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 THE EUROPEAN UNION IN THE GLOBAL TRADING SYSTEM ................................................. 3
2 THE EU'S WEIGHT IN GLOBAL TRADE .......................................................................... 4
3 DEVELOPMENTS IN THE INTERNAL MARKET................................................................... 6
4 THE KEY DEVELOPMENTS IN EU TRADE AND INVESTMENT POLICY (2013/2014) .................................................................................................................... 9
  4.1 EU trade and investment policy ................................................................................... 9
  4.1.1 The EU's bilateral agenda ...................................................................................... 10
  4.1.2 EU investment policy ........................................................................................... 11
  4.2 EU enforcement policy ............................................................................................. 12
  4.3 Trade and sustainable development .......................................................................... 13
  4.3.1 Aid for trade ........................................................................................................ 13
  4.3.2 Trade Facilitation Assistance ................................................................................ 14
  4.3.3 The revised EU GSP ............................................................................................ 14
  4.3.4 Trade and Sustainable Development (TSD) ........................................................ 15
  4.3.5 The EU and the post-2015 development goals .................................................... 15

Tables
Table 2.1 EU-28 trade in goods by leading trade partners, 2013 ........................................... 4
Table 2.2 EU-28 trade in services (*) by leading trade partners, 2013 ................................... 5
Table 2.3 EU-28 Global trade ............................................................................................ 5
Table 2.4 World FDI inward and outward stocks with the world ......................................... 5
1 THE EUROPEAN UNION IN THE GLOBAL TRADING SYSTEM

1.1. The EU promotes a trade policy that aims at ensuring reliable, transparent and enforceable trade rules that foster sustainable growth and development.

1.2. The EU Trade Commissioner, Cecilia Malmström, in line with those priorities, stated that her "goal is to develop an EU trade policy that improves people’s lives, in Europe and around the world, by providing economic opportunity and supporting a more integrated, innovative and peaceful world".

1.3. The main vehicle for such policy is the WTO. This Organisation's core functions of rule-setting, dispute settlement and monitoring of trade policies plays an invaluable role in ensuring an open global trading system and creating a level-playing field to the advantage of its members, notably developing ones.

1.4. After some difficult years, the recent adoption of the Trade Facilitation Agreement has injected a new momentum into multilateral negotiations. The EU is unwaveringly committed to the successful conclusion of negotiations within the Doha Development Agenda (DDA) and sees the 10th WTO Ministerial Conference, which will be held in Nairobi in December 2015, as a crucial focal point for these efforts. Concluding the DDA would strengthen the multilateral trading system and would help the WTO to enhance its role in addressing issues of concern to businesses large and small, now and in the future.

1.5. In this regard, the EU attaches the utmost importance to the preparation by July 2015 of a post-Bali work-programme that puts the WTO on a credible path toward the conclusion of the Round. The EU firmly believes that a positive outcome is well within reach, based on the principles of simplification, realism and parallelism. While negotiations on the DDA need to reflect today's economic circumstances and the changing trading context, outcomes are needed in all areas of the DDA mandate – agriculture, NAMA, services, TRIPS, rules and development. The development objectives of the Round need to be fulfilled, particularly as regards responding to the needs of the Least Developed Countries, which need to be better integrated into global trade in order to reap the benefits that trade can provide.

1.6. While the EU remains committed to the further development of the multilateral trading system, the EU is also actively participating in plurilateral negotiations. The EU pays particular attention to ensuring that plurilateral initiatives are open to all interested participants, and that they remain as close as possible to the WTO.

1.7. First of all, the EU has been a long-standing advocate of removing tariff and non-tariff barriers to trade in environmental goods and services. Eliminating tariffs and other barriers to trade in environmental goods and technologies will contribute to their worldwide deployment, thus promoting environmental protection and the fight against climate change. In July 2014, the EU together with 13 other WTO members formally opened plurilateral negotiations on liberalisation of trade in environmental ('green') goods and technologies. In the EU's view, the first objective of the negotiations is to eliminate tariffs on a broad number of environmental goods. Secondly, the negotiations should lead to a 'future-oriented agreement' with a review mechanism for products and a work programme on other issues in the sector such as Non-Tariff Barriers and services. An Environmental Goods Agreement will be beneficial to all WTO Members and will apply on an MFN-basis.

1.8. Secondly, in 2008 the EU proposed reviewing the Information Technology Agreement (ITA), in view of expanding its coverage and membership, as well as introducing provisions on Non-Tariffs Barriers (NTBs). The EU has been an active participant in the negotiations on the ITA-expansion that were launched in May 2012. On several occasions, the EU has hosted meetings of the group of participants, including at the end of 2014 when the EU hosted and chaired meetings that were supposed to result in the finalisation of the list of items covered in ITA2. The EU is currently very close to reaching such an agreement, and continues to believe that the expansion of ITA and the expected coverage of $1 trillion more duty-free trade world-wide would stimulate trade in IT goods and electronics. It would also have positive ripple effects throughout the economy, and contribute to enhancing efficiency across many sectors and ultimately to world economic growth.
1.9. Thirdly, the EU is one of the key active players working towards an ambitious and open Trade in Services Agreement (TiSA). For the EU, trade in services is of strategic importance as the sector accounts for some three-quarters of EU gross domestic product (GDP) and EU jobs. Broadly speaking, the EU’s aim in the negotiations is to raise the level of ambition of all participants – current and the future – so that the level of commitment they will take on market access and national treatment is similar for everyone. The Agreement is being negotiated on the basis of the GATS architecture and the EU trusts that once critical mass of participants will be reached, it will be integrated into at the WTO.

1.10. In addition to its active participation in the WTO and in plurilateral negotiations, the EU has an important bilateral agenda. The EU believes that these negotiations complement multilateral cooperation because they have the potential to support future progress at the multilateral level.

1.11. Another important aspect of the EU’s trade policy is to ensure trade promotes inclusive growth, sustainable development and job creation. The EU has put in place concrete actions to enhance synergies between trade and development policies, acknowledging that an effective trade policy can not only help in boosting growth and jobs but can also be a powerful engine for development, in line with the EU principle of Policy Coherence for Development. In so doing, EU trade and development policies take into account the need to increasingly focus on those trade partners and developing countries that are less integrated into world trade and therefore most in need, as well as to improve the way trade and development instruments actually deliver.

2 THE EU’S WEIGHT IN GLOBAL TRADE

2.1. At the EU’s last TPR, the EU announced its enlargement to 28 Members with the accession of Croatia in July 2013. With a population of more than 500 million, the EU has become deeply integrated into global markets. Thanks to the openness of its trade regime, the EU continues to be the world’s biggest trade bloc scene, with more than 17% of the world’s gross domestic product (GDP) in 2013 (EUR 13 185.8 billion).

2.2. The EU is an attractive region for business as demonstrated by the fact that it is the biggest trading partner for 60 countries and among the top three for more than 80 countries. The tables below give an overview of the EU’s main trade partners and their share of trade:

### Table 2.1 EU-28 trade in goods by leading trade partners, 2013

<table>
<thead>
<tr>
<th>Leading clients</th>
<th>Exports (EUR billion)</th>
<th>Share in exports (%)</th>
<th>Leading suppliers</th>
<th>Imports (EUR billion)</th>
<th>Share in imports (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>All countries</td>
<td>1,736.6</td>
<td>100%</td>
<td>All countries</td>
<td>1,684.8</td>
<td>100%</td>
</tr>
<tr>
<td>1. USA</td>
<td>289.5</td>
<td>16.7%</td>
<td>1. China</td>
<td>280.1</td>
<td>16.6%</td>
</tr>
<tr>
<td>2. Switzerland</td>
<td>169.1</td>
<td>9.7%</td>
<td>2. Russia</td>
<td>206.9</td>
<td>12.3%</td>
</tr>
<tr>
<td>3. China</td>
<td>148.2</td>
<td>8.5%</td>
<td>3. USA</td>
<td>196.1</td>
<td>11.6%</td>
</tr>
<tr>
<td>4. Russia</td>
<td>119.5</td>
<td>6.9%</td>
<td>4. Switzerland</td>
<td>94.6</td>
<td>5.6%</td>
</tr>
<tr>
<td>5. Turkey</td>
<td>77.6</td>
<td>4.5%</td>
<td>5. Norway</td>
<td>90.3</td>
<td>5.4%</td>
</tr>
<tr>
<td>6. Japan</td>
<td>54.0</td>
<td>3.1%</td>
<td>6. Japan</td>
<td>56.6</td>
<td>3.4%</td>
</tr>
</tbody>
</table>

Source: Eurostat.

---

1 Article 208 of the Treaty of the Functioning of the European Union requires the EU to take account of the objectives of development cooperation, the primary one being poverty eradication, in the policies likely to affect developing countries.

2 IMF World Economic Outlook, October 2014. Shares are calculated on GDP based on purchasing-power-parity (PPP). The 2013 GDP figure is in current prices (for the conversion from $ to € the average exchange rate used was €1=$1.3281 (Eurostat)).
Table 2.2 EU-28 trade in services (*) by leading trade partners, 2013

<table>
<thead>
<tr>
<th>Leading clients</th>
<th>Exports</th>
<th>Share in exports</th>
<th>Leading suppliers</th>
<th>Imports</th>
<th>Share in imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>All countries</td>
<td>709.7</td>
<td>100%</td>
<td>All countries</td>
<td>531.6</td>
<td>100%</td>
</tr>
<tr>
<td>1. United States</td>
<td>180.7</td>
<td>25.5%</td>
<td>1. United States</td>
<td>159.9</td>
<td>30.1%</td>
</tr>
<tr>
<td>2. Switzerland</td>
<td>99.5</td>
<td>14.0%</td>
<td>2. Switzerland</td>
<td>54.2</td>
<td>10.2%</td>
</tr>
<tr>
<td>3. Russia</td>
<td>30.7</td>
<td>4.3%</td>
<td>3. China (Except Hong Kong)</td>
<td>20.9</td>
<td>3.9%</td>
</tr>
<tr>
<td>4. China (Except Hong Kong)</td>
<td>29.0</td>
<td>4.1%</td>
<td>4. Bermuda (U.K.)</td>
<td>16.1</td>
<td>3.0%</td>
</tr>
<tr>
<td>5. Norway</td>
<td>25.7</td>
<td>3.6%</td>
<td>5. Turkey</td>
<td>15.4</td>
<td>2.9%</td>
</tr>
<tr>
<td>6. Japan</td>
<td>24.7</td>
<td>3.5%</td>
<td>6. Japan</td>
<td>14.6</td>
<td>2.7%</td>
</tr>
</tbody>
</table>

* Preliminary data.

Source: Eurostat.

2.3. The EU occupies the first rankings both in trade in goods and in services, as well as in terms of FDI inward and outward stocks as shown below:

Table 2.3 EU-28 Global trade

<table>
<thead>
<tr>
<th></th>
<th>Export</th>
<th>Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rank in global trade</td>
<td>2012</td>
</tr>
<tr>
<td>Trade in goods</td>
<td>1</td>
<td>1,684.2</td>
</tr>
<tr>
<td>Trade in services</td>
<td>1</td>
<td>675.8</td>
</tr>
</tbody>
</table>

* Preliminary data (February 2015).

Source: Eurostat, UNCTAD.

Table 2.4 World FDI inward and outward stocks with the world

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inward stocks</td>
<td>3,768.1</td>
<td>3,947.4</td>
<td>4.8%</td>
</tr>
<tr>
<td>Outward stocks</td>
<td>4,940.9</td>
<td>5,206.8</td>
<td>5.4%</td>
</tr>
</tbody>
</table>

Source: Eurostat, UNCTAD.

2.4. EU FDI inflows and outflows have registered significant fluctuations over the last years. In 2007, they reached their highest level ever before the financial crisis; they recovered in 2011; fell again in 2012; and picked up again in 2013. This is broadly in line with the trends in other developed economies. In 2013, the EU received EUR 523 billion of FDI (46.2% of global inflows) and invested abroad EUR 475.5 billion (43.5% of global outflows). These large flows are equivalent to about 7.6% of EU GDP.

---

3 In 2013 EU inward stocks from the world were equal to EUR 3,778 billion and EU outwards stocks EUR 4,900 billion. These figures are calculated according to the new BPM6 methodology and cannot be compared to previous years.

4 Excluding intra EU-FDIs.

5 Excluding intra EU-FDIs.

6 Eurostat, UNCTAD Figures are calculated according to the new BPM6 methodology and no comparison with previous years is possible. Data include FDI through SPEs.
3 DEVELOPMENTS IN THE INTERNAL MARKET

3.1. A better functioning of the EU internal market is a key ingredient for European growth⁷ and for creating and maintaining transparent trade practices and open markets to the benefit of companies and consumers.

3.2. The EU is a very open market as demonstrated by a Trade-to-GDP ratio of 34.9% in 2013 and an overall average applied tariff levels of 5.5% in 2013.⁸

3.3. Furthermore, the EU is constantly working on the adoption and/or enforcement of initiatives to integrate and complete its internal market, and in so doing, to further open its market.

3.4. The recently-appointed President of the European Commission, Mr Jean-Claude Juncker, started his mandate by giving priority to strengthening the EU's competitiveness and stimulating investment so as to create jobs. As a first action, President Juncker launched an 'Investment Plan'.⁹ This will unlock public and private investment in the real economy of up to €300 billion over the next three years (2015-2017). Another flagship project for the new European Commission is a Capital Markets Union (CMU). This aims to create deeper and more integrated capital markets in the EU's 28 Member States. With the CMU, the Commission will seek to reduce fragmentation in financial markets, diversify financing sources, strengthen cross-border capital flows, and improve access to finance for businesses, particularly SMEs.

New common agricultural and fisheries policies

3.5. The EU has reformed its Common Agricultural Policy (CAP) for the period 2014-2020. The measures adopted at the end of 2013 continue the CAP reform process of the last 25 years and promote the use of less trade-distorting policy instruments. They contribute to the EU's broader growth policy, and will at the same time help EU farmers compete more effectively on the world market and benefit from the expected increase in demand for their products. The new CAP also aims to: make European agriculture more sustainable and maintain farming in all regions of the EU; ensure European citizens can consume healthy, high-quality food; and preserve the environment and help develop the EU's rural areas. An entirely new system of direct payments will be introduced, which will put a stronger emphasis on environmental stewardship, with farmers being able to apply it as of calendar year 2015 with payments being made as of the budget year 2016. A reformed system for market instruments has already come into force and the new rural development rules covering 2014-2020 are also in place. Another major development during this period is that no export refund has been granted since July 2013. This is further proof that CAP reforms in the last 20 years, which have aimed to achieve greater market orientation and move away from trade-distorting support instruments, have been successful. In addition, no products were bought into public intervention stocks during this period.

3.6. In the framework of its new Common Fisheries Policy, the EU has modernised its main market policy for fisheries and aquaculture products – the Common Market Organisation (CMO) – as of 1 January 2014. This new policy instrument:

- significantly reduces the number and modalities of market interventions;
- improves the empowerment of producers' organisations at a more local/regional level and gives them full responsibility for setting up production and marketing plans;
- improves the information available to consumers on the kind of fisheries and aquaculture products they can buy;
- sets up an inclusive market intelligence strategy.¹⁰

---

⁷ See: 2010 Communication.
Public procurement: new improved rules

3.7. In February 2014, new rules on public procurement and the award of concessions were adopted. These new rules have three main objectives: simplification, flexibility and legal certainty. Through this reform, public authorities will be in a better position to optimise the use of public money. Public procurement, which represents almost 19% of the EU GDP, could be an even more efficient driver of the economy. The EU is convinced that the simplification and greater flexibility of the new procedures, their capacity to better serve other important public-sector policies (like environmental protection, support for SMEs), along with the possibility of the best value for money, will make public procurement more efficient and more strategic, while respecting the principles of transparency and competition to the benefit of both public purchasers and businesses. The rules on concessions will create a common framework for a major tool of public management in Europe, thus also contributing to the conditions set out for stimulating investment in major public services of the future.

State aid modernisation

3.8. In 2014, the EU completed the ambitious reform of the state aid control rules launched by the Commission’s communication on state aid modernisation in 2012 adopting a revised and simplified package of rules on State Aids. The new set of rules, while continuing to foster very strict procedures as not to distort competition, will further improve the efficiency of public spending.

New customs procedures

3.9. Customs help to achieve the objectives of the EU’s trade policy by facilitating trade, ensuring that imports into the EU meet the EU’s health and safety standards, and countering unfair trade. In October 2013, the EU adopted the Union Customs Code. This lays down rules that modernize and streamline the EU’s fully automated customs procedures. By doing so, they facilitate trade, enforce EU standards, protect citizens and help generate growth and jobs. The Union Customs Code will apply from 1 May 2016.

A new EU environmental action programme and climate change objectives

3.10. On 20 November 2013, the EU adopted its 7th Environment Action Programme (EAP) to 2020. It is a common strategy for both EU institutions and Member States and shall guide environment policy. The EAP identifies three key objectives to be achieved by 2020:

- to protect, conserve and enhance the Union’s natural capital;
- to turn the Union into a resource-efficient, green, and competitive low-carbon economy;
- to safeguard the Union's citizens from environment-related pressures and risks to health and wellbeing.

In addition, four so-called 'enablers' will help Europe deliver on these goals:

- better implementation of legislation;
- better information by improving the knowledge base;
- more and wiser investment for environment and climate policy;
- full integration of environmental requirements and considerations into other policies.

---


12 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of Regions - EU State Aid Modernisation (SAM), http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52012DC0209&from=EN.

Finally, two additional horizontal priority objectives complete the programme:

- to make the Union’s cities more sustainable;
- to help the Union address international environmental and climate challenges more effectively;

**A revised industrial policy**

3.11. The EU has revised its industrial policy\(^{14}\), making sure to further integrate it with the other EU policies and acknowledging that industrial modernization ought to be pursued by investing in innovation, resource efficiency, new technologies, skills and access to finance. The Communication promotes a more business-friendly Europe through actions to simplify the legislative framework and to improve the efficiency of public administration at EU, national and regional levels. Easier access to non-EU markets through the harmonisation of international standards, open public procurement, patent protection and economic diplomacy are also key issues.

**Facilitate access to finance for start-up companies**

3.12. With the aim to improve access to finance for start-up companies, the EU has adopted a regulation\(^{15}\) setting uniform rules for the marketing of venture capital funds across Europe. Since July 2013, the new single rulebook should help these funds attract more capital commitments and become even bigger, opening up growth prospects for entrepreneurial enterprises.

**Enhancing harmonisation of the EU technical regulations**

3.13. On 26 February 2014, the EU adopted the so-called ‘Alignment Package’ consisting of eight directives\(^{16}\) to be transposed into the respective national laws by EU Member States. This is another step in a wider process that the EU is pursuing for harmonising its technical regulations. The revised directives aim to clearly define the obligations of manufacturers and authorised representatives and introduce obligations for importers and distributors. The directives align the conformity assessment procedures to their updated versions set out in the Decision No. 768/2008/EC (known as part of New Legislative Framework), reinforce the notification criteria for notified bodies and also contain some sector specific elements. In addition, the EU adopted three directives concerning radio, pressure and marine equipment\(^{17}\). All the Directives will apply from 2016.

**Progress in the internal energy market**

3.14. One of the EU’s priorities is a resilient Energy Union with a forward-looking climate change policy. In February 2015, the European Commission adopted the so-called ‘Energy Union Package’\(^{18}\) for ensuring secure, affordable and climate-friendly energy for citizens and businesses.

3.15. The European Energy Union means making energy more secure, affordable and sustainable. It will allow a free flow of energy across borders and a secure supply in every EU country, for every citizen. New technologies and renewed infrastructure will cut household bills and create new jobs and skills, as companies expand exports and boost growth. It will lead to a sustainable, low carbon and environmentally friendly economy, putting Europe at the forefront of renewable energy production and the fight against global warming. As a follow up to this Communication, in the


coming period concrete measures will be proposed and adopted. So far, no concrete measures have been taken.

Reforms to complete the internal market in services

3.16. On 1 July 2014 the EU cut the price caps for data downloads by more than half, from 45 cents per megabyte to 20 cents per megabyte (excluding VAT). Since caps on data roaming were introduced, data consumption has risen dramatically. Roaming charges were at their peak when the EU started to take action in 2007. The results are a 80–90% drop in prices for roaming services in 2014 compared to 2007.

3.17. In October 2014\textsuperscript{19}, the EU – in agreement with its Member States – decided that two telecommunications markets (the retail market for access to fixed telephony and the wholesale market for fixed-call origination) should no longer be subject to regulation in Europe, and that broadband markets should be redefined to reflect market and technology developments.

3.18. In July 2014, the EU adopted a regulation on electronic identification and trust services for electronic transactions in the internal market (eIDAS Regulation 910/2014). The Regulation sets conditions for mutual recognition of electronic identification in a legal instrument directly applicable in all EU Member States. This means that if one Member State recognises an electronic signature or trust services provider, then the 27 other Member States have to recognise it as well, without additional checks. The regulation is also technologically neutral. It prevents any requirements to use a specific technology, and an open standard-setting policy will ensure interoperability. The regulation aims at helping to build an e-commerce arena without geographic boundaries and in doing so will foster an environment of trust and confidence in the use of electronic commerce, which in turn should enable more trade and online transactions. Citizens will be able to carry out secure cross-border electronic transactions, and take full advantage of their rights across the EU - for example, by enrolling in a foreign university. This will reduce red tape for businesses, for example by enabling them to participate online in public calls for tender across the EU. The regulation entered into force in September 2014. The adoption of relevant implementing acts is expected by mid-2015, and thereafter Member States may voluntarily recognise notified e-Identification from the other Member States. The rules for trust services will apply from 1 July 2016. The mandatory mutual recognition of e-IDs will apply from mid-2018.

3.19. In May 2014, the EU adopted a Directive on Intra-Corporate Transferees that creates an attractive EU scheme harmonizing the conditions for entry, stay and intra-EU mobility of third-country national workers (managers, specialists and graduate trainees) being posted by a group of companies based outside the EU to an entity of the same group based on the EU territory for up to three years (one year for trainees). The Directive will replace national schemes for the admission of specialists, managers and trainees (as defined in the Directive).

4 THE KEY DEVELOPMENTS IN EU TRADE AND INVESTMENT POLICY (2013/2014)

4.1 EU trade and investment policy

4.1. In a changing world, the core objective of the EU’s common trade policy is to maintain and, where necessary, reinvent Europe’s place in global supply chains. In doing so, the EU always needs to balance the diversity of situations prevailing in its 28 Member States.

4.2. The overall direction for the EU’s trade policy is set out in several Communications\textsuperscript{20}, updated in 2013 by a contribution from the European Commission to the European Council.\textsuperscript{21} This sets the priorities for EU trade policy, which aim at strengthening the importance of both EU trade negotiations and the enforcement agenda, while maintaining the central role of the multilateral trading system, centred on the WTO. The EU is currently working on a new Communication that will set revised priorities for EU trade policy in the coming years.

\footnotesize{22} http://trade.ec.europa.eu/doclib/docs/2013/april/tradoc_151052.pdf.}
4.1.1 The EU’s bilateral agenda

4.3. Since the 2006 Global Europe strategy\textsuperscript{22}, the EU has sought to promote economic growth and job creation by engaging in negotiations to open up trade with its industrialised and emerging trade partners. The EU aims to boost competitiveness and ensure trade contributes more to economic growth. While tariff cuts on industrial and agricultural goods remain important, the brunt of the challenge lies elsewhere. In a world of global value chains, it is increasingly important to address behind-the-border measures which affect market access for services and investment, access to public procurement and the protection of intellectual property rights. The EU also aims to secure an unrestricted supply of raw materials and energy, and overcome regulatory barriers, including by promoting international standards.

4.4. Against this backdrop, the EU has developed an ambitious bilateral trade policy agenda. Throughout the process, the EU is paying particular attention to the scope and depth of its trade agreements, to ensure they take into account the needs of today’s economy and fully comply with WTO rules.

4.5. First of all, trade negotiations play an important role in relations with our neighbourhood, where we recently concluded Deep and Comprehensive FTAs with Ukraine\textsuperscript{23}, Georgia and Moldova. Negotiations for a DCFTA with Morocco – deepening and expanding the existing FTA – were launched in March 2013 and preparations are underway to launch similar DCFTA negotiations with Jordan and Tunisia.

4.6. In parallel, as an integral part of its development policy towards the African, Caribbean and Pacific (ACP) countries, the EU has reached a series of Economic Partnership Agreements (EPAs) with seven African, Caribbean and Pacific regions. With the conclusion of the EPAs, the EU aims at promoting a holistic approach linking trade and development, laying down the institutional groundwork for diversifying and increasing exports. EPAs provide free access to the EU market for all products originating in partner countries, with improved rules of origin. They provide a legally secure trade agreement, and establish a process to manage change, while dialogue and gradual implementation continue.

4.7. EPAs are a tool to support existing regional integration schemes and create a stable, predictable and transparent framework for business. A major objective of EPAs is to help improve the economic and legal environment for business and trade.

4.8. EPA preferences are embedded in a long-term partnership. The shift to EPAs does more than carry forward ‘Everything But Arms’ market access into a new agreement. It also gives LDCs several additional advantages, including:

- a stable framework for trade relations with the EU, even when they move up the development ladder;
- the opportunity to obtain more flexible cumulation of origin;
- targeted cooperation in areas such as Sanitary and PhytoSanitary (SPS) measures and Technical Barriers to Trade (TBT).

4.9. In 2014, EPAs with CARIFORUM, four countries in Eastern and Southern Africa, and Papua New Guinea in the Pacific region were already being implemented, and Fiji in the Pacific and Cameroon in Central Africa started to apply EPAs in their regions. In addition, EPA negotiations with West Africa, the Southern African Development Community (SADC) and the East African Community (EAC) were concluded in 2014 and will replace the interim EPAs that some of the partners had concluded previously with the EU.

4.10. In the reviewed period, the EU has also concluded negotiations on comprehensive trade and investment agreements with Singapore and with Canada.

\textsuperscript{22} \url{http://trade.ec.europa.eu/doclib/docs/2006/october/tradoc_130370.pdf}.
\textsuperscript{23} Applicable as from 1.01.2016.
4.11. The EU-Singapore FTA (EUSFTA) is the first deal between the EU and a Southeast Asian economy and constitutes a stepping stone to greater engagement between the EU and Southeast Asia, where a region-to-region FTA remains the ultimate goal. The EUSFTA is a comprehensive agreement with extensive commitments by both parties to provide greater access to each other’s markets, including through the liberalization of services, investment and procurement markets, as well as the removal of tariff or non-tariff (i.e. regulatory or technical) barriers to trade.

4.12. The negotiations for a comprehensive economic and trade agreement with Canada were concluded in September 2014. Once in force, the agreement will tackle a whole range of issues to make business with Canada easier. It will remove customs duties, end limitations in access to public contracts, open-up markets for services and offer predictable conditions for investors.

4.13. Looking forward, the EU’s list of bilateral negotiations for the next few years is one of the most ambitious in the world, covering two of our largest trading partners (the U.S. and Japan) and important emerging country partners alike (including India, Mercosur and several South East Asian (ASEAN) countries).

4.14. The EU-Japan FTA negotiations were launched in 2013 and nine rounds of talks had already taken place by the end of February 2015. So far, Japan and the EU have exchanged texts proposals for the different FTA chapters, as well as initial market access offers on goods, services and investments well and public procurement. The EU's objective is to negotiate a comprehensive and ambitious agreement with Japan, covering a wide range of issues and tackling non-tariff measures across many sectors.

4.15. The EU and the U.S. launched negotiations on a Transatlantic Trade and Investment Partnership (TTIP) in 2013. Eight rounds of talks had taken place by February 2015. The EU's objective is to reach an “ambitious, comprehensive and mutually beneficial trade and investment agreement”. TTIP would address the challenges of today’s global trading environment and contribute to a stronger transatlantic partnership.

4.1.2 EU investment policy

4.16. The EU is both the world’s leading host and source of Foreign Direct Investment (FDI) and it is in its interest to contribute to an attractive and stable climate for European investors abroad, as well as to continue to attract investors by preserving and promoting an open investment regime at home.

4.17. Since foreign direct investment became an exclusive competence of the EU in 200925, in a Communication in 201026 the EU laid out a strategy to deploy a common investment policy covering the main building blocks of an international investment policy, with the purpose of increasing EU competitiveness and thus contributing to the objectives of smart, sustainable and inclusive growth. More than 1400 existing bilateral investment treaties (BITs) of the EU Member States, which currently offer investment protection to many European investors, will be preserved until they are replaced by EU agreements. Meantime, an EU Regulation27 established a transitional mechanism to empower Member States to maintain and, under certain conditions, conclude new bilateral investment treaties (BITs).

4.18. The EU included provisions on investment protection in the trade agreements concluded during the period under review. Furthermore, the EU also started negotiating stand-alone investment agreements with China and Myanmar. Within the current negotiations for FTAs with

24 European Council, Conclusions 20 March 2015, EUCO 11/15
25 Article 206 of the Treaty on the Functioning of the European Union (TFEU) provides that by establishing a customs union in accordance with Articles 28 to 32, the Union shall contribute, in the common interest, to the progressive abolition of restrictions on international trade and foreign direct investment, and the lowering of customs and other barriers. Article 207 includes foreign direct investment as one of the areas covered by the common commercial policy of the Union. The common commercial policy is an area of exclusive competence pursuant to Article 3(1) of the TFEU.
Vietnam, Japan, Thailand, Malaysia, Morocco and India the EU expects the agreements to include chapters on investment protection.

4.2 EU enforcement policy

4.19. As import duties are gradually reduced or eliminated under bilateral or multilateral negotiations, the relative importance of non-tariffs barriers and the increasing use of other trade-restrictive measures\(^{28}\) are a cause of concern.

4.20. The EU works to improve market access conditions for EU exporters where they have been blocked or distorted and closely monitors potentially protectionist tendencies at global level. This is demonstrated by the EU reports issued every year\(^{29}\), as well as by the EU contribution to the WTO and G20 reports on trade and investment measures.\(^{30}\)

4.21. Depending on the country and on the type of barrier, the EU has a variety of means at its disposal for tackling unjustified and unreasonable measures that create problems for EU exporters, service providers and investors, as demonstrated by the EU’s very active role in the day-to-day activities of the WTO Committees, Councils and Working Groups.\(^{31}\) As a measure of last resort, the EU also does not hesitate to make good use of the WTO Dispute Settlement Mechanism.

4.22. The EU has actively engaged in the WTO dispute settlement mechanism to resolve disputes as both a party and a third party to disputes. The EU attaches considerable importance to the Dispute Settlement Understanding revision negotiations and has actively contributed to them with a view to achieving a successful outcome. Indeed, ensuring compliance with global trade rules through Dispute Settlement is one of the most important and critical roles played by the WTO to maintain an open and fair multilateral trading system.

4.23. Furthermore, the EU has included a Dispute Settlement Mechanism in all its trade agreements concluded after 2000 so that the parties can resolve disputes arising under the agreement. The system, often known as bilateral dispute settlement, allows for the rapid settlement of disputes and is modelled on the WTO dispute settlement system.

4.24. With reference to public procurement markets, the EU works closely with countries outside Europe to remove persistent problems for exporters and to increase the opportunities for EU businesses to get further access to procurement markets outside the EU. In this respect, the EU has included an ambitious but tailor-made chapter on public procurement in all the FTAs concluded during the period under review.

4.25. The defence of intellectual property rights (IPR) in today's increasingly knowledge-based industries is also very important. The number of new European patent registrations and registered Community trademarks and designs more than doubled between 2003 and 2012. But the high numbers of infringements of intellectual property rights (IPR) are a great source of concerns. In 2012 alone, EU border control agencies registered 90 000 cases of goods suspected of infringing IPR (compared to fewer than 27 000 in 2005). Therefore, in June 2013, the EU renewed the legislation\(^{32}\) setting out the conditions and procedures for action by the customs authorities where goods suspected of infringing an intellectual property right are, or should have been, subject to customs supervision or customs controls. Furthermore, the EU has included a chapter on IPR enforcement in all the FTAs concluded during the period under review.

4.26. Furthermore, the EU makes use also of trade defence instruments (anti-dumping (AD) and anti-subsidy (AS)) to help EU industries combat the negative effects of unfairly traded imports. Given that measures can be subject to review in the EU courts and under the WTO DSB, the EU

\(^{28}\) Report: WT/TPR/OV/M/12.


\(^{31}\) See 2014 relevant reports, notably: G/L/1086; G/L/1092; G/L/1078; G/L/1090; G/C/W/706.

adheres strictly to the legal framework which sets mandatory deadlines and procedures as well as ensuring the rights of all interested parties. The EU is a prudent and moderate user of the AD and AS instruments, applying the lesser duty rule and also the Union interest test before imposing measures. In 2013, the Commission adopted a proposal to modernise the anti-dumping and anti-subsidy instruments in an effort to improve them in the face of changes in international trade practices. This proposal is now subject to the normal legislative process with the European Parliament and the Council. Resources are also dedicated to helping EU industry facing trade defence actions by third countries in order to ensure that the WTO rules are respected and used fairly and transparently. This involves addressing specific investigation related issues as well as tacking systemic problems which arise.

4.3 Trade and sustainable development

4.27. The EU is committed to actively helping people around the world trade their way out of poverty. In particular, one of the EU's basic objectives is to ensure that economic growth and development go hand in hand with social justice and sustainable environmental practices, thereby contributing to achieving sustainable development worldwide. The EU's GSP+ scheme and bilateral trade agreements are two of the main instruments in which this principle is applied, as described below.

4.28. 'Trade and development' is a broad policy area that covers the EU's trade relations with developing countries. It encompasses a wide range of policies including the Generalised Scheme of Preferences (GSP), trade agreements (including Economic Partnership Agreements (EPAs) with ACP partners), and Aid for Trade. Trade and development issues are important to our developing partners and come up in many instances, whether bilateral trade negotiations or multilateral fora such as the World Trade Organisation (WTO), the United Nations (UN) or the UN Conference on Trade and Development (UNCTAD).

4.29. The EU has always supported the gradual integration of developing countries into the world economy, thus contributing to their growth and development and continues to do so via several channels.

4.3.1 Aid for trade

4.30. Aid for Trade (AfT) is an integral part of the EU development assistance aimed at helping partner countries to take advantage of opportunities created by unilateral, bilateral or multilateral trade openings and hence it is an important tool to facilitate trade reforms or adjustments. In particular, AfT may be needed to support the implementation of an FTA with the EU or to benefit from the EU's unilateral trade preferences under the Generalised Scheme of Preferences (GSP) and to help countries reap all the benefits of access to regionally-integrated or global markets.

4.31. In 2012 (the year of the last monitoring exercise) with EUR 11.6 billion, the total of collective EU and Member States’ Aid for Trade commitments showed an all-time high – 20% higher than in 2011. This growth reverses an 11% decline observed in 2011. The EU will submit updated information on aid for trade as part of the WTO 5th Global Review, scheduled for July 2015. The EU is actively participating in preparations for the meeting, which will review lessons learnt and make proposals for how best to realise the potential of trade to promote development in future.

4.32. The narrower category of Trade Related Assistance (TRA) includes core trade activities such as trade policy and planning, trade facilitation, trade negotiations and trade development. The EU committed EUR 2.5 billion in 2012 (approximately EUR 1.9 billion from the Member States and EUR 0.6 billion from the European Commission) demonstrate that the EU is exceeding its overall pledge given at the 2005 Ministerial Conference in Hong Kong to provide EUR 2 billion in TRA assistance by 2010. Representing almost 60% of total TRA commitments in 2012 among all OECD Development Assistance Committee (DAC) donors, the EU and its Member States remain the first provider of TRA in the world.

33 Measures may not be applied where it is concluded it is not in the Union interest to do so.
4.3.2 Trade Facilitation Assistance

4.33. The EU and its Member States are also the world’s leading providers of trade facilitation support. Over the five-year period 2008-2012 (latest available figures), the EU and its Member States collectively provided a total of about EUR 725 million for trade facilitation, which corresponds to more than 50% of the total support over the period. The EU alone provided EUR 428 million or 31% of the total support.

4.34. Over the next five years, the EU is aiming to at least maintain its level of support to trade facilitation, namely EUR 400 million, providing most of the support through regular bilateral and regional EU aid channels, though the EU stands ready to make a contribution of up to EUR 30 million to a dedicated international trade facilitation facility.\(^{34}\)

4.35. The EU has also been supporting the needs assessments undertaken by the WTO and UNCTAD in order to assist developing countries with the implementation of their obligations under the Trade Facilitation Agreement. These existing needs assessments are an important tool for developing countries to communicate their trade facilitation needs to donors. The EU is also contributing to the WTO Trade Facilitation Agreement Facility which became operational with the adoption of the Trade Facilitation Protocol in November 2014.

4.3.3 The revised EU GSP

4.36. On 1 January 2014 the revised GSP started to apply. The fundamental structure of three arrangements – general GSP, the Special Incentive Arrangement for Sustainable Development and Good Governance (GSP+), and Everything But Arms (EBA) – was kept, but most other aspects of the Scheme were substantially reformed to reflect changes in the international trade landscape.

4.37. The main features of the revised Scheme are:

a. the preferences are focussed on those most in need, notably through a significantly reduced country coverage and a refined graduation mechanism;

b. a dynamic nature in terms of a regular review of the beneficiaries’ status and of the list of graduated products;

c. reinforcement of the trade incentives for the respect of core human and labour rights, environmental and good governance standards through strengthened GSP+ (the GSP+ requires the respect of a list of international Conventions\(^{35}\));

d. more effective EBA thanks to the deferral of GSP preferences from a large number of its beneficiaries’ competitors;

e. enhanced transparency, predictability and stability of the Scheme: the revised Scheme will apply for 10 years, instead of three previously; also, procedures for respectively temporary withdrawal and application of safeguards have been made further more transparent and operational;

f. adaptation of procedures to the Lisbon Treaty’s requirements, in particular enhanced transparency of the EU policies and increased role of the European Parliament in the EU trade policy making.

4.38. Currently, 92 countries and territories enjoy tariff preferences under the GSP arrangements. Of these, 30 are covered by the general arrangement, 13 enjoy additional preferences under GSP+, and 49 benefit from fully duty- and quota-free access under the EU’s Everything But Arms scheme.

\(^{34}\) As a first step to meeting the above commitment, the EU has already committed EUR 9.7 million to the recently established World Bank Trade Facilitation Support Programme [http://trade.ec.europa.eu/doclib/press/index.cfm?id=1202].

4.39. As regards GSP+, 13 countries currently benefit from the system. They are subject to an enhanced monitoring by the European Commission of their binding undertaking made at the entry to the arrangement, in particular to ensure effective implementation of the relevant international conventions. Monitoring is a transparent and inclusive process based on an intense dialogue between the European Commission and beneficiaries' authorities during which the European Commission assesses not only the conventions' monitoring bodies' reports on the beneficiaries' performance, but also looks into information coming from other sources. By the end of 2015, the European Commission will issue a first regular bi-annual report on the implementation of the GSP+.

4.40. Least Developed Countries (LDCs) continue to benefit from the duty-free and quota-free (DFQF) access under the EBA initiative. Following deferral of GSP preferences from numerous competitors of LDCs, EBA is now even more effective and offers additional export opportunities to those who need them most.

4.3.4 Trade and Sustainable Development (TSD)

4.41. All current EU FTA negotiations, whether with developed or developing countries, cover TSD (e.g. Vietnam, Morocco, Japan, and the U.S.). TSD chapters are also included in all the FTAs that were concluded during the period under review. These Agreements include far-reaching provisions to effectively implement international conventions on labour rights and environmental protection. They give civil society organisations a specific role in monitoring implementation of the Parties' commitments.

4.42. In July 2013, the EU, together with the ILO, Bangladesh and the U.S., launched a 'Sustainability Compact' to improve labour rights, occupational safety and health, and responsible business conduct in the ready-made garments sector in Bangladesh. They hosted a high-level follow-up meeting in October 2014 and will continue to closely follow the implementation of the Compact.

4.3.5 The EU and the post-2015 development goals

4.43. The EU is engaged proactively in the preparations leading to the September 2015 UN Summit on the post-2015 development agenda.

4.44. The European Commission adopted three Communications in this respect:

- the Communication on 'A Decent Life for All: Ending poverty and giving the world a sustainable future' of 27 February 2013;
- the Communication on 'A Decent Life for All: From Vision to Collective Action' of 2 June 2014;

4.45. The EU's view is that trade policy will continue to be an important component of the post-2015 development agenda, particularly as a 'means of implementation' underpinning the future sustainable development goals through its positive role in relation to inclusive growth and sustainable development.

---