

Trade policy priorities for a new Commission

During the current Commission's tenure, EU trade policy has undergone a reorientation under the mantra 'open, sustainable, assertive'. The appointment of a Chief Trade Enforcement Officer, the introduction of the Single Entry Point, the continued pursuit of trade partnerships, and addition of new instruments to the EU's trade toolbox have all contributed to shaping the course of the EU's trade agenda in this new direction.

In recent years, various developments have all underlined the need for the EU to maintain course and further international engagement. These include ongoing efforts to mitigate the risks of strategic dependencies, diversifying imports of critical raw materials, and the 'promote', 'protect', and 'partner' pillars in the context of economic security. At the same time, an ambitious trade agenda also serves to enhance the EU's long term competitiveness.

The EU is increasingly facing criticism over the trade implications of its autonomous instruments. This has had a clear effect on the EU's international reputation and credibility and its ability to achieve and deepen partnerships – and requires reflection and action. Additionally, with much 'low hanging fruit' in bilateral trade relations behind us, more targeted efforts with a focus on concrete deliverables are worth exploring as not all ongoing negotiations are advancing smoothly.

Below, the Netherlands provides suggestions to further reinforce the EU's trade policy trajectory in the coming years, based on the following notions:

- Putting implementation at the forefront of the trade agenda
- A more narrowly focused bilateral trade policy
- Policy coherence, dialogue, and integrated EU action, better combining internal & external dimensions of EU policy
- A targeted EU-framework to enhance economic security

Implementation at the forefront

The Netherlands believes the EU should strongly commit to implementation across the full width of the trade agenda under a new Commission. The goal should be to ensure trade agreements, both on the multilateral and bilateral level, are fully adhered to so that EU companies can reap their full benefits, to foster a more level playing field, to de-risk strategic dependencies, including the diversification of critical raw materials imports. A more robust implementation, which contributes to the EU's economic resilience, can be strengthened by:

- Further bringing together various DGs within the Commission (TRADE, INTPA, GROW, AGRI, and EEAS) to create the conditions to achieve broad economic partnerships, and work on effective implementation thereof. Much work is already being carried out to this effect, but there is room for further streamlining, for example on work strands relating to critical raw materials.
- Effective implementation of existing instruments in the EU's toolbox. In recent years, new tools have been added with the entry into force of several instruments, including the International Procurement Instrument. Implementation has come to the fore under the auspices of the Chief Trade Enforcement Officer, and the EU should double down on this. Businesses expect the EU to deliver in working towards a more level playing field, of course while duly taking into account respective decision-making procedures and broader political considerations.
- Enhancing cooperation between the Commission, member states, and businesses in addressing market access barriers, including pre-emptively through the notion of 'regulatory watch'. The EU's information position vis-à-vis the UK following Brexit serves as a good example in this context.
- Regular monitoring of the impact of trade agreements on EU sectors, such as via the Joint Research Centre study on the cumulative impact of trade agreements on agriculture.

Outreach towards stakeholders to increase the visibility of the trade agenda and its benefits will also continue to be vital. This will require efforts from all stakeholders involved. Given that societal debate on trade policy is widespread in the EU and concerns abundant, we need to clearly outline

the results of the EU's trade policy to the broader public and actively showcase the benefits that rules-based trade brings us.

A more narrowly focused trade agenda

Over the years, the EU's FTA-network has become extensive, as evidenced by the Commission's yearly implementation and enforcement report. Not all trading partners that remain are likely FTA-partners for the short term. Under the current Commission, the EU has already engaged in various forms of partnerships beyond the comprehensive FTA format, including stand-alone negotiations on digital trade and digital partnerships, and the Trade and Technology Council structure with the US and India. The Netherlands believes the EU should continue down this route in the absence of 'low hanging fruit':

- Where there is a strong offensive demand for (additional) sectoral commitments with a trading partner, as well as a clear linkage with the green and digital transitions, the EU should consider pursuing these. Issues arising from the feedback loop of FTA implementation can also serve as points of departure, should trade partners be willing to engage on certain topics.
- If there is room for targeted facilitation of trade, for example through cooperation on mutual recognition of conformity assessments and the removal of other non-tariff barriers, the EU should pursue this.

Policy coherence, dialogue, and integrated EU action

Experiences with the creation and implementation of the EU's autonomous instruments, including the Carbon Border Adjustment Mechanism (CBAM), and due diligence-related legislation such as the deforestation regulation, have shown that, more than ever, the EU's internal and external policies are closely intertwined. Existing tensions with trading partners also impact the EU's ability to build bridges, including in the World Trade Organisation (WTO). There is a risk that future legislation will also be met with widespread discomfort.

In order to realize partnerships and jointly work towards the green and digital transitions, the EU's internal and external action has to be more integrated. Of course, this should not result in inaction. Instead, the EU should listen, strengthen engagement, and show a willingness to accommodate reasonable concerns through insights gained in recent years. Furthering partnerships will also require the EU to more sharply prioritize. Not every aspect of our external agenda can be realized through trade policy and a case-by-case logic needs to be followed. We see the following priorities for the coming years:

- Perceptions of protectionism and the imposition of standards should be countered by the Commission and EEAS with a comprehensive narrative setting out how the different pieces of legislation will contribute to human rights and the environment worldwide, based on multilateral agreements and standards.
- The EU should also take seriously the concern of unintended negative impacts in some countries or sectors. The Commission, in consultation with (stakeholders in) partner countries and Member States, should set up supporting measures in order to mitigate unintended negative impacts and help partner countries to raise their production standards. In doing so, we should take into account the specific context and processes in producing countries.
- More broadly, the EU should pursue private sector development and local value addition in partner countries and invest in SME's, thereby promoting trade that meets sustainability standards, as the Netherlands has done through its development cooperation strategy.
- Facilitate multistakeholder dialogue, including with local stakeholders in third / partner countries, to monitor and inform EU bilateral supporting measures.
- Continue outreach towards and dialogue with producing countries in terms of consultation, communication and supporting measures in various WTO settings and elsewhere.
- Learn from past experiences, and pay particularly close attention to the trade aspects of EU legislation, including administrative burdens.
- Better integrate feedback from ongoing legislative negotiations in Council in proceedings in Trade-related Council formations.

- Continue efforts in multilateral fora to come towards sustainability commitments, including in the area of environmental goods and services.
- Promote cooperation and exchange of information on international standardisation and the involvement of European stakeholders in standardisation processes.

A targeted EU-framework to enhance economic security

With the publication of the economic security package on January 24th, the EU has taken further steps towards a comprehensive framework to analyze and act on risks to economic security. Ongoing work will stretch well into the term of a new Commission. We welcome, for example, the initiative to work towards more European coordination in the area of export controls. With regard to outbound investment, any possible measures should be taken on the basis of a risk assessment and take into account proportionality, effectiveness, and effects on EU businesses. We share the Commission's assessment that this first requires further monitoring and research on outbound investments. The Netherlands looks forward to close cooperation with the Commission, and member states in the follow-up of the different initiatives.

It is necessary that any possible EU action is proportionate, precise and targeted, and prevents unnecessary market distortions. Equally crucial will be that the EU continues to consistently distinguish economic security risks revolving around questions of national security from level playing field concerns.

A robust economic security framework requires long-term commitment from the EU to the 'partner' pillar, contributing to diversification and mitigating risks associated with strategic dependencies. Trade policy also plays a pivotal role in maintaining the EU's technological leadership, a key condition for economic security. Trade grants access to markets, nurtures specialization and comparative advantage, enables integration into global value chains, secures access to resources and talent, stimulates competition and innovation, fosters international collaboration, and helps shape global regulatory standards. By capitalizing on trade opportunities, the EU can fortify its position as a central hub for technological innovation and economic advancement.