



Meeting report: The European Commission launches its latest trade strategy

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On 7 February 2012, the European Commission held a public consultation meeting on its latest trade strategy - [‘Trade, Growth & Development: tailoring trade and investment policy for those countries most in need’](#), which was released at the end of January.

Karel De Gucht, the European Commissioner for Trade, kicked off the meeting by looking at the changing nature of global trade flows. Around two thirds of global trade is now in intermediate rather than final goods, and 50% of this takes place within multinational enterprises (MNEs), etc. However, Least Developed Countries (LDCs) continue to account for a low share of global trade, experiencing an increase in their share of global trade of just 0.4% (from 0.8% to 1.2%) over the last decade.

The EU is the most open trading bloc in the world, around three quarters of EU imports from developing countries are duty free - this is a much larger share than imports to the US and China. However, in the view of recent trends, the European Commission (EC) has decided to review its traditional trade and development tools, in a bid to tailor them to those countries that are getting left behind.

A key development tool is Aid for Trade (AfT), and the EU continues to be a world leader in this field - the EU institutions and member states combined [contributed €10.5bn to AfT initiatives in 2009](#). There has also been a substantial increase in EU Trade-Related Assistance (a sub-category of AfT focussing on strategic trade issues) - the EU exceeded its expenditure target by spending €3bn by 2010, rather than €2bn, as planned. Some positive examples of AfT initiatives include the development of the single ASEAN customs document and marketing of Caribbean rum.

During the meeting, De Gucht explained some areas of focus of the new strategy:

- **GSP reform.** Reforming the system, sectors and countries covered by the generalised system of preferences (GSP). Also, introducing new trade and investment partnerships to countries that have graduated. This could take the form of bilateral investment treaties (BITs), free trade agreements (FTAs), or a mixture of grants, loans and risk capital.
- **Aid for trade.** Ensuring effectiveness of AfT. There has been an insufficient privatisation of AfT. There needs to be better monitoring and reporting of AfT - analysis at the current time is ex post rather than ex ante, not defining needs on a qualitative basis. There needs to be more of a focus on trade opening and assistance with the accompanying legal and regulatory reform procedures, SMEs etc. In general, a better focus on trade as part of the delivery of aid.
- **MICs.** Influencing MICs to help them offer aid and enhance market access for themselves. Although committed to the conclusion of FTAs currently under negotiation (or mature partnerships with MICs), the EC also supports the conclusion of the Disarmament, Demobilisation and Reintegration (DDR) initiative and will push for an agreement in 2012 on an LDC package and trade facilitation. Furthermore, it will also encourage MICs to match the EU’s Everything But Arms (EBA) initiative.

- **Sustainable development.** Examples of Haiti and Pakistan were given. Following Pakistan's floods, a WTO waiver was approved, removing tariffs on Pakistani exports into the EU. This was a highly exceptional measure. In the future there needs to be more of an emphasis on this and other measures that could assist countries such as rules of origin (RoO) or risk insurance schemes, which could also be deployed with instant results.

- **Minerals and natural resources.** The EC is committed to the pursuit of such initiatives as the Kimberly process (for conflict diamonds), OECD supply chain diligence, etc.

- **Borders.** Addressing border issues in regards to technology, FDI, intellectual property rights (IPR), services, public procurement and social and environmental standards.

The following issues were raised by the audience in the question and answer session:

- **What's new?** It was queried whether the new communication actually differs from the Global Europe strategy, considering that it is difficult to identify what's new. De Gucht replied that the new strategy recognises the need to adjust the pace of negotiations and the sequencing of the liberalisation process and it will provide support to EPA regions regarding the negotiation process. In comparison to other trading partners, such as China, the approach of the EU is to facilitate trade and development.

- **EU-India negotiations.** Concerns were raised over the lack of transparency of the negotiations and whether the inclusion of the TRIPS+ provisions is anti-development. De Gucht responded that the EC is simply asking for national treatment, and that there is no change on EU IPR policy, confirmed by a recent ruling by the European Parliament.

- **GSP reform.** Eurocommerce said that the current reform process of the EU's GSP is seen to correspond to calls for the new regime to be simple, stable and predictable. However, I raised concerns over policy coherence noting that Namibia, for example, could 'graduate' and therefore lose eligibility for trade preferences, but would continue to receive aid.

De Gucht responded saying that GSP reform process is intended to be used as leverage to get countries to sign up to FTAs. For example, on EPAs, the EU had no leverage at all which meant that countries did not engage in the negotiation process. The EC is prepared to be flexible but it is seeking more organised trade relations. The European Parliament is expected to vote on the new GSP regime by the end of February/early March.

- **Soft commodities.** The Cocoa and Coffee Association said that the EC could address the concerns of LDCs if it outlined a soft commodity strategy, noting that although Rwanda and coffee is mentioned in the communication, it could be better framed within a broader framework for soft commodities. The EC has lacked a strategy for dealing with organisations such as the International Coffee Organisation (ICO).

- **V-Flex initiative.** I suggested that the V-Flex could be better linked to new vulnerability indicators related to climate change, and how these new vulnerabilities should be made explicit within the communication.

- **Access issues related to carbon trading.** I suggested that countries most vulnerable to the physical effects of climate change should have access to the EU's Emissions Trading Scheme (ETS) post 2013, and that this may need to look beyond the category of LDCs but also consider Small, Vulnerable Economies (SVEs). Given the outcomes from COP17, the EC could consider supporting working groups within the WTO to consider such issues as part of a new post-Doha trade agenda. De Gucht confirmed that the EC is considering issuing an addendum to the communication to strengthen the language on climate change.

- **Agriculture.** I commented that the new strategy does not mention agriculture or the Common Agricultural Policy (CAP) – areas of particular importance to LDCs which are most vulnerable to the physical effects of climate change. De Gucht replied that CAP reform is handled by another Commissioner, but the deal for LDCs being discussed at the WTO includes cotton and there is also mention of ‘export competition’ which effectively means export subsidies.

- **Negotiations with regional trading blocs.** ECDPM’s San Bilal asked if there would be a review of the EC’s approach towards negotiations with regional trading blocs. For example, in the previous communication (2002), there was a focus on N-S agreements, but the new communication refers instead to ‘political dialogue’. Bilal asked what this could imply at the regional level.

The response to this was that the EC is not de-emphasising regional integration, but is recognising that the geography of agreements is changing – De Gucht gave the example of the tripartite agreement between the East African Community (EAC), the Common Market for Eastern and Southern Africa (COMESA) and the Southern African Development Community (SADC) - Cape to Cairo FTA. De Gucht further clarified that the EC will continue to differentiate across Regional Economic Communities (RECs) as well as within them.

- **LDCs as a target for AfT?** The new emphasis on LDCs as a target for AfT was queried – especially regarding issues around absorption capacity. Could this cause disbursements levels to fall?

- **Export helpdesk.** Eurocommerce praised the EC’s export helpdesk, noting it has received a very positive response from businesses.