

NOTE

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BUSINESSEUROPE: KEY ISSUES IN INTERNATIONAL TRADE NOTE FOR TRADE COMMISSIONER CATHERINE ASHTON

1. Business Priorities on Global markets

The EU's global leadership position in trade and investment is driven by the international competitiveness of European companies. To further foster the international development of companies, open international trade and investment rules are needed. At the same time, an open approach to regulatory cooperation and foreign investment should make Europe an attractive location for domestic and foreign investment where innovation can flourish. The EU needs to strengthen its common commercial policy to better promote the principles of free trade and investment based on reciprocity in market opening if it is expected to address the competitiveness challenge from emerging countries in the future.

- Expanded market access

As EU economic growth slows, companies need access to new high growth markets around the world. EU Trade Policy can significantly improve prospects for access to new markets. The EU needs to secure the EU's strong position in developed markets (the US, Canada, Japan, Korea) and focus more resources on opening markets in emerging markets where tariff and non-tariff barriers tend to be much higher.

- Investment

BUSINESSEUROPE is a supporter of an offensive policy on international investment rules to open up opportunities for European companies abroad. National and EU debates on foreign investment must therefore avoid the introduction of clearly protectionist and disproportionate restrictions on foreign investment – because of security or other considerations – which would undermine the EU's ability both to negotiate open international investment rules and to attract investment to Europe. The EU, together with Member States, should also adopt a more pro-active approach to improving market access and investor protection in key emerging markets (China, India, Russia and Brazil).

- Transatlantic relations

BUSINESSEUROPE expects the EU and US to implement in full the 30 April 2007 Transatlantic Agreement to remove restrictions to trade and investment between the two partners. Through its cooperation with its US partners, BUSINESSEUROPE pushes for significant convergence and the removal of barriers in the fields of intellectual property rights, trade and security, accounting standards and industrial regulations.

- Help SMEs take advantage of global opportunities

The Commission must do more to support the internationalisation of SMEs through the renewed Market Access Strategy and specific programmes and institutions like the proposed “European Centre” in Beijing to help SMEs tackle legal issues such as IPR and investment problems. To remove regulatory barriers, the EU should become a leader in developing models for advancing regulatory convergence, harmonisation and mutual recognition with large trading partners (US, Russia, Japan).

2. Expectations from EU Trade Policy

a) WTO negotiations

Although currently in a very difficult international context (US elections, new European Parliament and European Commission in 2009, elections in India in 2009), BUSINESSEUROPE remains a strong supporter of the Doha round. However, before a final deal can be signed, significant further improvements are needed:

- Priorities for NAMA / industrial market access

The use of flexibilities by emerging countries must not impede creation of new market access for EU business. There is a need for greater transparency on the market access that EU companies will get in exchange for a reduction of their tariffs. The text must include a meaningful anti-concentration clause, which will only be such if it ensures that whole sectors will not be shielded from tariff cuts.

It is also necessary to have text based negotiations on non tariff barriers including the mediation mechanism, sector-specific proposals supported by EU industries and disciplines on export restrictions.

Lastly, BUSINESSEUROPE calls for strong EU support to sectoral tariff agreements (in particular on chemicals and machinery) to secure participation of highly competitive emerging countries – especially China, India and Brazil.

- Priorities on services

WTO members have to bind existing levels of liberalisation and make new commitments in key sectors such as financial services, telecommunications, all business services, environmental services, transport, courier and tourism. The EU also has to make proposals to open our services markets on all modes of supply.

- Priorities on rules / anti-dumping / trade facilitation

The Commission should stand firm on its position on “zeroing” should trade defence rules be discussed. The WTO should release a draft trade facilitation agreement that will cut costs and reduce delays at the border for importers/exporters. Finally the TRIPs agreement must not be reopened.

b) Bilateral relations

Korea – FTA negotiations

- Outstanding issues

In the negotiations with Korea, much progress has been made over last year on a wide range of issues, including on the rules agenda, intellectual property rights (IPR) and some areas of non-tariff barriers (NTBs) among others. However, key issues that remain include tariff dismantling schedules, remaining NTBs (particularly in the automotive sector) and customs issues (including rules of origin and duty drawback prohibition). Another outstanding issue is services, in particular offshore data processing for financial service institutions as well as issues in relation to the postal (express), telecoms and environmental services sectors. No round is presently scheduled, although negotiations are ongoing both on specific issues and at political level. Conclusion of an EU-Korea FTA is possible before the end of 2009 but improvement in the Korean position is vital if this is to be achieved.

- Priorities

The Commission must maintain a firm line on the schedule for tariff dismantling and the NTB provisions. Individual sectors are in touch with the Commission on the rules of origin proposals in their sectors. As regards timing, we call on the Commission to continue its stance of prioritizing substance over timing.

India – FTA negotiations

BUSINESSEUROPE is concerned at the low pace of progress and India's low level of ambition. This is particularly striking in India's goods offer where key export sectors are excluded, including automobiles, some pharmaceutical products, high value-added textiles and other important areas. In services, negotiations are also advancing too slowly, which is surprising given India's competitiveness in this sector. Lastly we are worried about India's reluctance to deal with broader issues such as public procurement. However, we welcome the new 2009 deadline for conclusion of the negotiations and hope it will be respected.

Ukraine

BUSINESSEUROPE strongly supports efforts by the EU and Ukraine to negotiate an ambitious free trade agreement. However, there are big concerns with the lack of implementation and enforcement of international commitments in Ukraine which could impede mutually beneficial economic and political relations. The EU and Ukraine should therefore consider upgrading technical capacity building programmes especially for ministries and agencies dealing with economic affairs.

China

BUSINESSEUROPE appreciates that the European Commission has begun discussing trade problems much more directly in meetings with Chinese counterparts. EU-China bilateral trade and investment relations have grown enormously in recent years.

However, the EU's trade deficit has increased rapidly and amounted to 159 billion Euros in 2007, reinforced by the undervaluation of the Chinese Renminbi.

Among the major barriers and challenges European companies still face in accessing this key market are China's lack of implementation of its WTO commitments and compliance with WTO panel decisions, huge state intervention and trade distortions, inadequate protection of intellectual property rights and restrictions in the access to raw materials. On tackling climate change, China must also accept its responsibilities and take up its global share in reducing emissions. With regard to granting Market Economy Status (MES), BUSINESSEUROPE does not see yet that the criteria have been fulfilled.

BUSINESSEUROPE supports and has high expectations that the Commission will tackle these issues in the EU-China High Level Economic and Trade Mechanism, and the revision of the EU-China Partnership and Cooperation Agreement.

Russia

With exports amounting to €89 billion in 2007, Russia is the EU's third largest trading partner. Russia is also an important source of energy and raw materials. However, the recent conflict between Russia and Georgia and the global financial crisis have substantially increased risks for EU companies operating in Russia. It is regrettable that the conflict has spilled over into the process of Russia's WTO accession negotiations. Even a temporary Russian withdrawal from these negotiations would undermine business confidence and could permanently delay negotiations on a new bilateral trade and investment agreement between Russia and the EU.

BUSINESSEUROPE has high expectations of a new EU-Russia Agreement which should address as priority issues the energy dialogue, the development of a transparent investment regime in Russia, cooperation on regulatory issues, concerns over customs reform, the importance of transport links and visa/work permit issues. It should also include discussions about a phasing out of tariffs, and aim at improving investment conditions and dismantling discriminatory regulations and non-tariff barriers (NTB).