

Committee: Council of European Union

Issue: Free trade agreements with non-member countries

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Position: Deputy President

PERSONAL INTRODUCTION

Dear Delegates,

My name is Alisa Otchertsova, and I am currently an IB2 student at Pinewood, the American International School of Thessaloniki. I am excited to have the honor and the responsibility of being one of your Deputy Presidents of the Council of the European Union in the fourth DSTMUN, which will be my ninth MUN conference and first experience as a Chair.

I would like to applaud your decision to participate in the Council of the European Union. As one of the key institutions in the European Union and the United Nations, its role is to establish the EU's policy agendas and identify issues that require immediate action. This year one of the topics that you will debate upon are the current free trade agreements with non-member countries, their current functioning and future prospects, as well as negotiate those that can be established in the future. Therefore, you are expected to discuss the best options that will benefit both imports and exports without losing sight of the need to protect local businesses.

This study guide aims to provide you with all necessary information on the topic as well as help you start your own research in order to excel and form outstanding clauses. Please be reminded, though, that by no means should this study guide be the only source of your preparation.

Lastly, if you have any questions or need any help regarding your preparation, please do not hesitate to contact me via email at otchertsova.a@pinewood-school.gr.

I look forward to seeing you all, and I wish you all good luck in your research.

Best regards,

Alisa Otchertsova

TOPIC INTRODUCTION

The European Union (EU) is the largest single market in the world. Its trade agreements apply among all its 27 members. Moreover, the European Union has treaties and agreements that extend free trade policies on countries outside the EU.

The idea of free trade does not solely depend on the abolition of import and export taxes. A big part of it includes the establishment of regulations that the member countries must abide by in order to ensure both the high quality of the products as well as suitable working conditions for the workers.

The EU relies on free trade and single market. The latter promotes easy and efficient trade among its members. At first glance, it may seem easy for a monopoly of large corporations to establish in the market, yet quite the opposite happens. Free market and easy trade allow for growth and active participation of small and medium sized businesses. Citizens across the EU have an ability to purchase goods that come from other EU countries for relatively low prices.

Another benefit that comes from free trade is the establishment of rules and regulations which countries and businesses need to comply with in order to participate in free trade. For instance, the rights of the workers are protected under EU free trade agreements. Under no circumstance will the EU undergo trade with an organization that relies on child labor or human trafficking. Furthermore, EU free market ensures that all goods sold and bought are of high quality and pose no danger to the customers. Lastly, EU free market and trade agreements with other countries support up to 36 million jobs. In doing so, free market allows for the creation of job opportunities for people across various demographics.

Therefore, free trade is one of the key practices of the EU that highly benefits both the institution itself and its citizens and businesses alike.

DEFINITION OF KEY TERMS

Export

A good that has been manufactured in one country but is transferred for sale to a different country.

Import

A good that has been manufactured or processed abroad and is brought into the country for sale.

Tariff

Also known as custom duty. A tax that has to be paid for a good that is an import or an export that crosses an international border. The government of the country that exports the goods to the country that imports it usually pays it. Tariffs are usually imposed to protect domestic businesses and decrease competition.

Quota

A limiting factor or restriction imposed upon a good that limits its presence in the market. Usually aimed at decreasing the consumption of certain imported good(s) in an effort to boost domestic businesses.

Free Trade Agreement (FTA)

An agreement or a pact between countries where trade barriers such as taxes, tariffs, quotas and subsidies on import or export of goods are minimized. This is done in order to decrease the cost of goods exported and imported thus making the trade easier and cheaper for the countries involved.

Association Agreement (AA)

A signed agreement between the EU and a country outside of the EU, which carries the purpose of bringing the two parties closer by strengthening economic relationship.

Economic Partnership Agreement (EPA)

Economic agreements promote trade and economic collaboration between the EU countries and the Countries in Africa, Caribbean, and Pacific regions. It is aimed at creating job opportunities as well as promotion of economic development in the regions.

European Free Trade Association (EFTA)

An economic agreement signed in 1960 by Iceland, Liechtenstein, Norway, and Switzerland as to promote free trade between them and other countries.

European Economic Area (EUA)

An agreement of a free trade area between the country members of the European Union and the EFTA in which the European Union's single market is extended on to the members of the EFTA. It further promotes free movement of persons, goods, and capital.

Preferential Trade Agreement (PTA)

"One-way trade deal between two countries where the tariffs and quotas are lifted only from one side."¹

World Trade Organization (WTO)

An institution that oversees all trade deals and paces made between the countries. It ensures that the trade runs smoothly and fairly with no conflicts arising from it. WTO can also overlook and host negotiations between nations on the topics of trade. The WTO currently consists of 164 active members as well as 24 observer groups.

European Coal and Steel Community (ECSC)

The first form of the modern European Union; A union between Belgium, Germany, France, Italy, Luxembourg, and the Netherlands, which allowed free movement and trade of coal and steel. The ECSC was created in 1951.

BACKGROUND INFORMATION

European Trade Policy

Through the European Trade Policy, EU member states do not have to draft any trading agreements with non-member countries individually. Instead, through its institutions, such as the European Commission, The European Council, and the Commission, draft, the EU negotiates and implements trade agreements with non-member states. The European Trade policies cover aspects such as trade in goods and services, intellectual property, public procurement, as well as foreign investment.² The trade policies are drafted with consideration of the strategy brought out on February 18, 2021, by the European Commission, which presents itself as an "Open Strategic Autonomy", keeping in mind sustainability goals. Furthermore, by acting as one unified body, the EU has much more negotiating power and authority rather than either one of the member states on their own, which plays as an advantage to the EU's economic development. The common European trade policies allow EU to benefit from an easier access to raw and processed goods at lower prices. Trade deals are negotiated in a series of steps. The process starts by the European Commission requesting authorization from the Council of the EU to allow a trade negotiation with a non-member state. Once the authorization is granted, the European Commission negotiates a trade deal with the non-member country. During the negotiations,

¹" Preferential Trade Arrangements (PTAs)." *WTO*, www.wto.org/english/thewto_e/glossary_e/preferential_trade_arrangements_ptas_e.htm.

²" Consolidated version of the Treaty on the Functioning of the European Union". *EUR-Lex*, https://eur-lex.europa.eu/eli/treaty/tfeu_2012/oj

aspects such as custom duties, quotas, exports, roles of local EU and the non-member countries business rules and regulations regarding trade. The negotiations lead to the creation of an agreement on trade policy, which is presented to the European Council and the European Parliament for approval. If the agreement is approved, the EU signs the agreement, and the trade policy becomes active. If the agreement is not approved, it is sent back to the Commission, where negotiations may once again take place and appropriate amendments are made.³

European Union Single Market Economy

The European Union is the world's largest single market economy. Its most significant outcomes are increased working standards for employees, lower prices on goods as well as standardized quality of both goods and services.⁴ The single market consists of several pillars: Single market for goods, single market for services, capital markets union, European Standards, tackling of barriers to trade, European market for space data and the public procurement. These pillars work together to form the European Single market, which is essential to this institution.⁵

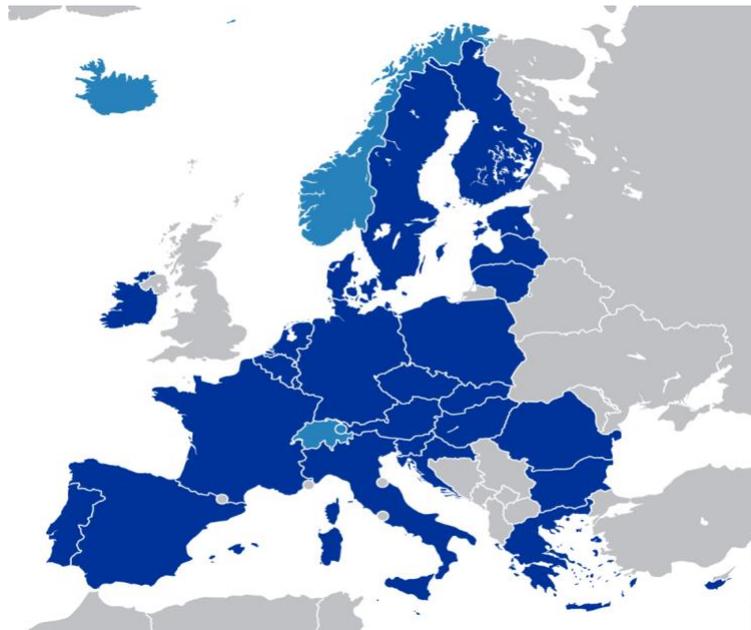


Figure 1: European Single Market.⁶

Current free market agreements with non-EU members

³ "Trade Policy". *EUR-Lex*, February 18, 2021, <https://ec.europa.eu/trade/policy/policy-making/>

⁴ "Internal Market, Industry, Entrepreneurship and SMEs: The European Single Market". *European Commission*, https://ec.europa.eu/growth/single-market_en

⁵ "Single Market: Policies". *European Commission*, https://ec.europa.eu/info/policies/single-market_en

⁶ "European Single Market". *Wikipedia*, https://en.wikipedia.org/wiki/European_Single_Market

EU-Singapore Free Trade Agreement, Investment Protection Agreement

Singapore is among one of the world's largest economies, and is one of the leaders in advanced technologies, which makes the EU-Singapore FTA and EPA crucial. The FTA agreement aims to remove the vast majority of taxes and fees on export and import of goods, with the emphasis on trade of technological appliances, pharmaceuticals and provision. Moreover, the agreement favors the development and support of "green trade" and "green technology". Finally, the IPA encourages investments into EU from Singapore, which bring the two closer, while boosting development in the EU.⁷

EU-Japan Economic Partnership Agreement

Both the EU and Japan are More Economically Developed Countries with advancements in technology as well as large economies. Japan is Europe's second largest trading partner in Asia, with approximately 70 billion Euros in trade and 28 billion Euros in services annually. In the past, protectionist approach to trade with Japan has caused numerous implications on the ease and cost of trade, therefore on February 1, 2019, EU and Japan have signed an Economic Partnership Agreement, which opened a free market between the two super-powers. The focus of this agreement was to ease, boost, and improve trade through removal of quotas and tariffs on exports and imports.⁸

EU-United Kingdom Agreement

When Brexit happened on January 31, 2020, the United Kingdom left EU creating political tension as well as economic uncertainty. In order to ease the transition and not lose the benefits of advantageous trade, on December 30, 2020, EU and United Kingdom have signed the EU-UK Trade and Cooperation agreement. This agreement much like any other will ensure that there is still a level of free trade between the two parties involved. For instance, the EU-UK agreement abolishes any tariffs and quotas. Moreover, this agreement has a high emphasis on environmentally friendly and sustainable development.⁹

⁷" EU-Singapore: Free Trade Agreement, Investment Protection Agreement". *European Commission*, <https://ec.europa.eu/trade/policy/in-focus/eu-singapore-agreement/>

⁸" EU-Japan: Economic Partnership Agreement". *European Commission*, <https://ec.europa.eu/trade/policy/in-focus/eu-japan-economic-partnership-agreement/>

⁹" The EU-UK Trade and Cooperation Agreement". *European Commission*, https://ec.europa.eu/info/relations-united-kingdom/eu-uk-trade-and-cooperation-agreement_en#freetradeagreement

MAJOR COUNTRIES AND ORGANISATIONS INVOLVED

Germany

Germany is the largest economy in the EU. Germany closes numerous trade deals with non-member states as to benefit their own economy, as well as the economy of the EU as a whole. Germany has a total of 45 PTAs, 639 EU nontariff measures, as well as 2 national nontariff barriers. Overall Germany is open to trade with non-member countries.¹⁰

Poland

Poland is among the rapidly growing economies in the EU. Being Germany's neighbor, Poland has become a great destination for factories, which further boost domestic economy and create job opportunities. This was only possible due to free trade between the EU member states. Further free trade agreements with non-member states may boost the economy of Poland even further.

European Commission

The European Commission has an active role in EU trade. Some of its roles are issuing annual reports on trade such as the Report from the Commission to the European Parliament, The Council, The European Economic and Social Committee and the Committee of the Regions on Implementation of Free Trade Agreements. Moreover, the European Commission is responsible for managing, reviewing and proposing trade agreements with non-member states.¹¹

BLOCS EXPECTED

It is important to understand that in this case, the two blocks are not necessarily opposing each other, but rather focusing on development in two different aspects of free trade. Both the domestic businesses as well as free-trade agreements with non-member countries are essential for the economic and political growth of the EU; however, some members may find it more important to focus on either one. Both Blocks may also consider the aspects that will need to be reviewed before a free trade or partnership agreements are signed. Therefore, the clauses in both resolutions should be able to co-exist and complement each other rather than replace each other.

¹⁰“ Germany.” *German Economy: Facts, Population, GDP, Inflation, Unemployment, Business*, www.heritage.org/index/country/germany.

¹¹“ Policy Making”. *European Commission*, February 18, 2021, <https://ec.europa.eu/trade/policy/policy-making/>

States that strongly rely on trade with non-member countries

This bloc may consist of states that will focus on strengthening the free market with non-member countries. These states will focus on the principles set out by the Maastricht protocol. This bloc may seek ways of prospering from import of goods, which will lead to the improvement of economic and political ties with non-member countries. For instance, the already existing free trade agreements with non-member countries such EU-Japan Economic Partnership Agreement has led to financial gains to the EU as well as opening job opportunities for citizens of the EU and the partner country. While also focusing on the increase of local production that would not only support the citizens but also allow exports to non-member countries further increasing the European economy.

States that rely on domestic business

The EU countries highly rely on trade within the union; in fact, over 64% of trade done by the EU comes from domestic trade.¹² This bloc may consist of states that will focus on a rather inward economy, with limitations on trade with non-member countries. The countries that join this block may focus on promotion and strengthening of the free market that currently exists between the EU member countries. It may also focus on strengthening domestic businesses and support of domestic startups and entrepreneurs. This bloc may further prioritize the development and dependence on internal producers for goods that are currently imported and focus on increasing export.

TIMELINE OF EVENTS

Date	Event
September 2, 1945	End of World War II
October 24, 1945	Establishment of the United Nations
July 23, 1952	Establishment of the ECSC
March 25, 1957	Establishment of the European Economic Community
February 1986	The signing of The Single European Act

¹²“ The Economy.” *European Union*, 26 Nov. 2020, europa.eu/european-union/about-eu/figures/economy_en.

February 7, 1992	The Treaty of Maastricht aka the establishment of the European Union
October 19, 2018	EU-Singapore Free Trade Agreement, Investment Protection Agreement
February 1, 2019	EU-Japan Partnership Agreement
December 24, 2020	EU-United Kingdom Agreement
December 30, 2020	EU-China Comprehensive Agreement on Investment

RELEVANT RESOLUTIONS, TREATIES AND EVENTS

The European Coal and Steel Community (ECSC)

Seventy-six years ago, in 1945 the Second World War ended, which marked the beginning of the most peaceful decades to come. This peace was officially established as the European Coal and Steel Community (ECSC)¹³ in 1951, which allowed free trade of steel and coal between the six members.

European Economic Community (EEC)

In 1957, the European Economic Community (EEC) is established. The treaty was signed in Rome. This treaty was a step forward from the ECSC as not only did it still allow for the free movement of coal and steel but any goods, as well as people, capital and services. The goal of the EEC was to distribute the production and trade among the six member countries as well as establish higher working standards, while taking a step forward, an even closer, economically and politically tied Europe. The common market was established under this agreement, which lead the member states to align their economic policies, creating a free market with competition among businesses, prohibiting any taxes and quotas on exports and imports, as well as promoting the economic and social development thus lifting the living standards. It also focused on the development of common agricultural policies as to increase production at reasonable prices. Moreover, the treaty established the decision-making institutions such as the Council of Ministers, the European Commission, the

¹³ "Treaty establishing the European Coal and Steel Community, ECSC Treaty". *EUR-Lex*, December 11, 2017, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=LEGISSUM%3Axy0022>

European Parliament as well as the European Court of Justice¹⁴. Alongside the establishment of EEC, the treaties of Rome included the establishment of the European Atomic Energy Community focusing on research and development of nuclear energy.¹⁵

Single European Act (SEA)

In 1986, the Single European Act (SEA) further strengthens the economic relations among the member countries and completed the free internal market, which we know today.¹⁶ Other than focusing on a single economic as well as currency union, the SEA would also revise the authority of the European Commission and the European Parliament, while also focusing on common foreign and common security policies.¹⁷

The Treaty of Maastricht on European Union

The Treaty of Maastricht was signed on February 7 in 1992 and it was the treaty that established the European Union. It is based on three main pillars: European Communities, Common foreign and security policies, and cooperation on justice and home affairs; as well as economic union and common currency as well as some new policies and social protocols.¹⁸

PREVIOUS ATTEMPTS TO SOLVE THIS ISSUE

Currently the EU has a system known as the “Access2Market”, which is a sort of rules and guidelines, which are set out to assist an external government, business, or an individual to find a way into trading with the EU. It contains all necessary

¹⁴ “Treaty of Rome (EEC)”. *EUR-Lex*, March 14, 2017, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=LEGISSUM%3Axy0023>

¹⁵ “Treaty establishing the European Atomic Energy Community”. *European Parliament*, <https://www.europarl.europa.eu/about-parliament/en/in-the-past/the-parliament-and-the-treaties/euratom-treaty>

¹⁶ “The Single European Act”. *EUR-Lex*, April 4, 2018, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=LEGISSUM%3Axy0027>

¹⁷ “Completing the Internal Market”. *Commission of the European Communities*, https://europa.eu/documents/comm/white_papers/pdf/com1985_0310_f_en.pdf

¹⁸ “Treaty of Maastricht on European Union”. *EUR-Lex*, March 21, 2018, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=LEGISSUM:xy0026>

information on tariffs, trade policies, laws and other legislations that are currently in place, and is monitored and updated by the European Commission.¹⁹

Moreover, as mentioned above, the EU has several FTAs, AAs, and EPAs that are currently in action which ensure smooth running of trade with non-member countries. EU has three main types of agreements: Custom Unions such as the Agreement on Cooperation and Customs Union between the European Economic Community and the Republic of San Marino²⁰; AAs, FTAs, EPA's such as the EU-Japan Economic Partnership Agreement; and Cooperation Agreements such as the EU-UK Trade and Cooperation Agreement.

POSSIBLE SOLUTIONS

The establishment of free trade agreements is a broad topic that may require individual approach for each non-member country. However, the delegates should not focus exclusively on a non-member country; instead, they should consider taking a general approach which will result in guidelines necessary to construct a resolution paper that will allow the extension of the free market onto non-member countries, while also supporting the domestic economy of the EU.

Support of the domestic businesses, organizations and individuals

This may be addressed through clauses that would focus on promotion of trade, which will include goods and services created, by local small and medium businesses, rather than larger organizations, (as to avoid a monopoly in any sector that would negatively affect local economy).

Creation and protection of jobs

Ensuring that with the borders opening to new countries, domestic workforce will not migrate to the non-member country, and that workers from non-member countries do not take the jobs created for the EU citizens from non-member countries driving the unemployment rates up.

¹⁹“ Welcome to Access2Markets to Trade Helpdesk Users.” *Access2Markets Welcome to Access2Markets to Trade Helpdesk Users*, trade.ec.europa.eu/access-to-markets/en/content/welcome-access2markets-trade-helpdesk-users#toc_0.

²⁰“ MINISTRY OF FOREIGN AFFAIRS - REPUBLIC OF SAN MARINO.” *Cooperation and Customs Union Agreement - Ministry of Foreign Affairs - Republic of San Marino*, www.esteri.sm/on-line/en/home/foreign-affairs/san-marino-and-the-eu/agreements/cooperation-and-customs-union-agreement.html#:~:text=Concluded%20in%201991%2C%20the%20Cooperation,extensive%20cooperation%20in%20various%20fields.

Taxes and VAT on goods

Consider taxes on goods, such as the VAT, and how are the new free trade agreements will affect the prices of the currently available goods and services as well as the goods and services that will appear.

Shipping and Transportation

Keeping in mind the pandemic, consider including a clause that would address the issue of clearance and contamination of physical goods that could occur during shipping and transportation.

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