Opinion of the European Economic and Social Committee on the 'Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions — Trade, Growth and World Affairs: Trade Policy as a Core Component of the EU's 2020 Strategy'

COM(2010) 612 final

(2012/C 43/17)

Rapporteur: **Ms PICHENOT**

On 9 November 2010, the European Commission decided, acting under Article 304 of the Treaty on the Functioning of the European Union, to consult the European Economic and Social Committee on

Trade, Growth and World Affairs: Trade Policy as a Core Component of the EU's 2020 Strategy

COM(2010) 612 final.

The Section for External Relations, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 22 November 2011.

At its 476th plenary session, held on 7 and 8 December 2011 (meeting of 7 December), the European Economic and Social Committee adopted the following opinion by 185 votes to 1 with 5 abstentions.

1. **Concluding remarks and recommendations**

1.1 The European Commission published a new communication at the end of 2010, at a time when international trade was undergoing radical changes which distinguish the current process from the previous phase of globalisation. As an external component of the EU 2020 Strategy [1], an EU trade policy would aim to ensure that trade would help deliver the sustained growth we currently need to emerge from the crisis whilst guaranteeing the sustainability of the social market economy and supporting the transition to a low-carbon economy.

1.2 The Committee notes with interest that this 'revised trade policy' set out in the communication on 'Trade, Growth and World Affairs' [2] represents another phase and offers useful insights into the following trade priorities in line with the Union's EU2020 Strategy:

— opening up trade to reflect the geographical shift in trade towards Asia,

— the crucial link with the security of supply of raw materials and energy,

— the enormous scale of barriers to trade and investment (whether non-tariff or regulatory) and also to access to public contracts,

— the requirement for reciprocity in multilateral and bilateral negotiations with the Union's strategic economic partners, including aspects relating to intellectual property, and

— recourse to trade protection mechanisms.

1.3 The Committee feels that, on some issues, the existing legislation should be clarified, particularly as regards subsidies and state aids, and that the EU's rules and values should be upheld by applying to the WTO Dispute Settlement Body (DSB) if necessary, in order to feed into case-law that better reflects its concept of fair competition, particularly as regards the emerging countries.

1.4 The proliferation and complexity of bilateral negotiations should not lead the EU to relax its social and environmental demands. These two aspects should, by and large, receive the same consideration as the economic aspect of the negotiations. In this respect, the Committee is paying particular attention to the content and monitoring of the sustainable development chapter and emphasises that the preparation of this chapter is closely linked to the quality of the impact assessment studies and the relevance of the flanking measures.

1.5 The EESC recommends that the UN draw up a global charter setting out a minimum number of rights linked to the ILO's Social Protection Floor initiative, which could be appended to the Millennium Development Goals review scheduled for 2015. This charter would thus provide a coherent link with the commitments on trade and development. The ILO should be given observer status at the WTO as a matter of priority and should gradually become involved in its trade policy review mechanism.

[1] Point 3.3 *Deploying our external policy instruments* in EUROPE 2020. *A strategy for smart, sustainable and inclusive growth*. COM(2010) 2020, 3.3.2010.

[2] *Trade, Growth and World Affairs*. COM(2010) 612.

1.6 The EESC calls for greater attention to be paid to development cooperation, global solidarity and the discussion of the Millennium Development Goals. It suggests dedicating 2015 to the issue of 'development and cooperation' (provisional title). Since the EU and its Member States are also determined to reach these goals by 2015, the Committee proposes taking advantage of this European Year to raise awareness at the individual, civil society and national and European levels and promote an attitude of joint responsibility for achieving the goals that have already been set and the new goals to be set post 2015.

1.7 International trade is part of the problem and part of the solution for issues of food security at world level. The rules of world trade should encourage food security, particularly for the less advanced countries, and ensure that they have duty-free access to developed countries' markets but also for emerging countries, in line with the principle of special and differential treatment.

1.8 In order to develop a green economy in a globalised competitive environment and maintain its leading role in this area, Europe should, in its own interests and in the interest of the climate, retain its ambitious goal of reducing greenhouse gas emissions. The Committee suggests carrying out impact assessment studies (on competitiveness, employment and the environment) and public debates to plan for the transitions between 2020 and 2050 and stabilise the projections of economic stakeholders and individuals.

1.9 In the long term, the Union should help reform the WTO, which was conceived as a form of multilateral governance of globalisation in line with the original intentions of the International Trade Organisation (ITO) as set out in the 1948 Havana Charter, and thus explicitly include employment- and investment-related issues.

1.10 The Committee stresses the growing importance of including civil society in implementing and monitoring the EU's trade agreements, particularly as regards the chapters on sustainable development, as in the case of the recent free-trade agreement with South Korea. The EESC is prepared to make an active contribution to applying the principles laid down in this and subsequent trade agreements. It proposes to help with the monitoring mechanism by collecting the comments of European civil society, extended to all stakeholders, for the annual report. It also suggests acting as facilitator in joint work with civil society in the partner country to ensure that the practical implications of these agreements are taken into account. The EESC believes that a swift implementation of the monitoring mechanisms of the first agreements would greatly benefit progress on the revised trade policy. It would help create a climate of trust of between partner countries and thus facilitate civil society's involvement in the trade negotiations under way.

2. **Anticipating the major changes in globalisation**

2.1 A fair and open international trade system is a global public good to be preserved and strengthened. Each country or union of countries must help to sustainably regulate this good on the basis of the mutual benefits derived in proportion to the concessions made by each party. This is the basis of the EU's commitment to liberalising trade in a multilateral framework that is currently being propelled by the WTO. It is in this spirit that the EESC has supported the Union's trade policy since 2006 ([3]).

2.2 The European Commission published a new communication at the end of 2010, at a time when international trade was undergoing radical changes which distinguish the current process from the previous phase of globalisation. What is at stake today for the EU's trade policy, as a component of the EU's 2020 Strategy, is ensuring that trade can help deliver sustained growth and the sustainability of the social market economy, whilst supporting the transition to a low-carbon economy.

2.3 To analyse the current changes in globalisation, the Committee highlights the five major trends of the decade which should guide the discussions within the WTO's and DG Trade's civil society forum and aim to make the EU's trade policy more strategic and longer-term:

— **Extending the sphere of competition.** The new technologies – ranging from those applying to information or transport to the future green technologies – are changing the ways in which wealth is created and added value is distributed and are heightening competition between countries. They are making goods, services and factors of production, particularly capital ([4]), more mobile and thus increasing the number of economic and social sectors open to international competition.

— Knowledge and innovation are still the drivers of growth, but they are currently sweeping aside the concept of international trade shaped by traditional theories. Countries are no longer exchanging wine for linen as they did in Ricardo's time. For the last ten years or so, countries have been specialising in tasks for which their workers enjoy competitive advantages over their competitors, sometimes at the cost of social and fiscal dumping. **Trade-in-tasks** is gradually taking over from trade in industrial goods. The **proportion of trade made up by services** (20 %) is growing, more closely reflecting the proportion of national wealth they account for (70 % of European GDP).

([3]) EESC Opinions: OJ C 211, 19/8/2008, p. 82; OJ C 318, 29/10/2011. p. 150; OJ C 255, 22/9/2010, p. 1

([4]) OJ C 318, 29/10/2011, p. 150.

— The result of allowing competition between more occupations and economic actors is to boost innovation, increase economic potential and thus global efficiency. Nevertheless, it also helps to increase inequalities within countries. These include **inequalities** of opportunity and pay between workers who are mobile and those who are not, between the skilled and the non-skilled, between those who own capital and those who have only their labour to offer and between workers in the tradable goods and services sector and those from other sectors.

— By relocating activities and resources in line with costs and prices, international trade acts like a magnifying glass, heightening a country's qualities and at the same time underscoring its weaknesses. Trade policy cannot therefore be framed in isolation from the EU's other policies - labour market transition and adjustment policies, the policy for cutting greenhouse gas emissions, social and territorial cohesion policy and single market policy in particular, together with development and cooperation policy.

— In a world that is rediscovering rarity, **the issue of supply security** ([5]) has joined the more traditional challenge of securing access to foreign markets. The trade agenda is now partially linked to the EU's external security agenda. Pressure is mounting on energy and food resources and the increasing competition for access to natural resources is becoming a key factor in trade and security policies.

3. **Key points in a new open trade system that is compatible with a fair transition**

3.1 *Influencing future WTO reform*

3.1.1 The major changes associated with globalisation and their impact on the EU are not just restricted to trade policy but represent challenges for the EU as a whole. Consequently, the EU should encourage forward studies and open up a public debate on the conditions needed to ensure a fair transition. In this respect, the Committee recognises the contribution made by the European Council's focus group's work on the future of the EU leading up to 2030 ([6]), which sets out and revises the 'strategic concept' and the long-term priorities for the EU's external action.

3.1.2 Europe must frame its trade policy to be a lever in the future WTO reform. The Committee supports the Commission's proposal to set up 'a group of eminent persons from developed and developing countries to obtain independent recommendations to help shape our European view on the future agenda and functioning of the WTO post-Doha'. The Committee would like to be involved in the process and is requesting an exploratory opinion on the issue.

3.1.3 The Committee feels that the EU must set itself the long-term target of helping to give the WTO another face and to rethink multilateralism along the lines of its original vocation. The International Trade Organization (ITO), as set out in the 1948 Havana Charter, was intended to be a multilateral organisation dealing with all aspects of international trade without exception, thus including issues relating to employment and investment.

3.1.4 The stalemate in the Doha round and the delays incurred in negotiating Economic Partnership Agreements (EPA) are forcing Europe to reconsider the links between development and trade. The Committee draws attention to the results of the 'Everything but Arms' initiative and the EPAs for reframing our strategy on trade and development. Trade policy is conceived as a whole and the Committee welcomes the additional work being carried out as part of the current communication on reform of the GSP and a planned communication on trade and development.

3.2 *Prioritising food security*

3.2.1 The Committee has used a number of opinions ([7]) to generate ideas that could help shape a more strategic approach to trade policy. Moreover, at the end of a conference on food security held in May 2011, the EESC put forward its recommendations to feed into the work of the G20. It believes that international trade is one of the deciding factors in guaranteeing food security and ensuring that the right to food is upheld. The conclusions of this conference ([8]) set out the impact of trade on food security and development:

3.2.2 Ensure that international trade rules promote food security

3.2.3 Ensure that, in trade reforms and trade negotiations, proper account is taken of the need to help reduce food and nutrition insecurity among the most vulnerable population within developing countries.

3.2.4 Substantially reduce trade-distorting domestic support and dismantle export subsidies:

— Better define when and how export-restricting measures might be used, and at the same time strengthen and enforce consultation and notification processes. In particular, assess the negative impacts of such measures on the food security of other countries.

([5]) OJ C 132, 3/5/2011, p. 15; OJ C 54, 19/2/2011, p. 20.

([6]) *Project Europe 2030 – challenges and opportunities*, a report delivered to Herman Van Rompuy on 9 May 2010. http://www.consilium.europa.eu/uedocs/cmsUpload/en_web.pdf.

([7]) OJ C 318, 29/10/2011, p. 150; OJ C 248, 25/8/2011, p. 55; OJ C 218, 23/7/2011, p. 25; OJ C 21, 21/1/2011, p. 15; OJ C 255, 22/9/2010, p. 1; OJ C 128, 18/5/2010, p. 41; OJ C 211, 19/8/2008, p. 82.

([8]) http://www.eesc.europa.eu/resources/docs/food-for-everyone-conclusions-en.pdf.

— Remove the impediments to the export, transhipment and import of humanitarian food aid in recipient and neighbouring countries.

3.2.5 Ensure that developing countries derive greater benefit from trade rules:

— Enable and encourage developing countries to make sufficient use of provisions on special and differential treatment to help them protect their food markets. It is particularly necessary, within multilateral, regional and bilateral frameworks, to make it easier for them to use safeguard measures that allow them to act in the event of import surges that could undermine local food production.

— Ensure better access for agricultural products from developing countries to developed countries&3x2019; markets. Other developed countries should follow the example of the European Union by adopting a system similar to the 'Everything But Arms' initiative and there should be substantial reductions of customs tariffs on processed products from developing countries in order to promote the development of local processing infrastructure.

— Ensure additional resources for Aid for Trade in order to strengthen the capacity of developing countries to engage in and reap the benefits of international trade in food products. Technical assistance to help developing countries comply with agricultural and food regulations and standards should be strengthened.

— Encourage regional integration and South-South trade and cooperation through the promotion of regional economic groupings. The international community, and the EU with its valuable experience, should support that process.

3.2.6 The Committee hopes that the Commission will take these proposals into account when drawing up the Communication on Trade and Development.

3.2.7 In order to highlight these recommendations and ensure that greater attention is paid to development cooperation, global solidarity and the discussion of the Millennium Development Goals, the Committee suggests making 2015 the year of 'development and cooperation' (provisional title). Since the EU and its Member States are also determined to reach these goals by 2015, the Committee proposes taking advantage of this European Year to raise the awareness at the individual, civil society and national and European levels, and promote an attitude of joint responsibility for achieving the goals that have already been set and the new goals to be set post 2015.

4. **Creating effective instruments for fairer competition**

4.1 There are serious shortcomings in global governance as regards competition. The WTO deals only with certain aspects of this issue, which is unsatisfactory. In particular, problems of private monopolies, abuse of a dominant position and non-tariff barriers arising from private initiatives (rules and standards) do not fall within its remit. Trade law on dumping, subsidies and state aid is still open to interpretation in line with the case law of the Dispute Settlement Body.

4.2 Since the EU alone cannot make good the shortcomings in world governance, it should try to clarify existing law and uphold its rules and values in the instruments that protect and guarantee fair competition:

— by working with the WTO secretariat to consolidate the assessment of export competition conditions in the context of the Trade Policy Review Mechanism (TPRM),

— by encouraging the drafting of an annual report on barriers to trade and investment,

— by supporting the various initiatives aimed at including the so-called Singapore issues (investment, procurement, competition) on a new multilateral agenda and continuing to press for trade facilitation. In particular, the need for a multilateral agreement on procurement should be reaffirmed and backed up, if necessary, by a policy based on both the 'carrot' (for example, technological transfers) and the 'stick' (restricting access to EU procurement),

— by limiting distortions of competition between European Member States when their respective national undertakings are attempting to win markets abroad through the harmonisation of policies and measures covering incentives, insurance and export credits and the gradual amalgamation of chambers of commerce and their representations in third countries. Consolidating and expanding European Business Centres in third countries ([9]) and making market access teams ([10]) fully operational would provide the EU with effective tools in this respect,

— by guaranteeing compliance with intellectual property rights under the WTO agreement on intellectual property (TRIPS), the anti-counterfeiting agreement (ACTA) and bilateral agreements, and

([9]) In China, Thailand, India and Vietnam.
([10]) OJ C 218, 23/7/2011, p. 25.

— by applying to the WTO Dispute Settlement Body (DSP) as soon as necessary in order to strengthen case law in accordance with the EU's vision and values.

5. **Making trade support for an inclusive strategy effective and promoting the social dimension of trade**

5.1 The social dimension of globalisation is a question that cannot be ignored and must be the subject of a negotiated settlement in the long term in the multilateral fora and particularly the WTO. In the immediate future, granting the ILO observer status is a goal that the EU must pursue by changing the views of those countries that continue to oppose it. Moreover, the ILO could be gradually included in the WTO member countries' trade policy review mechanism by making contributions regarding the social policies of the relevant countries.

5.2 The EESC affirms that Europe has useful experience of taking account of the social dimension in trade, which can serve as a practical benchmark at international level without leaving itself open to the criticism of being a form of protectionism in disguise. Thus the Committee's enduring concern is to build on the sustainable development aspect, including the social dimension, being mainstreamed into any trade agreement, on account being taken of the basic ILO agreements in the social chapter, on the experience of conditionality in the 'GSP+' incentive scheme and on the existence of a European Globalisation Adjustment Fund.

5.3 In addition to these recent developments, there has been an impact assessment study whose revised methodology should make it possible to anticipate more accurately the effects on employment and better prepare flanking measures ([11]). The EESC pays particular attention to the setting up of monitoring committees provided for in the trade agreements signed by the EU to oversee their social and environmental dimension.

5.4 The Union and its Member States should uphold their financial commitment for promoting and implementing the 8 basic ILO agreements, whilst bearing in mind that this mechanism was not intended to wipe out competitiveness and employment problems in Europe immediately. Moreover, closely monitoring the ILO initiative to create a global social protection base and support programmes in favour of decent work offers new opportunities for linking trade and employment. The EESC expects the G20, together with the IMF and World Bank, to consider how the global social protection floor might be financed.

([11]) OJ C 218, 23/7/2011, p. 19.

5.5 The EU must put sectoral social dialogue to good use in impact assessment studies when drawing up adjustment measures in response to the effects of its trade choices. It should also explicitly incorporate the effects of the Lisbon Treaty's horizontal social clause ([12]) in its trade policy. During negotiations on the next financial perspectives, the European Social Fund should be maintained and concentrated on the industrial regeneration issues associated with transition and restructuring. Access conditions to the European Globalisation Adjustment Fund should be made more flexible to allow as many workers as possible who have fallen victim to changes in industry, and also in farming, to qualify. This fund should also encourage social experimentation.

5.6 The EESC advocates incorporating the human rights aspect into the sustainable development chapters of agreements and aligning the agreements' accompanying measures with the European Instrument for Democracy and Human Rights (EIDHR). Stricter application of the United Nations' guiding principles will help achieve the EU's targets on specific human rights-related issues. In accordance with the communication on corporate responsibility (October 2011) ([13]), these principles are an essential challenge for trade and development.

6. **Making environmental commitments a reality in trade policy**

6.1 The negotiations on environmental goods and services held as part of the Doha round may help achieve the Union's goals of improving access to climate-friendly goods and technologies. However, for a wide range of products – and renewable energies in particular – tariff barriers are either low or moderate whilst non-tariff barriers continue to seriously hamper their spread. Guaranteeing a swift and single agreement at the WTO on trade in environmental goods and services that includes the tariff and non-tariff aspects of protection is a fresh proposal from the Commission that the EESC supports.

6.2 In order to develop a green economy in a globalised competitive environment and maintain its leading role in this area, Europe should, in its own interest and in the interest of the climate, retain its goal of reducing its greenhouse gas emissions by 80 % by 2050 with, for example, the intermediary objective of 40 % between 2020 and 2030. The Committee suggests carrying out impact assessments (relating to competitiveness, employment and the environment) and public debates to plan for the transitions between 2020 and 2050 and stabilise the projections of economic stakeholders and individuals.

([12]) EESC Opinion: *Strengthening EU cohesion and EU social policy coordination through the new horizontal social clause* (not yet published in the Official Journal).

([13]) COM(2011) 681 final. Commission communication on: *A renewed EU strategy 2011-1014 for corporate responsibility*.

6.3 Establishing this intermediary goal must be accompanied by regulatory and taxation measures which promote increased investment research in clean technologies. Recourse to 'carbon adjustment' measures at borders must be strictly limited to the few cases of loss of competitiveness and carbon leakage identified and carried out in compliance with WTO rules, as stated in the Commission's analysis ([14]).

6.4 Considering the slow and uncertain progress of the plans to set up emissions trading schemes around the world, the EU Member States will, for a number of years to come, remain among the few countries to have set a price for CO2. Given the future risk of carbon leakage in a number of European sectors subject to the EU emission trading scheme (ETS), the Committee also recommends, in addition to the current free allocation of emission quotas established by the Commission, a significant increase in long-term investment designed to foster the decarbonisation of the economy, and the establishment of a stable and predictable incentive-based framework for the promotion of innovation, research and development in the field of as-yet unmarketable clean technologies.

6.5 With regard to transport, the EESC supports the adoption of global UNFCC objectives to cut air transport emissions by 10 % and maritime emissions by 20 %. The decision to share reduction efforts will also have an impact on the transport sector, since air transport will be gradually included in the ETS from 2012. A European initiative to identify energy efficiency objectives in transport by sea would help in these efforts.

6.6 With regard to sustainability impact assessments (SIA), the EESC reiterates its recommendations for overhauling the current mechanism, as set out in an earlier opinion ([15]). In particular, better information on the environmental impact of trade policies should be provided through the closer involvement of the secretariats of the Multilateral Environment Agreements.

6.7 If the introduction of carbon content standards and labelling is to remain a matter for the private sector and decentralised across the EU, it will be essential to put in place a joint framework for measurement and assessment under the responsibility of the Commission or a dedicated agency.

Brussels, 7 December 2011.

The President
of the European Economic and Social Committee
Staffan NILSSON

([14]) Trade as a driver of prosperity SEC(2010)269 http://trade.ec.europa.eu/doclib/docs/2010/november/tradoc_146940.pdf.

([15]) OJ C 218, 23/7/2011, p. 19.