

Public Consultation on a future trade policy

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Following the 'Europe 2020' paper adopted by the European Commission on 3 March 2010, the European Commission is now launching a broad public consultation on the future direction of EU trade policy.

This 'issues paper' is intended to set the scene for this consultation exercise. The Commission's intention is to set out its policy during autumn 2010, explaining how trade policy can help achieve the objectives of the 'Europe 2020' Strategy.

The purpose of this issues paper is to launch a public consultation to gather views from relevant stakeholders regarding the rationale, scope and strategic objectives for a future EU trade policy. The document raises a number of issues that are at the heart of the debate on EU's trade policy. Existing European Community/European Union policy frameworks, where available, are referred to in the text, as appropriate.¹ This issues paper will be published on the Commission's website (<http://ec.europa.eu/yourvoice/>). The consultation will run from 2 June 2010 to 28 July and is open to all stakeholders within the EU and in third countries. Individuals, organisations and countries that wish to participate in the consultation process are invited to send their contributions, in the form of answers to some or all of the questions asked in the paper and/or as general comments on the issues raised in it.

The Commission services will prepare a report on the Consultation which will be published on DG TRADE's website. This report will provide a consolidated and anonymous analysis of input received through the public consultation and give an indication of how the Commission will take them into account preparing its future proposal to the Parliament and Council.

Due to the importance of ensuring that our public consultation is open and transparent DG TRADE has decided that all contributions will be made public on our website, unless respondents do not wish so (See question 21). The consolidated report will similarly include a list of the names of all the organisations from whom we have received contributions to this process.

Go to the [online questionnaire](#)

Contributions to and enquiries about the consultation should be sent to: trade-public-consultation@ec.europa.eu. Or to: European Commission, DG TRADE, Unit A2, B-1049 Brussels, Belgium.

¹ On issues where no agreed European positions exist, the paper proposes points for discussion and exchanges of views.

1. Introduction

The Lisbon Treaty clearly considers EU trade policy as an integral part of the Union's overall external action – and therefore it must address development, environmental and social objectives as well as contributing to the other objectives set out in the Treaty on the European Union:

Question 1: Now that the new Lisbon Treaty has entered into force, how can we best ensure that our future trade policy is coherent with the EU's external action as a whole and notably in relation to the EU's neighbouring countries?

The principal focus is stimulating growth, creating jobs and increasing prosperity for EU citizens. On 3 March 2010, the European Commission launched the Europe 2020 strategy which sets out a blueprint for achieving and securing smart, sustainable and inclusive growth. The Europe 2020 strategy acknowledges the important role that trade has to play in ensuring these ambitious objectives.²

Over recent decades, the EU's prosperity has to a large extent been built on the internal market, economic integration between the Member States and open markets at home and abroad for trade and investment. Between 1992 and 2006, the single market added 2.15% to the EU's GDP and accounted for 2.75 million extra jobs. The 2008 Competitiveness Report found that if internal trade within EU were to cease, average productivity would be down by 13%.³

When the economic crisis erupted in 2008, growth, employment and trade all suffered. Now, the need to contain government deficits may slow down growth and job creation over the coming years. A main Europe 2020 policy objective is to use structural reform policies to restart growth and job creation in the EU, in parallel with budgetary austerity.

However, Europe's prosperity is not only linked to its (open) internal market but also to the markets of other countries and regions, many of which enjoy much faster economic growth. Current forecasts suggest that by 2025, the volume of trade could double compared with 2005, with a bigger share of exports coming from emerging market economies (more than 30% as against 20% in 2005). The EU may no longer be the world's largest exporter.

² The Europe 2020 Strategy puts forward three mutually reinforcing priorities - 1) Smart growth: developing an economy based on knowledge and innovation, 2) Sustainable growth: promoting a more resource efficient, greener and more competitive economy and 3) Inclusive growth: fostering a high-employment economy delivering social and territorial cohesion. It can be found at

<http://ec.europa.eu/eu2020/pdf/COMPLET%20EN%20BARROSO%20%20%20007%20-%20Europe%202020%20-%20EN%20version.pdf>

³

http://ec.europa.eu/enterprise/newsroom/cf/document.cfm?action=display&doc_id=4057&userservice_id=1&request.id=0

In today's global economy, production will increasingly be organised along global supply chains. They have become an important factor in ensuring competitiveness on domestic as well as global markets. Around two thirds of the EU's imports are inputs to other products. As a result, open trade helps embed local companies in global production chains, makes them more competitive and creates more jobs. Trade and investment flows are complementary, create jobs and promote transfer of technology. While people may be wary about the impact of all this on their job security and income, the crisis has clearly shown that protectionism is not an option. People are equally wary about the environmental impacts of the way we do business, for instance in terms of resource use and climate change. All major economies are today in the same boat; if one of them closes its markets or pursues unsustainable policies, all will suffer.

The global financial crisis and its effects on the real economy have underscored the importance of sound regulation and the need to avoid major global imbalances. Trade flows were dramatically affected, although protectionism did not spread as widely as feared thanks to coordinated international efforts in G20 and WTO. The current initiatives (both at EU level and as part of the G20 mechanism) envisage a number of solutions to prevent similar crises from happening in the future. They should be part of an integrated coordinated approach:

Question 2: Given the importance of boosting growth, creating more jobs and ensuring a more resource efficient and greener economy, how can EU trade policy help? What should the new trade priorities be in the light of the Europe 2020 Strategy?

2. Multilateral trade negotiations

Multilateral trade liberalisation remains our priority in the years to come because it avoids the costs of trade diversion and minimises transaction costs for a global round of liberalisation. The EU wants to see the Doha Round completed as soon as possible because the potential economic benefits are substantial for both developed and developing countries. However, the value of the WTO to the global trading system goes much beyond the Doha Round: Multilateral rules and trade liberalisation, complemented by a strong dispute settlement system, offer significant long-term gains and are of systemic interest to the EU as a leading trader:

Question 3: In addition to continuing to push for a successful conclusion to the Doha Round, how can the EU best pursue overall EU trade policy objectives in the WTO?

3. Bilateral trade negotiations

After the adoption of the Global Europe communication in 2006⁴, the EU launched a new series of negotiations leading to free trade agreements (FTAs) with fast-growing economies, including for example Korea, India, Singapore and Vietnam. Negotiations with Mercosur were recently re-started. The negotiations between the EU and Korea have now been concluded while others are still ongoing, offering the prospect of important economic gains for the EU.

FTA negotiations have also been launched with Canada. Although Canada was not mentioned explicitly in the Global Europe communication, an FTA would clearly accord with the objectives for FTA negotiations which were set out in Global Europe.⁵ Furthermore, trade negotiations have been completed with Central American and Columbia and Peru:

Question 4: Do our current FTA negotiations provide the right geographic and substantive focus for our bilateral trade relationships in the context of the Europe 2020 strategy?

Over the last decade, the EU has also consistently engaged with its major strategic trading partners (such as the US, Japan, China and Russia) in regulatory dialogue and other forms of economic and trade cooperation. Our economic weight, notwithstanding current conditions, makes the EU an attractive partner for many countries, but this has not always translated into real progress in terms of a level playing field for EU companies, or new opportunities to do business and invest in these important markets:

Question 5: Should the EU now try for closer economic integration and cooperation with such partners? What is the best way to further facilitate trade and investment, overcoming regulatory differences that may have the effect of barriers to trade and deepening our trade relationships with these important economies?

Regulatory differences are nowadays often a more important source of trade hindrances than tariffs, especially between developed countries, with low tariffs but sophisticated regulatory systems resulting in additional compliance costs for cross-border activities. Reducing these costs can generate significant trade and economic benefits. In today's world of global production chains, increased regulatory convergence at global level, for instance through the promotion of international standards or by other means such as the development of mutual recognition/equivalence of regulatory systems may help EU companies do business successfully abroad. The precise nature of the model to advance towards regulatory convergence will, however, depend on the specifics of the economic sector concerned:

⁴ http://trade.ec.europa.eu/doclib/docs/2006/october/tradoc_130376.pdf

⁵ More information about ongoing FTA negotiations can be found at <http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/>

Question 6: How can the EU improve the effectiveness of regulatory dialogues? How can the EU promote the establishment of and greater recourse to international standards without compromising legitimate public policy choices?

Securing a reliable and sustainable supply of raw materials is crucial for EU industry. Taking into account development policy and environmental sustainability concerns, securing this supply from third countries requires a coordinated approach regarding EU external relations and trade policy:

Question 7: How can the EU, and in particular trade policy, help to secure a reliable and sustainable supply of raw materials by third countries?

4. Services

Services are an increasingly important part of the global economy. A manufacturing supply chain is unthinkable without services inputs. Tackling barriers to trade with major partners in areas such as financial services and communication services; business services and Information and Communication Technology (ICT) too could give an important boost to EU economic recovery. At the same time, trade in many services, especially those that can be delivered through digital communication channels, has increased rapidly. Services negotiations, both under the WTO General Agreement on Trade in Services (GATS) and in Free Trade Agreements, have so far focused mainly on consolidating market access conditions already in place, and only rarely on creating new openings for services trade. The difficulties in securing significant new market access are holding back potential productivity increases and job creation in EU services sectors — and in manufacturing sectors:

Question 8: Should the EU aim for more trade in services, and if so, how? Multilateral and bilateral negotiations have only partially succeeded in opening trade in services so far, so would a renewed focus on trade in services among key trading partners (plurilateral approach) offer a useful alternative avenue?

5. Investment

Foreign direct investment (FDI) is an increasingly important means for businesses to participate in the dynamic economic development of markets around the globe. Supplementing as well as complementing trade, FDI creates more direct and deeper links between economies. It is a source of extra capital, encourages efficient production, stimulates technology transfer and fosters the exchange of managerial know-how. However, the increasing importance of FDI as a driver of economic

activity - the EU itself is one the largest source of FDI in the global economy – is not yet fully reflected in its global governance: the current differences in national rules and policies create an uneven playing field for economic operators. The Commission is currently preparing a Communication on this subject:

Question 9: Given that the Lisbon Treaty gives the EU greater competences in international investment policy, how should we contribute to facilitating cross-border direct investment (both outward and inward)? What are the key issues to be addressed in agreements governing investment?

6. Sustainable trade

Environmental and social concerns extend beyond EU borders: climate change and degradation of natural resources, for example pose a threat to the prosperity and well being of people in rich and poor countries alike. Trade policy should to the extent possible support green and inclusive growth around the globe. This could be by including the opening up of trade in environmental goods and services or via trade incentives promoting labour and environmental commitments. Greening the world economy and putting it on a more sustainable footing, in particular, will require considerable regulatory work. We should be careful however to avoid ‘green protectionism’. On the other hand, possible negative environmental and social effects should be appropriately addressed:

Question 10: How can trade policy best support green and inclusive growth around the globe including through Sustainability Impact Assessments?

The EU is a major market for agricultural imports from developed and developing countries. The EU is also a key producer and exporter of processed food and other high value agricultural products:

Question 11: Given the forthcoming revision of the Common Agricultural Policy and the continuing need to foster a sustainable agricultural sector in Europe, how should EU trade policy develop in this area consistently with the overall objectives of the Lisbon Treaty?

7. Inclusive trade

The distribution of the benefits to trade is also affected by the changes in the way business is conducted today. The European economy is increasingly dependent on the participation of its businesses in global value chains. A final product often incorporates hundreds of subcomponents, which are traded back and forth around the

globe before reaching the final consumer. Greater openness in trade has allowed this to happen:

Question 12: How can EU trade policy ensure that the benefits of global value chains are shared by European producers, consumers and jobholders?

The gains from trade are not evenly distributed, and adjustments can lead to short-term costs in the form of unemployment, retraining the workforce and converting production structures. The EU has a number of instruments available to address the problem of adjusting to new global trade patterns, such as EU Structural Funds, the European Social Fund (ESF), and the European Regional Development Fund.

In addition, the EU launched the European Globalisation Adjustment Fund (EGAF) in 2007, which offers a general response in terms of managing the negative employment effects of globalisation. The EGAF is designed to provide one-off individual support for a limited period to workers who are ‘severely and personally affected by trade-adjustment redundancies’. In the longer term, the aim is to help redundant workers find and hold on to jobs:

Question 13: Are existing 'flanking' policies sufficient to ensure that the benefits of trade are shared among different people and across different regions and markets in the EU? And how can the EU best ensure, where necessary, that trade and other policies play their part in helping people, sectors and communities adjust?

8. Trade and Development

The link between trade and development has become a major issue in recent decades as more and more countries, especially in Asia, have shown that trade can be an important means of boosting economic growth and lifting people out of poverty. The EU is a global player and takes its development responsibilities seriously. It is negotiating and implementing Economic Partnership Agreements with a view to sustainable development and regional integration in Africa, the Caribbean and the Pacific. Negotiations have also taken place with the Central American and Andean Community countries. A parallel consultation is already in progress on reforming the EU’s general system of preferences for developing countries. However, trade policy alone cannot address the development challenges some countries face. Note that in light of the importance and scope of the topic, a future communication on trade and development will address these complex linkages between these policies. This too will be preceded by a public consultation:

Question 14: How can the EU best strengthen the issue of trade and development in its trade policy? Should the EU pursue a more differentiated approach in its trade relations to reflect the level of development of particular partners? How should the

EU approach the issue of trade preferences in relation to the generally low level of EU Most Favoured Nation (MFN) tariffs, which will further be eroded following the possible conclusion of the Doha Round?

9. 'Smart' trade

The Europe 2020 strategy emphasises the 'smart' growth dimension, that is to say growth driven by innovative products, services and industries. A number of emerging market economies are likely to catch up with the technologies of the developed economies, at least in some sectors. Convergence between developing and developed countries can boost our economy, including in new and innovative 'smart' high-tech goods and services. While tariffs may be an issue in some instances, de facto barriers might arise as a result of divergent regulatory developments. Fortunately, in many of these high-tech domains, regulation is still on the drawing board. Upstream regulatory dialogue on these newly emerging technologies, addressing both risks and the response to risks, could facilitate international convergence and avoid the emergence of new barriers to trade:

Question 15: What initiatives could the EU take and which EU trade policy instruments could we mobilise to complement and reinforce the 'smart' dimension of the Europe 2020 strategy and facilitate trade in high-tech goods and services?

10. Enforcement and dealing with unfair practices

The EU benefits from being one of the most open economies in the world by having access to cheaper goods and services, for citizens, the public sector and companies. It is in a strong position to shape globalisation and promote its interests. At the same time, we should not be naively open and defenceless in the face of unfair practices by some of our trading partners, e.g. distortion of international competition by the payment of unfair subsidies, in cash or in kind, or by dumping practices.

To defend the EU against such practices, we have recourse to trade defence instruments, in line with WTO obligations. In addition, existing multilateral, bilateral and plurilateral agreements provide for enforcement tools, including dispute settlement. This is particularly important with risk of protectionist measures still high in the aftermath of the economic crisis:

Question 16: How can the EU best safeguard its firms or interests against trading partners who do not play by the rules? Are the existing tools and priorities sufficient to address unfair competition from third countries?

Many partner countries still give limited access to their markets, for example to their procurement markets by giving national preferences to their enterprises. The EU is also looking into new areas such as access to raw materials and energy (see question 7 above). Furthermore, the EU has developed a comprehensive Market Access Strategy which uses a variety of formal and informal tools to make sure that European companies can make use of the market access opportunities which have been negotiated in trade agreements.⁶ Following the recommendations of the Europe 2020 Communication, an annual trade and investment barriers report identifying ways to improve market access and regulatory environment for EU companies will be presented to the Spring European Council starting in 2011:

Question 17: How can the EU best safeguard its firms or interests against major trading partners who maintain an asymmetric level of openness and resort to protectionist measures? Are the existing tools and priorities sufficient to address practices such as keeping EU suppliers out of government procurement markets, market access restrictions, restricted and insecure access to energy and raw materials?

One important factor in promoting ‘high-quality’ growth is innovation, for which the Europe 2020 strategy also has a number of initiatives. Ideas and innovation need to be protected through effective protection of Intellectual Property Rights (IPR), including geographical indications (GIs). This is why the Commission in November 2004 put in place a strategy for enforcing IPR outside the EU. The strategy is currently being evaluated, and an Enhanced IPR Protection and Enforcement Strategy in third countries is due to be launched in 2011. Cooperation is also underway with major partners in order to promote better respect of IPR rules in third countries. Other issues such as access to medicines in developing countries need to be taken into account:

Question 18: What else can EU trade policy do to further improve the protection of IPR in key markets?

11. An open approach to shaping trade policy

The Commission is committed to shaping trade policy as openly and democratically as possible. Thanks to the Lisbon Treaty, the increased role for the European Parliament in trade policy improves both the accountability and the transparency of trade policy. However, in addition, trade policy should build on a wide range of points of view inside the EU and from other parts of the world. There are a number of structures, such as DG TRADE's Civil Society Dialogue to assist with this, but the approach can further evolve to take full account of the new EU institutional environment and changes in modern communications technology:

⁶ <http://ec.europa.eu/trade/creating-opportunities/trade-topics/market-access/>

Question 19: What more should the Commission do to ensure that trade policy becomes more transparent and to ensure that a wide variety of views and opinions is heard in the policy-making process?

Question 20: Are there additional priorities in relation to trade policy that the Commission should pursue?

Question 21: Do you oppose publication of your contribution? If yes, please provide the specific reasons for which you consider that your interests would be harmed if it was put in the public domain