



THE NEW AMBITIONS OF THE EU TRADE POLICY: CREATING MORE SPACE FOR CORPORATIONS ABROAD AND AT HOME

Since the beginning of this year the EU Commission has been working on its Post-Doha or External Competitiveness strategy. Working documents have been seen by the press (e.g. the European Voice) and some of the new ambitions have already been sketched in recent speeches by Commissioner Peter Mandelson. The Commission is planning to release a Communication on the issue on 4 October 2006. Meanwhile internal consultation with the EU member states is ongoing. The General Affairs and External Relations Council (GAERC) of 15-16 October may hold a first discussion at the ministerial level; the following GAERC may adopt Conclusions.

The essence of the proposed strategy comes down to this: if the EU wants to maintain its competitiveness on the global market it should step up its efforts to create opportunities for its companies abroad, targeting especially the overall regulatory environment in third countries. But in order to build strong companies, the EU should also create a more business friendly environment at home.

The EU Commission does not only want to take a more aggressive, or more activist stand as it calls it, but it also wants to cross a number of lines it had drawn before, for instance by suggesting measures like prior consultation abroad and at home, private access to dispute settlement, restricting access to its government procurement market for countries that do not reciprocate, full parity in bilateral negotiations, etc.

If trade policy was already an instrument to introduce policy reform at home via the WTO and bilateral negotiations, it will now also directly dictate domestic reform. The internal and external dimensions of competitiveness are inextricably linked says DG Trade, the Directorate-General for Trade of the Commission. Getting rid of all barriers that hinder the smooth operations of companies and making sure all regulations are the "least trade distorting" must be the agenda of the EU Commission at home and abroad. Breaking down the regulatory environment seems to be the most important strategy to increase the EU's external competitiveness. What is to be expected is more competition, more flexibilisation, more deregulation. Good bye European model, here is naked globalisation for all.

For its external competitiveness programme, the EU Commission is already looking beyond the suspended WTO negotiations. The Commission will still seek to successfully conclude the current Doha round but will prepare the launch of new ambitious multilateral negotiations at the same time, together with new ambitious bilateral agreements and ambitious domestic reforms.

Ambitious new trade negotiations will especially target the new emerging countries, because while the EU position in the world market remains stable in static markets it is not keeping up with the growth pace in growing markets. The EU should step up its efforts to take benefit of the opportunities provided by the high growth in emerging markets.

Priorities for the future will be:

- The non-tariff barriers to the EU exports and investments: We need to look at the whole operating environment in third countries says the Commission, and make sure regulation is transparent, non-discriminating and the least restrictive possible.



- Better access to raw material inputs in order to compete on a fair basis; the main goal here is to completely eliminate export taxes and other export restrictions which trading partners use to secure their own raw materials supply. This undermines EU competitiveness.
- Further strengthening the presence of EU companies through permanent establishment, meaning more investment liberalisation.
- The opening up of public procurement markets. This is an enormous untapped potential for EU exporters says the Commission (10 tot 25% of the GDP of partner countries); however practices in partner countries impede the fair participation of EU suppliers and shut [them] out from important exporting opportunities.
- Improvement of the application of trade defence (anti-dumping) mechanism by third countries, which often cancels out the obtained market access.
- Enforcement of intellectual property rights including geographical indications.

It is interesting to note the language that DG Trade often uses: fair, shut out, impede, as if access to other markets and natural resources is some kind of right that has been denied and as if domestic regulation and policies are some kind of deviations that have to be eradicated.

For the Commission It is clear that even an ambitious outcome of the current Doha negotiations will not be enough to fulfil the wish list of the EU companies. After the completion of the round all the issues above need to be put back on the table. However since there are doubts about the readiness of WTO members to take up such an agenda, a new programme of ambitious bilateral negotiations needs to be developed.

A new generation of bilateral agreements

Such a programme needs to begin by identifying the criteria to select the target countries. The main criteria are: market potential (the size of the market and the growth prospects), the level of protection against EU export interests; the number of bilateral agreements countries already have with other countries (establishing privileged relations shutting out the EU); followed by: access to resources; the balance between offensive and defensive interests; the effect on the multilateral system.

The new bilaterals will be more ambitious than before, especially with regard to non-tariff barriers and the regulatory framework, introducing new instruments like avoidance mechanisms and private access to dispute settlement.

The new bilaterals will have to:

- Secure market access for essentially all trade in goods and services, seeking full parity with what other countries have obtained in their bilaterals
- Tackle non-tariff barriers and aim for regulatory convergence: apart from the usual SPS, TBT, IPR issues, DG Trade wants to open up a new frontier: it sees barriers not only in certain measures themselves, but also in the way they are introduced without sufficient consultation. Therefore disciplines are needed including dispute avoidance mechanisms. This goes in the direction of the prior consultation commitments that the USA is seeking in its bilaterals: when countries want to change their rules affecting business and trade,



they need to involve their trading partners during the decision making process. The EU Commission calls for consultation, early warning procedures, exchange of information and the possibility to comment. The Commission also proposes stronger monitoring, enforcement and dispute resolution mechanism which should be accessible to the industry.

- Include new provisions for investment, IPR and competition
- Open public procurement markets. Since the EU procurement market is already broadly open, the EU Commission considers to reduce its openness for countries which do not reciprocate, so as to push them into negotiating government procurement agreements.

The commission also suggests a verification mechanism to make sure that its trading partners share the same level of ambition before starting the negotiations in order to avoid the risk of the negotiations becoming blocked because of mismatch of expectations. Such verification is taking or has taken place with India, ASEAN and South Korea.

The domestic dimension of the external trade strategy

In order to support the external competitiveness and to better serve the EU's economic interests, external considerations must be taken into account when setting key internal policies. The completion of the single market and increasing the internal competition is of course key, but the main focus is again on the regulatory framework. Internal rules and practices should be made more consistent with the rules and practices of the EU's trading partners and the least trade restrictive

The external dimension must be taken into account in the early stage of decision making in order to minimise regulatory frictions with trading partners. International regulatory cooperation is the right tool for it says the Commission, helping to choose the least trade restrictive system, minimize the cost of regulations for domestic business and upstream dispute resolution... One good example has been the consultation process of the REACH directive **where the voice of the industry outside Europe became heard.** We should be ready to improve our level of transparency, prior information and possibility to comment.

REACH is the example that the EU Commission uses itself, but everyone who reads this immediately thinks of hormone beef and genetically modified organisms (GMOs). The pressure of the giant corporate lobby industry in Brussels is not enough for the Commission; in the future non-EU corporate interests need to be called in to take part in the decision making process. The Commission wants to be more transparent (to foreign business, not to its own civil society) and wants to listen to foreign corporate grievances before making decisions affecting the market (and what about the environment, health, social protection, etc??).

Finally the Commission also wants to **equip people for change.** The Commission is aware of the fact that if it wants ambitious agreements serving the EU corporate interests, then it will also have to offer something in return. The Commission is prepared to open up sensitive sectors of its economy. This will bring about transformations which are disruptive to some in the EU. Therefore the Commission will open up, but will seek transition periods, safeguards, etc. It will also equip people for change with lifelong learning and will devise active labour market policies.

For the **consumers** it will take measures so that the positive effects of trade opening will benefit all consumers and are not captured by specific interest (but by all companies alike?).