

TRADE AND COMPETITIVENESS

Brussels, 8 March 2006

Lead Participants: Gaspar Frontini, Head of Unit H3, Vincent Aussilloux, H3, Edouard Bourcieu, D2

This meeting was part of a broad consultation exercise launched by DG Trade further to the release of an issue paper on the external aspects of competitiveness. The aim of this paper was to show how trade policy could contribute to competitiveness and which policy levers should be used to maximise this contribution. It would lead to a Commission Communication on the external aspects of competitiveness. The aim of this Communication would be to set out the actual and potential contribution of EU trade policy to the EU's Growth and Jobs Strategy. At the same time, it would be a framework for new initiatives.

Discussion highlights :

WWF : The paper was stressing the importance of quick development for developing countries. But on the other hand, there was still a traditional concern about the impact of the reduction of the trade barriers for these countries. Would it be possible to make a clearer link between these two points in the coming Communication?

Reply: These aspects were being addressed by the Commission under the DDA and Sustainable Development actions. In this paper, the kind of markets looked at were rapidly growing economies.

WWF also mentioned that despite EU efficient management of resources, EU industries were relying a lot on import of non renewable resources. It called for a reflection on resources efficiency particularly for those sectors in order to maintain our competitiveness.

Reply: WWF marked a point here and COM would better reflect on it.

Eurocommerce insisted on the balance between industries and retailers in this type of analysis. They had the impression that often the retail sector was not properly looked at.

Reply: this message had come across from other consultations and COM would put an emphasis on it.

In addition, Eurocommerce reminded that competitiveness was closely linked with timing. For instance, it was important that trade policy decisions and their implementation be announced well in advance otherwise trade actors would end up with problems like the ones of last year with textiles from China blocked in ports. It would be important that information was published well in advance of the entry into force of GSP agreements. **The Liaison Group of the European mechanical, electrical, electronic and metalworking industries** expressed the same concern for the small and medium enterprises.

Reply: It was true that there was room for more anticipation, but in some circumstances, one needed to be quick in deciding and implementing new trade policies.

CIAA expressed several concerns after reading the reports and had already sent them in writing to COM. Among these:

- The analysis on food and drinks was over optimistic: currently, the sector had a strong know-how capacity, but the sector was lacking behind with regard to research and development due to an insufficient profit to invest in it. This would have an impact on competitiveness in the future.
- CIAA would welcome an action to remove some non trade barriers, like SPS and food regulatory issues which create numerous problems for the food sector.
- The paper should have looked better at the loss of market share in the emerging economies. The paper focused too much on comparison with the US.

Reply: COM thanked CIAA for their detailed contribution and informed that they would integrate some of their comments in the analysis. COM specified that the comparison of EU performance had been done mainly with the US and Japan but that it was clear in the paper that emerging countries were key targets.

Breiz Europe

In the food sector, Europe had established quite high standards which had an impact on our competitiveness. If protection at borders were to be reduced, it would influence our economies. This had to be taken into account when discussing competitiveness in this sector.

Reply: COM reminded that this was the reason precisely why the Commissioner Group on competitiveness had been created. In addition, each new COM proposal had to go through an impact assessment, looking, among other things, at competitiveness.

MEDEF asked whether, in the public procurement area, COM was thinking of setting up a Small Business Act like in the US. If this rumour was true that would mean a distortion of the competition rules. MEDEF also criticised the COM for not supporting the US on the IPR action in TRIPS.

Reply: COM stressed that in the public procurement area, the EU was in a difficult situation to negotiate with partners countries because our markets were much more open. The idea that recently had come up was to see whether an instrument could be developed in order to motivate countries to negotiate reciprocal openness. The idea was not to set up a Small Business Act reserving part of the market to SMEs but above all to open markets abroad. COM also replied that COM could not support the US because the timing was not appropriate as COM had just announced an IPR working group with China. The Commission would prepare in late spring a Communication on EU-China trade and economic relations.

EURATEX insisted that the main issue in fact were the non tariff barriers because their numbers were increasing constantly. Trade facilitation was key. What were the means available to enforce third countries to respect their commitments? Enterprises did not have time to wait for dispute settlement.

Reply: NTB were indeed an essential problem which unfortunately might not be sufficiently addressed within WTO. It would have to be addressed through other types of negotiations.

Organim suggested that DG Trade should look at what DG TAXUD was currently doing. Apparently there were new procedures imposed for exports which could have a negative impact on competitiveness.

Reply: The Commission undertook to contact DG TAXUD in this regard.

FOEE, WWF and Action Aid raised several questions on the sustainable development and the lack of development dimension of the paper.

Reply: it was reminded that this paper did not aim to address specifically these issues. They were mentioned when there was a direct link with competitiveness.

ACTION POINTS FOR THE COMMISSION

- to reflect on how to integrate the aspect of resource efficacy in the future Commission communication;
- to inform relevant units of the need to make known well in advance GSP agreements before they enter into force;
- to check the new procedures being introduced by DG TAXUD in as far as they do not have a negative effect on competitiveness

ACTION POINT FOR CIVIL SOCIETY

- to send in any further comments to Mr G. Frontini, Head of Unit H.3 – Trade Analysis

NEXT STEPS

The Commission would start the drafting of the Communication which would describe the framework of trade competitiveness and would open way for future actions (i.e. on procurement, IPR, bilateral and multilateral negotiations, coordination of trade impacts, etc.). The timetable was not fully set, but the Communication should be ready before the summer break.