

January 11<sup>th</sup> 2007

**Position Paper on European Commission Communication on Global Europe - competing in the world**

<b><u>Subject</u></b>	<b><u>Business Perspective</u></b>	<b><u>AmCham EU Position</u></b>
<b><i>Free Trade Agreements</i></b>	While the WTO and the multilateral system must remain the cornerstone of the EU's trade policy, rigorously negotiated and enforced FTAs can deliver substantial benefits	<b><i>AmCham EU strongly supports the Commission in launching FTA negotiations with major trading partners notably India, ASEAN and South Korea</i></b>
<b><i>China</i></b>	The size of China's market, its manufacturing capability and potential and low cost base present great opportunities for business	<b><i>It is vital to maintain a comprehensive, rigorous dialogue and to work towards a partnership with China on market access and other trade policy issues – in particular investment conditions and IPR</i></b>
<b><i>Review of Trade Defence Instruments (TDI)</i></b>	While effective defences against unfair trade practices are necessary, all too often they have served to protect one set of interests in Europe at the expense of other	<b><i>The criteria for initiating antidumping investigations should be more rigorous. The criteria for determining the 'Community interest' needed to impose protective measures must also be thoroughly re-worked and calibrated</i></b>
<b><i>Commission market access strategy</i></b>	Many market access problems and NTB issues remain on the agenda	<b><i>A renewed approach to EU market access must bring a stronger sense of prioritisation, both of the issues to be tackled and the key countries to be targeted</i></b>

<b><i>Procurement</i></b>	Opening up procurement will provide potentially enormous market opportunities and deliver a broader choice of better quality goods and services to governments and citizens	<b><i>AmCham EU strongly advocates for transparent and competitive procurement practices</i></b>
<b><i>Rules of origin</i></b>	A widely recognised danger in the proliferation of new FTAs is that complex and overlapping rules of origin will prevent business from reaping the full benefits of liberalised trade	<b><i>The Commission should accelerate its ongoing reform of the preferential rules of origin to ensure new rules are in place in time for the negotiation of future trade agreements</i></b>

### **Introduction**

The American Chamber of Commerce to the European Union (AmCham EU) welcomes the Commission Communication *Global Europe: competing in the world*. The paper is a significant step towards a revised EU trade policy favouring ambitious bilateral trade agreements, a more rigorous pursuit of EU economic interests in overseas markets, and greater recognition of the complexities of the global economy and emerging economic markets. We fully concur with the Communication that the WTO must remain the cornerstone to EU trade policy and strongly urge the Commission to continue to work towards an ambitious conclusion of the Doha Development Round.

### **Trade objectives respecting the needs of business**

AmCham EU members are strong players in Europe's economy and fully appreciate the need for a clear way forward in EU multi-lateral and bi-lateral trade priorities. Our members are committed to maximising the opportunities of the global economy, in particular in the emerging economies of Asia, Latin America and Eastern Europe.

The vast majority of new jobs in Europe are in high value added product manufacturing and the services sector. Therefore, the renewed focus on trade liberalisation and the improvement of investment conditions is vital for these sectors.

Many of our members have global supply chains that encompass centres of excellence for global innovation and high quality design, labour-intensive sourcing and manufacturing operations in a wide range of developed and developing countries, rapid dispatch of finished products to market via global logistics chains, and sale of goods to consumers across Europe, other industrialised countries, and in a growing number of emerging markets.

Europe and companies operating in it need a European trade strategy that keeps pace with our significant efforts to stay at the leading edge of global competitiveness. Trade policy should ensure European and global consumers have access to the goods

and services they want at affordable prices by tackling both tariff and non-tariff barriers (NTBs) and by resisting the forces of economic protectionism aimed at protecting segments of EU industry that cannot compete effectively with efficient large-scale foreign manufacturing. Global trade policy also needs to recognise that effective IPR, including stringent and consistent enforcement of intellectual property laws are the cornerstone of innovation. Many companies also expect EU trade policy to support European industry's considerable efforts to apply sustainable development and fair labour, environment, health and safety standards.

### **Promoting European players in global markets**

AmCham EU shares the Commission's view that the EU is operating in a much more complex global trading environment than previously. Job creation and security are no longer straightforward propositions. Today, European trade strategy needs to balance maintaining basic manufacturing jobs against the rapid growth of jobs in design, knowledge, services, brand building and retail in European firms whose manufacturing is often carried out in many locations – Europe and beyond. The consumer's voice is an increasingly powerful factor in such debates. The dilemma has become prominent and highly visible with the imposition of safeguard measures against imports of clothing from China and a series of anti-dumping actions against products from China that are in large part designed and developed in Europe.

AmCham EU believes the time has come to recognise that European competitiveness and jobs are dependent upon high quality, high value-added sectors. We welcome the Commission's statement that a trade strategy that supports leading European players on the global market can offer no place to protectionism. Short-sighted protection of weak EU industries by closing our markets simply undermines our calls for others to play by the rules, pushes up prices for the consumer, and may support one set of jobs in the EU at the expense of other high value-added European jobs. An accompanying, well conceived policy promoting job 'flexicurity' makes sense in this respect.

### **Forward agenda**

AmCham EU supports the strategy set out in the Commission's Communication and urges that it be agreed rapidly by Member States with a clear set of deliverables, metrics and timelines. In particular we support:

- an early opening of negotiations for Free Trade Agreements (FTAs) with key trading partners in Asia;
- urgent efforts to tackle non-tariff barriers which currently prevent effective access to many major markets;
- the proposed comprehensive review of the EU's trade defence policy, which is vital to take account of the shift towards a global economy;
- the recognition of importance of competitive raw material and energy prices for high value added industries to be competitive in global markets.

### ***The Doha Round***

AmCham EU sees a special responsibility for the EU and the US to act as leaders in the WTO Doha Development Agenda negotiations. We are deeply concerned that

following the Round's suspension in July 2006, WTO members may now allow the negotiations to fail because of disputes over agricultural policy. The vast majority of world trade and investment is in manufactured goods and services – not in agriculture.<sup>1</sup>

There may be one last chance to get back to the negotiating table and complete the Round in Spring 2007. We call on EU and US negotiators to work together to open markets and improve the regulatory environment for manufactured goods and services. This requires creativity and flexibility on agricultural policy change. Maintaining market distorting agricultural policies neither secures our economic future nor helps to achieve global development goals.

A failed Round will deny citizens on both sides of the Atlantic an economic boost and more jobs. It will hold back growth in their most competitive manufactured goods and services sectors. It will also seriously damage the development prospects of those countries most in need of its benefits, causing a major set back to the achievement of the Millennium Development goals. It must not be forgotten that open markets combined with good governance provide the best enabling environment for economic growth and general welfare improvement as demonstrated by the economic history of recent decades. A strong WTO and the conclusion of the Doha Round is critical to progressing this globally.

### ***Free Trade Agreements***

Alongside current efforts to re-start the WTO negotiations, AmCham EU strongly supports the Commission's decision to launch FTA negotiations with major trading partners in Asia, notably India, ASEAN and South Korea. These countries have massive new market potential. AmCham EU believes urgent action is needed to tackle many ongoing regulatory market access issues and many NTBs that are currently keeping EU market share at minimal levels in these markets.

In the longer term, FTAs with Russia and Ukraine will provide key opportunities to tackle a number of vital issues including a newer, more ambitious level of market access, improved IPR cooperation and protection, as well as the reform of many other export rules and restrictions.

AmCham EU believes FTAs with the EU's target countries will be meaningless unless they secure significant market access and real progress in reducing and eventually eliminating NTBs, which can be more trade distorting than tariff barriers. The EU's intention to negotiate a comprehensive, WTO-plus agreements is welcomed in this regard. We believe these should cover:

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<sup>1</sup> For the EU and the US, agriculture represents no more than 2.2% and 1% of GDP respectively and 7.52% and 6.99% of trade. As for the labour force, agriculture only accounts for 4.4% and 0.7% of the EU's and US's total labour force, while this figure soars to 60% for India, 75% for Cambodia, and 81% for Mozambique.

- Tariff elimination for all products and all sectors at the end of the implementation period;
- A high level of ambition for improved protection and enforcement of IPR;
- Reform of cumbersome certification and labelling requirements;
- A rapid end to export restrictions, particularly for raw materials;
- Enhanced trade facilitation and simplification of customs procedures – as regards the other ‘Singapore issues’ we are supportive of their inclusion in negotiations only on the condition that they do not prevent or delay the conclusion of an FTA;
- Reduction and eventual elimination of existing NTBs and the creation of an ‘early warning system’ and possible dispute settlement body to avoid the imposition of any new NTBs;
- Simple and transparent rules of origin consistent with the Commission’s objectives in the current reform of EU rules of origin;

### ***China***

While the proposed FTAs will be vital for economic growth and access to new markets, for many AmCham EU members China will be the defining relationship for the EU in trade terms over the next 10-20 years. The size of its market, its manufacturing capability and potential and low cost base as well as its importance as a WTO member make it a formidable negotiating partner. Although it seems a free trade agreement with China is not foreseen we believe it is vital to maintain a comprehensive, rigorous dialogue and to work towards a partnership with China on market access and other trade policy issues.

Continued cooperation with China on Intellectual Property Rights should be a top priority. While the Chinese legislative framework has been strengthened and implementation is being reinforced through a number of measures including the recent Action Plan on Intellectual Property Rights Protection, it is clear that local enforcement must remain a top priority in the fight against counterfeited and pirated goods. We therefore welcome the Commission’s commitment to continue to drive forward EU cooperation on IPR enforcement with a number of priority countries including China, as well as Russia, ASEAN and others. However we also recognise the Commission will need additional resources and leverage if there is to be a measurable and sustainable success.

More determination in the push for increased market access and improved investment conditions should form a second policy objective in the EU’s new approach to China. AmCham EU would like to see increased transparency in dealings with the Chinese Authorities and remains concerned regarding the existence of cumbersome certification requirements and import authorisations, delays in customs clearance and investment restrictions. Speedy resolution of these issues is vital in a country that presents huge opportunities both for manufacturing and for sales, where EU exports more than doubled from 2000-2005, and where European companies are increasingly investing. (For more information on AmCham EU’s position on EU-China relations

please refer to our position paper released on July 18<sup>th</sup> 2006 available at the following web site: <http://www.amchameu.be>.

***Review of Trade Defence Instruments (TDI)***

AmCham EU supports the Commission's decision to initiate a review of EU trade defence instruments. We agree the EU needs effective defences against unfair trade practices, but too often in today's globalised economy they have served to protect one set of interests in Europe at the expense of other, equally European, interests. Recent cases have shown the divisive nature of such policies and the damage that can be inflicted on competitive industries and ultimately the consumer.

Consumers, retailers and businesses who source overseas now routinely demand the right to greater choice and lower prices. Trade defence instruments therefore need to acknowledge that European companies equally depend on third country markets and their comparative advantages as a crucial part of their supply chains. Where production and distribution networks are globalised, antidumping measures effectively apply a discriminatory tax on European companies that seek to lower their input costs through the open world trading system.

AmCham EU urges the Commission to consult widely on reforms to TDIs. We must ensure any new rules take into account the diversity of European interests and all factors underlying global supply chains. In particular, we believe that the criteria for initiating antidumping investigations should be more rigorous, especially in arriving at a broad-based assessment of economic harm and causation. Also the criteria for determining the 'Community interest' to impose protective measures in any particular case must be thoroughly re-worked and calibrated.

***Renewed Commission market access strategy***

AmCham EU welcomes the Commission's decision to revitalise its market access strategy, in particular by seeking to tackle NTBs in key markets. The current market access strategy has raised awareness of market barriers and maintained pressure on certain countries to improve access to their markets. However, in many instances the same market access problems and NTB issues remain on the agenda indefinitely. Progress has been patchy at best and stalled in many instances

A renewed approach to EU market access must bring a stronger sense of prioritisation, both of the issues to be tackled and the key countries to be targeted.

In order to achieve success with the new market access strategy, AmCham EU proposes:

- the establishment of ongoing industry dialogues in a number of key sectors to gain a detailed assessment of each barrier, supported by data and facts to enable the Commission to target its resources and develop a comprehensive case for reform to the third country government in question;
- the publication of a sector-by-sector strategy identifying key priorities and opportunities to pursue them. Often market access issues are raised sporadically

in senior level meetings without the opportunity to build momentum or ensure effective follow-up. The Commission should seek to develop a plan to tackle each barrier identifying all available opportunities to raise the issue. This will enable industry to align its own efforts with those of the Commission and to ensure that synergies can be developed.;

- the use of upcoming FTA negotiations to address and tackle NTBs in these countries. The Commission should propose the creation of an effective mechanism to serve as an ‘early warning system’ to avoid the implementation of new NTBs and to solve any possible disputes that may arise in this area.

### ***Procurement***

AmCham EU believes that public procurement is an area of untapped potential not only for EU exporters, as highlighted in the European Commission’s document, but for all exporters, irrespective of where they are located. In most countries the government and its various agencies comprise the biggest purchasers of goods and services of all kinds, from basic commodities to high technology equipment. Government procurement represents nearly 15% of the world’s GDP. This is why AmCham EU strongly advocates for transparent and competitive procurement practices, which would open up potentially enormous market opportunities and deliver a broader choice of better quality goods and services to governments and citizens.

### ***Reform of rules of origin***

A widely recognised danger in the proliferation of new FTAs is that complex and overlapping sets of rules of origin will prevent business from reaping the full benefits of liberalised trade. AmCham EU urges the Commission to accelerate its ongoing reform of the preferential rules of origin to ensure new rules are in place in time for the negotiation of future trade agreements.

### ***Conclusion***

The Commission Communication sets out a bold, new agenda for EU trade policy that brings a sharper focus to European commercial interests. We strongly support the opportunities outlined in the strategy and urge the Commission to implement it through a series of clear and decisive actions.

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*The American Chamber of Commerce to the European Union (AmCham EU) is the voice of companies of American parentage committed to Europe towards the institutions and governments of the European Union. It aims to ensure a growth oriented business and investment climate in Europe. AmCham EU facilitates the resolution of EU – US issues that impact business and plays a role in creating better understanding of EU and US positions on business matters. Total US investment in Europe amounts to \$964 billion, and currently supports over 3.6 million jobs.*

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