

THE 2021 EU TRADE POLICY REVIEW: SHIFT IN TRADE STRATEGY AND NEW INITIATIVES

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Research Article

Abstract

The aim of this article is to explore whether the European Union (EU) has adapted its trade strategy to the emerging needs and challenges in the post-pandemic era. Comparing the EU's new trade strategy document 'Trade Policy Review' with the previous one 'Trade for All', the study demonstrates that the EU reformulated its trade strategy to tackle the present challenges. Using text mining techniques with R programming language, two trade strategy documents were analyzed separately and comparatively. The findings reveal that the priorities of the current trade agenda are economy, sustainability, and global actions. Compared with the previous document, the emphasis on sustainability and digitalization is much stronger in the Trade Policy Review. Besides, resilience and transition seem to be relatively new areas of focus.

Keywords: European Union, EU Trade Policy, Sustainability, Digitalization, Text Mining

2021 AB Ticaret Politikası İncelemesi: Ticaret Stratejisinde Değişim ve Yeni Girişimler

Öz

Bu makalenin amacı, Avrupa Birliği (AB)'nin, ticaret stratejisini, pandemi sonrası dönemde ortaya çıkan ihtiyaç ve zorluklara göre uyarlayıp uyarlamadığını araştırmaktır. AB'nin yeni ticaret stratejisi belgesi "Ticaret Politikası İncelemesi" ile önceki strateji belgesi "Herkes için Ticaret"i karşılaştıran çalışma, AB'nin mevcut zorlukların üstesinden gelmek için ticaret stratejisini yeniden formüle ettiğini göstermektedir. Çalışmada, R programlama dili ile metin madenciliği teknikleri kullanılarak, iki ticaret stratejisi belgesi ayrı ayrı ve karşılaştırmalı olarak analiz

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edilmiştir. Bulgular, mevcut ticaret politikası gündeminin önceliklerinin, ekonomi, sürdürülebilirlik ve küresel eylemler olduğunu göstermektedir. Önceki strateji belgesine kıyasla, Ticaret Politikası İncelemesinde, sürdürülebilirlik ve dijitalleşme konularına yapılan vurgu çok daha güçlüdür. Dayanıklılık ve geçiş ise nispeten yeni odak alanları gibi görünmektedir.

Anahtar Kelimeler: *Avrupa Birliği, AB Ticaret Politikası, Sürdürülebilirlik, Dijitalleşme, Metin Madenciliği*

Introduction

The European Commission launched an EU trade policy review in June 2020 to revise its trade strategy for a medium-term direction. When the previous trade strategy document, ‘Trade for All’¹ was published by the Commission, the EU was mainly concentrated on efforts for economic recovery following the 2009 recession. As that period was also marked by massive public reactions to the EU-United States Transatlantic Trade and Investment Partnership (TTIP) negotiations, the EU had formulated a trade strategy that aimed to create a balance between its economic interests and values. However, since then, many changes have occurred in the global context. Besides the need to respond to modern challenges like climate change and digitalization of economies, notably, three key developments paved the way for a new approach to trade policy. The first one is the increasing volatility of the actions of the EU’s trading partners and rivals. With the beginning of the presidency of Donald Trump, the United States, the EU’s most significant trading partner, broke with its traditional global role in trade. Under Trump’s ‘America First’ policy, the United States withdrew from several international trade agreements, including TTIP, introduced steel and aluminum tariffs, and blocked the appointment of new members to the Appellate Body and of a new Director-General to lead the World Trade Organization (WTO). The Airbus-Boeing aircraft tariff disputes further escalated tensions in EU-United States relations. On the other hand, as a ‘systemic rival and strategic competitor’, China has gained global economic influence with unprecedented speed in the last years.² By bypassing the United

¹ European Commission, “Trade for All: Towards a More Responsible Trade and Investment Policy,” October, 2015, https://trade.ec.europa.eu/doclib/docs/2015/october/tradoc_153846.pdf

² European Commission, “EU-China – A Strategic Outlook,” March 12, 2019, 1, 5, <https://ec.europa.eu/info/sites/info/files/communication-eu-china-a-strategic-outlook.pdf>

States in 2020, China became the main trading partner of the EU for the first time.³ At the same time, it continues to pose challenges due to its restrictive state-driven economic policies. Among other trade partners of the EU, China ranked first with the introduction of the highest number of barriers and with a negative effect of more than €15.5 billion of EU trade in 2019.⁴

Another challenge that required a revision in EU trade strategy is the deepening of the problems that affect the functioning of the WTO. Adaptation of multilateral trade rules defined by GATT in 1947 to current conditions has failed despite efforts made through several subsequent negotiation rounds. The dispute settlement mechanism became stuck in 2019 due to the blockage by the United States. In addition, trade policies cannot be monitored effectively as the legislations and practices of the WTO members are not sufficiently transparent. Trade relations between two significant WTO members, the United States and China, are currently not conducted with WTO rules. With its distinct state-capitalist model, China continues to be considered as a threat because its impact on global trade proliferates at the expense of harming WTO's principles on market openness and sustainable development.⁵

The third and most challenging development that led the EU to reassess its trade policy is the Covid-19 crisis. The pandemic posed a severe threat to human health and urged countries to take radical actions ranging from restricting movement to cutting off supply chains and halting production activities. It devastated the world economy and plunged most countries into recession. For the whole year of 2020, GDP decreased by 6.2%, and employment fell by 1.6% in the EU.⁶ The emergency to respond to the health crisis escalated states' tendency for protectionism, unilateralism, and economic nationalism. Within this context, the EU needed a new approach to its trade policy that would prioritize the Union's socio-economic recovery and a rules-based international environment for fair trade and investment.

³ "Euro Area International Trade in Goods Surplus €7.3 bn," last modified November 15, 2021, https://trade.ec.europa.eu/doclib/docs/2013/december/tradoc_151969.pdf

⁴ European Commission, "Report from the Commission to the Parliament and the Council on Trade and Investment Barriers," accessed August 20, 2021, https://trade.ec.europa.eu/doclib/docs/2020/june/tradoc_158789.pdf

⁵ European Commission, "Trade Policy Review - An Open, Sustainable and Assertive Trade Policy," February 18, 2021, https://eur-lex.europa.eu/resource.html?uri=cellar:5bf4e9d0-71d2-11eb-9ac9-01aa75ed71a1.0001.02/DOC_2&format=PDF

⁶ "GDP Main Aggregates and Employment Estimates for the Fourth Quarter of 2020.," last modified March 9, 2021, <https://ec.europa.eu/eurostat/documents/2995521/11562975/2-09032021-AP-EN.pdf/2cf0fd87-a11d-a0eb-ca36-2092f1574f80?t=1615239292163>

Given the changing global context and the emergence of new needs, this article explores whether there has been a transformation in the EU's trade strategy to respond to current challenges. Thus, the study analyzes the current strategy document, Trade Policy Review, and compares it with the previous paper, Trade for All. To date, there have been several studies assessing the EU Trade Policy Review. Milošević examines the EU trade strategies from 1999 to 2021, including the current strategy.⁷ In a recent ECIPE policy brief, Erixon presents his arguments regarding the good and poor sides of the Review.⁸ In light of the new trade strategy, Orbie discusses the assertiveness and enforceability of the sustainability chapters in EU trade agreements.⁹ Similarly, Vignarelli focuses on the ongoing debates regarding the effectiveness of these chapters.¹⁰ As a part of the debates concerning 'open strategic autonomy' of the EU's post-Covid trade policy, Fabry and Veskoukis discusses the ways to develop a systematic approach to resilience of supply chains.¹¹ Through a discourse-theoretical approach, Jacobs et al. trace the political process that the EU trade policy has undergone from the outbreak of Covid-19 to the announcement of the Trade Policy Review.¹² The current study goes beyond the existing literature by examining the new trade strategy of the EU with a comparison to the previous strategy using text mining techniques. It presents both the trade-related issues that have gained greater importance compared to the previous legislative period and the EU's new trade policy priorities.

The article begins with a brief presentation of the main aspects of the EU Trade Policy Review and continues with the methodological section. After presenting the findings of the analyses, the study elaborates on new priorities and the initiatives taken.

⁷ Aleksandar Milošević, "Falling behind: the European Union Trade Strategies from 1999 to 2021," *Serbian Political Thought* 74, no 4 (2021).

⁸ Fredrik Erixon, "The Good, the Bad and the Ugly: Taking Stock of Europe's New Trade Policy Strategy," *ECIPE Policy Brief*, no 7 (2021).

⁹ Jan Orbie, "EU Trade Policy Meets Geopolitics: What About Trade Justice?" *European Foreign Affairs Review* 26, no 2 (2021).

¹⁰ Mattia Colli Vignarelli, "The European Trade Policy Review. The Effectiveness of Sustainable Development Chapters in EU FTAs," *European Papers* 6, no 1 (2021).

¹¹ Elvire Fabry and Andreas Veskoukis, "Strategic Autonomy in Post-Covid Trade Policy: How Far Should We Politicise Supply Chains?" *IAI Papers* 21, 33 (July 2021).

¹² Jacobs et al., "The Hegemonic Politics of 'Strategic Autonomy' and 'Resilience': COVID-19 and the Dislocation of EU Trade Policy," *Journal of Common Market Studies* (2022).

I. A Brief Overview of the 2021 EU Trade Policy Review

To respond to new global challenges and take action for future threats in the post-pandemic era, the EU decided to launch a review process for the medium-term direction of its trade and investment policy. Thus, beginning with the second half of 2020, the European Commission started a public consultation to hear the opinions of the European Parliament, member states, relevant stakeholders, and civil society on various aspects of trade policy. A wide range of stakeholders submitted more than 400 written responses during five months consultation period.¹³ On 18 February 2021, the Commission released the Trade Policy Review Document.

The new approach to EU trade policy was declared as open, sustainable and assertive. The main feature of the new policy is ‘open strategic autonomy’, described by the Commission as ‘the EU’s ability to make its own choices and shape the world around it through leadership and engagement, reflecting its strategic interests and values.’¹⁴ Based on this strategic choice, the policy comprises three core objectives. The first is to ensure resilience and competitiveness for recovering and strengthening the EU’s economy in the post-pandemic era. This objective is built on the role of trade in transforming European economy through green and digital transitions. The second objective is leading the global efforts for updating trade rules to foster social fairness and environmental sustainability. The third one is declared as strengthening the EU’s capacity to implement and enforce its trade agreements effectively. This aim reflects the EU’s assertiveness and readiness for autonomous actions to fight against unfair practices and protect its geopolitical interests.¹⁵ Although ‘autonomous action’ is emphasized explicitly in this context, ensuring an efficient and sustainable multilateral trade system is put at the center of the new strategy in coping with current and future challenges. Hence, a 17-page annex to the Trade Policy Review document is wholly dedicated to the reformation of the WTO.

¹³ European Commission, “Trade Policy Review 2020: Summary of Contributions Received,” December 1, 2020, https://trade.ec.europa.eu/doclib/docs/2020/december/tradoc_159146.pdf

¹⁴ European Commission, “Trade Policy Review - An Open, Sustainable and Assertive Trade Policy,” 4.

¹⁵ European Commission, “Trade Policy Review - An Open, Sustainable and Assertive Trade Policy,” 9-10.

Rather than taking a proactive approach in initiating new trade deals, the current strategy emphasizes finalizing the ongoing negotiations of free trade agreements and creating necessary conditions for ratification. From a geopolitical perspective, a particular focus is given to strengthening economic relations with neighborhood, enlargement, and African countries. The partnership with the United States is prioritized in cooperation on WTO reform and green and digital transitions. EU-China trade and investment relationship is defined as ‘important and challenging’.¹⁶ Establishing fair, sustainable and rule-based economic relations with China and ratifying the EU-China Comprehensive Agreement on Investment are some other critical parts highlighted by the new strategy.

II. Methodology and Analysis

In order to explore the issues that have become more prominent in the Trade Policy Review compared to the Trade for All and to identify new priorities, the texts of the two documents were analyzed using Microsoft R Open 4.0.2.¹⁷ To prepare data for the analysis, the Trade Policy Review document was converted from pdf to text as a first step. Then, the text file was imported into R and loaded as a corpus. In order to clean and transform the data, text mining (tm) package was used. The text was converted to lower case. Numbers, punctuations and common stopwords¹⁸ were removed from the text. To prevent separate counting, the content was transformed to include only one version of the words with the same stems. Then, the unnecessary white space was removed from the corpus. Following these steps, a term document matrix was constructed to find the most frequently appearing items in the text. A word cloud with the 50 most frequently occurring words in the corpus was generated by the word cloud package. After that, the Trade for All text was imported into R. The whole process was repeated for the new data and another word cloud was generated for the 50 most frequently occurring words in the new corpus. The word clouds for Trade Policy Review and Trade for All are shown in Figure 1 and Figure 2, respectively. In each plot, the size

¹⁶ European Commission, “Trade Policy Review - An Open, Sustainable and Assertive Trade Policy,” 9.

¹⁷ R Core Team, “Microsoft R Open (Version 4.0.2),” <https://mran.microsoft.com/open>

¹⁸ Common stopwords are frequently used in a language but provide little meaning to a sentence like ‘and’, ‘the’. For this analysis, several other stopwords were also specified and removed. For example, both documents contain the words ‘trade’ and ‘Commission’ prevalently as they are trade policy documents prepared by the Commission. Therefore, they do not add any meaningful insight and could lead to an overemphasis in frequency analysis.

of the word is proportional to its frequency of occurrence in the corresponding text, with larger words representing more frequent occurrence. For each document, the words are colored according to the proximity between their frequency counts.

Figure 1. Word cloud of the 50 most frequently occurring words in Trade Policy Review



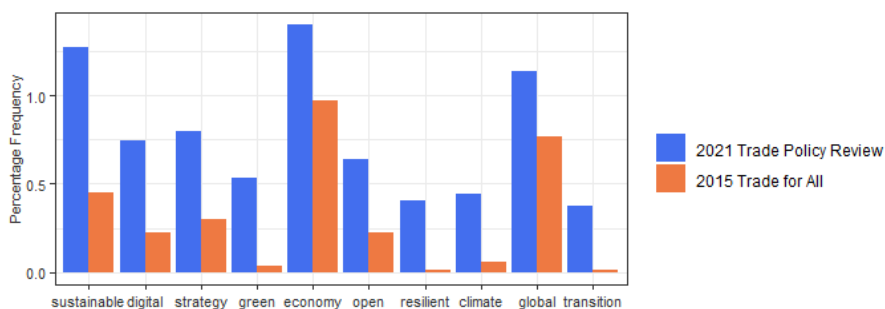
Figure 2. Word cloud of the 50 most frequently occurring words in Trade for All



According to the word cloud of Trade Policy Review, ‘economy’ and ‘sustainable’ are the most frequently represented words in the new strategy paper. They are followed by ‘global’ and ‘agreement’. ‘Digital’ and ‘strategy’ also find a prominent place in the document. Word cloud of Trade for All, on the other hand, indicates that the previous strategy mainly highlighted ‘investment’ and ‘agreement’. Like in the case of Trade Policy Review, ‘economy’ seems prevalent. ‘Negotiation’, ‘fta (free trade agreements)’, and ‘service’ are other words that attract attention in the old strategy document.

To further understand the differences between the two strategy papers, their word frequencies were analyzed comparatively. Thus, two documents’ data frames were merged by R and percentage frequencies of the Trade for All words were subtracted from those of the Trade Policy Review words. The data were then sorted in decreasing order according to the calculated differences. Using the ggplot2 package, a bar chart was created that reveals the top ten words with the highest differentiation levels (see Figure 3).

Figure 3. Top ten words with the highest levels of percentage frequency differences



As indicated in Figure 3, the word ‘sustainable’ has the highest level of differentiation. It reveals that sustainability has started to be more strongly emphasized by the current policy. It is followed by ‘digital’, ‘strategy’ and ‘green’, respectively. ‘Resilient’ and ‘transition’ seem to be relatively new areas of focus since they are hardly represented in Trade for All.

III. Issues of Increasing Importance

According to the findings of the analyses, the two strategies share a common objective that is to boost the economy, although it becomes more of a priority in the new strategy. While Trade for All was adopted when the EU was in the middle of a recovery from the 2009 recession, Trade Policy Review was prepared as a roadmap for recovering from the socio-economic harms led by the Covid-19 pandemic. To boost the economy, the previous strategy mainly focused on negotiations with other countries on investments, free trade agreements, and services. On the other hand, critical areas of concern in the 2021 strategy are sustainability and global actions in the post-pandemic era. Compared with the previous strategy, a much stronger emphasis is put on digital transition. It can be expected given the conditions of the pandemic that required almost all the work to be done remotely. As a distinct feature from its predecessor, the new policy underlines climate objectives and green transitions. Moreover, as the emergency provoked nationalist and protectionist tendencies globally, the EU emphasizes its determination to pursue its strategic interests internationally while also reiterating the call for openness in its novel approach to trade policy. Building resilience becomes another new area of focus given the lessons learned with the Covid-19 crisis. These two findings are compatible with the results of a recent study indicating

that ‘open strategic autonomy’ and ‘resilience’ have become key concepts in the EU’s post-Covid trade policy discourse.¹⁹

The highlights of the Trade Policy Review are naturally in line with European Commission’s priorities for 2019-2024. The reformulated trade policy is expected to serve the EU’s growth strategy based on the European Green Deal and European Digital Strategy. Trade Policy Review document specifies that ‘The green and the digital transitions should ... be a key priority for multilateral and bilateral trade policy.’²⁰ These two priorities are handled together and called as ‘twin transitions’ since digital transformation is evaluated as a critical component of sustainable development. They make up a significant aspect of the EU’s Recovery Plan that combines €750 billion NextGenerationEU, a temporary recovery instrument, with the EU’s long-term budget, making a total of €1.8 trillion to help reconstruct Europe in the post-COVID-19 era. 30 % of the long-term budget and NextGenerationEU will be spent to combat climate change. This proportion represents the highest share from the EU budget ever.²¹ A minimum of 37 % of the Recovery and Resilience Facility, which is the centerpiece of NextGenerationEU, will be used for climate investments and green transition, while at least 20 % will be directed to foster the digital transition.²² Moreover, an instrument called as ‘Just Transition Mechanism’ was created to provide technical and financial support for member states’ transition towards green economy. The EU also introduced new own sources that are linked to environmental and digital objectives. These sources include national contributions based on the quantity of non-recycled plastic packaging waste, shares of the revenues generated by the EU Emissions Trading System, a carbon border adjustment mechanism, and a digital levy.²³

¹⁹ Jacobs et al., “The Hegemonic Politics of ‘Strategic Autonomy’ and ‘Resilience’: COVID-19 and the Dislocation of EU Trade Policy,” 12.

²⁰ European Commission, “Trade Policy Review - An Open, Sustainable and Assertive Trade Policy,” 9-10.

²¹ European Commission, “The EU’s 2021-2027 Long-term Budget and NextGenerationEU – Facts and Figures,” April 29, 2021, <https://op.europa.eu/en/publication-detail/-/publication/d3e77637-a963-11eb-9585-01aa75ed71a1/language-en>

²² European Commission, “Recovery and Resilience Facility,” accessed September 9, 2021, https://ec.europa.eu/info/business-economy-euro/recovery-coronavirus/recovery-and-resilience-facility_en

²³ Alessandro D’Alfonso, “Legislative Train Schedule - An Economy that Works for People,” last modified October 22, 2021, <https://www.europarl.europa.eu/legislative-train/theme-an-economy-that-works-for-people/file-mff-post-2020-own-resources>

In light of the given framework, the issues of increasing importance on the new trade policy agenda will be elaborated further in the following parts. First, sustainability is discussed together with other relevant issues such as climate and green transition. Then, the subject of digitalization is explained along with the initiatives taken.

A. Sustainability, Climate, and Green Transition

The EU Trade Policy Review asserts more sustainable and greener ambitions than the previous trade strategy. It can be explained as a reflection of the EU's new growth strategy, European Green Deal, on trade policy. European Commission announced European Green Deal in December 2019 as a set of policy initiatives to tackle climate and environmental-related challenges. It provides an action plan to serve the United Nations Sustainable Development Goals and to build a green, sustainable, and resource efficient Europe. As a part of this strategy, the EU declared its target of climate neutrality by 2050 through European Climate Law, making this political objective a legal obligation for the first time in EU history.²⁴

Like any other EU policy, trade policy is also expected to contribute to the goals set by European Green Deal. In its Communication of 11 December 2019, European Commission states that the EU will establish an intense 'green deal diplomacy' by mobilizing all of the bilateral and multilateral channels comprising its trade and development policy and work with WTO.²⁵ The EU already took some significant steps in increasing the role of trade in this direction. A new position called 'Chief Trade Enforcement Officer (CTEO)' was created by the Commission to strengthen implementation and enforcement of commercial rules, environmental and labor commitments in EU's trade agreements. The first CTEO, Denis Redonnet, was appointed in July 2020. In addition, the EU trade agreements started to have a binding commitment that requires all the parties to ratify and effectively implement the Paris Agreement. In order to make human/labor rights and environmental due diligence mandatory for EU firms in their operations and global supply

²⁴ "Regulation (EU) No 1119/2020 of 30 June 2021 Establishing the Framework for Achieving Climate Neutrality and Amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ('European Climate Law')," *Official Journal of the European Union*, L 243/1.

²⁵ European Commission, "Communication from the Commission of 11 December 2019 on the European Green Deal (COM(2019) 640 final)," accessed February 18, 2021, https://ec.europa.eu/info/publications/communication-european-green-deal_en

chains, the Commission issued a proposal for a directive on corporate sustainability due diligence in early 2022.²⁶ As one of the other measures foreseen under the European Green Deal, the Commission also launched an initiative to create a Carbon Border Adjustment Mechanism whereby a carbon price is put on imported goods from outside the EU in order to encourage reduction of carbon emissions in other parts of the world.²⁷

Despite significant progress achieved, the implementation and enforcement of environmental and labor commitments in trade agreements continues to be a controversial issue. In EU trade agreements, the references to these commitments are placed in the Trade and Sustainable Development (TSD) chapter, and its enforcement procedure differs from other parts of the trade agreement, which are covered in general dispute settlement chapter. TSD chapter includes a distinct dispute settlement mechanism that works by consultation procedures. In case of a lack of mutual solution during consultations, an arbitration panel composed of experts is settled. Unlike the WTO-modelled general dispute settlement procedures, this mechanism does not enable the EU to apply economic sanctions if the partner does not comply with the commitments. Nevertheless, the Commission argues that the consultations help partners find a mutually acceptable solution and create public pressure on the partner to comply with the recommendations delivered by the panel.²⁸

The first case of TSD dispute settlement was handled under the 2011 EU-South Korea Free Trade Agreement (FTA) which is the EU's first new generation trade agreement that contains a TSD chapter with an institutional framework to implement and monitor the commitments. Following the ratification of the agreement, the Domestic Advisory Group²⁹ under the EU-

²⁶ European Commission, "Proposal for a Directive of the European Parliament and of the Council on Corporate Sustainability Due Diligence and amending Directive (EU) 2019/1937," February 23, 2022, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52022PC0071>

²⁷ European Commission, "Proposal of 14 July 2021 for Establishing a Carbon Border Adjustment Mechanism (COM(2021) 564 final)," accessed September 7, 2021, <https://eur-lex.europa.eu/legal-content/en/TXT/?uri=CELEX%3A52021PC0564>

²⁸ Jana Titievskaja, "Using Trade Policy to Tackle Climate Change," October, 2019, [https://www.europarl.europa.eu/RegData/etudes/ATAG/2019/642231/EPRS_ATA\(2019\)642231_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/ATAG/2019/642231/EPRS_ATA(2019)642231_EN.pdf)

²⁹ Most of the EU trade agreements' TSD chapters since the 2011 EU-South Korea FTA require trade partners to set up domestic advisory groups in the EU and in the partner countries to enable the citizens' connection with the trade issues. They are mainly responsible for monitoring the implementation of TSD chapters. A domestic advisory group consists of business organisations, trade associations, and civil society groups.

South Korea FTA have made several calls on the European Commission to initiate a formal consultation process concerning violations of labor rights in South Korea.³⁰ Thus, in December 2018, the EU requested consultations with South Korea regarding specific measures that cover the Trade Union and Labor Relations Adjustment Act provisions. As the consultations did not bring about a mutually agreed resolution, a panel of experts was established by the EU's request. In January 2020, the panel recommended that in line with the definitions of 'worker' and 'trade union' in relevant provisions of the agreement, South Korea should act in conformity with the principles regarding freedom of association. However, it also concluded that given the South Korea's recent efforts to ratify the core International Labor Organization Conventions, it did not breach its obligations regarding relevant provisions under the TSD chapter.³¹ Hence, the panel's decision raised concerns about the enforceability of TSD provisions.³²

Although its TSD chapter is the most progressive among other EU trade deals, the EU-Mercosur trade agreement presents another problematic case. The agreement constantly causes controversy about environmental protection. After twenty years of negotiations, the deal was politically agreed upon by two trading blocs in June 2019. Despite its inclusion of specific commitments related to the implementation of the Paris Agreement, civil society organizations argue that the agreement would trigger more deforestation in the Mercosur region, especially in the Brazilian Amazon, and the TSD chapter is insufficient to address climate change and protect the environment.³³ Based on similar concerns about sustainable development, the European Parliament stated that 'the EU-Mercosur agreement cannot be ratified as it stands'.³⁴ EU Trade Commissioner Valdis Dombrovskis agrees that finding a solution for

³⁰ "EU DAG Letter to Commissioner Malmström," December 16, 2016, https://www.epsu.org/sites/default/files/article/files/EU%20DAG%20letter%20to%20Commissioner%20Malmstrom_signed%20by%20the%20Chair%20and%20Vice-Chairs.pdf

³¹ Panel of Experts Proceeding Constituted under Article 13.15 of the EU-Korea Free Trade Agreement, "Report of the Panel of Experts," January 20, 2021, https://trade.ec.europa.eu/doclib/docs/2021/january/tradoc_159358.pdf

³² Orbic, "EU Trade Policy Meets Geopolitics: What About Trade Justice?" 199.

³³ See e.g., Imazon, "Is the EU-MERCOSUR Trade Agreement Deforestation-proof?," November, 2020, https://imazon.org.br/wp-content/uploads/2020/11/mercoulue_en_imazon.pdf

³⁴ European Parliament, "European Parliament Resolution of 7 October 2020 on the Implementation of the Common Commercial Policy – Annual Report 2018 (2019/2197(INI))," last modified January 13, 2021, https://www.europarl.europa.eu/doceo/document/TA-9-2020-0252_EN.html

deforestation and ensuring meaningful commitments from Mercosur countries on environmental matters are critical elements for ratification of the agreement. Even though it would not be meaningful to restart the negotiations between the EU and Mercosur on this matter, Dombrovskis adds that substantial progress can be made through pre-ratification commitments.³⁵

The Commission is aware of the need for more concrete measures to improve the implementation of TSD chapters. Since the adoption of the UN Agenda 2030 for Sustainable Development and the Paris Agreement on climate change, the Commission has been reviewing its TSD approach. As a part of the review process, it launched a debate in 2017 to receive contributions from a variety of stakeholders composed of EU member states, the European Parliament, civil society organisations, and academics. The recommendations were then culminated in a 15-point TSD Action Plan. There was a clear consensus that the implementation and enforcement system should be improved. The suggested actions were grouped under four categories: working together with relevant institutions, increasing the role of civil society in implementation, taking concrete actions to deliver better results, and ensuring transparency and communication.

In line with the objectives outlined in the TSD Action Plan, in November 2020, a centralized system was established for complaints regarding violations of TSD provisions in EU trade agreements. The system guarantees the Commission's assessment of each complaint reported by EU member states, trade associations, companies, civil society, and citizens.³⁶ Moreover, there has been movement on extending the scope of Domestic Advisory Groups' competence to monitor the implementation of trade agreements beyond the TSD chapters. A very recent example of using this approach is the EU–UK Trade and Cooperation Agreement.

For a review of the Action Plan, the European Commission launched an open public consultation in 2021 and gathered input from citizens and stakeholders. Besides, to identify best practices, an independent study was

³⁵ Committee on International Trade, "Hearing of Valdis Dombrovskis- Executive vice-president of the European Commission and Commissioner-designate (trade)," October 2, 2020, <https://www.europarl.europa.eu/news/files/commissioners/valdis-dombrovskis/en-dombrovskis-verbatim-report.pdf>

³⁶ European Commission, "Commission Launches New Complaints System to Fight Trade Barriers and Violations of Sustainable Trade Commitments," November 16, 2020, https://ec.europa.eu/commission/presscorner/detail/en/ip_20_2134

conducted comparing TSD provisions in free trade agreements of a number of EU partners.³⁷ Based on the contributions to the public consultation and results of the comparative study, the Commission continues to examine whether additional measures are needed to ensure effective implementation of the TSD chapters.

B. Digitalization

Digitalization is another subject that has become more prominent in Trade Policy Review compared to the previous trade strategy. The digitalization of international trade and economy at an unpredictable pace exerts worldwide implications on businesses and consumers. Online buying, electronic data transfers, and internet-enabled devices had already become a part of everyday life, but the COVID-19 pandemic highlighted the urgent need to accelerate digitalization for all business sectors and society.

To respond the needs of the new decade, ‘a Europe Fit for the Digital Age’ was declared as one of the Commission priorities for 2019-2024. The Commission President von der Leyen called to make the next ten years Europe’s ‘Digital Decade’.³⁸ As part of the EU’s Digital Strategy, the Commission presented a Digital Compass that sets a vision for European digital transformation. It focuses on digital skills, security and sustainability of digital infrastructures, digitalization of business activities and public services.³⁹ To support the transformation financially, the Digital Europe Programme was introduced which will complement other instruments like Horizon Europe and Connecting Europe Facility.

There are also several legislative and regulatory efforts for digitalization underway. For online service providers operating in the EU, the Commission presented the Digital Services Act, updating the 2000 e-Commerce Directive. Moreover, the Digital Markets Act was introduced to set competition rules for

³⁷ Jean-Baptiste Velut et al., “Comparative Analysis of Trade and Sustainable Development Provisions in Free Trade Agreements”, February, 2022, https://trade.ec.europa.eu/doclib/docs/2022/february/tradoc_160043.pdf

³⁸ European Commission, “State of the Union Address 2020,” accessed April 21, 2021, https://ec.europa.eu/info/sites/default/files/soteu_2020_en.pdf

³⁹ European Commission, “Communication from the Commission of 9 March 2021 on 2030 Digital Compass: The European Way for the Digital Decade (COM(2021) 118 final),” Accessed September 11, 2021, <https://eur-lex.europa.eu/legal-content/en/TXT/?uri=CELEX%3A52021DC0118>

large online platforms.⁴⁰ The Commission also proposed the EU's first legal framework on Artificial Intelligence with a coordinated plan aiming for promoting its development while also controlling its risks regarding fundamental rights and safety.⁴¹ Another proposal was made for a Regulation on European data governance as a part of the 2020 European Data Strategy aiming to create a single market for data.⁴²

Digitalization of the economy and trade has also revealed the need for updating taxation rules. Under current international tax system, taxation occurs where the production takes place, independent of the location of consumers or users where the value is created. Yet, over recent years, multinational companies have considerably increased their activities and profits in the digital area. Lockdowns imposed as a response to the Covid-19 pandemic have further accelerated economic digitalization. Thus, the EU started to work on creating a common framework for a standardized taxation system at the EU level. At the beginning of 2021, the Commission started a public consultation on introducing a digital tax and is preparing to put forward its proposal for a directive to make the levy operational from 2023 onwards. The EU is also a part of the multilateral negotiations ongoing at the OECD level to adapt the international tax system according to the needs of the digital economy.

In addition to internal actions to transform the EU's economy and society, the European Digital Strategy also includes an external orientation to be a global digital leader. The EU aims to set standards for emerging technologies and promote them through fostering openness for trade and investment. On the other hand, leading positions of China and the United States in the global digital competition makes digitalization a prominent subject in EU trade

⁴⁰ European Commission, "Europe Fit for the Digital Age: Commission Proposes New Rules for Digital Platforms," December 15, 2020, https://ec.europa.eu/commission/presscorner/detail/en/IP_20_2347

⁴¹ European Commission, "Proposal of 21 April 2021 Laying Down Harmonised Rules on Artificial Intelligence (Artificial Intelligence Act) and Amending Certain Union Legislative Acts (COM(2021) 206 final)," accessed September 11, 2021, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52021PC0206>

⁴² European Commission, "Proposal of 25 November 2020 on European Data Governance (Data Governance Act) (COM(2020) 767 final)," accessed February 12, 2021, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52020PC0767>

agenda. As Trade Policy Review also states, ‘Supporting Europe’s digital agenda is a priority for EU trade policy.’⁴³

The EU’s current approach to digital trade mainly covers cooperation and regulatory dialogue to remove unjustified barriers to online trade. It aims to ensure a predictable and legally certain environment for business and a secure marketing platform for consumers. This approach is reflected both in the context of the WTO and in the EU’s bilateral negotiations with trading partners. As a part of multilateral efforts, the EU has recently presented its text proposals for WTO negotiations on e-commerce. The proposals cover a broad set of rules and commitments aiming to remove barriers to digital trade, improve market access commitments, and protect consumers and personal data.⁴⁴ Moreover, the EU and the United States have launched a Trade and Technology Council in June 2021. The proposal came by the EU due to the emergence of rival digital governance models led by China. The Trade and Technology Council aims for democratization of global digital governance and serves as a political forum to coordinate joint positions on international trade, economic, and technology issues.⁴⁵

Digitalization has also become a crucial part of the European Development Policy. The EU adopted Digital4Development approach to add digital technologies and services into its vision for development cooperation. In 2018, an EU-African Union Digital Economy Task Force was created to support for Africa’s digital transformation to a digital single market.

Conclusion

This article explored whether the EU transformed its trade strategy to respond to the needs and challenges of the new decade. For the 2019-2024 legislative term, Commission President Ursula von der Leyen communicated several political guidelines comprising two significant ambitions: A European Green Deal and a Europe Fit for the Digital Age. The new decade was defined

⁴³ European Commission, “Trade Policy Review - An Open, Sustainable and Assertive Trade Policy,” 15.

⁴⁴ European Commission, “EU Releases Proposal on new WTO Rules for Electronic Commerce,” May 3, 2019, <https://trade.ec.europa.eu/doclib/press/index.cfm?id=2016&title=EU-releases-proposal-on-new-WTO-rules-for-electronic-commerce>

⁴⁵ European Commission, “EU-US Launch Trade and Technology Council to Lead Values-based Global Digital Transformation,” June 15, 2021, https://ec.europa.eu/commission/presscorner/detail/en/IP_21_2990

as Europe's green and digital decade. Since it has arrived with unprecedented challenges led by a global pandemic, the EU updated its main policy priorities as sustainable and digital recovery in the post-pandemic era. Hence, all of the policy fields, including trade, are expected to serve for this general objective.

With its essential role in affecting a broad spectrum of policy-making, trade is a core European policy in pursuing the Union's strategic interests and addressing global threats. The past few years have been challenging for EU trade policy. The EU-US trade relations were destabilized, China emerged as a complicated rival, and the crisis within the WTO has deepened. However, the most challenging development was the emergence of the Covid-19 crisis. It led states to take unilateral measures to limit the trade, harmed global value chains, and devastated economies. To respond to the changing global context, a new roadmap was prepared for European trade policy. The previous trade strategy, Trade for All, was replaced by Trade Policy Review, reflecting the Commission's new vision on trade.

In this study, the new strategy paper 'Trade Policy Review' was compared with its predecessor 'Trade for All' to grasp a possible transformation in EU trade strategy. By conducting text analysis to both strategy documents, the most prominent subjects in each paper were determined. They share 'economy' as a predominant subject. It naturally appears as a critical issue since the target of economic growth lies at the heart of any trade policy formulation. In developing the previous strategy, the EU specified economy as a critical concern because Europe was struggling to recover from a recession. For the new trade strategy, it again became a primary issue, this time due to the urgent need for recovery from the socio-economic effects of a global pandemic.

In the previous strategy document, 'investment' was a dominant theme. It was handled in the TTIP negotiations and several other bilateral deals negotiated with the Asia-Pacific and African countries. The old strategy paper was based on an ambitious agenda focusing on building new and strengthening the existing network of trade and investment agreements across different regions. However, through its novel trade strategy, the EU seems to rather emphasize the global engagements and its role as a rule-shaper. Thus, Trade Policy Review document differs from Trade for All in terms of its emphasis on openness and strategy. The main objective of the new trade policy was declared as supporting the EU's 'open strategic autonomy'. It also encompasses 'resilience', which emerges as a relatively new concept in

European trade policy. As the pandemic has further tested the vulnerabilities of economies and global supply chains, strengthening resilience has become a vital issue for all EU policies.

Sustainability and digitalization are the two main issues that are more emphasized on the current trade policy agenda compared to the previous legislative period. As mentioned previously, these subjects represent the main components of the European Commission's priority set for the 2019-2024 term. In line with the EU's sustainable growth model based on European Green Deal and European Digital Strategy, new trade policy is envisaged to be a tool to foster European economies' green and digital transitions towards building a resilient Europe. Some progress has been made in serving these objectives. To strengthen the enforceability of EU trade agreements in general and sustainability provisions in particular, the CTEO position was created. The role of civil society in monitoring implementation of TSD rules was enhanced and a centralized complaint system for violations of TSD provisions was founded. The Commission's proposal for a directive on corporate sustainability due diligence and Carbon Border Adjustment Mechanism regulation are other sustainability initiatives. In the digital sphere, on the other hand, Digital Services Act, Digital Markets Act, Commission's proposals on Artificial Intelligence and European data governance correspond to recent EU work. On the issue of digital taxation, the EU continues to contribute to global efforts besides working on the creation of its own standardized system. While taking part in WTO negotiations on e-commerce, the EU also implements its own agenda through its bilateral trade agreements and development policy.

The EU's new trade strategy is clear about the European ambition to reform the WTO and strengthen the partnership with the United States to tackle common problems. Although it does not present an explicit agenda for addressing the rise of China, the strategy indicates the EU's intention to reinforce a fair and rule-based relationship. The emphasis on sustainability and digitalization seems to be promising but more concrete actions are required in these fields. Implementing sustainability standards in trade agreements would continue to pose problems due to political concerns and ongoing debates regarding market access and WTO compatibility. In the digital realm, competitiveness would remain to be a critical issue given the predominant positions of China and the United States. Time will reveal whether the chosen trade strategy would be effective to tackle the challenges of the decade.

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