to be launched with Egypt, Jordan, Morocco and Tunisia. The European Union's neighbourhood policy builds on the strong relation and synergy between trade policy and foreign policy, thereby contributing to an area of peace and prosperity.

3.20. The European Union is committed to ensuring that agreements which have been signed or negotiated prepare the ground for the next level of multilateral liberalisation and rule making. FTAs, if approached with care, can build on WTO rules by going further and faster in promoting openness, by tackling issues which are not ready for multilateral discussion and by preparing the ground for the next level of multilateral liberalisation. Many key issues, including investment, public procurement, competition and regulatory issues, which generally remain outside the WTO at this time, can be addressed through FTAs. For example, the Agreements concluded during the last two years with South Korea, Central America, Peru, Colombia, Ukraine and Singapore contain a chapter on intellectual property tailored to the level of development of the countries concerned. The Agreements concluded with CARIFORUM, Central America, Chile, Colombia, Mexico, Peru, South Korea, Ukraine, Singapore and Switzerland include chapters on government procurement.

3.21. Ambitious agreements, especially with large developed countries, can have a systemic reach. They provide a laboratory for filling the gaps in the multilateral rulebook and develop regulatory solutions that can be a basis for subsequent work at multilateral level. The more regulatory convergence – and not just equivalence – can be reached, the better for the multilateral system. Succeeding in bringing closer together regulatory models that are dominant but sometimes conflicting would create a global public good. It would send a powerful signal that it is possible to converge, even from very different starting points and would offer concrete regulatory solutions to do so, thereby facilitating further negotiations at WTO.

3.22. The European Union is championing international approaches in its bilateral agreements. The European Union refers as much as possible to internationally agreed standards (or at least plurilateral processes) and thereby uses bilateral agreements as a lever to pull its partners towards these international set-ups. The scoping exercise for FTA negotiations with Japan explicitly refers

[21] http://trade.ec.europa.eu/doclib/docs/2013/february/tradoc_150519.pdf.

to the objective of seeking greater convergence of Japan's national requirements with relevant international standards.

3.3.2 New regulation on existing BITs between EU Member States and third countries

3.23. On 12 December 2012, the European Parliament and Council adopted the Regulation (EU) No 1219/2012[22] on bilateral investment treaties (BITs). This Regulation sets the conditions under which existing BITs between European Union Member States and third countries can be maintained after the European Union Lisbon Treaty.[23] Furthermore, the Regulation establishes a mechanism for empowering Member States – under certain conditions – to negotiate and conclude bilateral investment agreements with countries not immediately scheduled for European Union wide investment negotiations. This is designed to expand the scope of investment protection currently available to European investors. All appropriate safeguards are in place to ensure that Member States' investment agreements do not create any serious obstacles to the smooth implementation of the European Union investment policy.

3.3.3 External public procurement initiative

3.24. In its recent efforts to boost growth through the proposed 'twelve levers to boost growth and strengthen confidence' included in the Single Market Act I and in the 2010 'Trade, Growth and World Affairs'[24] the European Commission highlighted fair competition and access to public procurement markets as one of the key tools for economic growth and job creation, in particular in the context of the recent economic crisis. Furthermore, in March 2012 the European Commission proposed a new regulation (i.e. the International Procurement Initiative) in the area of the European Union's international procurement policy.[25] The key objective of this initiative is, through our trade negotiations, to improve the conditions under which European Union businesses can compete for public contracts in third countries. Furthermore, it confirms the legal status of bidders, goods and services from countries that have an international agreement with the European Union in the area of public procurement and clarifies the rules applicable to bidders, goods and services not covered by these agreements. The proposed legislation is yet to be approved by the legislators (the European Parliament and Council).

3.4 Trade and Sustainable Development

3.25. For the European Union, mainstreaming sustainability with its economic, 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 European Union Sustainable Development Strategy has guided the European Union activities in that regard since 2006. The European Union is concerned with ensuring that its trade policy and agreements supports sustainable development within the European Union, in our partner countries, and at global level.

3.26. At bilateral level, all trade agreements recently concluded by the European Union, both with developed and developing countries, include provisions on sustainable development. Such provisions address adherence to and effective implementation of core international instruments (ILO fundamental Conventions, Multilateral Environmental Agreements), upholding levels of labour and environmental protection, the effective enforcement of domestic environmental and labour laws, the prudent use of natural resources, the promotion of practices favouring sustainable development (e.g. Corporate Social Responsibility and the use of sustainability schemes) and provide for the involvement of civil society, in monitoring implementation of the agreement.

[22] O.J. L 351 of 20.12.2012.

[23] With the entry into force of the Union Lisbon Treaty, exclusive competence for foreign direct investment has been transferred from the EU Member States to the European Union.

[24] See paragraph 2.49 and footnote 18.

[25] COM(2012)124 of 21.03.2012; viewed at: http://trade.ec.europa.eu/doclib/docs/2012/march/tradoc_149243.pdf.

3.27. On 25 October 2011, the European Commission adopted the Communication 'A renewed EU strategy 2011-14 for Corporate Social Responsibility'[26] to further promote responsible business conduct, including the respect for internationally recognised principles and guidelines in this area.

3.28. 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 European Union has been in the frontline in the fight against climate change both at the domestic level and on the international stage, and pursues complementary trade policies that can directly contribute to climate policy goals, such as the liberalisation of trade in environmental goods and services.

3.29. One additional tool to reinforce supportiveness between trade liberalisation and sustainable development are the assessments of the potential effects of trade agreements on the pursuit of economic, social and environmental goals. In the European Union, such assessments are carried out throughout the policy-making cycle: ex ante, in the form of Impact Assessments, when a new policy is developed; during the course of the negotiations, as Trade Sustainability Impact Assessments (SIAs); or as ex-post analyses when an agreement is implemented. The assessments address significant and relevant economic, social, human rights and environmental impacts, and aim at providing information to policy-makers on how to maximise the positive effects and/or mitigate possible negative consequences of the trade agreements. All of them include broad consultations with relevant stakeholders, including civil society.

3.4.1 Trade and development

Overall policy framework

3.30. The European Union 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 developing countries in achieving growth, reducing 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 European Union continues to be fully committed to put trade at the service of development.

3.31. In the area of European Union development policy, in October 2011 the European Commission issued a Communication on 'Increasing the Impact of European Union Development Policy: an Agenda for Change'.[27] The primary aim of this policy is, as the title suggests, to significantly increasing the impact and effectiveness of the European Union development policy in a changing global landscape. European Union aid will be directed to countries where it is most needed and can have the most impact. Inclusive and sustainable growth, particularly where associated to good governance, can be a catalyst for long-term poverty reduction.

3.32. On 27 January 2012, the Commission adopted a Communication on 'Trade, growth and development: Tailoring trade and investment policy for those countries most in need'[28] that was endorsed by the European Council in March 2012. This Communication sets out a clear picture on how the European Union can best support developing countries in greatest need in order to better harness the opportunities in favour of inclusive growth and poverty reduction, in a global scenario which has considerably changed.

3.33. This concerns in particular the shift of the relative trading power of developing countries, notably with respect to the growing weight of emerging economies and the struggle that Least Developed Countries (LDCs) have in reaping the benefits of world markets. This would allow to trade and development instruments to work hand-in-hand and to reinforce the trade capacities of developing countries by making trade part of their development strategy. In setting out the European Union's development priorities for the next decade, the Communication proposes, among others, to differentiate more among developing countries to focus on the poorest, to intensify

[26] COM(2011) 681 final of 25.10.2011; viewed at: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0681:FIN:EN:PDF.
[27] COM(2011) 637 final of 13.10.2011, viewed at: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0637:FIN:EN:PDF.
[28] COM(2012) 22 final of 27.01.2012, viewed at: http://trade.ec.europa.eu/doclib/docs/2012/january/tradoc_148992.EN.pdf.

efforts to look beyond tariffs and reduce the remaining barriers to trade and to improve the way European Union trade and development instruments deliver and to enhance their complementarity.

Aid for trade

3.34. Aid for Trade is an integral part of European Union development assistance. The European Union with its Member States continues to be the leading player within the Aid for Trade agenda and moves decisively to put Aid for Trade into practice.

3.35. In 2010 (the year of the last monitoring exercise) the collective European Union performance accounted for around 32% of total aid for trade flows, reaching more than €10.7 billion, an increase of 4.2% compared to the previous exercise. This increase, delivered through 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) from the European Union.

3.36. In the narrower category of Trade Related Assistance (TRA) the European Union and its Member States account for 60% of total commitments. This includes core trade activities such as trade policy and planning, trade facilitation, trade negotiations and trade development. By 2008 and 2009 the European Union collectively had already exceeded its pledge given at the 2005 Ministerial Conference in Hong Kong, to provide €2 billion in TRA assistance by 2010 (€1 billion each by the European Commission and Member States).

3.37. Beyond increasing volumes, the implementation of the European Union Aid for Trade Strategy continues through a constant effort to increase the impact of Aid for Trade delivery. In terms of activities financed in the trade area, the European Union 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 the developing countries' own priorities and demands. For instance, a substantial part of Trade Related Assistance was allocated for technical assistance to help beneficiaries meet European technical and phytosanitary standards.

3.38. The Economic Partnership Agreements are the cornerstone of the EU's trade and development partnership with ACP countries. Currently, three EPAs are being implemented and negotiations with a number of regions are on-going. The European Union external assistance supports reforms of the trading regime by providing the funding to strengthen institutional and productive capacities required to exploit the opportunities created by the agreements.

3.39. On the multilateral side of Aid for Trade, the European Union 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 since December 2010, 48 LDCs have benefitted from the programme. The European Union 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 European Union Aid for Trade Strategy.

3.4.2 Generalised System of Preferences (GSP)

3.40. Under Regulation (EU) No 978/2012[29] of 25 October 2012, the European Union adopted a revised generalised scheme of preferences that will be applicable from 1 January 2014. The time gap between the adoption of the Regulation and its actual application is necessary to allow more than one year for businesses and countries to adapt to changes entailed by the new scheme.

3.41. The revised GSP scheme maintains the salient features of the current one, and adapts the instrument to the changes in the global landscape. Preferences have been focused on 89 countries in greatest need. These are LDCs and other lower income economies (as classified by the World Bank) which do not enjoy, via other arrangements, preferential access to the European Union with the same or better tariff preferences as the GSP scheme. Developing countries whose preferences

[29] O.J. L 303 of 31.10.2012.

have been deferred remain eligible, and will enjoy GSP benefits should they be classified again as LDCs (by the UN) or as low-income countries (by the World Bank). The situation of eligible countries will be reviewed every year.

3.42. A number of products will enjoy larger preferences than under the current scheme: 15 new tariff lines are added to GSP as "non-sensitive" (i.e., they enjoy duty-free access); 4 tariff lines under GSP which were "sensitive" (i.e., they benefitted from a duty reduction) turn to "non-sensitive" (duty-free access); 4 new tariff lines are added to GSP+ (duty-free access). These categories have been carefully selected so as to create opportunities for GSP beneficiaries, without jeopardising the competitiveness of LDCs, which already benefit from duty-free access under the EBA scheme and would suffer from strengthened competition if zero-duty treatment were granted to a wider number of products.

3.43. The revised GSP scheme makes a number of modifications regarding sectoral graduation. First, product sections are expanded from 21 to 32, in order to ensure that graduation is more objective, as the products in the categories are more homogeneous. Second, graduation thresholds are increased from 15% to 17.5% (from 12.5% to 14.5% in case of textiles) calculated as the share of the beneficiary's exports to the EU over the total exports to the European Union of all beneficiaries. Third, with a view to reflecting the development needs also of GSP+ beneficiary countries there will be no graduation of any sector for GSP+ beneficiaries, thus increasing the export opportunities of these vulnerable countries.

3.44. GSP+ is improved under the new regulation. The economic criteria for eligibility are relaxed, allowing for more countries to benefit from the scheme. Entry, monitoring and withdrawal rules are clarified, making the system more transparent and predictable. As in the current system, there are provisions for temporary withdrawal of preferences and safeguards. In an effort to enhance transparency and predictability, substantive rules have been clarified, and a separate regulation will be published in 2013 to set out in detail procedural rules. Special safeguards for clothing are extended to plain textiles as well as to ethanol.

3.45. The modified GSP will last ten years, compared to the three years of the current scheme. This will make the scheme more stable and thereby benefitting businesses and eligible countries.

4 LOOKING FORWARD

4.1. At the European Union level, the current legislative cycle will come to an end in mid-2014. The European Parliament elections will take place in May-June 2014 and the current Commission's mandate will end later the same year.

4.2. The main objective for 2013 to mid-2014 will be to further strengthen the European Union's capacity to respond to the current economic, financial and social challenges. Tools and mechanisms have been developed over the last years to create the conditions for recovery and re-launch growth, investment and job creation. Efforts will be concentrated on the implementation of the new legislative acts on economic governance agreed at the end of 2012 that will allow a much higher degree of surveillance and coordination, necessary to ensure sustainable public finances and avoid the accumulation of excessive imbalances. In particular, ensuring the financial stability of the euro area and of the European Union as a whole remains a central concern in order to foster economic growth and create jobs while deepening the single market and strengthening the European Union's competitiveness in the global economy.

4.3. Reform of the CAP will continue, to promote greater competitiveness of European agriculture, efficient use of resources and policy returns in line with European citizens' expectations, with regard to food security, the environment, climate change as well as social and territorial balance. The objective will continue to be building more sustainable, smarter and more inclusive growth for rural Europe.

4.4. An effective protection of IPR will occupy a prominent position in Europe's future external policy. In a knowledge society, intangible assets are a crucial component of many goods and services. EU investments in creativity, research, design and quality are a positive feature of the European economy that needs to be preserved through an effective protection of IPR. Furthermore, for the European Union it is important to show that adequate IPR enforcement can contribute enhance investment opportunities, transfer of technology and improvement of health and safety standards.

4.5. Trade policy will continue to be put at the service of development and the European Union and its Member States will continue to make efforts to assist developing countries in achieving growth and reducing poverty within the framework of sustainable development.

4.6. At the multilateral level, the WTO represents one of the world's most important institutions dealing with globalisation. For this reason, the European Union considers the multilateral trading system, centred on WTO rules, as a vital backbone for the development of international trade.

4.7. Particularly in times of crisis, the temptation to resort to protectionism can indeed be high and there is currently a difficult balance to strike between the current impasse in the Doha round and the need to maintain the WTO's central role for long term trade liberalisation.

4.8. Despite the economic crisis that was ongoing during the years under review, the European Union did not seek to undo the comparative advantages of its partners. The use of trade defence instruments was limited to cope with unfair practices such as anticompetitive pricing behaviours or subsidies or other State-induced distortions. Subsidies were granted to the banking sector only on a temporarily basis and limited to the amount necessary to face the related market failures.

4.9. The European Union remains unwaveringly committed to the successful conclusion of negotiations within the Doha Development Agenda (DDA). This endeavour will require efforts from all the participants in the negotiations.

4.10. As a first step, it is important to move forward in those areas where multilateral progress could be achieved by the 9th WTO Ministerial Conference: the multilateral agreement on trade facilitation, a development component and certain limited agricultural issues.

4.11. The benefits to the global economy of an agreement on trade facilitation would be comparable to the total gains expected from goods and services liberalisation under the original DDA mandate. Making it easier and cheaper to trade will help developing countries to better integrate in regional and global trade system. This will contribute to facilitate trade development and diversification, enhance job-creation and the wider sharing of the benefits of international trade. Getting agreement in the WTO on trade facilitation would also send a powerful signal about the strength of the multilateral trade system and its ability to produce tangible results for the international community.

4.12. The European Union is committed as well to engaging constructively after the 9th WTO Ministerial Conference on the rest of the Doha agenda and potentially other important issues, such as climate change, while including a broader differentiation within the commitments of the members. The fact that the European Union is participating in preferential and plurilateral negotiations with a number of countries in no way weakens the European Union commitment to the WTO or the DDA. The European Union is committed to ensuring that the future agreements will prepare the ground for the next level of multilateral liberalisation and rulemaking. The conclusion of ambitious plurilateral or preferential agreements would be a clear signal of the parties' willingness to open markets on goods and services and tackle complex regulatory issues. It could notably help re-energise multilateral negotiations in the WTO. The negotiation of plurilateral agreement on trade in services and on information technology products, as well as the EU's FTA negotiations with the US and Japan are certainly among the most important processes in this regard.

4.13. To conclude, the European Union is convinced that ambitious preferential or plurilateral agreements can have a systemic reach. They provide a basis for the development of global rules in areas where WTO Members have not been able to agree so far at the multilateral level. This is potentially a unique laboratory for filling the gaps in the multilateral rulebook and developing regulatory solutions that can be a basis for subsequent work at multilateral level.

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