

Copenhagen, May 2024

***An open, robust and strategic EU trade policy:
Danish trade policy priorities for a new European Commission 2024-29***

Against the backdrop of geopolitical challenges, intensified strategic competition and signs of economic fragmentation, there is a need to adapt the EU's common trade policy to the new geopolitical reality. The EU's fundamental commitment to open markets and the international rules-based trading system with a reformed WTO at its core should be maintained. But trade policy has to be more strategic, robust and effective to contribute to the EU's open strategic autonomy.

Denmark encourages the Commission to pursue the adaptations of EU trade policy highlighted below and further detailed in the Annex. We look forward to working with the Commission on these issues in the next institutional cycle.

✓ ***Aligning trade policy and economic security***

Trade policy plays a key role in enhancing the EU's resilience, economic security and geopolitical relevance. While remaining fundamentally committed to open markets and stable global supply chains, the EU must also strengthen enforcement and, where appropriate, be prepared to use all relevant measures in a proportionate manner to defend its economic interests and ensure a level playing field.

✓ ***Strengthening and expanding the EU's network of trade agreements***

An ambitious and assertive bilateral trade agenda is needed, with a renewed focus on advancing and concluding trade negotiations with relevant partners, including in the Global South.

✓ ***Applying a more realistic and targeted approach to trade negotiations***

The EU should apply a country-specific approach to trade negotiations and be open to recalibrating the level of ambition where needed to ensure conclusion, and to exploring alternatives to traditional FTAs targeted to specific trading partners.

✓ ***Promoting effective FTA architecture and ratification processes***

Ways to simplify and expedite internal ratification procedures and processes should be considered with a view to facilitating conclusion of trade agreements while respecting the division of competences established in the Treaties.

✓ ***Supporting a strong WTO fit for purpose***

To safeguard the international rules-based trading system with WTO at its core, the EU should step up efforts to build alliances with like-minded partners to ensure an ambitious and proactive reform agenda.

✓ ***Improving coherence between EU legislative measures and trade policy***

The EU should improve its understanding of external trade and supply chain effects of legislative measures and reciprocity requirements in sector-specific legislation. Thorough impact assessments, taking into account also political issues and the likely impact on third parties and on EU trade and other external relations, should always be carried out when designing new legislation.

ANNEX – Danish priorities for the EU’s common trade policy:

✓ Aligning trade policy and economic security

An open, robust and strategic trade policy – in tandem with strong industrial policy – can and should contribute to progress across all three pillars of the EU economic security strategy: Protect, promote, partnership. In particular, efforts to diversify and strengthen critical supply chains, ensure access to resources – including raw materials, technologies and data required for the green and digital transitions – and expand global economic and strategic partnerships are key contributors to economic security.

To effectively address EU economic security, the right tools must be in place. But the need for further action must be assessed on the basis of thorough analysis. New tools should only be developed where there is a documented need and where existing instruments and approaches cannot satisfactorily do the job. To ensure optimal implementation, closer coordination inside branches of the Commission will be crucial and is therefore encouraged.

With regard to countering unfair trade practices and economic coercion, the EU should strengthen enforcement and be ready to defend its economic interests and ensure a level-playing-field and balanced market access opportunities. Where necessary and in compliance with WTO rules, defensive instruments must be applied in a proportionate manner.

The EU should de-risk, not de-couple. While we need to address economic security issues, we should continue to promote free trade. We need to strike a balance, ensuring that our economies can continue to grow to the benefit of our citizens and the long-term robustness of our societies.

✓ Strengthening and expanding the EU’s network of trade agreements

Considering the geopolitical urgency of supply chain security and enhanced cooperation with key partners, including in the Global South, an ambitious and assertive bilateral agenda should be at the center of EU trade policy.

Special emphasis should be given to finalizing agreements with Mercosur and Mexico, which are long overdue, as well as concluding negotiations with Australia, India and Indonesia. Given the economic and political importance of the Indo-Pacific region, intensifying trade negotiations with Thailand, the Philippines and Malaysia are also important – in their own right and as stepping stones towards a regional EU-ASEAN trade agreement – and should be pursued with a view to swift conclusion of ambitious trade agreements. In parallel, the potential for cooperation with the CPTPP and benefits of possible EU accession should be explored. China is indispensable in the global economy, and the EU should continue pursuing a stable and fair trading relationship while de-risking without decoupling.

The US remains our closest partner and ally, and it will be essential to maintain and, where possible, strengthen the transatlantic economic partnership. The EU should actively look for opportunities to give new impetus and ambition to cooperation with the US and development of a transatlantic marketplace as trusted partners. The TTC has proven to be a valuable platform for coordination on shared challenges, and should be continued.

The EU also needs to strengthen mutually beneficial trade and investment cooperation with African partners, keeping in mind that individual African countries have individual interests, needs and asks.

The regional Economic Partnership Agreements should remain the primary vehicle but must, in a spirit of equal partnership, be complemented by and integrated with other EU instruments and policies aimed at mobilizing private investment and promoting employment and a conducive business climate. Not least the Global Gateway initiative. Focus should also be on aiding implementation of the AfCFTA. Where regional arrangements are not feasible, negotiations with individual countries should be considered; the recent EPA with Kenya is as a good example.

In the same vein, bilateral trade negotiations with individual Gulf Cooperation Council (GCC) members, most notably the United Arab Emirates, may be considered if current efforts to relaunch negotiations for an ambitious and balanced regional trade agreement with the GCC are not successful.

Closer to home, supporting the Ukrainian economy by deepening trade and investment cooperation within the framework of the EU-Ukraine DCFTA is critical and should be complemented by continued efforts to ensure that Russia does not benefit from its illegal aggression or disrupt European markets, for instance through raising tariffs on imports from Russia.

✓ *Applying a more realistic and targeted approach to trade negotiations*

The EU should apply a pragmatic and country-specific approach when it comes to agreeing new negotiation mandates as well as recalibrating the level of ambition in ongoing trade negotiations, where needed to ensure a successful conclusion, while respecting EU red lines and an overall balance in commitments. This may, for instance, be the case for the current negotiations with India.

Specifically, as regards trade and sustainability (TSD), it is becoming clear that the EU's requests and standards can at times constitute an obstacle to concluding trade negotiations. Here too, the EU should search for tailor-made solutions, ensuring high ambition but also realism as to what can be achieved, and, as a general rule, without turning to mirror clauses.

Across trading partners, the EU should be ready to offer a variety of WTO-compatible trade and economic cooperation formats targeted to the specific trading partner and taking into account the EU's interests in individual negotiations. Where feasible, the ambition should be FTAs but other types of arrangements may also be relevant. There are already a number of models in use that may be built upon. This includes dialogue-based formats such as the Trade and Technology Councils with the US and India, investment facilitation agreements with African countries, digital partnerships on data governance and cross-border data flows as well as sector-specific agreements like the raw material partnerships. As regards the latter, the partnerships should be reviewed at an early stage to determine their concrete added-value in terms of actual new access to critical raw materials.

✓ *Promoting effective FTA architecture and ratification processes*

Maintaining momentum in expanding the network of trade agreements is urgently needed, especially in light of geopolitical challenges. But all too often, EU trade negotiations and ratification processes are overly lengthy and difficult to conclude. This risks undermining the EU's credibility as a negotiating partner. The failure to conclude agreements will only result in a loss of influence and play into the hands of our competitors. While delays can often be attributed to external factors or conditions in partner countries, there is a need to review whether the EU's internal procedures and processes can be simplified and expedited while respecting the current division of competence established in the Treaties.

An important step would be for trade parts of association agreements to be carved out, as a general rule, as separate FTAs to be approved by QMV in the Council without national ratification demands. The Chile Interim Free Trade Agreement, falling within exclusive EU competence, serves as a relevant template in line with Treaty-based division of competencies.

✓ ***Supporting a strong WTO fit for purpose***

At a time when rules-based cooperation is under pressure, the EU must stand up for the multilateral trading system with the WTO at its core. The EU should strengthen its efforts to build alliances with like-minded partners, including developing countries, to pursue an ambitious and proactive reform agenda and ensure a strong WTO fit for purpose and with an updated rule-book of relevance to the modern global economy.

Priorities should include restoration of an effective dispute settlement system preserving core features of the existing system, and reforms to the WTO rule-book, including a renewed focus on industrial subsidies, digital trade and data flows, and trade in environmental goods and services. We should be ready to engage proactively, pragmatically and constructively in all WTO negotiation streams, including those where the EU displays defensive interests, e.g. possible market liberalization efforts in the agricultural sector, if it may facilitate progress in other areas. Where multilateral negotiations are not feasible, open plurilaterals should be pursued with a view to subsequent inclusion in the WTO framework (Annex 4).

The WTO is also an important platform for partnerships with the Global South on promoting economic and sustainable development through trade and investment. A special focus of the EU should be on supporting the ability of developing countries, and LDCs in particular, to reap the benefits of international trade and underpinning their integration in the global economy.

✓ ***Improving coherence between EU legislative measures and trade policy***

Global trading partners are increasingly accusing the EU of introducing sustainability standards in new regulation with a protectionist purpose. Recent legislation on CBAM and deforestation-free products are examples of EU measures, which aim to set the EU – and the world – on a path to green transition, but have been questioned by partners. Potentially, this can hamper the EU's ability to conclude trade agreements and build strategic alliances, and it underlines the need to better understand external trade and supply chain effects of EU legislative measures, not least as regards reciprocity requirements in sector-specific legislation. We should carefully assess and consider the potential political implications and ways to overcome unintended consequences.

Going forward, all new EU regulation should be subject to a thorough impact assessment to gauge at early stages of the design phase the likely impact on third parties as well as EU trade and other external relations (including questions about WTO compatibility) and identify possible mitigating measures. This should go hand in hand with dynamic and targeted outreach to trading partners, in cooperation with Member States where relevant, to avoid misunderstandings regarding the content and rationale behind EU measures and policies. Furthermore, closer coordination and coherence across Commission services through all stages of the legislative cycle will be required and is encouraged.