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Making Trade work

*Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort*

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Good afternoon ladies and gentlemen,

About a year ago, the Brussels newspapers were full of dramatic headlines about the economies and governments of Central and Eastern Europe. They were said to be among the first and worst victims of the crisis, and the failure to help them could well be the EU's undoing.

What a difference a year makes.

Now, the very same economies are leading the way out of the crisis and their governments are held up as an example of how making tough policy choices is the best way to deal with global economic turbulence.

There is, of course, a very big difference between these countries all too easily grouped together as "the new member states" (I often wonder, by the way, how long you stay "new" in European politics, but never mind), between Slovenia, Hungary and Estonia.

But the argument certainly holds for Poland, first and foremost among these economies. It was the only European country to boast economic growth in 2009, and at a time when budgetary concerns keep politicians across Europe and within the European Commission awake at night, it is top of the class. In 2010, Poland is expected to grow 2.5% with a budget deficit below 3%.

I am not, of course, here to comment on the internal policies that kept Poland *out* and got Greece *into* trouble.

But I do want to make clear that, in my work as Trade Commissioner, I intend to use all engines for growth the EU has on offer.

And also that I see in this evolution yet more proof that economic integration strengthens our economies – especially in times of crisis – and that we will have to remember that lesson in the months and years to come.

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Because, ladies and gentlemen, the financial and economic crisis posed a grave threat to global economic integration. The belief in free and open markets has been undermined by the crisis and by the fact that Government intervention was needed to stop the economy from melting down.

Unemployment is likely to stay high for some time and history has shown that there is a causal link between unemployment and protectionism.

The main question then is: at a time when many people – mistakenly - see free trade as one of the factors that got us *into* the crisis, how do we use trade to get us *out* of it?

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In answering that question, it is important to note that, so far, the threat of protectionism – whether blatant or creeping – has not generally materialised. There was certainly a rise in protectionist pressure in the immediate aftermath of the crisis, but it seems to be waning since more and more economic regions leave the worst of the crisis behind them.

According to the latest WTO calculations, between October 2008 and October 2009 0.8% of world trade suffered from protectionist barriers in some form or another. Between September 2009 and last month that was the case for only 0.4%. So protectionism has so far been rather limited in time and scope.

And what's even more important: the countries in which protectionist threats *have* persisted are precisely those that are not yet part of the WTO - not to name Russia -

or that are not at this moment members of the Government Procurement Agreement in the WTO.

So at least for now, the world trading system has successfully resisted protectionist pressure rather than succumbed to it.

Is this a case of *what doesn't kill me, makes me stronger*?

It is too early to draw that conclusion. The history of trade and the crisis so far certainly underlines the fact that a great majority of governments - whether in emerging or developed economies, Asian, Western or Latin-American countries – remain convinced of the benefits of open trade for their own good.

And they should.

Despite the outrage of the financial crisis, let us not forget the enormous success of globalization in the years that preceded the crisis. Over the last three decades, integration into the global economy has transformed economies in a way that can only be called revolutionary.

Across the globe, an astonishing 1.2 billion people have left poverty behind. And though the emerging markets and especially the BRIC-countries speak most to the imagination, for the developed economies as well this was on the whole a period of sustained growth: between 1980 and 2008, the average OECD citizen saw his real income grow by more than half.

Whether it's for China, South Korea, Ghana or Germany: *globalisation works*. And policy makers around the world and across the ideological spectrum seem to realise deeply.

But economic statistics are one thing, political reality is another.

The threat of protectionism persists and even increases as the economic and political fallout from the crisis work their way through. State intervention, specifically in the financial sector, threatens to politicize the economy – and when that happens, nationalism is never far away.

The cost of failure in the struggle with the protectionist mindset could be huge. If all WTO members were to raise their applied tariffs on goods to bound levels - meaning: to a level still allowed under the current WTO rules – world income would fall by some 350 billion \$. In a more conservative scenario: if all countries should raise their tariffs back to the highest level they applied since 1995, the loss to global output would be 134 billion \$.

These are impressive figures, and scenario's such as these are not entirely implausible. Add to this the potential costs of other, less obvious and less quantifiable barriers to trade such as producer subsidies, procurement practices, technical obstacles and creative use of trade defensive instruments and few people will doubt the importance of this battle.

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Ladies and gentlemen,

The best way to prevent economic globalisation from going backwards is to push it forward.

Not only do I believe we can succeed in doing so, I also believe the European Union can play a crucial role in that effort.

Europe has been at the vanguard in trade liberalisation, if not in the *quantity* then most certainly in the *quality* of our agreements.

The FTA with Korea, which we have initialled and are in the process of ratifying, is thus far the most ambitious of its kind. The Singapore negotiations we have officially

launched only two weeks ago will be equally broad and deep and we are in the process of negotiating a number of other FTAs – the one with India is the best example - that might be more restricted in scope but will prove to be very important in added value. On top of that, I have made it a priority to tackle behind-the-border barriers to trade with prime partners such as the US, China and Japan because I'm convinced that the economic benefits of these efforts are a multiple of the gains from tariff reduction.

Liberalisation needs leadership, especially in times of crisis, and Europe is playing its part in providing it. Through our current regional and bilateral liberalisation initiatives, we are tackling barriers to trade and investments which the WTO, even under favourable circumstances, will still need many years to come to grips with.

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Despite these bilateral and regional negotiations and agreements, multilateralism must remain our first best option and I will spend much of my time and energy in the months to come to try to conclude at long last the Doha Development Round, which has gone on for too long.

The Doha Round is important in itself as it will generate welfare benefits, especially for developing countries. Half of the gains from Doha would be reaped in the first 5 years of implementation, which is precisely what the world economy needs. It would boost Europe's GDP by around 45 billion € in the longer run.

More profoundly, a successful Doha Round will buttress the whole WTO edifice. In resisting the protectionist temptation, it has passed the most important stress test since its inception – an achievement not to be underestimated - but taking the Doha-step forward would make it more resilient. The WTO is by far the strongest pillar of global economic governance, with clear rules that are enforceable and respected. Doha would further strengthen that pillar.

Getting to an “ambitious and balanced” conclusion to the Doha Development Round, as the Pittsburg meeting of the G20 reaffirmed, will depend on political willpower, not just on both sides of the Atlantic but on all sides of the Pacific Ocean as well.

The EU is still the biggest trader in the world and we therefore have a large finger in the pie. However, the truth is that negotiations are currently deadlocked because of disagreements between big players other than Europe.

G-20 leaders want 2010 to become the year of Doha. For that to occur, trade negotiators must be given more leeway. Should that happen, I will make sure that the EU plays its constructive part.

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Ladies and gentlemen,

Last year's fear about the effects of the crisis was not limited to the politicians and academics. All around the world people were anxious about their job prospects, about how to pay the mortgages and foot the bills coming in.

This is not limited to Western economies. Workers in Malaysia and Thailand, too, are concerned that the next phase in China's growth will swallow them whole. Not to mention the least developing countries, a lot of which remain convinced - though the facts prove otherwise - that they have only to lose from international openness and competition.

We simply *have* to get this *zero-sum* logic out of the debate on international trade. Because fear and uncertainty, in politics and in economics, is a self-fulfilling prophesy. It leads to jealousy and this, in turn, often leads to *beggar-thy-neighbour* policies.

For that, we will have to get *back to basics* on trade: explain to people again and again that trade benefits both parties and is at the heart of our welfare and that of emerging economies of every generation throughout history. That international integration has made us more prosperous and that it is the only way of *keeping* us prosperous.

That in today's impressively integrated economy, not only do we have to compete, but that we win by doing so, just as we have always done.

That is not just my message in coming to Poland as trade Commissioner. It is also, in a way, the message Poland's evolution within the EU sends to the world.

Because the single European market *has* successfully turned that logic upside-down, and Poland is probably the best example of that. European integration has shaped the largest internal market in the world, stabilising our economies by connecting them and allowing each to cut out the economic roles that suit him best. We have *made trade work* for our economies at the regional level, and we will continue to do so at the global level too.

On top of that, it has shown the enormous power trade has on society.

Open trade opens minds as well, and integrated markets also links countries to one another. 20 years after dismantling the Iron Curtain, the force of free and open markets – on welfare, on politics and on society - has never been more obvious than in central and Eastern Europe. This is still something to be proud of; something to cherish; something to fight for.

I do not doubt that that fight will at times be difficult in the months and even years to come. But I am certain that Europe, out of conviction as well as out of experience, will remain at the forefront of that effort.

Thank you very much.