

Openness, trade and the European Union

Speech by Peter Mandelson at the Chambre de Commerce et de l'Industrie

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It's a pleasure to be here today – this is interesting time for France and for Europe. Sense of an exciting new start here in France with your new President – and in Britain, too, of course – and therefore for Europe. With treaty agreement at European Council last week – and I pay tribute to Germany's leadership – there is a real chance for Europe to be back on track.

I want to offer some reflections on managing globalisation based on my experience as European Trade Commissioner – and on my experience of working in a national Government at a time of change and of huge public expectation. I speak as a politician, not a bureaucrat – in politics all my adult life which, if I may say, has hardly made me “naïve”.

I want to make three points.

First about openness – its benefits and its limits. Second, about the particular role of the EU in managing globalisation. Third, about the role of trade policy.

Openness

Why do I believe in openness to the global economy? Because we are biggest exporters in the world – we live by openness. Because we would not maintain the dynamism of our economy any other way. And because openness to ideas, to other cultures and people is the basis of a vibrant, creative society. Largely, these things go together.

The vigorous political debate today - in all corners of the world including here in France - about openness is not surprising. Globalisation is creating a pace and depth of change that generates great insecurity. It is tempting to wonder – can we shelter, can we reduce its impact, can we reduce the competition we face from these suddenly emerging economies?

But these very questions cause us to slip into the assumption that globalisation is a bad thing.

Globalisation is creating wealth in Europe. It is bringing people out of poverty, here and in developing countries.

This is opportunity on an unprecedented scale. If you believe that people in the developing world should not be denied the same opportunities we have had, we should welcome the chance for others to trade into our vast marketplace. And as these economies grow, of course, these new markets become critical to our own future trade, growth and prosperity.

But globalisation cannot be left to look after itself. Trade and competition are not an end in themselves – they are a means to be harnessed to make us better off. And people rightly demand intervention to help individuals, businesses and communities adjust to the unprecedented economic change that is driven by trade and competition.

We see inequality growing as the returns to capital outstrip the returns to labour. Patterns of employment are shifting rapidly. People are on the move leading to concerns about

immigration, in France and elsewhere. These conditions demand a coherent response from political leaders. If not, they will stimulate incoherent responses from people with extreme views.

The answer is not to pretend that we can – or should – stop change. People in Europe know what is going on in the world. However much it may scare them, they do not want promises which cannot be kept about blocking, still less about reversing, change.

But nor do they want to hear that globalisation is an unstoppable force that we must simply accept. It is not. Whether globalisation is sustainable will be determined not by economics, but by politics. The job of today's political leaders is to set out a positive politics of globalisation. We must reject the notion that the only politics of globalisation is to retreat or hide. We can do neither, as I believe the new French government recognises.

That means restoring confidence to our citizens, explaining how we can secure our values and interests in the global age. It is that need to restore confidence which all the governments of Europe need to address.

It means protecting individual workers rather than individual jobs. Equipping people to draw the best from globalisation, through strong, modern welfare systems, progressive taxation and active labour market policies. Working on new policies for the future rather than falling back on unsuccessful policies of the past. Investing in industry not to stagnate but to innovate.

This is the sort of protection people need and desire. But it should not be confused with protectionism, which in the long run helps nobody. As we reform at home, we should be activist abroad. Opening others' markets to our goods. Insisting on reciprocity. We need reciprocal openness: not reciprocal barriers.

And as we reform at home, let's recognise it is not sustainable to blame outsiders – "Brussels" – for forcing reform on unwilling governments. Reform is justified on its own merits. It is equally not sustainable to pursue ambitious reform at home while arguing for protection from fair competition abroad – as if being tough with foreigners provides cover for change at home. Of course, unfair competition from abroad is another matter.

The European Union

Let me relate this to the European Union. The EU is about using our continental strength to shape the world, using our collective weight to match that of other powers in the 21st century, in ways we simply could not hope to do by acting alone.

In an age of global challenges and continental powers, the case for joint action by countries sharing a common history, common values and interests is self-evident. No one can seriously contend that individual European countries, acting alone, can tackle climate change, migration, poverty reduction or defend their trade interests with the United States or China.

Yet, at the very moment when unity is most needed, paradoxically, public reactions to change across Europe risk driving the countries of Europe apart, not together.

On one extreme are those who reject the EU because it is not stopping change, people who claim that Europe is not defending their interests in a globalised world. They see it increasingly as a Trojan horse for globalisation.

On the other are those who say the EU is obsolete in the global age – inflexible and unwieldy, they say, it is an *obstacle* to countries seizing the opportunities of change rather than the very *platform* they need to do so. I am afraid you find a good number of the latter in Britain, particularly in parts of the press. And you find a good number of the former here in France.

That is why the agreement reached at the European Council last week was so important. It showed that despite the difficulties, European governments can come together to reach an agreement in the interests of Europe as a whole. That despite the political problems in many member states, Europe's leaders share a fundamental conviction that they can only act effectively by acting together – and that they need strong, efficient-working, common institutions to do so.

Some, I know, see these institutions as an interfering and rigid bureaucracy. But all our experience shows us that intergovernmental power politics alone are not a sustainable basis for co-operation. The EU's institutions are the glue that binds us together – through bad times as well as good. They enforce the rules that Member States set. If our institutions and rules were weakened, Europe would be weakened. That was the insight of the founding fathers. And it remains true today. People may not love the institutions of the EU – institutions are not lovable things. But they are an essential part of the European project.

They have created the most significant achievement of the EU – the single market - adding over 2% of GDP to the EU and nearly three million jobs since the beginning of the 1990s. And remember that it is the basic rules of the single market which have allowed European integration to progress in a wide variety of areas, not only economic, but social and environmental too. It is the rules of the single market which give us the foundation to export our rules and standards around the world – an increasingly important part of my job as trade commissioner. In short, no single market, no European project and no **Europe puissance**.

Competition policy is an essential part this. Competition should indeed not be some sort of dogma or religion. But nor is it a dirty word. Competition has helped make Europe rich and France one of the most productive economies in Europe. Competition is how we keep our markets efficient and dynamic; keep prices low for consumers and maintain innovation. Competition is a source of creativity. Without it, our economies would stagnate.

Trade policy

This guides my approach to Europe's trade policy. Openness to competition is good for Europe. And it is good for the rest of the world. But our openness is not without conditions.

Openness can only function on the basis of a fair level of reciprocity from our major trading partners in the developed and emerging economies. Otherwise I cannot sustain the case for openness in Europe.

Let me be clear about this. I recognise that countries like China and India face huge development challenges. Hundreds of millions of people live in abject poverty in these export powerhouses. That is why we accept that they may need to open more slowly and carefully than developed countries. But they are benefiting hugely from a predictable, open trading system. They have increasing obligations to share the responsibilities of openness.

In too many major emerging economies, the state is so much in the business of business, interfering so much in a wide range of so-called "strategic" sectors, that our products and services are kept out or theirs are given an unfair advantage. Not only does this distort their economies and so, in the long-term, weaken them. It is a level of unfair competition which we cannot accept. This is one of the main motivations behind the new, *Global Europe*, trade

policy strategy I set out at the end of last year, setting an agenda for market opening and for defending European innovation around the world.

These are the principles – of openness, development and positive reciprocity – that have guided the EU's approach to the WTO Doha negotiations. I am disappointed that the talks between the EU, US, India and Brazil broke down last week in Potsdam. If Doha fails, it would be a huge missed opportunity for the world – and for the EU, as the world's biggest exporter.

I know some have doubts about the WTO. But like the binding rules of the EU, the WTO is the only guarantee we have of a rules-based trading system – applying fair trade rules to all. It is the most effective way we have of managing globalisation at the international level – in good times and in bad. As Pascal Lamy has said, it is the cheapest insurance policy available to us for the bad times – which, at some point, will come.

That is why I have worked and continue to work so hard for a WTO deal: because I believe there are real risks for Europe, and the world, if these talks don't come to a definitive end. I am working for a deal that is reasonable and realistic. That is the basis of positive reciprocity. There is no question of the EU accepting an unreasonable outcome or paying beyond what we have all agreed we can pay in agricultural reform - whatever some may think or at least say.

I am more hardheaded about this than anyone else. After all, my job depends on it.

Conclusion

The threads of openness, domestic economic reform, fair competition and trade policy are intertwined. In the 21st century we face huge challenges of the global economy, of global warming and global poverty. The European Commission, within the policy framework set by the member states, is equipping Europe with the instruments and policies to respond to these challenges. The Commission is not the master of the member states, imposing change against their wishes. Its job is to help member states co-operate in their common interest – and to ensure that the rules they set are then respected. For Europe to work, we need member states to know what they want, to act consistently and in collaboration with the Commission. Of course there will be differences of view. No member state has a monopoly of wisdom. No individual member of the Commission has a monopoly either. We must work with, and learn from, each other.