

EU statement at the 12th Trade Policy Review of the EU, 06/07/15

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I would like to start my remarks by expressing my sincere appreciation to the Chair, H.E. Atanas Atanassov Paparizov, Ambassador of Bulgaria, and to the distinguished discussant, H.E. Mr. Gabriel Duque, Ambassador of Colombia. I would also like to welcome all the WTO Members participating in an EU Review. Before diving into the substance of our discussions, I would like to express EU team's deep appreciation for the excellent cooperation we had with the Trade Policy Division of the WTO Secretariat, and in particular John Finn and his team

Mr Chairman, as was indicated in our Government Report, the EU is the first export destination for 55 WTO Members. For 32 other Members, the EU market is their 2nd export destination. More generally, the EU is among the top three trade partners of 107 countries around the world.

These figures illustrate why EU trade policy matters for many of you and why our policies have the potential to impact the WTO membership as a whole. The EU is conscious of this situation and of our responsibilities when it comes to designing and implementing trade policies that benefit the WTO membership.

Indeed, the degree of openness of the EU economy is a unique feature if one compares it with that of other trading partners of a similar scale. EU trade in goods and services



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represented 35% of our GDP in 2013. In 2014, extra EU trade represented 16.5% of world total trade in goods and services. The EU remains the first world importer of agricultural products with a total of 104 billion Euros of imports in 2014. And our trade openness benefits most the poor and most vulnerable economies: EU imports through the GSP scheme amounted to 217 billion euro in 2014. LDCs in particular have exported to the EU - making use of our duty-free-quota-free scheme ("Everything but Arms") - 38 billion euro in that same year (up 4.6% from 2013). This has been facilitated by our reformed set of rules of origin which have been favourably received in this organisation by our less developed trade partners.

We are not just open to trade, but also to investment - which in today's economy are inextricably related. In 2013, Extra EU FDI flows represent 45% of total world outflows (without counting intra EU FDI flows). And EU attracted almost 48% of inward world FDI flows (without counting Intra EU FDI flows).

Main developments since the last EU TPR

A new Commission has been in office since last November. Its main priority is to ensure sustainable growth and jobs for all. This is no small task. During the last review, many had commended the EU for our capacity to resist protectionism in difficult economic times. This review will also conclude, I hope, that we met our commitment to remain open, despite an economic situation that remains fragile.

The forecasts for EU growth have slightly improved since the Secretariat report was finalised in March. According to EU forecast from May, GDP is now expected to rise in 2015 by 1.8 % in the EU, 0.1 percentage points higher than projected three months ago. For 2016, the European commission forecasts growth of 2.1 % in the EU and of 1.9 % in the euro area. Recent internal economic analysis shows that EU domestic demand is the main contributor to GDP growth, with an acceleration of private consumption expected this year and a rebound of investment next year.

Even if the prospects are improving, we cannot overlook the fact that the financial crisis has left deep wounds: not only has EU unemployment remained at unacceptable levels in a number of Member States, but it is also worth stressing that the EU has not been

capable to invest sufficiently. This risks undermining an medium and long term recovery capacities unless this is addressed. This is why the new Commission called on collective and coordinated efforts at European level to reverse this trend and, launched new initiatives.

Regarding investments, the objective of the European Fund for Strategic Investments is to create a conducive framework which will attract much needed investments in infrastructure, energy or telecoms. This should in turn contribute to completing the single market and put Europe on a more sustainable recovery track.

With respect to our internal market, I would like to expand on the Digital Single Market initiative launched last May. Digital flows have become an integral and key part of today's global trade reality. European companies are major digital traders in many different sectors: banks, car manufacturers, logistics companies, to name a few. That said, there is still a long way to go before all Europeans can enjoy the same freedoms online as they already do offline. The objective of the initiative is to build a unified space where Europe's single market in the physical world is fully extended into the world of bits and bytes. Once fully in place and working, the expectations are that it could contribute €15 billion per year to our economy and generate hundreds of thousands of new jobs. Europe's future DSM will provide equal conditions where all companies offering their goods or services in the EU are subject to the same rules - data and consumer protection, for example. This will guarantee legal certainty and is ultimately good for investments and business, whichever country they come from.

On top of the single digital agenda, further integration of the internal market and more specifically of the services market (on which the Secretariat reported extensively) remains a priority for the EU. The Services Directive was adopted by the EU already in 2006. It covers economic activities representing 46% of EU GDP. In the last couple of years the Commission has focused on ensuring the full implementation of this essential piece of legislation. The Commission will continue this work and remains dedicated to improving the uniform application of the Services Directive across the EU. Let me insist

that these efforts do not only benefit EU operators but all economic operators and therefore to the Membership here.

Indeed, the EU already is a very open market for both traders and investors; true, it is still incomplete and we can do more to tap its full potential. The importance of our efforts to advance the integration of the EU single market can hardly be overestimated from a trade perspective. All the steps we take to deepen the state of our internal integration are important to the WTO membership and benefit all WTO Members. Due to their regulatory nature such efforts typically apply on an *erga omnes* basis – so there is a mutual supportiveness between the lifting of remaining internal barriers inside the single market and the gradual liberalisation taking place in those areas beyond the EU's borders.

Linked to this, let me briefly touch on another recent key initiative of the new Commission, the so-called "Better Regulation Package". This package will improve the EU policy making process; it will open it further to public scrutiny and input throughout the entire policy lifecycle. All stakeholders, including from other WTO Members, will benefit from the many new opportunities for comments. Let me just list a few:

- Stakeholders will have a chance to provide feedback right from the very start of work on a new regulatory or policy initiative.
- After the Commission has adopted a legislative proposal, any stakeholder will have ample time to provide feedback or suggestions which will feed into the legislative debate before Parliament and Council.
- Draft delegated and implementing acts, which amend or supplement existing legislation, or which set out specific technical provisions, will be made public to allow feedback for 4 weeks before their adoption by the Commission.

To sum up, we are continuously upgrading our single market in many dimensions, horizontally and sectorally, and this will be to the advantage of not only the EU but of all Members of this Organisation.

32 million of jobs have been supported in the EU via its exports. But this does not reflect the importance that imports have also to the EU's economy. Indeed, in today's world of global value chains, in order to export, companies need to import. The EU sources inputs from the rest of the world. These contribute to support jobs outside the EU. Let me give you a few figures: about 5.1 million jobs in China, 2.2 million jobs in India, 1.1 million jobs in Russia and 900 000 jobs in Brazil. Indeed, EU openness supports development around the world. Excluded, Europe imports more from the poorest countries than the US, Canada, Japan and China put together.

Let me now turn back to the importance of this review for us. The EU has been at the origins of the GATT and of the WTO. Last time in our statement, we had drawn parallels between the Great Depression and the 2008 financial crisis. We said we had collectively avoided the worst case scenario after the 2008 financial crisis because we all knew too well what this could lead to. We used and continue to use international institutions – and this one in particular – to resist protectionism. The EU's belief has always been that international institutions were necessary to enable governments to solve economic and sometimes even very acute trade conflicts in an orderly and peaceful manner. This is really part of the EU's political "DNA" since the very notion of European integration is based on trade and economic integration among our Member States. At a time of ever growing inter-linkages between countries, one more than ever needs the WTO.

This leads me to one of the most important functions of the WTO: the monitoring and transparency function, which is one of its three main pillars and at the core of the Trade Policy Review Mechanism.

For the EU, it is quite a challenge to be reviewed, as we are 28 members. But this is not the main challenge. The main challenge is the scale of the scrutiny by you, the membership, which we welcome and will do our best to respond to. This time, we have received even more questions than in 2013 once the meetings were finished. This time we recorded 1410 questions. We hope that the pilot project of a database that has been mentioned by the Chair may contribute to improve the management of the huge number of Members' questions. Let me mention that a Member raised 240 questions this time,

and that a few Members sent as many as five different sets of questions just before this meeting.

I would like to recall that the EU adopted this time again the alternative timeframe and is pleased to see that a number of other Members are using it. It allowed the members who had sent their questions to the EU by the 8 June to receive their replies by 30 June.

Beyond the bi-yearly TPR examination, the EU attaches a lot of importance to having a trade policy that is transparent and accessible.

In this context, the EU is vigilant to comply timely with our obligations in terms of WTO notification requirements. To counter an overall situation in the Organisation, which is disappointing as regards notifications, we have already proposed to reflect collectively on how to improve the situation in the areas of import licensing and quantitative restrictions – for example by means of informal seminars. We will also shortly table further ideas on how transparency could be enhanced for subsidies, anti-dumping and regional trade agreements in the context of the rules pillar of DDA negotiations.

Regarding subsidies, the EU notification goes well beyond our WTO obligations. We however still received a number of questions on our subsidies' regime. So I would like to seize this opportunity to stress that our regime of "state aid control", combined with our comprehensive competition policy framework, contribute to establishing a level playing field for all economic operators that compete in the single market (be they EU or non-EU, State owned and not State owned).

To stimulate sustainable growth and jobs, the EU has recently decided to take measures to modernise its rulebook on Public Procurement, which represents almost 19 % of the EU GDP. This is why new rules were adopted in 2014. They have three main objectives: simplification, flexibility and legal certainty. The EU is convinced that the simplification and greater flexibility of the new procedures, their capacity to better serve other important public-sector policies along with the possibility of the best value for money, will make public procurement more efficient, while respecting the principles of transparency and competition to the benefit of both public purchasers and businesses. The rules on concessions will create a common framework for a major tool of public

management in Europe, thus also contributing to the conditions set out for stimulating investment in major public services of the future.

Mr Chairman, I would now like to say few words on a number of specific areas on which Members have sought information in the context of this review:

- First, agriculture. The last CAP reform is now under implementation and we are making progress in greening our agriculture making it more sustainable. From the beginning, the EU had in mind that the reforms should not only be good for our farmers, but also to those in other WTO members, and we are convinced that they are. That allows us to participate constructively in the DDA negotiations on agriculture. Let me add that, as noted by the WTO Secretariat, and picked up by many Members in their question, it is the case that since 2013, EU export refunds have been set at zero.

- Regarding fisheries, which could not be comprehensively reported in the Secretariat report this time around, the new Common Fisheries Policy has enabled the EU to modernise its policy and make it more market oriented. This new approach has significantly reduced the number and modalities of market interventions, but here as well I recognize that this is a subject of interest and vigilance from Members, at least judging by the number of advanced written questions we received.

- Regarding customs, the EU has been a driving force in the negotiations on the Trade Facilitation Agreement. We are currently on a very good track for ratifying the Agreement well before the upcoming WTO Ministerial Conference. I would also like to underline that the EU supports the implementation of commitments by developing countries with €400 million over five years, a third of developing countries' total estimated needs. Internally, we are also actively preparing for the application in 2016 of the Union Customs Code that is expected to further enhance trade facilitation in the EU. Such enhanced trade facilitation is to be phased in until 2020, alongside the progressive development or upgrade of the necessary IT systems. This will allow exporters to the EU to take better advantage of a centralised clearance of imports at one single point of entry in the EU.

In parallel to the essential monitoring function played by the numerous WTO bodies, another very important pillar of the WTO for us is the enforcement function embodied in the Dispute Settlement Mechanism.

The EU attaches considerable importance to the review of the Dispute Settlement Understanding. We have actively contributed to the negotiations with a view to achieving a successful outcome. Indeed, ensuring compliance with global trade rules through Dispute Settlement is one of the most important and critical roles played by the WTO to maintain an open and fair multilateral trading system. Since our last Trade Policy Review (March 2013), the EU has initiated eight dispute settlement proceedings, seven of which are currently pending. The EU is the respondent in seven pending dispute settlement cases.

Another fundamental aspect of WTO activity is of course its negotiating function. The Bali Ministerial Conference was a great success and we have since then witnessed a re-activation of Doha Round negotiations.

This is obviously not the place to make any specific announcement or a statement relative to negotiations, even if some Members have asked us very specific questions about our expectations for concluding the DDA. Let me nonetheless say a few things about the Round.

The 10th WTO Ministerial Conference, which will be held in Nairobi in December, will be a pivotal moment. We hope that we could reach the two-thirds threshold, which would allow the TFA to enter into force and we are determined for the first WTO Ministerial Conference to be held in Africa, to reach a political agreement on the main aspects of the Round.

Concluding the DDA would not only strengthen the multilateral trading system by updating its rules. More importantly perhaps, it would help the WTO regain its centrality when it comes to addressing further challenges.

For a successful conclusion, outcomes will be needed in all areas of the negotiations – agriculture, NAMA, services, TRIPS, rules and development issues. We are ready to

consider a significant recalibration of our expectations. After so many years spent in the pursuit of unachievable objectives, it is clear that "doability" should now be an overarching principle. We need to recognize the political realities of our times – and they do not give much hope that the level of ambition we had been hoping for initially can be achieved.

This being said, the development objectives of the Round will clearly need to be met, particularly regarding the needs of Least Developed Countries. The EU is therefore determined to constructively work with developing countries to ensure that Nairobi contributes to improving the LDCs' situation.

As you know, while we remain firmly committed to the further development of the multilateral trading system, the EU is also actively participating in a number of plurilateral initiatives. We feel strongly however about the necessity to ensure that these do not end up undermining the multilateral trading system. We therefore take the view that plurilateral negotiations should be open to all interested WTO Members, provided of course they support their objectives and are willing to contribute in accordance with their real economic weight. Furthermore, wherever possible, the EU seeks to anchor plurilateral initiatives as closely as possible to the WTO, so as to facilitate their possible future multilateralization.

Regarding bilateral trade relations, it has escaped no one that the EU has initiated an ambitious agenda for the negotiations of far-reaching preferential agreements. We received quite a number of advanced written questions on the scope and the content of our bilateral trade agreements. Let me just say a few words on this: obviously our free trade agreements fit into a set of objectives that go beyond trade. They form an integral part of the EU's broader external policies, in line with the objectives set by the EU Treaties.

The negotiation of comprehensive and ambitious free trade agreements between the EU and other advanced trading partners such as Canada, Japan or the United States is obviously an important policy development. Some of you might even think that they constitute a challenge for our Organization. Here again, however, the EU intends to make good on its commitment to the multilateral trading system. In particular, we feel that such processes explore avenues into which the WTO has not had the opportunity to venture yet. They can act as laboratories for the development of trade rules, that could one day be the subject of a multilateral conversation, to help fill the gaps in the multilateral rulebook.

The development dimension is also one which we attach a lot of importance to in our bilateral trade relations. In 2014, Economic Partnership Agreements with Fiji in the Pacific and Cameroon in Central Africa started to apply. In addition, EPA negotiations were concluded with West Africa, the Southern African Development Community (SADC) and the East African Community (EAC). EPA preferences are embedded in a long-term partnership which, here as well, goes much beyond the realm of trade policy. Therefore, the shift to EPAs does more than just carry forward 'Everything But Arms' market access into reciprocal trade agreements. It gives our partners from the ACP group, and most notably LDCs, several additional advantages such as the securing of a stable contractual framework for trade relations with the EU, even when they move up the development ladder; flexible rules on the cumulation of origin; as well as targeted development cooperation in areas such as SPS measures and Technical Barriers to Trade (TBT).

Regarding Aid for Trade, with two record years of over EUR 11 billion of commitments in 2012 and 2013, the EU is proud of its position, together with the Member States, as the world's leading provider of Aid for Trade. We have just participated in the successful fifth Global Review. The EU took the opportunity of this gathering to host an important side event on our future Aid for Trade Strategy. The Review is one of the tools, along with the TPR process by which we feel we benefit from genuine peer-to-peer learning.

Looking forward, the EU is working on a new strategy for trade and investment, to be adopted in the autumn – for trade policy to remain relevant and keep delivering benefits

to our citizens, consumers, workers and business it has to keep adapting to the new political, economic and business realities.

In this review of strategy you can rest assured that the WTO and multilateralism will remain the cornerstone of our policy, and the discussions we will be having today and Wednesday will feed into our internal reflections.

I thank you for your attention, and I indeed am looking forward to our exchanges during these two days.

Thank you.