

# EUROCHAMBRES Position Paper 2005



THE EXTERNAL ASPECTS OF THE  
LISBON PROCESS

June 2005

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## Background

Today, Europe is struggling to strengthen its competitiveness. 5 years after the Lisbon targets were launched, progress has been limited. To regain our competitive strength, we need to develop “internal” measures but also focus on the global environment: how can European SMEs compete in the globalised economy?

Meanwhile, EU level decision-making is likely to slow down if the proposed European Constitution is not adopted. It will be harder to reach agreement on the policies and actions which can make the EU more competitive.

The EU is one of the world's most open economies, accounting for just about 7% of the world's population but almost 20% of global imports and exports. In addition, the EU accounts for close to half of the world's FDI outflows and receives about a fourth of global FDI inflows.

The present paper outlines the various aspects of this external dimension: which are the key conditions on the world market for strengthening Europe's competitiveness? The first part addresses the global issues, in the second part we look into specific issues per region.

## Horizontal issues

The EU economy depends on market access throughout the world for its products, services and investment, as well imports of foreign products and services, and FDI inflows. On this basis, European companies are seeking a maximum of predictability and transparency in their trade/investment relationship with non-European actors.

At the multilateral level, EUROCHAMBRES firmly believes the World Trade Organization (WTO) has played, and continues to play, the leading role in the development of the multilateral trade system. By liberalising world trade and improving market access within the framework of a stable, transparent and internationally accepted system of rules and instruments, this institution and its predecessor GATT have greatly contributed towards fostering job creation, enhancing economic growth and development, increasing consumers' choice and developing international law and settlement of trade disputes.

For now, EUROCHAMBRES members support the EU in giving priority to completing the Doha Round, as long as results seem possible to achieve within a foreseeable period of time, and as long as the right balance between the interests of developing and developed countries is finally found. The multilateral trading system offers some important advantages to bilateral trade arrangements, such as globally comprehensive market access agreements, dispute settlement as well as rule-making/adapting.

Meanwhile, bilateral solutions in the interest of European enterprise should be examined on a case to case basis in order to reduce the competitive disadvantages these enterprises currently face. On certain issues, such as investment, the WTO is not likely to produce results anytime soon. In these cases, the EU should pursue alternative ways to advancing beneficial agreements.



Unfortunately, the hope of reaching a conclusion of the WTO Doha Round by the Hong Kong Ministerial in December is long gone, and negotiations will continue into 2006 and beyond. Indeed, it is particularly worrying that progress remains limited on some of the issues essential to the competitiveness of European companies, such as Services (GATS), Non-agricultural Market Access (NAMA) and Trade Facilitation.

## **Services**

EUROCHAMBRES supports gradually liberalising and facilitating international trade in services, as high quality systems providing services such as financing, insurance, accounting, telecommunications and transport are essential to the smooth running of the modern economy. European companies are among the most important providers of such services but are in many parts of the world prevented from providing them. In our view, many of the countries which today use restrictive practises towards these companies would greatly benefit from liberalisation.

In response to requests from the EU, other WTO members should commit themselves to further action to improve market access in a wide range of sectors. In addition, a substantive effort should be made to push forward negotiations on rules, on all modes of supply.

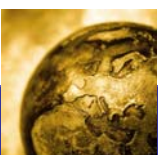
With the deadline for concluding the revised request-offer phase set to May this year, the quality and depth of what's on the table now is dramatically lacking in ambition. Political commitment appears particularly absent in many of the more developed developing countries. The EU must continue to urge other WTO members to improve their offers in the WTO. Meanwhile, bilateral approaches must be considered on a continuous basis.

## **Market Access: cutting tariffs and non-tariff barriers (NTBs)**

Reducing tariffs and NTBs was the key issue under GATT and remains essential in the Doha Round. Yet, progress on Non-Agricultural Market Access (NAMA) has to a large extent been hindered by a reluctance of many WTO members to move on this issue until the level of ambition on agriculture becomes clearer. As a result, the framework agreement on NAMA in the July package is much less specific than the agriculture text. Yet, in the wake of the developments on the agriculture dossier at the 'mini-ministerial' in Paris in May, NAMA must now become a key priority for all members.

The elimination and reduction of peak and high tariffs by all WTO members should be one of the essential objectives under this chapter. It should also be possible to eliminate very low, so-called nuisance-tariffs and to increase the percentage of bound tariffs. These and other measures will contribute to harmonising different tariff systems in structure as well as in tariff levels. Lowering tariffs by a non-linear formula, with inbuilt flexibility for the LDCs in particular, is the logical approach to achieving real results on tariff cuts.

The negotiations covering NTBs are unfortunately lagging behind NAMA discussions. This is a great concern to the European business community as the reduction of NTBs in many cases would outweigh the effect of tariff cuts. Moreover, companies are continuously facing new NTBs and it is therefore paramount that the EU develops a more clear strategy on how to deal with them, both multilaterally and bilaterally.

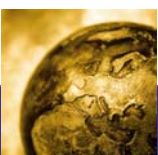


## Trade Facilitation

EUROCHAMBRES regrets that this is the only remaining of the so-called Singapore-issues on the Doha Round agenda. Yet, as Chambers of Commerce have significant involvement in and experience from the simplification and harmonization of international trade procedures, we were pleased to see Trade Facilitation still on the negotiation table after the July meeting. We urge the EU to push for an ambitious agreement in this area.

The most important existing provisions regarding Trade Facilitation in the WTO (GATT articles V, VIII and X) are partly out-dated and also non-binding. EUROCHAMBRES believes the July agreement provides significant scope for improving these provisions, in addition to enhancing co-operation between bodies working on Trade Facilitation issues. Progress needs to be made on the following in particular:

- **Make procedures more transparent:** More transparent and predictable procedures, rules and practices will make it easier for companies to make a realistic assessment of entering and operating in a market, and to plan their operations better. It will also help authorities become more efficient, by revealing cost and benefits of existing and new practises. Transparent laws and regulations, which should be made available to business operators, will also help countries attract more business and investment. Finally, improving transparency is probably the least costly of all initiatives within the Trade Facilitation work programme.
- **Simplify procedures:** In many countries existing border procedures are unnecessarily cumbersome. Simplifying these holds significant benefits both for business and governments. For companies, requirements such as providing the same documentation to numerous agencies in one country add to costs. Meanwhile, authorities often have significant scope for operating in a more efficient manner and for achieving their objectives by simplifying and targeting their procedures.
- **Use best practise:** Numerous countries have made substantial progress in reforming trade procedures and although there is not necessarily a common approach to be applied universally, there are already many established practices which could usefully be adopted elsewhere. Standardisation (e.g. standardised forms and data elements), and the introduction of electronic procedures where possible, has substantially increased efficiency in many countries. Risk-management techniques in customs operations and various systems of authorized traders are other examples. Finally, there is little doubt that co-operation between different agencies can be improved in many cases and 'one-stop-shop' entry points, with all relevant information, could be established for traders. Both the private and public sector needs to be involved in targeted and well-coordinated efforts to improve countries' capacity to adopt these measures.



## **Investment**

Investment flows are an increasingly important element of globalization and are in many cases more significant than trade flows. EUROCHAMBRES supported the EU in its efforts to negotiate an undiscriminating and transparent investment agreement within the Doha Round, but this proved too ambitious in Cancun. Nevertheless, the EU should continue developing the issue within the WTO, but particularly on a bilaterally/regional basis as a multilateral agreement on this important issue is very unlikely for the foreseeable future. An investment agreement is especially important for European SMEs, which do not have political leverage in foreign markets. Eurochambres points out that no flexible multilateral agreement should be sought since flexibility under the GATS scheme has already shown its limits.

Meanwhile, it is essential that more efforts are made to attract foreign investment to the EU, and that more is done to stimulate intra-EU investment. On this issue EUROCHAMBRES has repeatedly called for further developing the internal market, e.g. on services, and by ensuring business friendly regulation through impact assessments and wide-reaching consultations.

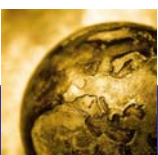
## **Intellectual Property Rights (IPR)**

Rule-making on, and the enforcement of, IPR is essential in the knowledge based economy. European companies of all sizes and in all sectors are already losing large amounts from counterfeiting and piracy (e.g. infringements of trade marks, patents). The substantial seizures of goods by European customs authorities (worth more than 2bn € on the legal EU market in 2002) is probably only a fraction of the amounts that do cross our borders, something which hurts not only European companies but also constitute a health and safety threat to European consumers. The WTO TRIPS agreement already provides a foundation for IPR protection but enforcement is severely lacking in many parts of the world. The EU therefore needs to continue urging other WTO members to deal with the issue and to cooperate with the European business community on finding solutions to this serious problem.

## **European Chambers Abroad**

The competitiveness of European companies depends on appropriate policy choices by European decision makers both within Europe and internationally. To make these choices they need input from business intermediary organization with local market knowledge. Some European Chambers of Commerce have long been fulfilling this function through bilateral Chamber networks throughout the world, and is continuing to provide essential support for European companies abroad.

In addition to the bilateral Chamber network however, we are now seeing the emergence of European Chambers abroad. These should be a grouping of the European bilateral Chambers of Commerce in a given country, representing the European business interest. EUROCHAMBRES believes these structures will hold an increasingly important role in improving the competitiveness of European companies and should therefore be strengthened. Clearly, there is a growing need for concerted efforts to promote EU business internationally.



## Regional focus

### United States:

The US is by far the most important trade and investment partner of the EU. EUROCHAMBRES therefore closely monitors this relationship and co-operates with its counterpart, the US Chamber of Commerce, to highlight problems faced by the transatlantic business community, e.g. through an annual survey on barriers to transatlantic trade and investment.

Despite the tremendous volume of transatlantic trade and investment, and the fact that tariffs have been greatly reduced, there are still many obstacles in place. EUROCHAMBRES members are particularly concerned about regulatory barriers (e.g. technical standards and certification), cumbersome customs procedures and legal liabilities.

In response to these problems EUROCHAMBRES is calling for regulatory relief and harmonisation. This is happening to some extent through various sectorial working groups but should be intensified. Moreover, other structures such as the Trans-Atlantic Business Dialogue (TABD) make a contribution to raising awareness on key areas of concern to European business. In these groups it is essential that the voice of SMEs, as the back-bone of the transatlantic economy, is heard. The recent European Commission proposals to strengthen transatlantic regulatory co-operation are a step in the right direction.

EUROCHAMBRES does not, for the time being, support a comprehensive bilateral EU-US trade/investment agreement due to possible adverse effects on the multilateral trading system. However, it is becoming increasingly urgent to find 'bilateral' ways of dealing with issues such as transatlantic trade/investment disputes outside the WTO.

European enterprises problems in the US market could be dealt with on a more rapid and efficient basis. European companies facing concrete problems in the US currently go through an often time-consuming process in approaching the relevant authorities for assistance. The establishment of a one-stop-shop for European enterprises meeting trade barriers, as well as more efficient and faster procedures within the European Commission (in Brussels and in specific cases in EU-delegations) and between the EU and third countries where trade barriers are met, would be appreciated. Immediate and coordinated efforts of such an entity could go some way to solve some cases more quickly. Overall, removing concrete trade barriers and strengthening regulatory cooperation should be the key focus in this area.

### Asia

European companies face a wide variety of difficulties when trading and investing in Asia, and both market access and various regulatory issues remain problematic in many cases. Moreover, the competitiveness of European companies is severely hampered by the patchy, and often inexistent, enforcement of intellectual property rights in many Asian countries. Other examples include opaque and inconsistent government procurement and customs procedures.

EUROCHAMBRES closely follows many of these policy issues but is also involved in enhancing the competitiveness of European companies in Asia at a more practical level.



Since 1994, Eurochambres has implemented the European Commission initiated EU-Gateway to Japan programme, which supports EU exports to Japan in specific sectors with high potential for EU SMEs. The programme has given us a deep insight into what European SMEs need when entering the Japanese market.

Other Eurochambres' initiatives in Asia are the capacity building and networking activities carried out by Eurochambres for Asian Chambers and representative business organisations. The ASEAN Academy organised in 2004 and a SAARC Academy envisaged in 2005, co-financed by Asia Invest

The Asian continent, in all its diversity, offers a wealth of opportunities which remain insufficiently exploited by European SMEs. "Europe" is a trademark that should be better used throughout the region.

### **Latin America:**

After a surge in inward FDI throughout the 1990s FDI inflows have fallen dramatically for four consecutive years since 2000. Yet, Latin America remains an important trade and investment partner and the relationship bears great potential. For now however, European companies continue to face both tariffs and NTBs in many Latin American countries. Moreover, political and economic instability, or the perception of instability, creates a difficult investment environment, not least for medium-sized European firms.

EUROCHAMBRES strongly supports regional integration in Latin America and favours the development of an ambitious EU-Mercosur FTA. An agreement could go some way to reduce the problems noted above and improve market access for companies on both sides. As long as there is scope for a Mercosur agreement, the EU should not venture into more bilateral trade agreements in Latin America.

EUROCHAMBRES has for a long time been involved in enhancing EU-Latin American business relations, especially since the ATLAS programme in 2001-2003, and currently as the Executive Office of AL-Invest III, the largest EC multi-component programme supporting economic cooperation between EU and LA. In addition, AICO ([Ibero-American Association of Chambers of Commerce](#)) and AILA ([Asociacion Industrial Latino-Americana](#)), as well as other regional associations (i.e. Mercosur Chambers), are regular partners of most Eurochambres' initiatives in LA, including joint policy actions. They are also active members of the EUROCHAMBRES initiated Global Chamber Platform.

### **Western Balkans:**

The EU is the most important trade and investment partner to the Western Balkan countries. Business relations are expanding but the region's economic potential remains underdeveloped, despite a range of bilateral agreements facilitating trade and investment. Significant efforts are needed to facilitate the integration process with the EU: institution building but also "confidence" building on both sides.

Countries with confirmed candidate-country-status should be given full support for an effective transposition, implementation and understanding of the Acquis Communautaire.

EUROCHAMBRES is currently co-ordinating the PARTNERS Capacity Building project (CARDS 2003) in the area of intra-regional trade and international trade services. The main objectives are to reinforce the capacity of the national and regional Chambers in Western Balkan countries so as to enable them to actively promote intra-regional trade and co-



operation. The programme helps them take up a leadership role in promoting local development and attracting investments as well as supporting increased participation of local companies in the EU single market and in the world economy. The development of strong active chambers representing business is also an important factor for building democracy and fighting corruption.

### **New neighbours CIS:**

The CIS countries represent a mixed group as regards level of economic development, and European companies have a wide range of problems to deal with in this region. Overall, EUROCHAMBRES believes efforts to improve business relations should focus on dismantling regulatory (administrative) barriers to trade, simplifying customs procedures and fighting corruption. Regulatory barriers include mainly technical standards and certification. Barriers connected to customs procedures include incoherent implementation of existing rules in different border-crossing points, costly customs documents and corruption within customs offices. Finally, widespread corruption should be addressed as an obstacle for wider economic cooperation with CIS countries.

Maintaining the Generalized System of Preferences and technical assistance through TACIS should be the key components of the new Neighbour Policy towards CIS to further support institutional and administrative reforms. Furthermore, the new policy should focus more on facilitating the movement of persons between the EU and CIS. The procedures concerning travelling from the CIS countries to the EU and in the opposite direction should not constitute obstacles to free contact and cooperation.

EUROCHAMBERS follows the development in this region and have previously (2004) conducted a survey on barriers to EU-Russia trade and investment. This year we will issue a survey on the CIS countries' state of CIS companies' competitiveness as well as a position paper on the EU New Neighbourhood policy.

### **New neighbours Mediterranean:**

The European trade and investment relationship with the New Neighbours Mediterranean countries is still, for the most part, relatively limited. On average tariffs remain high (17.5%), there are extensive NTBs (e.g. quotas, regulation, customs and government procurement procedures), insufficient incentives to attract FDI (lack of qualified workforce and limited infrastructure) and generally a high level of bureaucracy. EUROCHAMBRES supports efforts to accelerate barrier reduction and gradually move towards a free trade area as set out in the Barcelona process.

However, it is high time to re-intensify the Barcelona Process considering that the inadequate initiatives during the last years weigh heavily on the future of Euromed relations and questions the willingness and the capability of European Union to carry through this project. It is not sure that the bilateral-based European Neighbourhood Policy (ENP) will be able to re-initiate this multilateral approach. This ENP / Barcelona Process is viable if and only if this last process is reinforced by new multilateral projects such as a Euro-Mediterranean market of services, the creation of a Euro-Mediterranean mechanism of guarantee for political and commercial risks, etc.

EUROCHAMBRES is implementing a series of capacity-building programmes within the Mediterranean, both regionally (ARCHIMEDES, 1999-2001) and bilaterally (TURKEY –



TCDP, EGYPT – EBIS), thus trying to build bridges between the EU and Mediterranean business communities. EUROCHAMBRES is also taking part in the work programme (2005-2006) of the EURO-MED Industrial Co-operation, based on the key role played by business support institutions in the development of the enterprise sector, as stated by the EURO-MED Charter for Enterprise.

### **Africa – Caribbean – Pacific (ACP):**

The EU's trade and investment relationship with the ACP region is limited to relatively few sectors and countries (9 out of 79 countries account for 60% of EU imports with Africa accounting for about 86% of total EU-ACP trade). European companies seeking to enter the ACP markets face a wide range of obstacles. EUROCHAMBRES believes considerable efforts must be put into good governance, regional economic integration, reliable legal and judiciary structures, customs procedures, regulatory barriers.

EUROCHAMBRES considers the development of Economic Partnerships Agreements (EPAs) to be important in enhancing economic relations between the EU and ACP countries. The implementation of EPAs should take into consideration comprehensively the respective impact on regional integration and existing agreements e.g. SADC, EAC, COMESA etc. The efforts to foster regional integration as an integral part of strengthening regional economic growth and thereby foster international competitiveness should be in coherence with the EPAs. Efforts to encourage viable private companies with exporting ability in LDC countries should also be an important element in EU and member states development programmes.

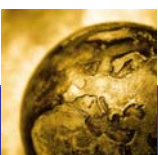
#### **NOTE**

#### **EUROCHAMBRES' Global Chamber Platform**

To co-ordinate its extensive network of international relations and activities, EUROCHAMBRES created in 2002 the Global Chamber Platform (GCP).

Members of the Platform currently include:

- ACP Chambers of Commerce and Industry
- Asociación Industrial Latino-Americana (AILA)
- Association of Mediterranean Chambers of Commerce and Industry (ASCAME)
- Caribbean Association of Industry and Commerce (CAIC)
- China Chamber of International Commerce (CCOIC) – China Council for Promotion of International Trade (CCPIT)
- Confederation of Asia-Pacific Chambers of Commerce and Industry (CACCI)
- EUROCHAMBRES
- Federation of GCC Chambers (FGCCC)
- Federation of Indian Chambers of Commerce and Industry (FICCI)
- Ibero-American Association of Chambers of Commerce (AICO)
- Iran Chamber of Commerce, Industries and Mines
- Junior Chamber International (JCI)
- Chamber of Commerce and Industry of the Russian Federation
- SAARC Chambers of Commerce and Industry
  
- The US Chamber of Commerce is an observer in the GCP.



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 has member organisations in 44 countries representing a network of 2000 regional and local Chambers with over 18 million member companies. Chamber members employ over 120 million employees.

More information on EUROCHAMBRES:  
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