

EUR-IFRI 's TUESDAYS



Main challenges for the Trade Agenda

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Trade as a controversial issue

David O'Sullivan started by emphasising how controversial the issues of trade and globalisation are today, especially in Europe. Europe has invented long haul trade and yet it is constantly asking whether it is a good or a bad thing. While the benefits of exports are widely understood, the importance of imports as part of the trade equation is often underestimated (even if it is true that constantly importing more than exporting can cause serious problems to a country, except for the United States). Today, despite the pessimism expressed in many public discourses and opinion polls as for the economic future of the EU facing low-cost producers in China and in the developing countries, the European economy is in fact doing well, with a healthy flow of manufacturing exports and a deficit coming mainly (and not surprisingly) from energy imports.

Yet it is important not to overlook the serious issues which arise from trade and globalisation. Both put enormous pressure on systems to adjust. On the one hand this pressure leads to more efficient economic outcomes. But on the other hand it has human consequences, such as delocalisation, distribution issues, adjustment costs, that governments have to balance in a way that keeps the agenda of open trade politically possible. This contradiction inherent to trade is a major challenge for Europe, all the more as the European Commission is responsible for the trading agenda but not for managing the adjustment process which comes from this agenda.

The challenge of the Doha round of WTO negotiations

The biggest challenge faced by the European trade agenda nowadays is to bring the WTO multilateral negotiations to a successful conclusion. The issues discussed within the Doha round (e.g. disciplining agricultural subsidies, opening agricultural markets, cutting off industrial tariffs, strengthening the role of the WTO, promoting development...) represent in themselves valuable reasons to hold to this round because they will lead to substantial progress. Moreover it is vital to keep the WTO as an arm for the international trading system. Not ending the Doha round (as some people suggest) or putting the WTO into question and proposing to replace it by another not yet defined process could endanger the heritage of the first multilateral trade treaty in history – the GATT after World War II – which has been one of the greatest sources of prosperity and global social justice in the last 60 years.

The necessity to replace the Cotonou Agreement with ACP countries

The second important element of the European trade agenda is the current negotiation on economic partnership agreements to replace the Cotonou Agreement for preferential trade with ACP countries. As this latter was declared non WTO compliant, the European Commission decided in 2001 to negotiate a series of WTO compliant free trade agreements with this time an element of reciprocity (which the Cotonou Agreement didn't contain) and on a regional basis rather than on an all ACP basis (six regional grouping). The innovative aspect of this negotiation is to promote an agenda to create a critical mass of economic South-South activities, i.e. among developing countries themselves. Indeed, unilateral preferences have not brought economic benefits to developing countries so far, mainly because of a lack of trade between those countries. This negotiation has turned out to be extremely controversial: because of the idea of reciprocity, the European negotiators have been depicted as colonialists and predators. The European Commission aims at bringing the discussion to a conclusion this year. If the negotiation fails, the preferences that currently apply to poor countries will be generalised to all developing countries, putting a stop to the preferential trade (except for the least developed countries that can still rely on the duty free products regime under 'everything but arms').

Focus on the Commission's action: The Global Europe Strategy

Thirdly, the progress made by the Global Europe Strategy launched last year by the Commissioner Mandelson is promising. This strategy aims at explaining the trade agenda in terms of growth and jobs in the framework of the Lisbon strategy. The three important parts of Global Europe are:

- The European Commission has decided to open a *negotiation on bilateral free trade agreements with India, Korea and Asean* (not only on trading goods but also on competition policy, intellectual property rights, government procurements, investments and services): These agreements are not intended to substitute a successful Doha conclusion but could represent a solution, would the Doha round fail.
- The *continuing liberalisation of China* is at the centre of the European strategy as China's successful integration into global economy is depicted by Mr. O'Sullivan as one of the strategic challenges of the 21st century (in economic, political and security terms).
- Global Europe contains also an *ambitious strategy of market access*: The European Commission wants to be more at the service of business in identifying

non territorial barriers in developing countries thanks to the collective tools of the EU (e.g. European diplomatic presence worldwide).

Intellectual property rights: A new issue on the trade agenda

The last element of the European trade agenda is the new issue of intellectual property rights. David O'Sullivan insisted on the fact that the capacity to protect intellectual property is vital, since the European countries compete more and more on high value added, intellectual inputs. The European Commission strives to introduce more discipline worldwide in this area, even though it is aware of the fact that no credible system of intellectual protection is possible as long as countries such as China or Russia do not understand that such a system is in their interest too. A review of European trade defensive rules (i.e. anti-dumping measures) has been announced but there is a worrying lack of consensus on this issue among the Member States. The Communication under preparation by the Commission and due to be published in November will hopefully rebuild this consensus through well-balanced and well-targeted measures.

Trade cannot answer all problems

David O'Sullivan concluded his presentation by noting that trade is often linked in public discourse to other issues (e.g. trade and human rights, the environment, climate change, development...). Nevertheless the solution of all problems cannot be put on the back of trade. It all depends on the way trade is used. But it is important to make trade accountable. He emphasised also the necessity to remind people why trade is in itself a good thing in terms of prosperity and wealth. No country has ever gone from poverty to prosperity without progressively opening up its market.