

EUROCHAMBRES Position Paper 2007



The European Commission's "Global Europe: competing in the world" strategy

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Executive Summary

On October the 4th 2006, the European Commission (EC) adopted a new international trade strategy: “Global Europe: competing in the world”, with the aim of putting trade at the service of the European Union’s competitiveness.

EUROCHAMBRES welcomes this enhanced focus on the ‘external dimension’ of the Lisbon Agenda. The European Union (EU) contains some of the most open economies in the world, accounting for just about 7% of world population, but over 20% of global trade and almost half of foreign direct investment. This openness has been a major catalyst for growth over the last decades. The challenge for European business is to grasp the opportunities offered by the globalisation process and to minimise the risks from unfair trade practises or sheer protectionism. The EU has a central responsibility to make that happen.

EUROCHAMBRES also supports the proposed strategy to address both internal challenges, such as the completion of the internal market and the reform of the Community Customs Code, and external challenges, such as the conclusion of the Doha round, effective Intellectual Property Rights (IPR) enforcement and an enhanced market access strategy. It is only the combination of a well functioning internal market and a mature external policy that will make business succeed.

At the same time, EUROCHAMBRES is very much concerned with the looming signs of increased protectionism. Globalisation has been too often used as the cause for problems of development, environment and social unrest. It is urgent and important to develop a positive message around the positive impact which globalisation can have in these areas.

Along the same lines, EUROCHAMBRES is concerned with the possible disintegration of a transparent multilateral trading system. Although recognizing the potential of Free Trade Agreements (FTAs) to improve market access and trade rules, the proliferation of bilateral FTAs in many parts of the world creates a vicious competition with, ultimately, no winners. FTAs should by no means substitute the multilateral framework under WTO.

While welcoming the Global Europe communication, EUROCHAMBRES believes that more can be done to support European enterprises on the global marketplace. “Europe” should be better promoted and exploited, to the benefit of its companies and citizens. The present paper includes several proposals in this area of “economic diplomacy”.

It is clear that EUROCHAMBRES, through its network of 2,000 Chambers of Commerce and Industry, has a keen interest in making the Global Europe Agenda a reality. Every year, nearly 1 million companies in Europe are assisted by their Chambers to ‘go international’. This is done through a variety of instruments: seminars, workshops and training sessions, individual coaching and advice, information services, trade promotion and business cooperation programmes, etc. Close to 5,000 experts operate within the Chamber network, specialised on international trade. These resources and this knowledge must be shared, to the benefit of the European economy.



I) WTO – Doha Development Agenda¹ (DDA) negotiations

EUROCHAMBRES firmly believes that the WTO has correctly played, and must continue to play, a leading role in the development of the multilateral trade system. By liberalising world trade policies, improving market access and promoting a stable, transparent and internationally-accepted system of rules and instruments and a trade-dispute body, this institution has greatly contributed to world economic growth, development and employment during the last sixty years, for both developed and developing countries.

The suspension of the DDA talks in July 2006 has brought very serious concerns for the future of the negotiations and has even opened a debate about the WTO in itself, threatening thus the credibility and life of the multilateral trade system. EUROCHAMBRES totally supports the EC in its continued commitment to the WTO and in its intent to work hard to resume negotiations.

As a matter of fact, in a joint public statement together with other six associations², EUROCHAMBRES urged all WTO member governments to make their contribution to revive the DDA and conclude it successfully as soon as possible. This declaration explains the unique benefits that the WTO multilateral system provides, what are the gains associated with new WTO commitments, and emphasizes the need for urgent action. Moreover, this statement was complemented by over thirty-five support messages for the Doha Round coming from European Chief Executive Officers (CEOs)³. In effect, EUROCHAMBRES is definitely concerned about the small window of opportunity to reach agreements under the DDA due to the expiration of the United States of America (USA)’s Trade Promotion Authority (TPA) at the end of June 2007 although agrees with Mr. Pascal Lamy’s point of view that an eventual progress in such negotiations in the first semester of 2007 could foster the renewal of TPA and give an extra impetus to conclude it fruitfully.

Also, EUROCHAMBRES cannot accept the fact that the lack of consensus on agricultural issues –which is mainly on tariff cuts, domestic support and export subsidies–, is having such a hampering effect or even putting a brake on the entire negotiations. Finally and among many other important issues covered in the DDA negotiations, EUROCHAMBRES emphasizes the importance of achieving success on the field of *services, rules and trade facilitation*, sectors of continuing growth and so important for the global economy. Only to mention an aspect of trade facilitation, it is clear that rapid and smooth movement, release and clearance of goods and subsequent cheaper final prices imply concrete and practical wealth gains for business and consumers around the world.

II) Bilateral and Regional Free Trade Agreements (BTAs and RTAs)

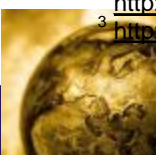
EUROCHAMBRES agrees with the EC approach which states that BTAs and RTAs are only a “second best” in terms of welfare pursued at international trade negotiations. In this sense, BTAs and RTAs represent not only a valid forum to discuss issues that are not dealt in the multilateral level but also provide a “test field” for new rules on, for instance, investment and services which constitute topics that are crucial for European companies.

However, while BTAs and RTAs can be helpful complements and/or contributions to the WTO multilateral trade system, they cannot, by no means, fully substitute it. For instance, if

¹ http://www.wto.org/english/thewto_e/minist_e/min01_e/mindecl_e.pdf

² http://www.eurochambres.eu/PDF/pdf_trade/070125-BusinessForDoha/Joint%20Declaration.pdf

³ http://www.eurochambres.eu/PDF/pdf_trade/070125-BusinessForDoha/Quotes%20of%20CEOs.pdf



the DDA was to collapse this year, one of the first consequences would be the aggravated proliferation of such FTAs as it happened in the past after the failure of Cancun in 2003. This would collide with the very important WTO non-discrimination principle and will, for example, multiply rules of origin which, in turn, will disincentive global business and affect especially European Small and Medium sized Enterprises (SMEs). Moreover, European countries would suffer from such “spaghetti bowl” system, but developing countries would lose even more.

Continuing its support on ongoing trade negotiations, EUROCHAMBRES concurs with the EC in the fact that *economic factors* should be the principal criteria in identifying future EU BTAs and RTAs with new partners, and among these factors they highlight the analysis of the new partners’ *market potential* (economic size and growth) and the *level of their domestic protection against EU exports of goods and services*. Furthermore, EUROCHAMBRES emphasizes the importance of not limiting these criteria to goods and services but also consider current and future flows of investment, mainly Foreign Direct Investment (FDI), which –by definition– has less of a volatile nature and rather more than a productive one and are at the foundations of economic growth.

EUROCHAMBRES welcomes the EC initiative of new competitiveness-driven and comprehensive FTAs which should include a new, ambitious model of EU investment agreement; the elimination on any quantitative import restrictions (such as quotas and licenses) and all forms of duties, taxes, charges and restrictions on EU exports; stronger IPR, competition and good governance provisions as well as labour and environmental protection standards; and simpler rules of origin. This will constitute an excellent scenario in terms of transparency, stability and predictability; factors which will highly encourage EU business.

Besides those two criteria, another reason put forward by the EC to justify FTAs with ASEAN, South Korea and MERCOSUR is the fact that they are active in concluding FTAs with EU competitors. It is important to ask ourselves if the EU is adopting these FTAs in order to avoid lagging behind the US or, on the contrary, because it is convinced that this is an efficient regional policy that will deliver tangible results in the foreseen future. EUROCHAMBRES would like to think that the second prevails and again warns about the costs of a race towards who will be the player that will sign more BTAs and/or RTAs, discouraging in that way all the efforts at the multilateral level.

Finally, EUROCHAMBRES wants to draw attention on the issue of EC resources, –human and financial–, which are necessary to cope with all these simultaneous negotiations. The message is that we must avoid sacrificing efficiency for quantity.

III) Transatlantic Trade and Competitiveness

The EC strategy proposes the strengthening of EU-US cooperation. EUROCHAMBRES agrees but wants to go further. In this sense, EUROCHAMBRES consents with Ms. Angela Merkel’s proposal of setting up a *transatlantic partnership* that will aim to a greater harmonisation on regulations which could add a boost to the already huge bilateral trade and investment flows. This partnership will deal, as preliminarily proposed, with patent laws, international financial markets, protection of IPR, regulatory barriers (e.g. technical standards and certification) and customs procedures; indeed, issues that our members are particularly concerned about.



However, there is a big difference between a partnership based on these particular topics and a *comprehensive bilateral EU-US trade/investment agreement* which EUROCHAMBRES is not currently in favour because this could deter us from the benefits of the WTO multilateral level. To sum up, removing concrete trade barriers and strengthening regulatory, financial and technological cooperation that aim to have –in the near future– common standards and rules, should be the key approach in this area.

Finally, EUROCHAMBRES is aware of the contribution Forums such as the Trans-Atlantic Business Dialogue (TABD) are making to raise awareness on key areas of concern to European businesses and argues for a larger participation of SMEs in these discussions.

IV) China

The EC has outlined a specific and comprehensive EU-China strategy: “Global Europe: EU-China Trade and Investment – Competition and Partnership” which EUROCHAMBRES welcomes. EUROCHAMBRES strongly supports the new Partnership and Cooperation Agreement (PCA) with China which will include a specific focus on trade and investment issues and will have as main objective to overcome some of China’s difficulties such as existing tariff barriers and tariff peaks; non-tariff barriers; an unopened governmental procurement market; policies that discriminate against foreign operators; the impossibility to set up fully-owned foreign enterprises due to high capital requirements; insufficient protection of IPR, loopholes and lack of effective law implementation and enforcement; an incomplete regulatory regime for the protection of the environment; and some unratified and unimplemented International Labour Organisation (ILO) conventions. Also, the PCA will address mutual recognition of geographical indications.

As far as the “priorities for action” are concerned:

- ü *A fair and robust trade policy* pushing for more Chinese market openness and focusing on a close monitoring of China’s implementation of its WTO accession obligations, including the elimination of prohibited subsidies. EUROCHAMBRES believes that defensive pressures in Europe will not stop –or even will continue growing– unless European companies do have reciprocal real, free and fair market access to China.
- ü *IPR enforcement and efficient implementation.* As it is already signalled in the proposals’ section of Chapter three of the Chambers’ Manifesto, EUROCHAMBRES is willing to collaborate with the EC in developing private-public partnerships to improve the protection of IPR in China as part of EUROCHAMBRES’ call upon policy makers and Chambers to work closer together in identifying the challenges and needs of European business on the global market. EUROCHAMBRES considers that this approach together with the harmonisation of Chinese legislation with that of Europe will help not only to lower the production and buying/selling in China of counterfeit and pirated goods but also their export to the EU and other markets.
- ü *Support for European companies, especially aiming SMEs* to get the most out of the business possibilities in the Chinese market. In line with its 2006 Chambers’ Manifesto, EUROCHAMBRES suggests the creation, as a mirror of the ‘EU Gateway to Japan’ Program, of a similar program to support European SMEs on the Chinese market. Such a program will offer a “constructive” alternative to the perceived threats of a growing trade deficit with China.



- ü *The strengthening of economic dialogues* in issues which have trade implications such as IPR, energy, the environment, agriculture, transport, customs, market access, macroeconomic and financial sector issues, regulatory and industrial policy, among others. EUROCHAMBRES favours the use of these dialogues before having resort to the WTO dispute settlement system.

V) IPR protection

There is a two-fold problem related to IPR. Firstly, the *economic problem* is palpable as EU companies of all sizes and from all sectors are losing large amounts of money from fake goods not only in issues such as trademarks and patents but also due to the fact that consumers prefer counterfeit goods rather than original ones due to their lower prices. All this explains why IPR protection and IPR enforcement is a key factor for promoting trade and investment in all economies. Secondly and more importantly, there is a *social edge*, as EU consumers could be facing a real health and safety threat. Examples such as counterfeit toys or baby milk can indeed put in danger people's life.

EUROCHAMBRES supports the EC's plan to tackle these issues through the strengthening of customs cooperation, the enforcement of existing agreements, further awareness' campaigns and implementation of concrete measures to support EU SMEs facing IPR issues abroad. However, EUROCHAMBRES would like topics such as online piracy (understood as concrete strategies to be developed to put a stop to the sale of counterfeit goods in the Internet) and capacity-building programs to toughen anti-piracy enforcement to be also put on the EC's radar.

VI) Renewed Market Access Strategy

EUROCHAMBRES welcomes and fully supports the EC intentions to enhance his Market Access Strategy (MAS). EUROCHAMBRES has encouraged its members to send directly their comments/answers to the questions rose up and has also submitted an institutional reply to this consultation. Furthermore, EUROCHAMBRES will continue participating in the design and implementation of the new MAS, which will result from the publication of a new MAS paper around April this year.

EUROCHAMBRES is convinced of the importance of tackling all kinds of trade barriers –tariff and/or non-tariff– in all EU's partners' markets and recognises the complexity and sensitivity of obstacles such as trade-restricting and/or distorting regulations and procedures. In this sense, EUROCHAMBRES fully agrees with the use of instruments such as mutual recognition agreements, international standardisation and regulatory dialogues as well as with the provision, where needed, of technical assistance in order to keep an open trading regime.

Acknowledging the difficulty and complexity of eliminating barriers, EUROCHAMBRES considers crucial to give priority to the removal of trade barriers in the EU's biggest trade partners and to focus within those countries in the sectors where the quantity of restrictions is the greatest. Moreover, EUROCHAMBRES supports the EC initiative of reinforcing the systematic cooperation with other non-EU countries in sharing information about trade barriers in a given third country. The most logical partner for that is the USA.



CCIs help local businesses on a daily basis in accessing non-EU countries' markets. In fact, all CCIs support companies with the organization and coordination of trade-missions, facilitate them export-financing mechanisms and instruments and provide them with all kind of information on foreign countries' investment climate, stability, tariffs and regulations. The Market Access Database (MADB) is thus an important instrument for them.

EUROCHAMBRES has actively contributed in promoting the MADB among their members and nowadays it is a tool that is widely and efficiently used. However, one of the main problems we were informed of is the lack of an efficient feedback system between the officials dealing with market access issues in the EC and the companies that report trade barriers on their exports. European companies, in many cases, complain about the fact that they inform the EC about these restrictions but there is no system in place in the EC not only to reply quickly to the eventual WTO violation of these restrictions but also to maintain those companies updated, especially on the actions to remove these barriers. In this sense, EUROCHAMBRES urges the EC to put the necessary efforts (human and financial) to try to build a truly efficient partnership between the users of the MADB and the EC.

Additionally, EUROCHAMBRES believes that the MADB should be better promoted, not only within European borders but also in third countries, especially in emerging ones. To reach this goal, EUROCHAMBRES suggests a re-launch of the MADB promotion campaign which was successfully implemented in 2002-2003 (which allowed MADB presentations to be integrated into existing international business events, organised by local Chambers of Commerce throughout the EU). The framework agreement between AL Invest III and the Export Help Desk is another good example of effective promotion, using existing networks and activities, rather than developing stand-alone efforts.

EUROCHAMBRES also considers important to incorporate not only the information regarding the BTAs and RTAs the EU is beginning to negotiate but also the information (Market Access Sectoral and Trade Barriers Database, and the Statistical Database) from emerging markets. Moreover, EUROCHAMBRES thinks there is also a need to improve the information regarding the services sector.

Clearly, the MADB is just one instrument to support European business on the global market place. To secure its effectiveness, this instrument should be integrated in other, related, policies and complemented with other initiatives.

- ü In particular, EUROCHAMBRES considers that there is a *need to enhance the internal coordination and communication between EC's services*: DG Trade, DG Relex, DG Enterprise and Industry, DG Taxation and Customs Union, DG Research, DG Agriculture and Rural Development, DG Competition, DG Development, EuropeAid, and others, which might have some kind of responsibility in market access issues. EUROCHAMBRES also encourages DG Trade to liaise with the Entrepreneurship Unit (E.1) of DG Enterprise and Industry, which currently conducts a benchmarking activity on effective internationalisation tools for SMEs. Furthermore, there should be a concrete exercise to clearly identify all these actors within the EC in order to bring them all together and try to build an internal wide and comprehensive work strategy. All this will be essential to secure coherence throughout EU external policies.
- ü Also, the competitiveness of European companies depends on appropriate policy choices by European decision makers both within Europe and internationally. That's why EUROCHAMBRES, having in mind the EU objectives of achieving more global presence abroad, favours a *more effective alliance between EU member states and the EC Delegations "on the ground"*; that is, in the main EU trade partners' markets.



- ü Moreover, European Chambers Abroad (ECA), being established rapidly around the globe, offer an excellent tool to act as a voice for European business around the world. EUROCHAMBRES is already engaged in supporting the work and profile of these ECA. In many cases they are the result of a common interest of the EU bilateral Chambers in a given third country, and in some other cases as a result of an EC initiative. EUROCHAMBRES recognizes the great potential that these ECA have in defending European businesses’ interests abroad but their efforts and actions lack –most of the time– of truly efficient planning and coordination. In this sense and in order to increase their visibility and effectiveness, EUROCHAMBRES encourages the *creation and development of a coherent and ambitious network of ECA* based on common criteria and objectives that should work hand in hand with both members’ states’ representations and EC delegations. In this sense, EUROCHAMBRES offers its expertise and help in shaping this strategy.

- ü As it is already known, in the past years we have witnessed the creation of several Business Councils all over the world. EUROCHAMBRES suggests a *re-organisation of the various business councils that exist*: the MERCOSUR-EU Business Forum (MEBF), the TABD, the European American Business Forum (EABF), to name a few, as some of them lack legitimacy and effectiveness. On the one hand, representative business organisations should be more systematically engaged in their work. On the other hand, there should be an organised link between the business councils and the relevant services of the EC.

- ü In addition, EUROCHAMBRES favours the EC initiative of improving its service to SMEs as they need specific services, attention and support in their internationalization efforts. Also, EUROCHAMBRES considers important that the EU design *programmes –based on existing models– which help European SMEs to enter difficult but promising markets*. No direct subsidies, but accompanying measures which increase their chances of success.

- ü Finally, EUROCHAMBRES strongly supports the launch of *European business delegations* that can come along with any high-level political missions in their trips abroad. A good opportunity to start this partnership could have been the recent visit to China from the European Commissioner for External Relations and European Neighbourhood Policy, Ms. Benita Ferrero-Waldner. Nowadays, this is a common practice for many countries, and the EU must not be the exception if we want more of a European voice, more visibility and an increased global presence.

VII) Public Procurement

The disparities between the EU and third countries in accessing to public procurement markets are perceived by the majority of European companies as unfair. Instruments that may induce third countries to pursue constructive negotiations with the EU to remediate these current imbalances and discriminatory practices are therefore to be considered favourably.

EUROCHAMBRES considers correct the application of the principle of *reciprocity* to the public procurement agreements’ negotiations. EUROCHAMBRES thus backs up the EC’s willingness to demand and obtain such reciprocity from its partners with the only exception, as stated, of poorer developing countries. But, EUROCHAMBRES points out, only with the condition of being Less Developing Countries. Furthermore, improving transparency in public procurement has to be taken into account as well as an important negotiation target.



Finally, EUROCHAMBRES considers important that countries with which the EU is negotiating and will negotiate BTAs and/or RTAs are encouraged to sign the WTO plurilateral Agreement on Government Procurement.

VIII) Review of Trade Defence Instruments

This topic is going to be elaborated in a separate EUROCHAMBRES' policy paper.

This position paper has been produced by EUROCHAMBRES, the Brussels based Association of European Chambers of Commerce and Industry.

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EUROCHAMBRES is the sole European body that serves the interests of every sector and every size of European business and the only one so close to business. EUROCHAMBRES represents 46 members (45 national associations of Chambers of Commerce and Industry and 1 Transnational Chamber Organisation), a European network of 2000 regional and local Chambers with over 19 million member companies. Chamber members employ over 120 million employees.

More information on EUROCHAMBRES:

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