

# EU Trade Policy Must Focus on Market Openness and New Partnerships



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Trade is the most important pillar of the EU's dealings with third countries. To maintain this, the EU must refocus its trade policy on openness and partnerships. The new Commission needs to engage on all outstanding FTAs and consider pragmatic mini deals. Regardless of the outcome of the US elections, the EU needs to keep the United States as a partner and offer it potential opportunities. On a multilateral level, the WTO should be kept alive, focusing on trust building while advancing plurilateral deals.

- Market openness is key for the EU so new trade defense instruments should only be applied strategically in key sectors. To preserve global partnerships, unilateral sustainability measures should be connected to all aspects of sustainability and linked to the Global Gateway Initiative.
- FTAs are still the most important bilateral approach for market opening and strategic partnerships with third countries. The EU needs to finish outstanding FTAs – connecting them to trade and investment issues – and use smaller and more pragmatic deals.
- The United States will remain an important economic and security partner for the EU. Consequently, the EU should try to keep a streamlined TTC in place and consider a sustainability club.
- The EU must help restore trust in and at the WTO through data-based deliberations and consensus rules. To move forward, plurilateral agreements that are connected to the UN's SDGs are needed, especially in the areas of sustainability and global health.

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## EXECUTIVE SUMMARY

We are living in a difficult geopolitical environment that is characterized by increasing geoeconomic rivalry, fragmentation, and distrust among countries. This development needs to be avoided or, if this is not possible, diminished. The EU has realized that it needs to reinforce and overhaul its own trade toolbox to adapt to a newly geoeconomic trading environment. But a stronger toolbox is not enough. Of the three components of EU trade policy – promote, protect, and partner – the partner aspect needs particular attention.

The European Commission that was just appointed needs to explore new ways to make progress on partnerships. Yet the official title of the new Trade Commissioner, Maroš Šefčovič, which, includes economic security for the first time, points his portfolio elsewhere. This direction needs to be reconsidered. On the EU level, this relates to the (narrowly defined) strategic – instead of across the board – use of trade defense measures, as well as closer coordination and outreach on sustainability regulations. On a bilateral level, the EU needs to put a lot more focus on free trade deals and partnerships than it has done before. It needs to deal with growing skepticism regarding free trade agreements (FTAs) and look for new pathways to address access to untapped markets, unfair competition, and overcapacities. This includes mini deals and, potentially, plurilateral clubs.

On a multilateral level, the WTO needs to be kept alive (despite a waning enthusiasm), trying new ways to re-establish trust among its 166 members. WTO member states also need to reconsider their trade priorities to make negotiations possible. For example, the EU must grasp that the geopolitical and geoeconomic risks it faces in the long term are far more significant than the short-term successes it could achieve by protecting agricultural markets. As this is a long-term plan, the EU – and its partners – need to look for plurilateral ways forward, especially on topics related to the United Nations' SDGs, including those on sustainability or health issues.

Trade is the most important pillar of the European Union's dealings with third countries. In this area, the EU is a global player. To maintain this role, the new Commission will need to apply a significant amount of innovative thinking to stay relevant and continue shaping the global trade agenda. Its focus must return to market openness and partnerships with reliable countries – not only in the transatlantic and G7-plus fields but also with the countries of the Global South.

## GEOECONOMIC AND TRANSFORMATIONAL CHALLENGES FOR EU TRADE

The incoming European Commission needs to put a high priority on trade policy, which is one of the most central and reliable pillars of the strategic relationship between the EU and third countries. However, the EU also needs to adapt to various geoeconomic and transformational challenges that impact its economic model and trade policy.<sup>1</sup> To do so, it needs to refocus its existing trade priorities to openness and new partnerships and find innovative ways to make progress on all levels of trade policy – unilateral, bilateral, and multilateral.

The first (and most deadly) geoeconomic challenge relates to the Russian aggression against Ukraine. Despite the historically strong economic ties between Russia and the EU – especially Germany – regarding gas and oil, the EU must aim to decouple from Russia. A second challenge relates to the rise of China, specifically its increasingly aggressive external behavior and continuing state-led, non-market approach to the economy and trade. Through its “Made in China 2025” plan, China wants to decrease its dependence on foreign technology and trade and advance its own high-tech manufacturers through government subsidies and other measures to establish global champions. In return, this leads to trade distortions and global overcapacities in certain sectors.

These developments have led to a systemic rivalry between China and the United States. Starting with the presidency of Donald Trump, the United States has changed its outlook on trade and used its large market as a lever to push for American strategic interests in a variety of policy areas. This so-called America First strategy takes a zero-sum attitude toward international economic and trade relations. This kind of trade policy has continued under President Joe Biden, albeit with a much friendlier tone. Although Biden has at least attempted bilateral and multilateral coordination with partners, he is not making any concessions in terms of content. This has negative implications for the transatlantic trade relationship, which is one of the most important trade and investment pillars for the EU and Germany.

The EU shares most of the concerns the United States has vis-à-vis China that relate to forced technology transfer, opaque state subsidization, and the problem

of overcapacities in sectors such as steel and electronic vehicles (EVs). Despite this fact, the transatlantic trade environment will stay difficult. Unlike the United States, the EU does not see China as an essential threat to its dominance; it has a strong trade relationship with the country. Even though it is moving closer to the US position, there continue to be differences that could potentially also lead to conflicts. If elected, Kamala Harris will continue Biden’s trade policy and try to engage with the EU. Under Donald Trump, the EU would not play any role unless as part of a deal.

But these increasingly difficult geoeconomic constellations are not the only challenge for the EU and its trade policy. Against the backdrop of an accelerating climate crisis, European industry is also facing the important task of a green transformation. Trade policy has an important role to play in supporting the green transition and promoting responsible and sustainable value chains.

During the first “geopolitical” Commission under President Ursula von der Leyen, the EU developed measures and policies to react to these challenges. To address the geoeconomic challenges, the EU updated its trade toolbox and introduced new instruments such as the Anti-Coercion Instrument (ACI) or the Foreign Subsidies Regulation (FSR). It pursued European climate and sustainability goals through trade regulations such as the Carbon Border Adjustment Measures (CBAM) or the Deforestation Regulation.

So far, the second term of Ursula von der Leyen does not suggest any major changes to European trade policy. Even though Maroš Šefčovič is a surprising pick for the new Trade Commissioner, the Slovak brings 15 years of experience serving in the Commission to the role, including as the EU’s representative for implementing the Brexit deal. Šefčovič’s official title, Commissioner for Trade and Economic Security; Interinstitutional Relations and Transparency, attests to the particular emphasis he will need to place on economic security. Yet, because global headwinds have become stronger and the climate crisis is worsening, the Commission must focus more strongly than before on trade openness and global partnerships at eye-level. Unfortunately, signs currently point to a different direction. This DGAP Analysis looks at all levels of trade – unilateral (i.e., EU-wide), bilateral, plurilateral, and multilateral – and suggests new approaches.

1 “Speech by Director-General Sabine Weyand: Trade Policy in a Changing World,” European Commission, May 14, 2024: [https://policy.trade.ec.europa.eu/news/speech-director-general-sabine-weyand-trade-policy-changing-world-2024-05-14\\_en](https://policy.trade.ec.europa.eu/news/speech-director-general-sabine-weyand-trade-policy-changing-world-2024-05-14_en) (accessed July 10, 2024).

## 1. UNILATERAL TRADE POLICY: “TRADE AND” MEASURES

Trade policy to the rescue? Because trade is the European Union’s most important pillar in dealing with third countries, the EU has started to connect its trade policy with other policy areas to advance its interests and values. These “trade and” issues are becoming so important for the EU that, in the future, it will no longer be possible to silo trade from (economic) security or trade from sustainability. Despite criticism from important trading partners that the EU is increasingly implementing unilateral trade measures in this regard, these interlinkages cannot be reversed. However, the EU needs to address valid concerns that hamper its relationships with third countries – especially emerging market economies in Asia, Latin America, and Africa, the so-called Global South.

### 1.1. Trade and Economic Security: Apply Measures Cautiously

The EU is grappling with the new reality that countries no longer see trade and interdependencies as inevitable and efficient. Instead, they now talk about rivalries and state interventions in relation to autocratic states such as China. Consequently, the EU reinforced its own trade toolbox, imposing various measures to restore a level playing field with China and others in a very brief period between 2022 and 2023: the International Procurement Instrument (IPI, August 2022), the new Foreign Subsidies Regulation (FSR, July 2023), and the new Anti-Coercion Instrument (ACI, December 2023). New economic security measures are still pending, and a lot will also happen during the new Commission. A White Paper for economic security that strengthens FDI screening and export controls was proposed for member consideration in January 2024 and is now being deliberated. Looking at Šefčovič’s new job title, which includes economic security for the first time, this will likely be the new trade focus of the Commission that was just named. Furthermore, regardless of the outcome of November’s presidential election, the US government will be very active in this field, pushing EU member states to tighten their regimes.

This overload of instruments poses a problem for EU market openness and trade, which is not only one of the most important factors for prosperity and growth in the EU but also for partnerships with third countries. Therefore, the EU should restrain itself from applying these measures on a broad scale and should apply them strategically instead. This means that, before the EU applies them, it should consider the

following questions: Do these measures relate to key sectors for the European green and digital transition? Do they enhance the competitiveness of European industry (protection alone is not enough)? Would it make sense to initiate a WTO case instead? The answers to these questions need to be balanced against the benefits of an open European market, which is an important precondition for remaining competitive in the future.

### 1.2. Trade and Sustainability: Reach Out to the Global South

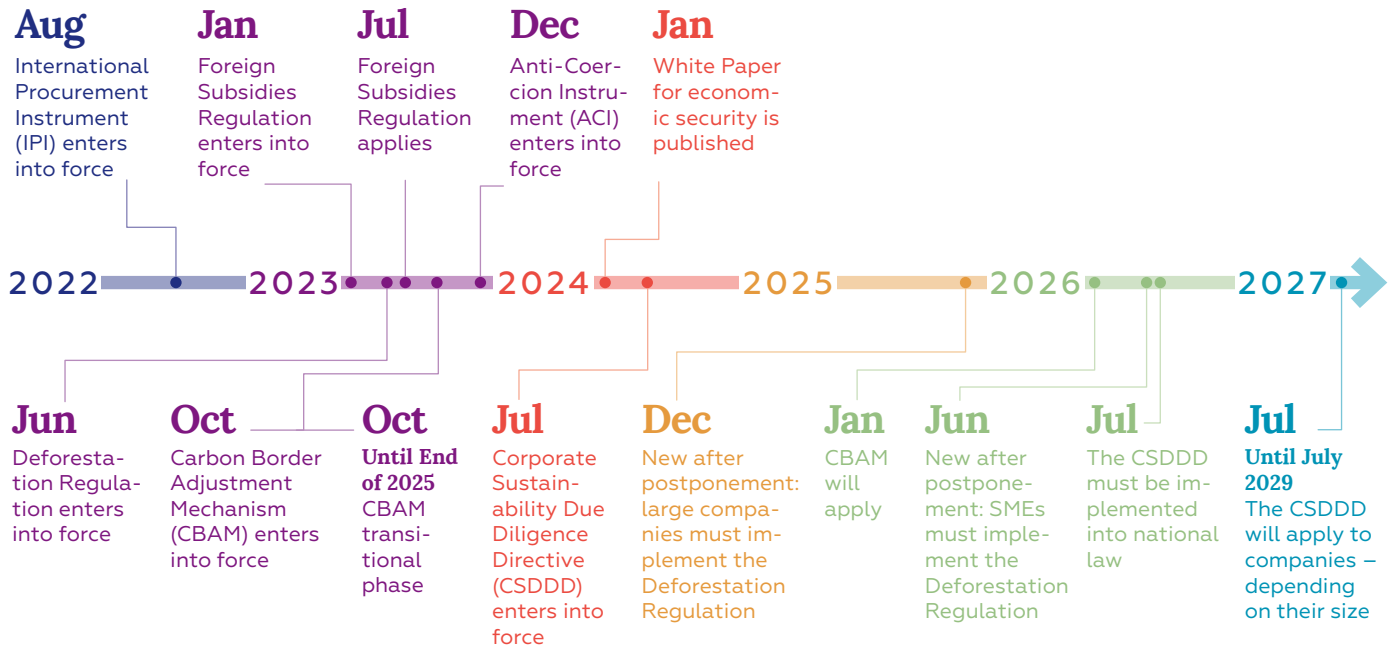
Trade is a central pillar of EU foreign policy that is used not only to level the playing field but also to export the EU’s sustainability goals. One example is the Deforestation Regulation, which came into force on June 29, 2023. Large companies originally had to implement it by December 30, 2024; small and medium-sized enterprises (SMEs) by June 30, 2025. On October 2, 2024, this regulation was postponed for a year and will now apply for large companies by December 30, 2025, and for SMEs by June 30, 2026. Another example is the Carbon Border Adjustment Mechanism (CBAM), which was initiated to avoid carbon leakage. It came into force in October 2023 with a transitional phase; its full obligations will apply to European and international companies as of 2026. A third example is the Corporate Sustainability Due Diligence Directive, which came into force in July 2024. While member states have two years to implement this regulation, companies have from three to five years, depending on their size.

The aim of all these regulations is to enhance environmental and social standards and to prevent trade diversion to countries with lower environmental standards. Yet, their tight timelines indicate how difficult it will be for German and European companies – as well as their trade counterparts abroad, many of whom are in the Global South – to deal with the array of legislation and requirements coming from the EU that relate to sustainability. Given the urgency of climate protection, all these regulations address important points. Their combined application will, however, lead to high bureaucratic costs that impede trade and partnerships where the EU is looking for closer alliances – especially, in the current geo-economic environment, with countries in the Global South.

In particular, large emerging market economies such as India, Brazil, and Indonesia criticize that EU trade is becoming increasingly overloaded – that it is no longer about the economy but rather about sustainability

# 1 – Introduction of Trade and Sustainability Measures from 2022 to 2029

## TRADE AND ECONOMIC SECURITY



## TRADE AND SUSTAINABILITY

Source: Author’s own compilation

and climate. This behavior is often seen as paternalistic. In their view, the EU imposes unilateral measures instead of making more attractive offers to the Global South to deepen trade and investment ties. This complicates the negotiation of free trade agreements (FTAs) and new strategic partnerships as well as cooperation at the multilateral level.

Although the EU has valid sustainability goals, it needs to engage more with the countries of the Global South. These countries need to simultaneously combat poverty, support development, and master the transition to the green economy. Therefore, the EU needs to address all aspects of sustainability – environmental, social, and economic – when pushing for environmental measures.<sup>2</sup> One way to do this would be to pursue development through industry cooperation

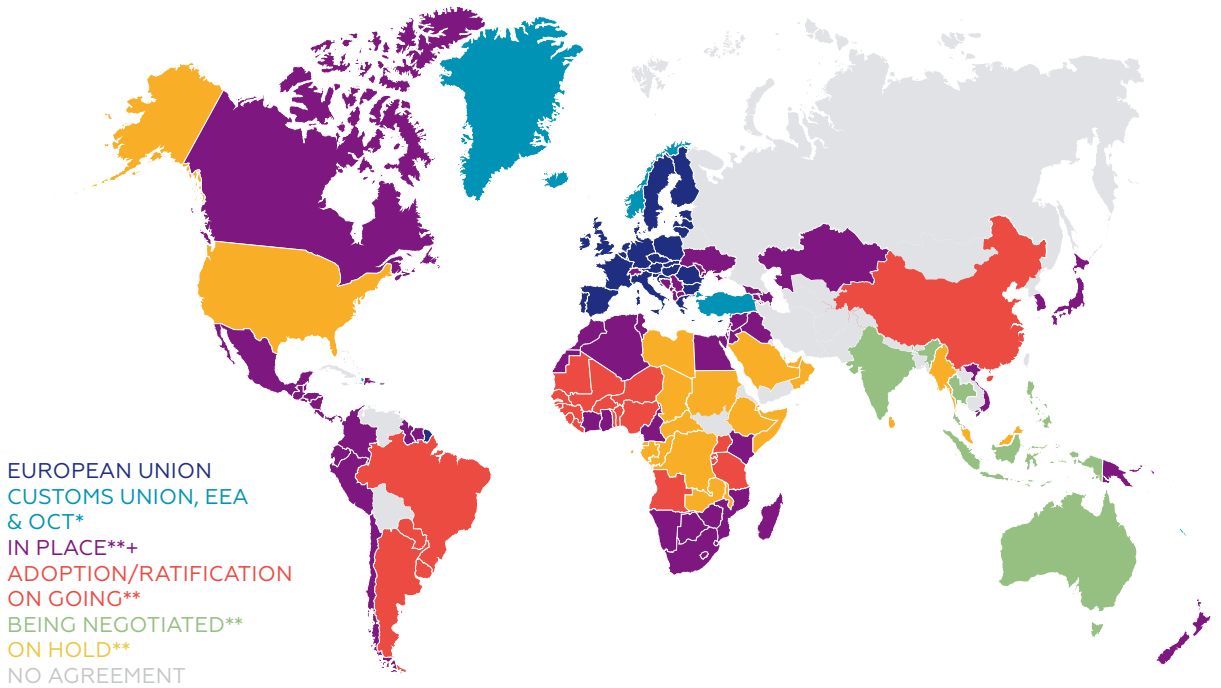
that supports the green transition. At the same time, the EU needs to make its sustainability regulations more coherent. Measures such as the CBAM, Deforestation Regulation, and Due Diligence Directive need to be better coordinated and aligned with other policies, including the Global Gateway Initiative and EU investment and development aid.

In addition, the Deforestation Regulation, which was designed by the EU’s Directorate-General Environment (DG-ENV), first did not envisage a strong outreach and/or transition period. This contrasts with CBAM, which was conceived with a long transition period and outreach to third countries. Therefore, it is a correct step forward that the implementation of the Deforestation Regulation was postponed to better integrate the concerns of the Global South. Given

2 Stormy Mildner and Claudia Schmucker, “Toward a Sustainable Global Economy,” American-German Institute (AGI), November 22, 2023: <https://americangerman.institute/2023/11/toward-a-sustainable-global-economy/> (accessed July 11, 2024).



## 2 – EU Trade Agreements as of September 2024



\* European Economic Area (EEA) / Overseas Countries and Territories (OCT) | \*\* Free Trade Agreement (FTA), Deep and Comprehensive Free Trade Agreement (DCFTA), Investment Agreement, Enhanced Partnership and Cooperation Agreement (EPCA), Partnership and Co-operation Agreement with preferential element (PCA) | + The updated agreements with Tunisia and Eastern and Southern Africa are currently being updated; the updated agreement with Chile is under ratification. The DCFTA with Georgia does not apply in South Ossetia and Abkhazia. | Source: European Commission

the state of the world’s forests as major carbon sinks and the rapid decline in biodiversity, the EU needs to try to find practical solutions that are tailored to each country – even with this postponement. Working with civil society, it should connect deforestation with capacity-building and development aid to try to school and certify agencies abroad. Regarding CBAM, the EU also needs to enhance its outreach with third countries to establish a common methodology for the long run (see chapter 2). Furthermore, better coordination among the Commission’s various directorates-general (DGs) is essential. The lack of coordination between DG Environment and DG Trade, for example, was a fundamental flaw in the development of the deforestation measures that are now being criticized because of their collateral effects on trade.

### 2. BILATERAL TRADE POLICY

The EU already has an almost global net of different kinds of trade agreements in place with industrialized countries (like Canada and Japan), emerging market economies (like Singapore), and developing countries (Vietnam). Currently, 78 countries enjoy one of the various types of EU trade agreements – FTAs, Stabilization and Association Agreements, Economic Partnership Agreements, etc. – that are either in force or provisionally applied. In addition, the EU is awaiting adoption/ratification of agreements with 26 countries, including the four individual Mercosur countries. It is also negotiating agreements with eight countries, including Australia, India, Indonesia, and the Philippines.<sup>3</sup>

3 “Negotiations and Agreements,” European Commission: [https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/negotiations-and-agreements\\_en](https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/negotiations-and-agreements_en) (accessed July 1, 2024).

Yet, progress in the current negotiations is slow – or deadlocked – and there are no major new initiatives in sight. What is the problem? Is it actually, as *Borderlex* stated, “the end of an era for EU trade policy”?<sup>4</sup> We almost live in a post-FTA-world because rising domestic and global concerns are making the negotiation and ratification of FTAs almost impossible. The focus of trade is no longer on market opening but rather on economic security. This means that enthusiasm for the EU’s 2007 trade strategy “Global Europe: Competing in the World” has more or less evaporated.

Despite a geoeconomic environment that has led to this new focus on supply chains and economic security, it is important not to “throw the baby out with the bathwater.” Even though the EU is aware of the security risks associated with interdependence, no interdependence, i.e., closure and protectionism, also poses (security) risks related to lower prosperity, less access to critical raw materials, etc. Therefore, the negotiation of FTAs remains important – also given that such trade agreements can enhance the commitments of partner countries in the fight against climate change. Indeed, the EU wants to integrate the Paris Climate Agreement as an “essential element” in all its FTAs. **Therefore, these are the next pragmatic steps that the new European Commission needs to advance:**

### 2.1. Finish All Possible FTAs and Be More Open to the Demands of the Partners of the Global South

We live in an era of decoupling from Russia and de-risking from China. The negotiation of rules-based bilateral and regional free trade agreements is key to both. Such agreements offer increased market access to partner regions – and oftentimes also offer enhanced access to critical raw materials for the green and digital transition. In addition, they enable new partnerships in the increasingly conflictual geoeconomic environment.

One positive example is the EU-New Zealand FTA, which entered into force in May 2024. Another is the modernization of the EU-Chile agreement, which was concluded in 2023. A third is the Economic Partnership Agreement (EPA) between the EU and Kenya for which negotiations were concluded on June 19, 2023, and which was signed in December 2023. Although these deals can be counted as successes, they are largely minor from an economic point of view.

However, as the following examples show, agreements with large countries – often those in the Global South – face strong headwinds:

- **EU-Australia:** This deal collapsed in October 2023 when the Australian trade minister walked out of the negotiations, criticizing the lack of agricultural access. Outstanding issues are Australia’s quotas in the European Common Market for beef, sugar, lamb, and dairy products as well as the geographical indicators. Because access to Australian raw materials is important for the EU, negotiations will likely restart in 2024 with more goodwill from both sides.
- **EU-India:** Negotiations started in 2007, stopped in 2013, and were restarted in 2022. Contentious points are sustainability issues, agriculture and stockholding, intellectual property rights (IPR), and the fourth mode of the General Agreement on Trade in Services (GATS).<sup>5</sup> Progress in the negotiations is limited and the outlook is negative.
- **EU-Indonesia:** The last (19th) negotiating round took place in July 2024 in Indonesia. Contentious points are EU market access for government procurement and state-owned enterprises in Indonesia as well as palm oil standards. The relationship between the EU and Indonesia deteriorated when the EU initiated a WTO dispute over Indonesian export restrictions on nickel. Furthermore, Indonesia strongly criticizes the EU Deforestation Regulation.
- **EU-Mercosur:** The deal was almost concluded in December 2023 under the Brazilian Mercosur presidency. However, France – also under its new Prime Minister Michel Barnier – strongly opposes it for mostly agricultural and some environmental reasons. In the present political climate, it is unclear whether this opposition can be lifted and whether the EU will be willing to overrule French objections. Europe still focuses on deforestation and already incorporated the Paris Agreement as an “essential element” into the deal. While negotiations are ongoing, there is a slight hope that the deal can be concluded at the end of 2024.

4 Iana Dreyer, “Comment: It’s the End of an Era for EU Trade Policy,” *Borderlex*, November 24, 2023: <https://borderlex.net/2023/11/24/comment-its-the-end-of-an-era-for-eu-trade-policy/> (accessed July 1, 2024).

5 “Movement of Natural Persons (Mode 4),” World Trade Organization: [https://www.wto.org/english/tratop\\_e/serv\\_e/movement\\_persons\\_e/movement\\_persons\\_e.htm](https://www.wto.org/english/tratop_e/serv_e/movement_persons_e/movement_persons_e.htm) (accessed July 1, 2024).



As exemplified by these cases, a majority of the negotiations that aim to provide important market access to large countries – particularly those in the Global South – and regulate other relevant trade issues with them are mostly deadlocked or have run into difficulties. While the reasons for the deadlocks and delays are diverse, they also relate to intra-EU problems. These include the increasingly protectionist stance in trade by major European powers like France, a lack of strong political support by countries like Germany, and a very rigid approach to trade negotiations. While the solutions to these problems are also diverse, these three points could improve the prospects for the agreements that are (hopefully) still possible:

**(1) Pursue eye-level negotiations and focus on the development concerns of the Global South:** In the past, when the EU could use its large common market as a lever, it was the demanding partner in trade agreements. However, growth regions have moved to the East, and the global economic position of the EU has declined. Therefore, European FTAs also need to offer opportunities through which both sides can develop their domestic industries. Although this is a controversial issue, also relating to local content questions and policy spaces, it needs to be taken into consideration. The discussions of possible solutions always need to be WTO compatible.

**(2) Reach out on contested subjects and connect with capacity-building:** In particular, the Deforestation Regulation and CBAM are seen as unilateral measures against countries of the Global South that ignore their development concerns. CBAM rightly introduced a large transitional phase between 2023 and 2026, which tries to address the concerns of the partner countries. Now, the Deforestation Regulation has followed suit with a one-year implementation phase. These phases should be coupled with capacity building outreaches to empower the countries to adhere to the requirements that the EU sees as indispensable. The Deforestation Regulation should be connected to strong capacity-building outreaches to restore goodwill and trust by the partner countries (like Brazil, India, and Indonesia), all of which are also relevant FTA partners – see point 1.2 Trade and Sustainability.

As mentioned briefly there, one way to achieve this is to use all three pillars of sustainability and connect them. Apart from its environmental dimension, sustainability also includes social (inclusive) and economic dimensions that relate to long-term growth, resilience, and development. Therefore, to promote the environmental goals related to carbon leakage (CBAM) and deforestation, the EU needs to couple them and make attractive offers in the other two dimensions, including, for example, (limited) technology transfer and investment in green industries.<sup>6</sup> In this regard, Odrek Rwabwogo, the senior adviser to Uganda's president, criticized in the *Financial Times*: “Keeping us in green bean supply causes deforestation. (...) Our conversations with Europe are not on the level we would like. We want them to be about growth, but they are just about compliance.”<sup>7</sup>

To achieve this, the regulations should also be connected with aid for trade aspects (development aid) as well as investments through the Global Gateway Initiative (GGI). To enhance the impact of the GGI, a lot more coordination and streamlining are necessary – not only by the Commission but also by the member states, including Germany.

**(3) Be more flexible regarding the requirements of the Trade and Sustainable Development (TSD) Chapters in European FTAs:** In March 2023, over 75 million small and micro enterprises (MSMEs) amounted to about 30 percent of India's GDP and close to 123 million jobs. How then should this country adhere to the criteria of the TSD chapters?<sup>8</sup> If this agreement is ever going to succeed, the EU needs to move away from its strict approach to negotiating chapters. Otherwise, it needs to give up on an FTA with India.

## 2.2. Be More Pragmatic and Use Smaller Deals

In the current environment, in which protectionist forces are also increasing within Europe, new large and ambitious FTA negotiations seem to be increasingly unlikely. Therefore, the EU needs to become more pragmatic and also look beyond FTAs to smaller deals. According to Lucian Cernat, previously chief trade economist at the European Commission, “even though the ‘golden age’ of trade deals seems to be behind us, every year more than a dozen of mini-deals are still being enacted.”<sup>9</sup>

6 Mildner and Schmucker, “Toward a Sustainable Global Economy” (see note 2).

7 Alan Beattie, “Why Brussels Can't See the Deforestation for the Trees,” *Financial Times*, July 18, 2024: <https://www.ft.com/content/03ce886b-c110-45fd-bc56-0254daa75969> (accessed July 18, 2024).

8 Deloitte, “2024 India Outlook: Small and Mid-sized Businesses on the Rise,” *Wall Street Journal*: <https://deloitte.wsj.com/cfo/2024-india-outlook-small-and-mid-sized-businesses-on-the-rise-88cb2611> (accessed July 12, 2024).

9 Lucian Cernat, “The Art of the Mini-Deals: The Invisible Part of EU Trade Policy,” European Centre for International Political Economy (ECIPE), October 2023: <https://ecipe.org/publications/mini-deals-invisible-part-of-eu-trade-policy/> (accessed July 11, 2024).

### There are several ways to move forward:

#### (1) Enhance market access for European business:

This does not necessarily have to be about tariffs. The abolishment of non-tariff barriers – such as norms, standards, and certification requirements – through harmonization or mutual recognition is a valuable means of creating global trade opportunities. Consequently, it is important to focus on the negotiation of mutual recognition agreements (MRAs) or agree on harmonization or common standards for future technologies. This enhances the interoperability of markets and can also be achieved with trade averse partners such as the United States who do not want to enter into market access discussions.

**(2) Look at sectoral agreements:** More than 60 percent of global GDP is now linked to digital transactions. Therefore, digital trade agreements can facilitate a large chunk of trade with trading partners outside of a traditional FTA.<sup>10</sup> To unlock opportunities in the fast-growing digital sector, the EU has started negotiations for new and modern digital trade agreements with South Korea and with Singapore. In July 2024, the EU and Singapore concluded the negotiations for such an agreement that will provide a basis for global standards in digital trade rules and cross-border data flows. The agreement with South Korea is still pending.

**(3) Align development policy with trade policy:** The EU should use development cooperation to enable trade (“aid for trade”) through new infrastructure or ports. Outreach through the EU’s Global Gateway Initiative is one possibility for achieving this. If it gets the much stronger coordination and cooperation it needs – within member states, too – this will also enhance trade opportunities.

### 2.3. Strengthen Bilateral Trade with the US and Explore the Potential of a Plurilateral Deal

Bearing in mind the bilateral trade policies mentioned above, what should trade relations with the EU’s largest trade and investment partner, the United States, look like in the future? One thing is certain: regardless of the outcome of the US presidential election this November, the America First trade policy will continue. There is no appetite for any kind of market opening agreement like a Transatlantic Trade and Investment Partnership (TTIP) 2.0. Furthermore, the

rivalry with China will remain the number one trade topic for the United States. As president, both Kamala Harris and Donald Trump would continue US decoupling from China in certain high or green tech sectors and would take an increasingly aggressive stance in the US-China trade relationship. Thus, Europe will be confronted with a more protectionist outlook – something that will also have an impact on the transatlantic trade relationship. The difference is that, under Harris, the United States would see Europe as a potential ally; under Trump, Europe would be seen as a potential rival. In addition, the EU will face the risk of the trade diversion of large subsidized Chinese goods (e.g., in the steel or electric vehicle sector) if the US market closes down.

If Kamala Harris wins, we will likely see a continuation of current economic and trade policy (summarized by the term “Bidenomics”), including support for policies related to the Inflation Reduction Act. The Trade and Technology Council (TTC) will likely remain in place, offering possibilities for common standards on future technologies such as AI, quantum computing, and biotechnology. Given the strong focus her administration will put on climate issues, there is even a small chance that the Transatlantic Initiative on Sustainably Trade (TIST), which is currently being pushed rather one-sidedly by the EU, could gain some traction. However, current trade difficulties will likely remain unsolved.

If Donald Trump wins, any kind of relationship would have to be transactional. There is hardly any chance that the transatlantic relationship could be enhanced. As the *Financial Times* reported, the European Commission is already suggesting a “two step trade plan.” This plan includes an offer to buy more quantities of US goods (to reduce the US trade deficit with the EU) combined with a threat to retaliate if the global tariffs of 10 percent that were announced by the United States would be applied.<sup>11</sup>

10 “Digital Trade Agreements - European Commission,” July 1, 2024, [https://policy.trade.ec.europa.eu/help-exporters-and-importers/accessing-markets/goods-and-services/digital-trade/digital-trade-agreements\\_en](https://policy.trade.ec.europa.eu/help-exporters-and-importers/accessing-markets/goods-and-services/digital-trade/digital-trade-agreements_en).

11 Andy Bounds, “EU Prepares Two-Step Trade Plan to Tackle Donald Trump,” *Financial Times*, July 29, 2024: <https://www.ft.com/content/9b1f982a-485c-4868-9a03-b7e58a6f5746> (accessed July 29, 2024).

Old trade conflicts also threaten to break out anew. In early 2025, regardless of the outcome of the US elections, the EU will discuss whether to restart the retaliatory tariffs against the United States in return for the US steel and aluminum tariffs, which have only been temporarily lifted. The sole way to end this dispute is to finalize the Global Arrangement on Sustainable Steel and Aluminum (GASSA). While the willingness to negotiate is uncertain/negative under a Trump presidency, a Harris presidency will be more than willing to pick this issue up again. Trade experts expect a Harris administration to place an even stronger focus on trade and environmental issues than existed under Biden, potentially putting a reformed GASSA at the forefront of her trade policies.

Despite the current shortcomings of GASSA (see info box), it makes sense to take a closer look at it as a template for possible transatlantic (or plurilateral) cooperation when dealing with the green transition and the common threat of Chinese overcapacities in a variety of sectors. In the area of subsidized Chinese electric vehicle (EV) imports, the EU and the United States have already responded individually: the US by increasing their preemptive (non-WTO-compatible) tariffs to 100 percent, the EU by initiating a longer (WTO-compatible) anti-subsidies investigation, establishing countervailing duties. But this covers only one sector. Therefore, the question is how to approach other challenges together – particularly in the steel and aluminum sector.

### THE GLOBAL ARRANGEMENT ON SUSTAINABLE STEEL AND ALUMINUM (GASSA)

In December 2022, the United States issued its first proposal on a possible (plurilateral) GASSA deal:

- To become members, countries would have to meet certain emission standards as well as refrain from global excess capacity and the support of state-owned enterprises.
- Members would jointly impose tariffs on steel and aluminum imports that had been produced in ways harmful to the environment.
- Members would have more favorable terms when trading with other members and receive lower/no tariffs for the exchange of green steel and aluminum.<sup>12</sup>

However, the deal never came to fruition. While the United States opted for tariffs, the European Commission wanted to use trade defense instruments. The EU's concerns also related to problems with WTO compatibility and the arbitrariness in initiating tariffs. Unlike the EU, the United States does not have an emissions trading system in place – and thus has no CO2 price. United States Trade Representative Katherine Tai was not able to facilitate a consensus.

Here, informal discussions should be initiated. They should explore whether there are takeaways from the previous GASSA negotiations that could be applied toward creating a sustainability club to deal with the green transition and (possibly) overcapacities. Could a transatlantic (or G7 plus) club be formed in which members would keep their markets open among themselves – depending on high green standards and refraining from excess capacity – and would use reciprocity against the rest? But how could this remain WTO-compatible? Would the WTO allow for a change of existing most-favored nation (MFN) tariffs, or, taking the EV approach as an example, could the tariff level be achieved through parallel (WTO-compatible) trade defense investigations (TDI)? Alternatively, could there be an exclusion through shared norms and sustainability standards, lowering tariffs for countries who adhere to these standards?

The best option would be to establish a comparable CO2 price that would make the imposition of the tariffs on sustainable goods more easily WTO-compatible. Short of this, it could be worthwhile for the new Commission to think about parallel (WTO-compatible) TDI with the EU's transatlantic partner or G7 plus countries, possibly lowering tariffs among countries with high environmental standards. It makes sense to already start transatlantic discussions on these topics. In case Kamala Harris wins the presidency, they could be continued in the trade discussions of the TTC.

12 Timothy Meyer and Todd N. Tucker, "How the US and EU Can Rewrite Trade Rules to Fight the Climate Crisis," Roosevelt Institute, March 15, 2023: <https://rooseveltinstitute.org/2023/03/15/how-the-us-and-eu-can-rewrite-trade-rules-to-fight-the-climate-crisis/> (accessed July 1, 2024).

### 3. MULTILATERAL TRADE POLICY

The World Trade Organization (WTO) has guaranteed an open and rules-based trading system for decades. The EU and Germany, which are highly interlinked in global trade and value chains, have especially profited from its global rules. However, the conflictual geo-economic environment has led to a weakening of global trade governance due to increasing distrust among WTO member states. The international community must not only work to increase trust in the WTO in the long term, but it also needs to focus on creating plurilateral deals to achieve progress in the short to middle term.

#### 3.1. The Bleak Outlook for Multilateral Progress at the WTO

The 13th WTO Ministerial Conference (MC13) held in Abu Dhabi in February 2024 produced only meager outcomes and is largely considered a failure. Since then, criticism about the uselessness of the WTO has increased, particularly among G7 countries. However, despite a lack of progress in the area of trade liberalization in the Doha Round<sup>13</sup> and the deadlocked dispute settlement system (Appellate Body), the existing global trade rules still govern around 90 percent of global trade. This is particularly significant for Germany and the EU, which are strongly integrated into global value chains. It is also important to bear in mind that, while it is easy to tear down the WTO – a body that has guaranteed a transparent

and rules-based global trading order for decades – it is not easy to build something new. Therefore, it is necessary to work with the current rules. They also support smaller and vulnerable countries that have the most to lose if the system is abandoned. While existing global rules are important, progress is also needed to prevent the system from losing credibility.

One of the most hopeful areas for multilateral progress had been the Agreement on Fisheries Subsidies (see info box). The current deadlock is therefore particularly disappointing and especially devastating for vulnerable Small Island Developing States (SIDs) in the Caribbean and Pacific such as Fiji or Barbados. Ambassador and Permanent Representative of Barbados to the United Nations and WTO Matthew Wilson told the Council meeting: “Barbados came here today to adopt the text. Not the perfect text. But a package that we felt would have a positive impact on the global commons.”<sup>14</sup> However, the opportunity of reaching an environmentally ambitious trade agreement, which would have demonstrated that the WTO can achieve progress (also in the area of sustainable development), was once again torpedoed by a minority of member states.

Therefore, the EU urgently needs to focus on finding common ground ahead of MC14, which will be held in Cameroon in 2026. This includes a reformed dispute settlement system, discussions on subsidies and sustainability issues, and meaningful outcomes on agriculture reform, including the issue of public

#### AN EXAMPLE OF DEADLOCK: FAILED HOPE FOR AN AGREEMENT ON FISHERIES SUBSIDIES

The most hopeful area for multilateral progress in the framework of the WTO had been the multilateral Agreement on Fisheries Subsidies – the first WTO agreement to be based on a UN Sustainable Development Goal, in this case UN SDG 14.6. The first part of this deal was agreed at MC12 in June 2022. Initially, member states had hoped to finish the second part at MC13; later, at the WTO General Council meeting at the end of July 2024. However, India continued to block the negotiations with unrealistic demands, including a 25-year moratorium on deep-sea fishing subsidies and unreasonably long transition periods for developing countries. Therefore, the negotiations on the so-called Fish 2 Agreement once again led to no outcomes. Talks are scheduled to resume this fall, but a conclusion in the short term does not seem realistic. So far, only 83 member states (out of 166) have ratified the first agreement. As of August 20, 2024, ratification by an additional 28 countries is needed to achieve the two-thirds majority necessary for activating it.

<sup>13</sup> “The Doha Round,” World Trade Organization: [https://www.wto.org/english/tratop\\_e/dda\\_e/dda\\_e.htm](https://www.wto.org/english/tratop_e/dda_e/dda_e.htm) (accessed July 1, 2024).

<sup>14</sup> Peter Ungphakorn, “Uncompromising India Steers WTO Fisheries Subsidy Talks towards Winter,” *Trade Beta Blog*, July 23, 2024: <https://tradebetablog.wordpress.com/2024/07/23/wto-fish-talks-heading-winter/> (accessed July 23, 2024).



stockholding. In addition, countries need to reconsider their trade priorities and become more flexible in their negotiating positions to restore multilateral trade governance. Here, the EU must also bear in mind that geopolitical and geoeconomic risks are significantly greater in the long term than short-term successes in protecting agricultural markets.

### 3.1.1. Restore Trust Through Fact-based Deliberations Before Using Arbitration

The failure of the fisheries agreement due to a minority of countries leads to the question of how to achieve any kind of progress on WTO reform. The main conclusion of a retreat attended by WTO ambassadors in July 2024 on the problem of the WTO decision-making process was “that the decision-making process is not necessarily the problem, but rather the commitment, trust, and focus of members.”<sup>15</sup>

Indeed, the restoration of trust is one of the major stumbling blocks that the WTO has to deal with. Bernard Hoekman, professor and director of global economics at the Robert Schuman Centre for Advanced Studies of the European University Institute in Florence, identified three areas that prevent a trustful cooperation among member states. They relate to: 1) national security exemptions; 2) economic policy spillovers, particularly regarding industrial policies and their subsidies; and 3) non-economic objectives such as sustainability and the fight against climate change.<sup>16</sup> In these three areas, which are highly contested, the EU’s proposal on a deliberations function<sup>17</sup> is the right way forward. Restoring the WTO as a forum for deliberations, instead of only for negotiations and arbitration, can help clarify underlying policy objectives, assess the effectiveness of measures, and ensure that the principle of non-discrimination applies – all of which can help reestablish trust in the long term.

In the current environment, national security exemptions and non-economic objectives (Hoekman’s first and third points) are gaining momentum and continue to dominate trade policy. Simultaneously, the trend of governments playing a role in supporting economies – and thus the problem of economic policy spillovers

(Hoekman’s second point) – is rising dramatically. This leads to a perception among member states that there is an unfair trading field in many areas, distorted by large subsidies.

Therefore, the fact-based monitoring of various subsidies and industrial policies by the WTO Secretariat in its trade monitoring function continues to be helpful for the multilateral discussions among member states. As the latest *WTO Trade Monitoring Report* from July 2024 states:

Overall, the monitoring of general economic support measures on a regular basis has succeeded in capturing when such policies are implemented. (...) Recently, the issues surrounding various subsidies and industrial policy have gained traction generally as well as in discussions among WTO Members and these will require continued monitoring.<sup>18</sup>

It is also important for member states to support such fact-based dialogue by trying to avoid immediately using the dispute settlement system (including the alternative Multi-Party Interim Appeal Arbitration Arrangement (MPIA)) in the areas mentioned above. Instead, they should first deliberate the issues in committees. Further, member states should use specific WTO committees on Technical Barriers to Trade (TBT) and Sanitary and Phytosanitary Measures (SPS) to flag issues of concern and find compromises.

Multilateral dialogue based on WTO monitoring data can be an important step to enhance transparency and restore trust between the WTO member states – even if it is more of a long-term goal in the current geoeconomic environment.

### 3.1.2. Focus on Consensus

Despite the importance of deliberations, the WTO needs new rules and commitments in areas where collective action is necessary (and hopefully feasible) and where there are benefits for all. Possible topics can only be decided on an issue-by-issue basis. Yet, the process of such decision-making remains a hurdle thanks to its unanimity requirement. The opposition of one country is enough to prevent progress.

15 Brett Fortnam, “WTO Retreat Results: Consensus Preferable Path Forward, but Process Lacks Trust,” *Inside US Trade*, July 18, 2024: <https://insidetrade.com/daily-news/wto-retreat-results-consensus-preferable-path-forward-process-lacks-trust#:~:text=The%20main%20result%2C%20according%20to,and%20a%20final%20plenary%20session> (accessed July 18, 2024).

16 Bernard Hoekman, Petros C. Mavroidis, and Douglas R. Nelson, “Geopolitical Competition, Globalization and WTO Reform,” *SSRN Electronic Journal*, 2022: <https://doi.org/10.2139/ssrn.4285644> (accessed July 1, 2024).

17 “EU Calls for WTO to Address Current Policy Challenges through Focused Deliberation,” European Commission, February 22, 2023: [https://policy.trade.ec.europa.eu/news/eu-calls-wto-address-current-policy-challenges-through-focused-deliberation-2023-02-22\\_en](https://policy.trade.ec.europa.eu/news/eu-calls-wto-address-current-policy-challenges-through-focused-deliberation-2023-02-22_en) (accessed July 12, 2024).

18 “WTO Trade Monitoring: Latest Trends,” WTO, July 8, 2024: [https://www.wto.org/english/news\\_e/news24\\_e/tmwto\\_08jul24\\_e.pdf](https://www.wto.org/english/news_e/news24_e/tmwto_08jul24_e.pdf) (accessed July 12, 2024).

At the aforementioned retreat of WTO ambassadors in July 2024, there was broad support for the consensus approach. However, several member states stressed that consensus was different from unanimity because agreements also included “mechanisms such as sunset clauses, opt out clauses, and footnotes that can facilitate a consensus agreement without unanimity.”<sup>19</sup>

The use of a footnote was, for example, already applied in the Ministerial Decision on the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) from June 17, 2022. There, China implicitly opted out of the waiver in a general footnote that stated: “Developing country Members with existing capacity to manufacture COVID-19 vaccines are encouraged to make a binding commitment not to avail themselves of this Decision.”<sup>20</sup> According to the WTO-IMF Vaccine Trade Tracker, as of May 2022, China had exported more than 32 percent of the global COVID-19 vaccines<sup>21</sup> and confirmed at the ministerial meeting that it would not apply the waiver. However, the Chinese government insisted on this general description in the footnote. Agreeing to this made consensus possible.

In summary, it is important that members engage in WTO negotiations in good faith and do not use their opposition lightly or for domestic (election) purposes. The consensus rule can help, but it must be connected to the deliberations approach. Otherwise, countries will not be willing to agree to a potential opt-out of multilateral agreements.

### 3.2. Push for Plurilateral Agreements Based on SDGs Under the WTO Umbrella

It is essential for the WTO to refocus on deliberations and trust on the multilateral level. Yet, it cannot lose sight of the fact that the majority of WTO trade rules still date back to 1995 when the organization was created. Therefore, it must examine important areas of trade – for example, trade and sustainability issues, digital trade, competition, and investment facilitation – for which its rules are either outdated or do not yet apply.

To pursue this, the EU and Germany need more coalitions of countries that are willing to go further on certain trade issues – so-called club approaches. These approaches or plurilateral agreements are the way forward to modernize the organization and close existing gaps in rules. However, they need to be open to all members at all times and work on an MFN basis. As such, they would be non-discriminatory. They also need to incorporate capacity-building for developing countries.<sup>22</sup>

The four Joint Statement Initiatives (JSIs), which were initiated at the 11th WTO Ministerial Conference (MC11) in December 2017, are an important case in point and have been very successful so far:

- The working group of the JSI on MSMEs continues to explore how to improve the inclusion of small and micro enterprises into global trade.
- The JSI on Services Domestic Regulation was successfully negotiated and adopted by 67 WTO members in December 2021. Following certain procedures under the General Agreement on Trade in Services (GATS), the commitment schedules of 59 of the now 70 members – 84 percent of the participants – have been certified by August 13, 2024.<sup>23</sup>
- In the JSI on Investment Facilitation for Development, an agreement was finalized in November 2023 with more than 120 WTO members participating.<sup>24</sup> However, due to different approaches between the commitments of the General Agreement on Tariffs and Trade (GATT) and GATS, India and South Africa (and some others) continue to block the incorporation of this JSI into the WTO framework, demanding a unanimous adoption.
- The latest success is the conclusion of a “stabilized text” of the JSI on e-commerce, which was published on July 26, 2024, by the three co-conveners, Australia, Japan, and Singapore. More than 80 participants had agreed on what is now called

19 Brett Fortnam, “WTO Retreat Results” (see note 15).

20 “Ministerial Decision on the TRIPS Agreement, WT/MIN(22)/30,” WTO, June 22, 2022: <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/WT/MIN22/30.pdf&Open=True> (accessed July 1, 2024).

21 WTO-IMF Vaccine Trade Tracker: [https://www.wto.org/english/tratop\\_e/covid19\\_e/vaccine\\_trade\\_tracker\\_e.htm](https://www.wto.org/english/tratop_e/covid19_e/vaccine_trade_tracker_e.htm) (accessed August 9, 2024).

22 Axel Berger et al., “Reforming the WTO through Inclusive and Development-Friendly Plurilaterals,” *Journal of World Trade* 57, no. 6, December 1, 2023: <https://kluwerlawonline.com/api/Product/CitationPDFURL?file=Journals\TRAD\TRAD2023036.pdf> (accessed August 9, 2024).

23 Peter Ungphakorn, “Plurilateral Services Commitments from 59 Members Certified, Leaving 11 to Go,” *Trade Beta Blog*, February 27, 2024: <https://tradebetablog.wordpress.com/2024/02/27/plurilateral-services-certified-leaving-11-to-go/> (accessed August 8, 2024).

24 “Investment Facilitation for Development,” WTO: [https://www.wto.org/english/tratop\\_e/invfac\\_public\\_e/invfac\\_e.htm](https://www.wto.org/english/tratop_e/invfac_public_e/invfac_e.htm) (accessed August 8, 2024).



the Agreement on Electronic Commerce. The text has not yet achieved support from nine JSI negotiating parties, including the United States. Even though the future of the agreement faces many uncertainties (Is the stabilized text the final version? How should major stakeholders be included? How can the text be incorporated into the WTO framework? Etc.), the large group of members of the stabilized text, including the EU and China, have – for the first time – managed to draft common digital rules.

The success of the JSIs should encourage WTO members to search for further inclusive and open plurilateral agreements. The yardstick for new topics could be the Sustainable Development Goals (SDGs) of the United Nations, which were agreed on a universal level. In a first step, the WTO should analyze and clarify its relationship with the SDGs and follow up on the results. In a next step, new plurilateral trade agreements should be measured by how they can help to reach the SDGs and thus find solutions to the most urgent global problems. These include the climate crisis (SDG 13: Climate Action), the need for a green transition and sustainable industrialization (SDG 9: Build Resilient Infrastructure, Promote Inclusive and Sustainable Industrialization, and Foster Innovation), global health problems (SDG 3: Good Health and Well-Being), and conflict (SDG 16: Peace, Justice, and Strong Institutions). Any future plurilateral negotiations on these issues need to be inclusive and bear social and development concerns in mind.

The following are suggestions for two possible goals for new plurilateral trade agreements:

**1. Strengthen the link between trade and the environment:** A top priority for the WTO should be to determine how to use international trade to help support the fight against climate change and biodiversity loss. Progress has already been made through the three ministerial declarations on trade and environmental sustainability: The Trade and Environmental Sustainability Structured Discussions (TESSD), the Informal Dialogue on Plastics Pollution (IDP), and the talks on Fossil Fuel Subsidy Reform (FFSR). These are important initiatives, but they still lack tangible results.

One way forward to achieve concrete results would be to reinvigorate the Environmental Goods Agreement (EGA), which had been initiated by the United States and Europe to reduce tariffs on environmentally beneficial goods. The agreement was suspended in 2016 due to difficulties related to the definition of environmental goods (particularly regarding China) and the election of Donald Trump as president of the United States. The EU should look for new partners – especially among middle income and developing countries – with whom to set up a shorter list of goods, focusing on those that can contribute to mitigating climate change on an industrial scale and, thus, have a measurable climate impact.<sup>25</sup> Following a similar approach, it also makes sense to expand the agreement to environmental services. According to the WTO, those could include infrastructure services such as disposal and sanitation as well as non-infrastructure services such as air pollution prevention and mitigation.

**2. Strengthen the link between trade and health:** The COVID-19 crisis showed that countries were unable to deal appropriately with a global pandemic and instead reverted to protectionism, closing borders, etc. WTO members need to learn from the events surrounding COVID-19 and seek to use the trading system to enhance the flow of essential goods, including vaccines, to fight future pandemics. In this regard, the waiver on intellectual property rights on COVID-19 vaccines was an important step forward – also to establish trust in the system. However, more needs to be done.<sup>26</sup>

The Ottawa Initiative on Trade and Health, an initiative of middle powers, is a good basis from which to make progress toward enhanced global rules to facilitate trade in essential medical goods. The initiative, which was submitted to the General Council in November 2020, concretely proposed “specific actions relating to export restrictions, trade facilitation, technical regulations, tariffs, transparency, and review, and call for the WTO to enhance its cooperation with other relevant international organizations, such as WHO, WCO, OECD, as well as G20, given the context of the on-going evaluations of the global response to COVID-19.”<sup>27</sup> Canada also organized two ministerial-level meetings of the Ottawa group in February

25 Stormy-Annika Mildner et al., “WTO 2.0 – Making the Multilateral Trading System Fit for the 21st Century and How the G7 Can Help,” Think 7, December 21, 2023: <https://think7.org/wto-2-0-making-the-multilateral-trading-system-fit-for-the-21st-century-and-how-the-g7-can-help/> (accessed August 8, 2024).

26 Ibid.

27 “COVID-19 And Beyond: Trade and Health, Communication from Australia, Brazil, Canada, Chile, The European Union, Japan, Kenya, Republic of Korea, Mexico, New Zealand, Norway, Singapore, and Switzerland, WT/GC/223,” WTO, November 24, 2020: <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=Q:/WT/GC/223.pdf> (accessed August 8, 2024).

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2024 during MC13 to enhance coordination on these shared priorities. These approaches must be pursued further.

While the Ottawa Initiative focused on topics including the removal or reduction of tariffs on goods that were considered essential to fighting the COVID-19 pandemic, the push for tariff reduction could also work on a much broader scale. The EU, together with Canada, Japan, Macao (China), Norway, Switzerland, the United Kingdom, and the United States, had concluded an Agreement on Trade in Pharmaceutical Products in 1994 in which members pledge to permanently bind their tariffs at zero on a variety of pharmaceutical products and substances.<sup>28</sup> The EU should push for a larger coalition to update and broaden the scope of this agreement, which would provide an important basis for future pandemic preparedness.

Plurilaterals are difficult to negotiate and face major hurdles, especially their integration into the WTO framework. However, without any short-term progress in this area, the credibility of the entire organization will falter and large players such as the United States – and even the EU – will lose interest. Therefore, the push for plurilateral negotiations on global SDG topics not only points to trade policy clubs but also to a strong commitment to global rules. The EU should particularly look for reform-oriented middle powers and developing countries with which it could move forward on WTO reform.

#### **4. CONCLUSION: NEW WAYS TO PROMOTE PARTNERSHIPS AND PRESERVE THE GLOBAL ORDER ARE NECESSARY**

For the EU to remain a global player on trade, the new Commission must return its focus to market openness and partnerships with reliable countries – not only in the transatlantic and G7-plus fields but also with the countries of the Global South. The table on page 17 summarizes the priorities that it should pursue on each level of trade.











*I wish to thank Dr. Christian Forwick at the Federal Ministry for Economic Affairs and Climate Action for his highly valuable comments.*

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28 "The WTO's Pharma Agreement," WTO: [https://www.wto.org/english/tratop\\_e/pharma\\_ag\\_e/pharma\\_agreement\\_e.htm](https://www.wto.org/english/tratop_e/pharma_ag_e/pharma_agreement_e.htm) (accessed August 8, 2024).

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### 3 – Traffic Light\* of EU Trade Policy

TRADE LEVEL	HOW IT IS CURRENTLY WORKING	OUT-LOOK	REFORM PROPOSALS	NEXT STEPS FOR THE COMMISSION
<b>Unilateral (Economic Security, Sustainability)</b>			<p><b>ECONOMIC SECURITY:</b></p> <ul style="list-style-type: none"> <li>• Only apply economic security measures strategically</li> </ul> <p><b>SUSTAINABILITY:</b></p> <ul style="list-style-type: none"> <li>• Improve coherence of all sustainability regulations</li> <li>• Make attractive offers to Global South countries to enhance trade and sustainability issues</li> </ul>	<p><b>ECONOMIC SECURITY:</b></p> <ul style="list-style-type: none"> <li>• Establish strategic trade sectors</li> </ul> <p><b>SUSTAINABILITY:</b></p> <ul style="list-style-type: none"> <li>• Combine the Deforestation Regulation with capacity building and investment offers</li> </ul>
<b>Bilateral</b>			<ul style="list-style-type: none"> <li>• Finish all possible FTAs and be more open – and flexible – to the demands of the Global South</li> <li>• Negotiate smaller and pragmatic deals</li> </ul>	<ul style="list-style-type: none"> <li>• Start outreach to Global South countries that are important trading partners</li> </ul>
<b>Transatlantic</b>		 **	<ul style="list-style-type: none"> <li>• Keep the US as a partner (also under a President Trump)</li> <li>• Start discussions on a plurilateral Sustainability Club</li> </ul>	<p><b>IF HARRIS WINS:</b></p> <ul style="list-style-type: none"> <li>• Focus on trade and climate; plurilateral GASSA deal</li> </ul> <p><b>IF TRUMP WINS:</b></p> <ul style="list-style-type: none"> <li>• Maintain current “two step” approach (deal plus retaliation)</li> </ul>
<b>Multilateral</b>			<ul style="list-style-type: none"> <li>• Finish Fisheries Agreement</li> <li>• Focus on the Deliberations Function in the WTO</li> <li>• Work on consensus instead of unanimity</li> <li>• Strengthen WTO Committee work</li> </ul>	<ul style="list-style-type: none"> <li>• Always stick to Global Rules in trade (EU deals)</li> <li>• Commission the WTO to provide more studies/data to have a basis for discussions on spillovers</li> <li>• Enhance cooperation with middle powers (Ottawa group) and developing countries to find common ground</li> </ul>
<b>Plurilateral</b>			<ul style="list-style-type: none"> <li>• Work on implementing JSIs into the WTO rulebook</li> <li>• Clarify connection of WTO and SDGs</li> <li>• Add JSIs on sustainability and health</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen concrete commitments in TESSD, including the EGA</li> <li>• Enhance cooperation with middle powers and developing countries (starting with the Ottawa group)</li> </ul>

\* Traffic light: progress, muddling through, serious conflicts/deadlock

\*\* Depending on the outcome of the US presidential election: Harris, Trump

Source: Author's own compilation



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