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## **What can EU Trade policy do for the EU Manufacturing Industry?**

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

European Forum for Manufacturing Roundtable

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Ladies and Gentlemen,

Thank you for giving me an opportunity to launch the debate at your Round Table.

Manufacturing remains a key part of Europe's economy. In a knowledge-based economy, the presence of a strong and competitive manufacturing sector is simply indispensable. Today European manufacturing faces many challenges – most critically, how to remain competitive in turbulent economic times and with increasingly fierce international competition.

As the world recovers from the economic crisis, it is trade that provides a source of growth. Demand from the fastest growing economies is pulling the rest of the world up with it. Last week, Pascal Lamy, Director General of the World Trade Organisation, forecast global trade to grow by 13.5% in 2010, but with trade growth in the developing world – which means China, India and Brazil of 17%.

The 3.4% growth forecast for the German economy in 2010, export-driven as it is, illustrates that growth can indeed come from international trade. The crucial challenge for me as Trade Commissioner in the years to come is to tap into the growth potential outside Europe in order to reinforce European competitiveness. We have to maintain and expand our trade with the fastest growing economies.

We – the Commission and the European Parliament – can play a role by creating the right conditions and political framework for trade.

#### **What does this mean in practice?**

For me, it means removing barriers to access to overseas markets. It means ensuring that the EU remains an open economy. And it means supporting the international rules and structures that help trade to flow. Together we have to work harder to ensure joined up action between what we do inside the EU and outside, particularly in tackling global challenges, like climate change or development.

Today's businesses, including yours, rely on global markets being open. This is the prerequisite for a well functioning global manufacturing supply chain. The crisis demonstrated that there is no longer any room for mercantilist or protectionist trade policies.

Raising barriers to imports also means raising barriers to exports. Such an approach undermines industry's competitiveness. One number illustrates that this is truer in Europe than elsewhere: **two thirds** of what we import is transformed into high value exports to elsewhere in Europe or abroad. I know that European businesses need to be able to import in order to export if we are to maintain our strength in exporting high-value added goods and services.

#### **So what can EU trade policy do to help this?**

Let me give you **five examples**:

**First**, we have a very active negotiating agenda to break markets open, both at the global level pursuing the conclusion of the long-running **Doha Round** of trade talks, launched in 2001, and individually with a dozen countries or regions.

For example, next week we will sign the most ambitious Free Trade Agreement ever negotiated by the European Union. The signature of the deal with **South Korea** opens the door to the European Parliament's consideration of the agreement and for the finalisation of the necessary safeguard measures that accompany such agreements so that it can be provisionally applied from July next year. This deal with Korea – though difficult to negotiate – reduces most customs duties to zero and removes many of the most difficult non-tariff barriers encountered by manufacturing industry, particularly for the automotive, chemicals and pharmaceutical sectors.

Next week will also see us opening bilateral negotiations with **Malaysia**. This complements those launched with Singapore earlier this year and is part of our wider "region-to-region" approach of engaging with the countries of South East Asia (ASEAN). The agreements will provide additional opportunities in the fast growing Asian market.

They also complement on-going talks with the **Mercosur** countries, **Canada**, **Ukraine**, the **Gulf countries** and **India**. All this convincingly shows that Europe is open for business. Taken together, this negotiating agenda with the talks concluded earlier this year with Columbia, Peru and with the Central American countries have the potential to add between 0.5 and 1% of GDP. This is a major contribution to economic growth.

**Second**, we are in the business of creating possibilities, not offering guarantees. Trade is best left to traders. It is your businesses that actually buy, sell and invest. This is why we need – both through our trade agreements and an **active market access strategy** – to use the full force of the EU's institutions and the 27 Member States to tackle the barriers and red-tape that can hold back trade or undermine your competitiveness.

This means, for example, ensuring a sustainable supply of raw materials.

This means achieving greater regulatory convergence with our key trading partners – such as the US, Japan and China with whom we have developed important regulatory and economic dialogues. Or with our neighbourhood in the East and in the Mediterranean, where there is a shared interest in ensuring they take on standards and regulatory approaches of the European Union.

This means ensuring meaningful agreements and action by our partners to enforce intellectual property rights.

This may not always be the high profile work of trade policy, but week by week it delivers small success stories that touch individual companies and sectors, preserve jobs and help growth. For example, Egypt amended its standard for energy-saving lamps which now allows European exporters to access this market. This particular market for energy-saving lamps is estimated now at € 27 million euros and so represents a good potential for EU exports growth. This example of trade diplomacy success is often underpinned by the strong cooperation locally among the EU Delegation and our Member States embassies – something which the new European diplomatic service created under the Lisbon Treaty should only enhance.

**Third**, investment policy is a major priority: about half of world trade takes place between affiliates of multinational enterprises trading intermediate goods and services. This point is often forgotten when we talk about world trade. This means the possibility to invest and set up businesses in foreign markets. Knowing you are operating in a predictable, fair environment is of crucial importance.

To safeguard our place at the centre of increasingly global supply chains, we need to pursue both the liberalisation of investment and investment protection. The Lisbon Treaty has given the European Union responsibility for investment. This means the Commission will start to include investment protection in the trade deals it negotiates. Currently our Member States have more than 1200 investment protection treaties with third countries, with certain Member States like Germany having more than 100 treaties in place. This means transitional arrangements are needed and we are working with the Council and Parliament to finalise these, hopefully in less than one year.

Of course, we shall exercise our competence at European level in a gradual and focused way. We will integrate investment protection chapters in our on-going FTA-negotiations with **Canada**, **Singapore**, and **India**. These will thus be test cases. We

are also considering stand-alone investment protection agreements with other major trade partners, such as China and Russia.

**Fourth**, let me touch on public procurement. We see and hear from business representatives that some key foreign markets are particularly reticent to allow outside competition. But public procurement markets already account for over 10% of GDP in large industrialised countries and are on the rise in emerging economies. Therefore, the potential for our experienced and competitive companies is huge. While the EU market is largely open, those of our major partners are much less so. We are studying how to shape a new European instrument to help reduce this asymmetry in openness and redress that balance, so that we can unleash that potential.

**Finally**, let me clarify that economic openness does not mean that there are no rules and that we should accept unfair competition. The EU's commitment to the liberalisation of international trade depends on a level playing field between domestic and foreign producers based on genuine competitive advantage. The European Commission's role in achieving **open and fair trade** includes the defence of European production against international trade distortions such as subsidisation or dumping, by applying trade defence instruments. The effective use of these instruments is an integral part of our trade policy.

Ladies and Gentlemen,

Beyond the economic reality, we also operate within a new and important political context. The Lisbon Treaty – through its new institutional arrangements, through its strengthening of provisions on investment, but above all – through the reinforced voice it gives to the European Parliament – should help us to shape trade policies that put trade in its wider economic and social context.

While I don't want to elaborate on the institutional plumbing of the European Union, it is worth recalling that the Lisbon Treaty puts us in a better position than ever to shape a trade policy that works for business and works for jobs and growth.

The new "European diplomatic service" under Cathy Ashton will strengthen our ability to get trade and market access on the agenda in the 136 countries in which the EU has delegations. And the new, stronger voice given to the European Parliament over trade matters will improve the quality and legitimacy of what we do. I have been impressed so far by the commitment and seriousness with which the Parliament is approaching trade matters.

I have seen this already by the progress we are making on the approving the safeguards surrounding the new Free Trade Agreement with Korea. I genuinely believe that the Parliament's involvement will lead to better trade outcomes overall and will add the political weight of Europe's 500 million citizens to our work to shape EU trade policy.

Over time, these developments will ensure that EU trade policy is better understood and accepted – particularly important on a day of large scale mobilisation by trade unions on their concerns over the EU and national economic policies. This should in turn offer you a framework in which to do business, support growth and deliver jobs.

Thank you.