



The European Union Trade Policy

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EU IN WORLD TRADE

1. A few facts about world trade

GLOBALISATION

TECHNOLOGICAL
DEVELOPMENTS

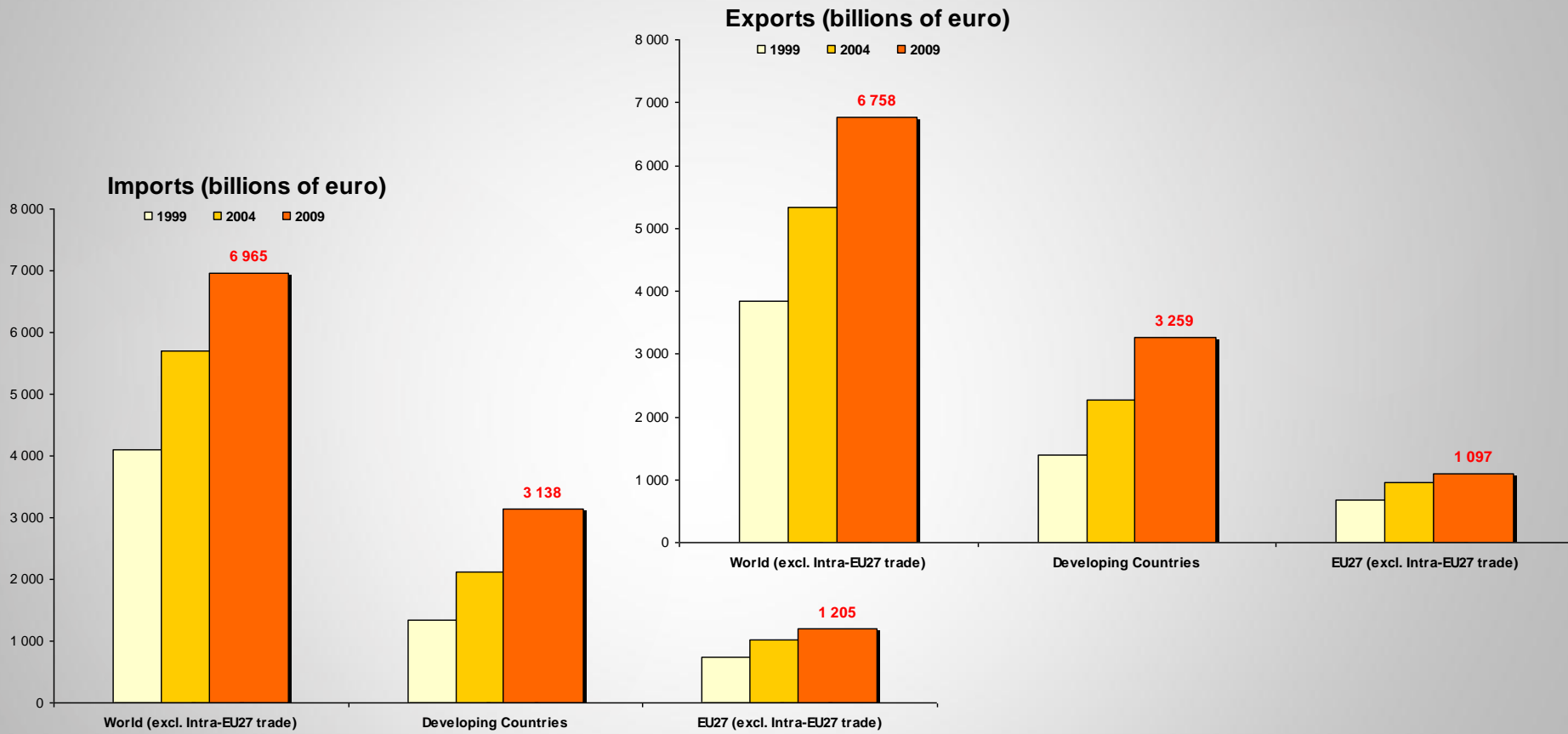
TRADE
OPENING

IMPLICATIONS

- Opportunities for growth, but sometimes adjustment costs
- Need for global governance -> multilateral rules and institutions to ensure level playing field and better distribution of benefits
- Need to reinforce the competitive position of the EU economy

1. A few facts about world trade

Evolution of World* Trade: 1999-2009



Source: Eurostat (Comext, Statistical regime 4), IMF, WTO; * World exports (imports) except Intra-EU27 Trade

1. The EU in world trade

A major trading power...

	EU27 (billions of euro)		World Trade (excl. Intra-EU27, billions of euro)		EU27 share / World (excl. Intra-EU27, %)		Position (in the World)	
	A		B		C = A / B		D	
	2008	2009	2008	2009	2008	2009	2008	2009
1. Trade in Goods								
Exports	1 309,9	1 097,1	8 241,3	6 757,9	15,9%	16,2%	First	First
Imports	1 565,0	1 205,3	8 584,4	6 964,9	18,2%	17,3%	First	First
Balance	-255,1	-108,1	-	-	-	-	-	-

Sources: Eurostat (Comext, Statistical Regime 4), WTO

updated: 22.02.2011

2. Trade in Commercial Services (Total Services excluding Government services n.i.e.)

Exports	521,4	470,6	1 899,7	1 771,7	27,4%	26,6%	First	First
Imports	446,2	407,0	1 782,6	1 668,2	25,0%	24,4%	First	First
Balance	75,2	63,5	-	-	-	-	-	-

Sources: Eurostat (NewCronos), WTO

updated: 22.02.2011

3. Foreign Direct Investment - Flows

Outflows	378,3	273,8	1 067,0	784,6	35,5%	34,9%	First	First
Inflows	165,7	218,7	1 004,7	758,0	16,5%	28,8%	Second	First

Sources: Eurostat (NewCronos), UNCTAD

updated: 22.02.2011

4. Foreign Direct Investment - Stocks

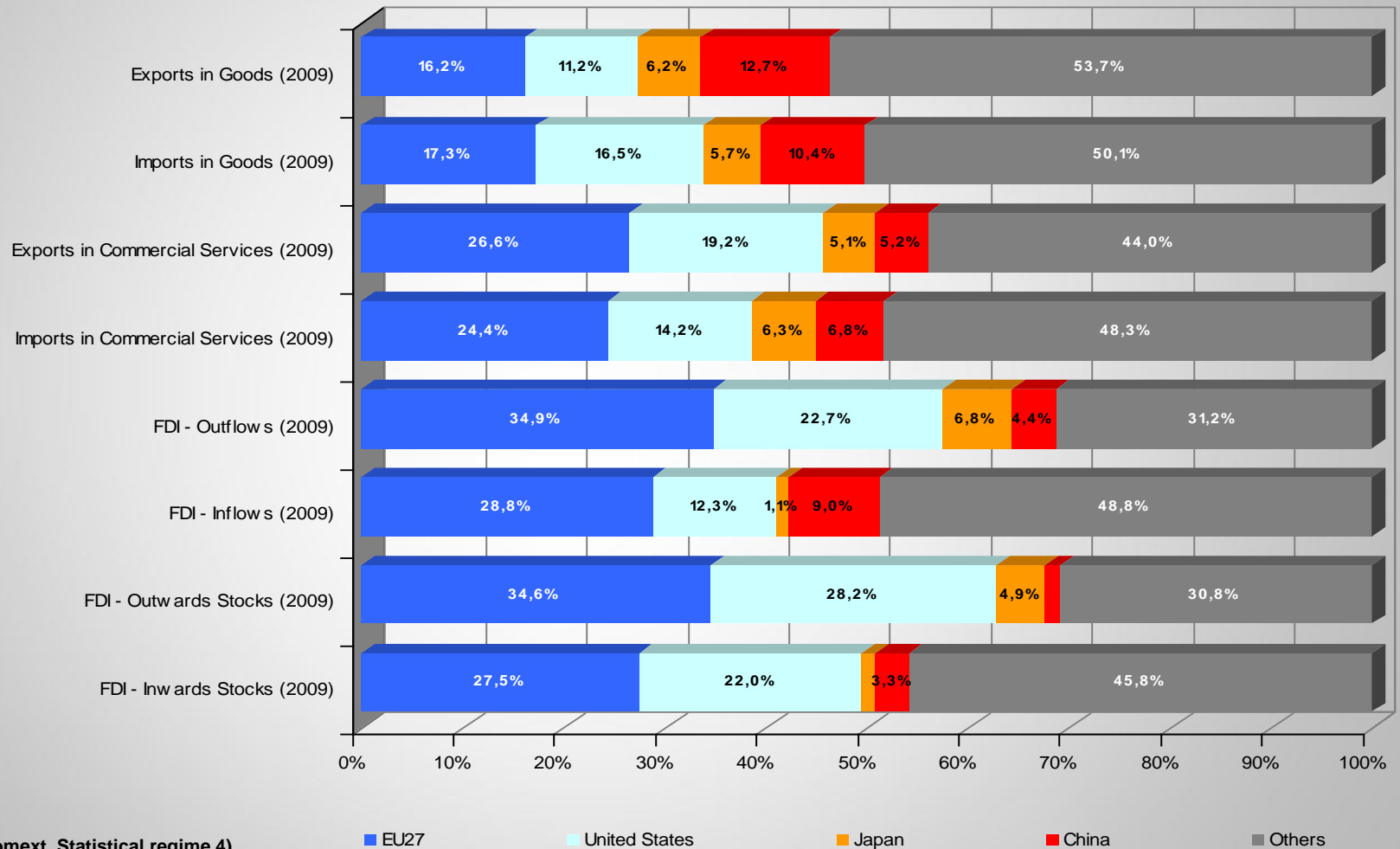
Outwards	3 319,8	3 665,6	9 167,8	10 590,2	36,2%	34,6%	First	First
Inwards	2 522,3	2 707,2	8 860,7	9 853,8	28,5%	27,5%	First	First

Sources: Eurostat (NewCronos), UNCTAD

updated: 22.02.2011

1. The EU in world trade

A major trading power (2009)



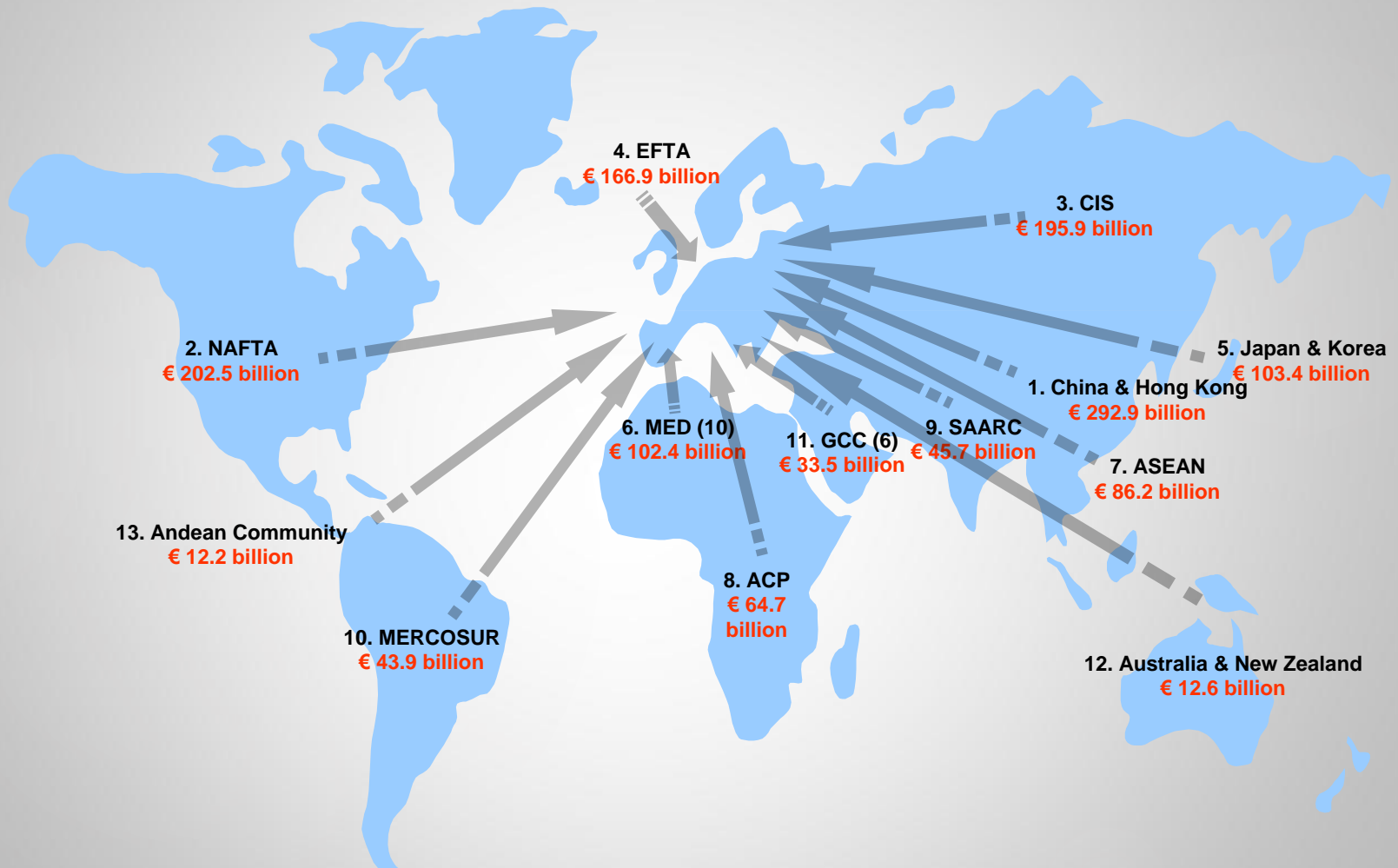
1. The EU in world trade

EU27 Trade in goods: Exports by region (2010)



1. The EU in world trade

EU27 Trade in goods: Imports by region (2010)



1. The EU in world trade

EU27 Foreign Direct Investment: Outflows by main partners(2009)



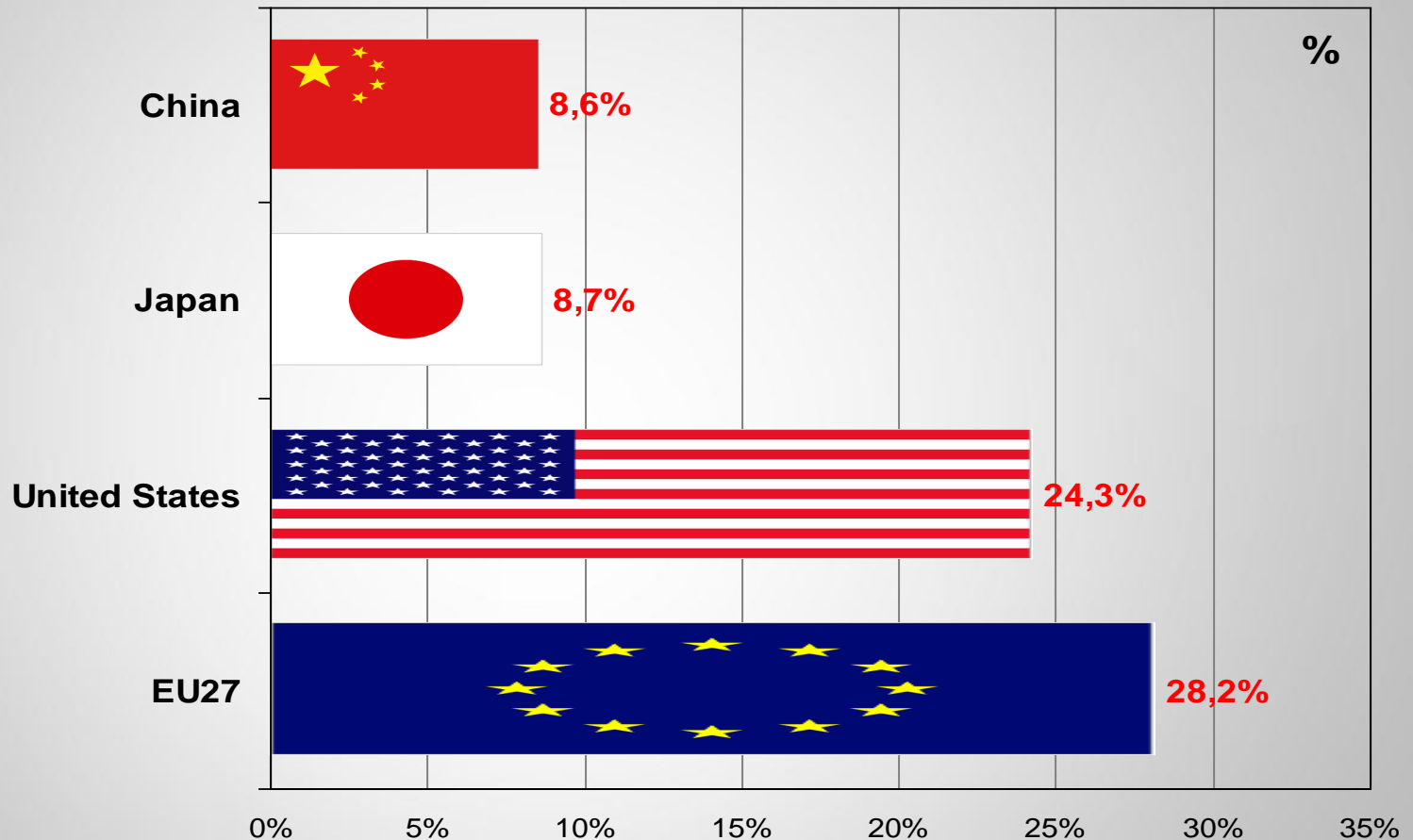
1. The EU in world trade

EU27 Foreign Direct Investment: Inflows by main partners (2009)



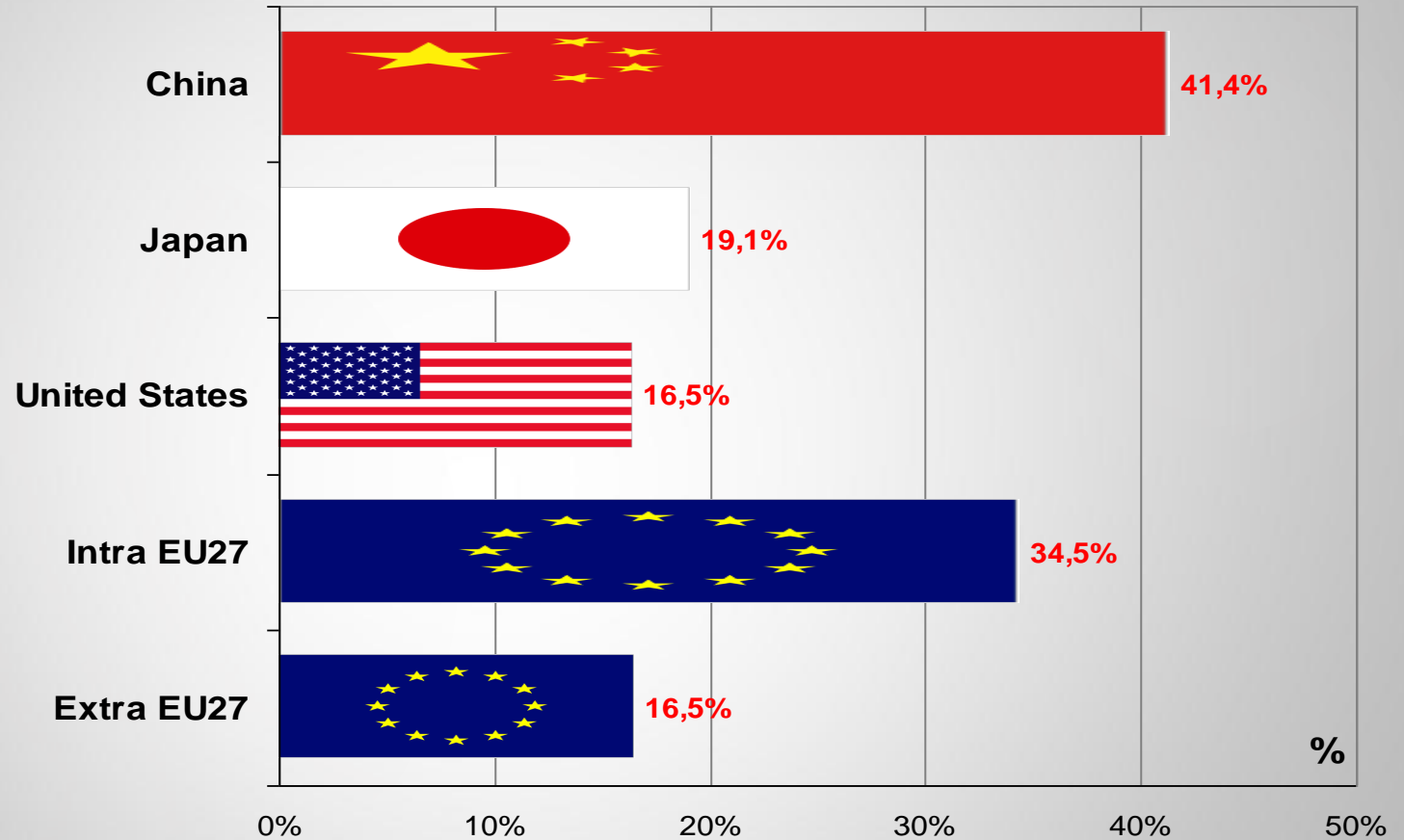
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Share of (current) GDP in World GDP (2009)



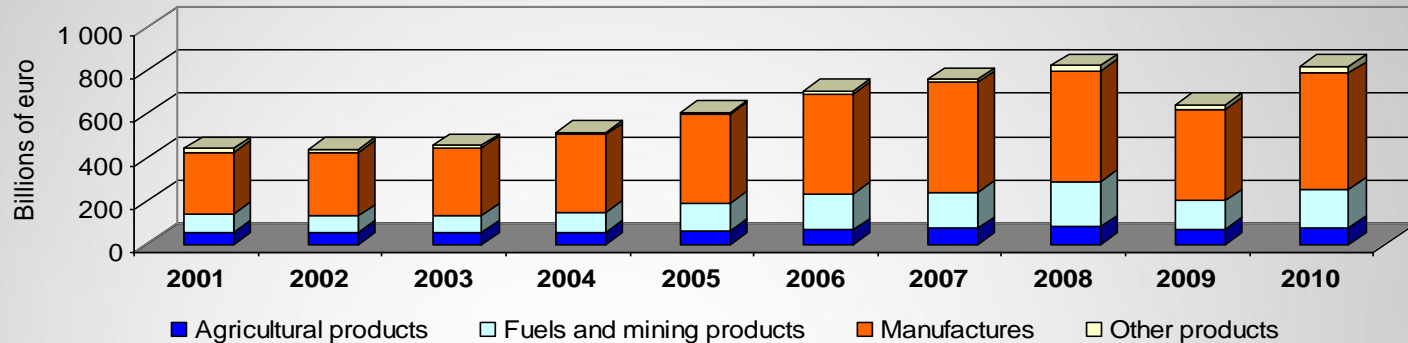
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Trade dependence (2009)

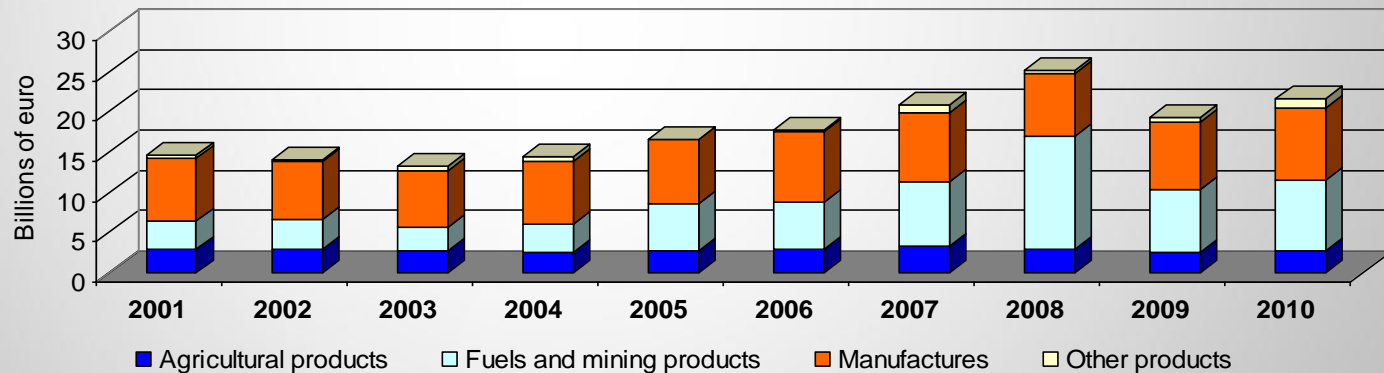


1. The EU in world trade

EU27 Imports from Developing Countries...

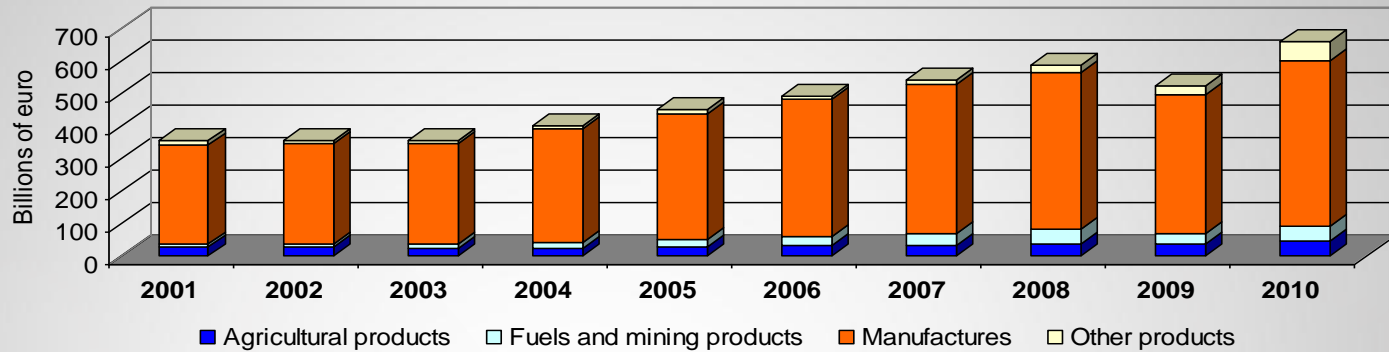


... and Least Developed Countries

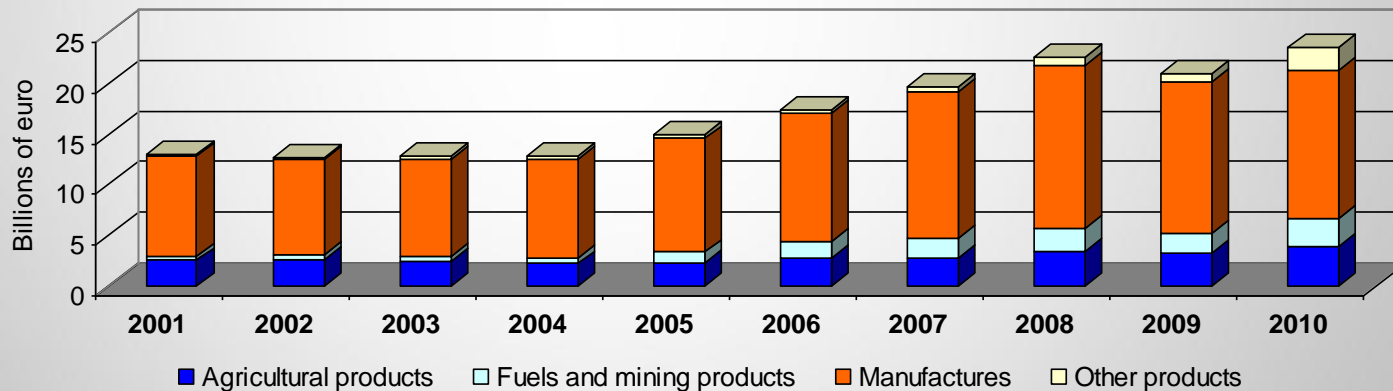


1. The EU in world trade

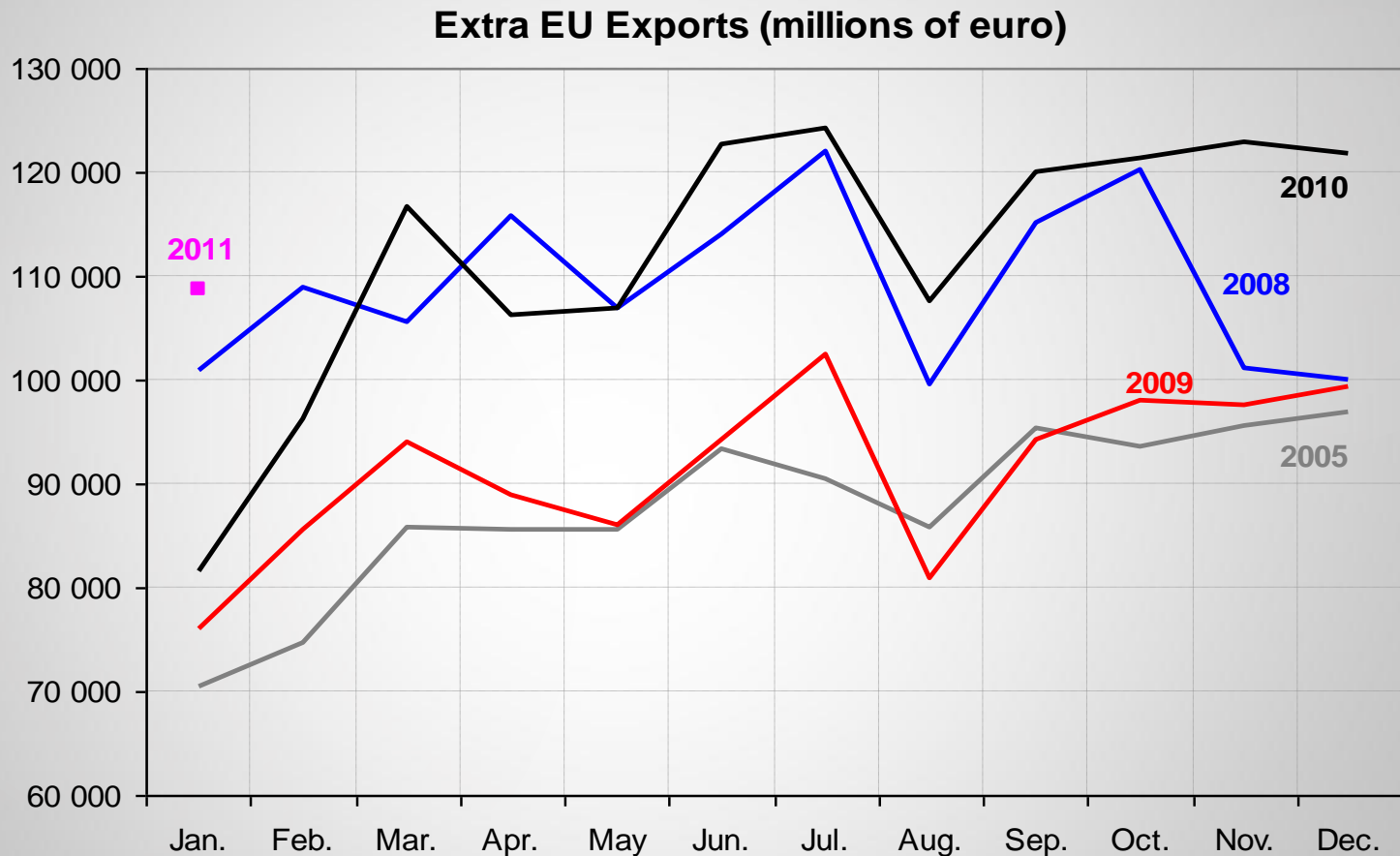
EU27 Exports to Developing Countries...



... and Least Developed Countries



1. EU exports - crisis and recovery



Source: Eurostat (Comext, Statistical regime 4)



EU TRADE POLICY BASIC FEATURES

2. EU trade policy - basic features

Being the leading trade region

Strong **interest** in:

- **Open** markets
- Clear **regulatory** frameworks

Responsibility to:

- EU citizens
- Rest of the World

Need to reinforce EU
competitiveness on world
markets

2. EU trade policy - basic features

Policy concept

A competitive European economy in an open world trade system organised by multilateral rules

Ensure that the European economy is open to the world and competitive in foreign markets

Secure real market access in foreign countries

Support a strong multilateral trading system

Most effective means of managing trade and enforcing rules

Promote European values

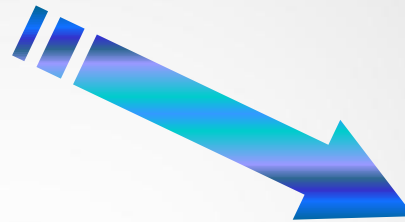
on democracy, rule of law, environment, social rights...

Enforce sustainable development

2. EU trade policy - basic features

Historic development

From tariffs and quotas...



... to "behind the border" issues

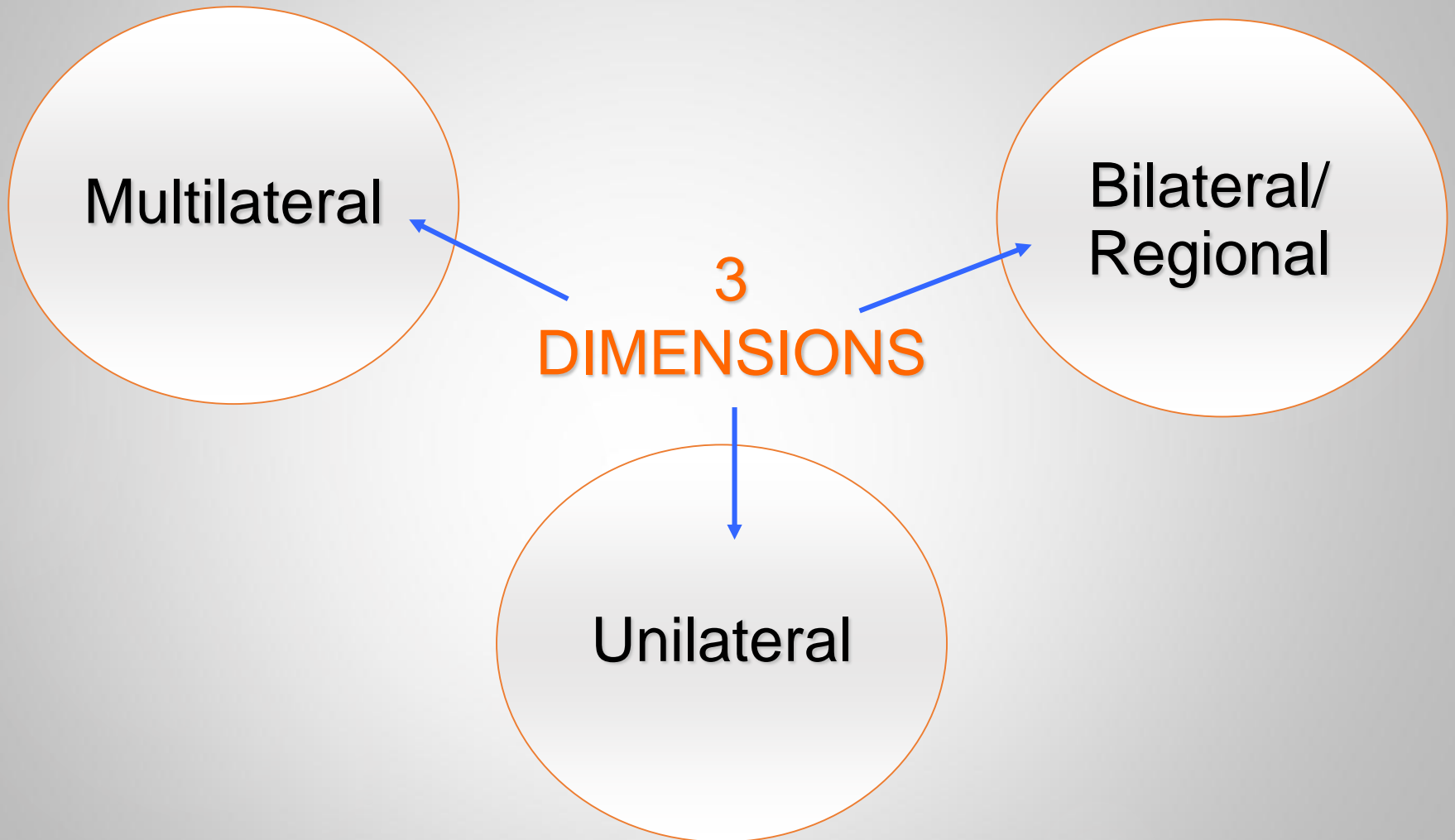
The new shape of trade policy

Developed from trade liberalisation in goods...
... to services and rules on investment, intellectual property, public procurement

Evolution reflected in the EU Treaties

Extended the EU trade competence to **services** and commercial aspects of **intellectual property rights** with qualified majority voting

2. EU trade policy - basic features



2. EU trade policy - basic features

Multilateral

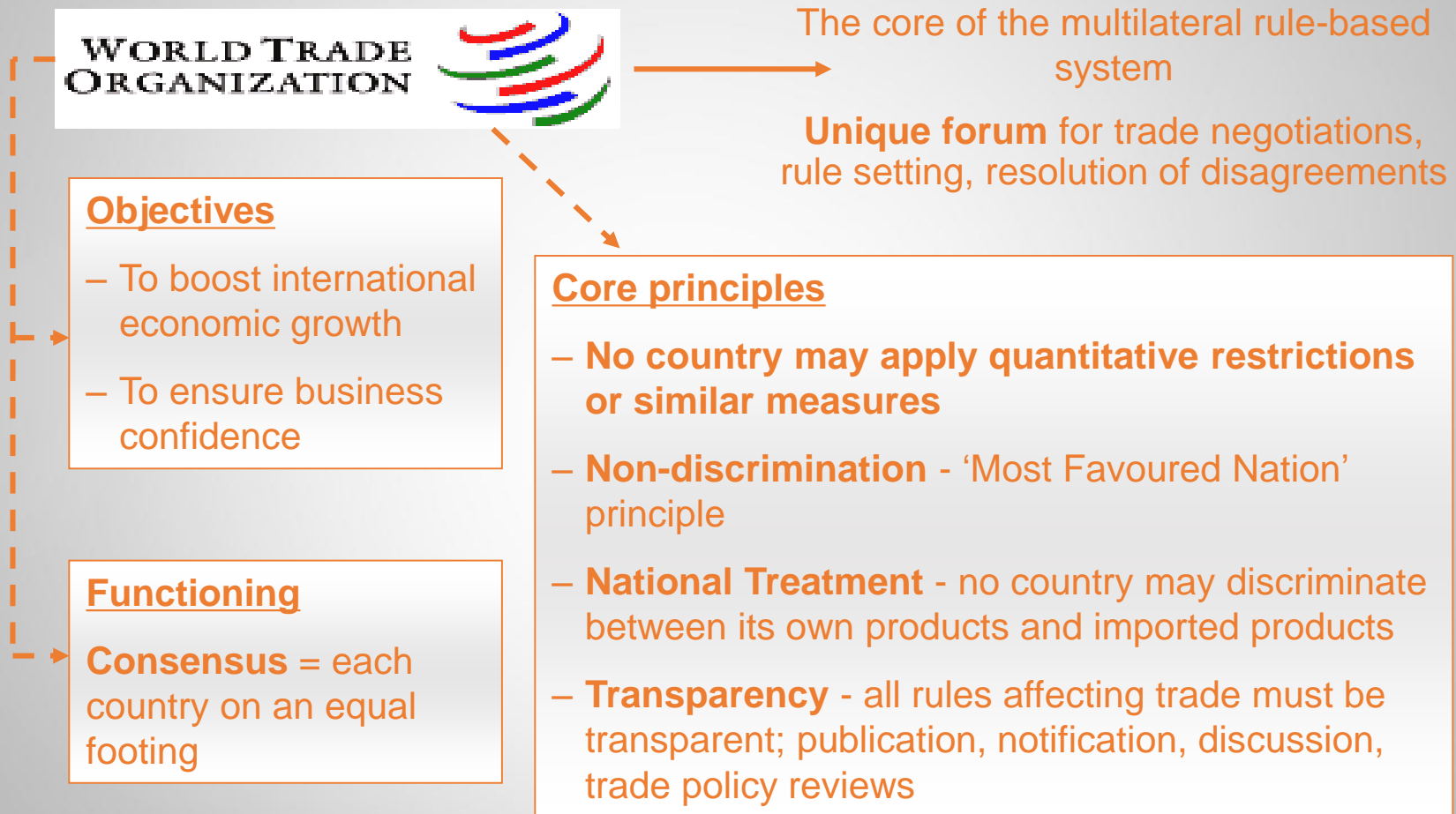
Mostly implemented in the framework of the WTO (= the most effective means of managing trade) aiming at promoting market access with rules, in the context of effective global governance.



Including the promotion of EU values :

- Environmental concerns
- Food safety
- Cultural diversity
- ... and how to promote core labour standards ?

2. EU trade policy - basic features



2. EU trade policy - basic features

WORLD TRADE ORGANIZATION



Membership

- Quasi universal: 153 member countries
- Covers 95% of world trade

Regulatory framework

- Trade pillar of global governance
- Rounds and agreements

Enforcement controlled by Dispute Settlement Mechanism

- All WTO members can seek redress
- Dispute Settlement Body (DSB) rulings are binding
- DSB may authorise retaliation

2. EU trade policy - basic features

The Doha Development Agenda

A round of trade negotiations launched in 2001

- To pursue market opening
- To strengthen rules, improve global governance
- To integrate developing countries in world trade

A development round

- Special and Differential Treatment
- Addressing developing countries' concerns
- Aid for Trade
- Special measures for LDCs



Development - a key component of the WTO round

2. EU trade policy - basic features

The 3 legs of the DDA

Opening markets

- Agricultural goods
- Industrial goods
- Services

EU seeks **real new MA**

Development

Sustainable development (to respond to concerns of developing countries and civil society)

Regulatory framework

Improving existing rules (e.g. anti-dumping, geographical indications) and creating new rules (e.g. “trade facilitation”)



2. EU trade policy - basic features



The Cancún setback (September 2003)

Meant as a half-way point of the Round, the Ministerial broke up without decision.

Serious divergences on agriculture and Singapore issues.

New balance of power in the WTO:

- Emergence of vocal developing country groupings (G20, G90)
 - Rise of Brazil and India as key members of the WTO
- => **New negotiating dynamics: different G progressively to replace “old” Quad**

2. EU Trade policy - basic features

After the suspension (July 2006): relaunching the Round

- ▶ EU remains committed to a successful and reasonably ambitious outcome to:
 - Create business opportunities and market access,
 - Improve multilateral trade rules,
 - Contribute to development
- ▶ All key Members confirmed their commitment to the DDA
- ▶ No real alternative to the WTO
- ▶ Objectives: narrow the gaps between Members on agricultural tariffs, agricultural subsidies and industrial tariffs
- ▶ In the short-term: to seek agreement on package of development initiatives and resume technical work in Geneva

2. EU Trade policy - basic features

Bilateral/regional

In addition to the WTO's multilateral negotiations, the EU concludes bilateral agreements with third countries and regional areas. Many of the World's countries potentially linked to the EU by regional trade agreements.

EU policy rationale for bilateral agreements

- Trade expansion and rules-making (WTO+)
- Fostering development and...
- ... promoting regional development



Key EU bilateral agreements include:

- Economic Partnership Agreement with the Caribbean and in negotiation with other ACP countries
- Free Trade Agreements with some Balkan countries, the EFTA countries, the Mediterranean countries, Korea (not yet ratified), Chile, Mexico, South Africa...
- Customs Unions with Turkey, Andorra and San Marino
- On-going negotiations with India, Mercosur, Ukraine...

2. EU Trade policy - basic features

Unilateral

The EU implements unilateral measures as an additional trade policy instrument in the interests of development and/or political stability in line with the Union's key political priorities:

General System of Preferences (GSP): the classic instrument for fostering development is by granting tariff preferences. Products imported from GSP beneficiary countries enter the EU either **duty-free access or with tariff reduction.**

“Everything But Arms” initiative (EBA): a special GSP arrangement for the **least developed countries.** Grants duty-free access to imports of all products from LDCs without any quantitative restrictions (except to arms and munitions).

Asymmetrical preferences e.g. for some Balkan countries and Moldova, with the aim of ensuring peace, stability, freedom and economic prosperity in the region.

2. EU Trade policy - basic features

The EU is the most open market for poor countries

176 developing countries and territories are beneficiaries of the EU's GSP.

In 2008, EU imports benefiting from GSP preferences amounted to €68 billion. Bangladesh leading beneficiary country followed by China, Pakistan, Brazil, Malaysia and India.

Key Facts on the General System of Preferences (GSP)

The 49 Least Developed Countries (EBA - "Everything But Arms") benefit from duty-free and quota-free access for practically all exports of originating products to the EU for an unlimited period of time.

GSP guidelines for 2006-2015 in place providing stability to traders and economic operators. The scheme is implemented following cycles of 3 years.

2. EU Trade Policy – basic features

The GSP system 2006-2015 : simplifies graduation mechanism and reduces the system to 3 schemes

- **General scheme:** increase of product coverage from 6900 to 7200 (mainly agriculture and fishery sector of interest for developing countries).
- **Special scheme** for Least Developed Countries: Everything But Arms.
- **New special GSP+** for vulnerable countries = duty free on 7200 products if the country meets criteria :
 - Ratification and implementation of 27 key international conventions
 - “Vulnerable”
 - A poorly diversified economy.

2. EU Trade policy - basic features

The reduced rate provisions of the GSP

The GSP provides tariff reductions **without quantitative limitations**. Reductions are **modulated** according to the sensitivity of products. While non-sensitive products enter the EU market duty free, the MFN rate for sensitive products, with some exceptions, is reduced by 3.5 percentage points.

Special incentive arrangement (GSP+) honour beneficiary countries' efforts to comply with certain internationally agreed environmental and labour standards. Meant to foster sustainable development by providing additional trade preferences. Duty free access for the products covered by the scheme.



**Thank you for
your attention**