

# UNICE

THE VOICE OF BUSINESS IN EUROPE

Mr Peter Mandelson  
Member of the  
European Commission  
200, rue de la Loi  
B-1049 Brussels

9 February 2006

THE PRESIDENT

Dear Commissioner Mandelson,

European business strongly supports the Commission's efforts to generate commercial opportunities, to boost economic growth through improved international market access and to improve consistency between EU Trade Policy and the Growth and Jobs strategy. In this regard, UNICE welcomes the opportunity to offer its views on the Trade and Competitiveness Issues Paper referred to in your letter dated 26 October 2005.

UNICE considers that trade and competitiveness should be the leitmotiv of your work as Trade Commissioner. For that reason, UNICE adopted a position paper in March 2005 outlining European business' main proposals in this field. UNICE is very concerned, however, that the Issues Paper fails to address many important issues that UNICE highlighted in its position.

UNICE agrees with the statement that the EU has an open economy and needs to focus on vastly improving access to foreign markets. We commend your efforts to achieve this objective both in the WTO DDA and in bilateral trade negotiations. As market access improves, more business opportunities become available to companies, allowing them to expand and grow. In turn, this drives job creation and boosts economic growth. For this to occur most effectively, it is essential that EU business should be able to present its views on trade policy to the Commission. This requires a systematic dialogue between DG Trade and European business representatives, as is common practice in other developed economies.

It is clear that the role of Trade Commissioner encompasses a remit that is more extensive than just international trade negotiations. The Trade Commissioner and his administration must also exert influence in the formulation of internal policies to ensure that the necessary conditions for fostering research and innovation are maintained. The implementation of such policies will lead to the higher value added manufacturing and services base that is the future of the EU economy. UNICE therefore urges the Commission to address this point in its Trade and Competitiveness strategy.

Please find enclosed detailed responses to the questions posed by the Commission. UNICE looks forward to working closely with you and your administration on this issue over the coming year to ensure that EU Trade Policy contributes to fostering growth and jobs.

Yours sincerely,



Ernest Antoine Seillière

9 February 2006

**Annex: UNICE Response to questions on Trade & Competitiveness**

**Question 1. Do you agree with the overview of protection of the EU market?**

- UNICE does not discount the excellent analytical work in the paper and is aware of the considerable degree of protection in EU agriculture and of the generally very open market for industrial goods and services (although some small pockets of protection are highlighted in your paper). However, some analytical elements are missing from the paper. It does not make sufficient reference to services liberalisation; it should further develop certain non tariff barrier issues such as export taxes/restrictions/dual pricing and it should adopt a more systematic comparison with the EU's main competitors to highlight the strengths and weaknesses of the EU economy.
- UNICE regrets that this analytical work was not reflected in the EU's negotiating strategy in Hong Kong where the EU's export interests were sidelined in favour of a defensive position in agriculture. In that light, UNICE regrets that no decision was made on a tariff-cutting formula for industrial goods that would provide European business with the market access it needs in the emerging countries. UNICE also believes that the emerging countries should participate in plurilateral services negotiations.

**Question 2. Do you agree that tackling barriers to the European Union's exports in third countries accounts for the bulk of the potential for trade policy to improve the competitive position of EU industry?**

- UNICE agrees largely with this approach. However, it would like to encourage more consistency as regards the strategic objectives of trade policy. UNICE feels that, at times, overall political or geopolitical rather than economic objectives dominate the decision-making in the EU as regards bilateral trade negotiations or when dealing with trade distortions in third countries.
- UNICE is still committed to the WTO DDA negotiations as a priority because multilateral trade liberalisation would reduce barriers across a much broader range of countries than any bilateral approach. Moreover, WTO rules are much simpler for business seeking to expand internationally. However, should difficulties persist in WTO negotiations and if there is a risk of a low ambition DDA round, UNICE must insist that trade with the EU's main trading partners is liberalised further.
- To be more specific, UNICE asks the Commission to seriously consider negotiations of free trade agreements with our main trading partners as a second best option. The fact that we have good, non-problematic trading relations with other industrialised countries should not be regarded as a disincentive to pursue trade liberalisation with these countries in the future. The Trade Commissioner will certainly agree that further liberalisation, in particular with big trading partners will spur Europe's competitiveness and will enable European firms to compete at a global level. UNICE also regards the recent decisions in Asia to conclude free trade areas with concern since those

agreements could exclude European products and services from important Asian markets. The EU needs to act quickly to prevent this from occurring.

- UNICE would like to highlight that EU trade policy needs to become better adapted to removing non-tariff barriers, if it expects to improve the competitive position of EU industry. Further initiatives in the WTO to deal with NTBs should include: strengthening the enforcement of the TBT principle of least trade restrictiveness, establishing a WTO NTB mediation mechanism to handle implementation problems; create linkages between the WTO and bodies dealing with international standardisation (ISO, IEC, UN Economic Commissions, etc.). European companies are also facing complex trade and investment barriers in third countries that are seriously undermining their competitiveness but are not necessarily addressed by multilateral, regional or bilateral trade rules. Examples include: export taxes and restrictions, including dual pricing; intellectual property (IP) protection; and security measures. Without a focused EU strategy to deal with these barriers, the competitive international position of many EU industries will be threatened. UNICE believes that the Trade and Competitiveness strategy should be associated with a new approach to market access that tackles these barriers in the WTO, at the bilateral level and through EU trade policies.
- UNICE would also like to underline that EU competitiveness also requires the EU to facilitate trade into and within the Single Market. Many European industries rely on global sourcing and therefore depend heavily on modern trade policies – such as customs and other internal trade policies.

**Question 3. Do you agree that the EU's strength lies mainly in upmarket products?**

- UNICE agrees that the EU's trade performance is linked to increased efficiency and productivity through investment in technology and innovation but this is not the same thing as specialising only in "upmarket products". Therefore, the focus on "upmarket products" should not be exclusive because it ignores that the EU is competitive in the export of some basic products and materials because of better manufacturing techniques, logistics, distribution, marketing and other 'invisible' factors. Furthermore, some high value added industries depend on competitive industries producing more basic products (e.g. chemicals or metals industries) or on efficient service providers.
- Improved EU industrial policies that foster innovation and investment will allow EU industries to maintain a competitive edge regardless of the types of products they produce. UNICE would also like to highlight that the ability of EU industry to export (high value added or basic products) depends on adapting the EU regulatory framework to favour rather than hinder European competitiveness.
- The Commission is correct to prioritise intellectual property protection as crucial to maintaining European export competitiveness. UNICE is concerned, however, that in the past the EU has not defended European intellectual property rights as effectively as other developed economies' administrations, especially the US and Switzerland. It is essential that Commission negotiators

ensure European business is effectively protected in the future, within the WTO framework and elsewhere.

- Given the deep trade and investment linkages between the EU and the US, there are strong incentives for enhanced Transatlantic cooperation on a range of issues, particularly on innovation. UNICE would like to see work begin between the EU Commission and the US Administration on innovation in 2006.

**Question 4. Do you agree with the priorities in the paper?**

- The Commission has failed to adequately reflect business priorities in the Paper. The Trade Commissioner and DG Trade must engage more actively with other Commissioners and directorates to ensure that EU regulations maintain and enhance the EU's global competitiveness. This means that new legislation should be continuously assessed for its impact on Europe's trading environment. It also requires forward planning for regulatory frameworks in new areas (e.g. nanotechnology, biotechnology) to be formulated concurrently with those of major trading partners. Significant costs for European business would be brought about if regulatory divergence were to become a non tariff barrier to trade. The work proposed in the Trans-Atlantic Business Dialogue provides a useful starting point in this area. Since regulatory divergence is often a formidable non-tariff trade barrier, the Commission should rapidly address and solve issues of mutual recognition, equivalence and harmonisation. However, regulatory convergence will also require the EU to show some flexibility with regard to recognising the regulations of major trading partners such as the US and Japan.
- With respect to trade policy, UNICE prioritises the WTO DDA negotiations and requests that the EU focus on the growth generating issues for the round – notably industrial market access, services and trade facilitation. As stated above UNICE is more than disappointed with the meagre results of the Hong Kong WTO Ministerial Conference on these important issues. To secure more enthusiastic business support for the DDA negotiations, the EU should focus on the fundamental liberalisation issues of interest to business, i.e. NAMA and Services. UNICE also notes with great concern that the contribution of the Paper to services liberalisation is almost non-existent – which is astonishing given that a large share of EU external trade is in services.
- UNICE believes that the EU must develop a broader trade policy strategy to address the many concerns of European business. As well as improving market access, the Commission should look at wider trade-related matters including investment, regulatory barriers, regional integration and trade barriers such as export taxes/restrictions/dual pricing, IPR protection and disproportionate security requirements. The EU's failure to properly address the issues of dual pricing of gas in Saudi Arabia prior to that country's accession to the WTO sets a worrying precedent for the EU's ability to deal with similar problems in the future. The distorting effects of a dual pricing system of a raw material were overlooked by the EU, potentially leading to disinvestment in Europe.

**Question 5. How important would investments, norms and standards and public procurement issues be?**

- All of these issues are important for trade policy. Companies face many investment restrictions – especially in emerging markets and transition economies. The EU should use the work developed in the OECD Policy Framework for Investment and work on investment in weak governance zones to reduce investment risks for business.
- Companies would also appreciate greater clarification and recognition of international standards. The EU should strive to establish more stringent rules in the WTO regarding the implementation of international standards and the requirement of least trade restrictiveness of technical rules and regulations. The establishment of a new WTO mechanism to solve implementation problems due to technical regulations through consultation and mediation based on the establishment of national contact points in all WTO Member States could also facilitate trade and amicable solutions to NTBs.
- Many countries (including some OECD countries) still have formidable barriers to open public procurement markets. The extension of the geographical and sector scope of the WTO Government Procurement Agreement (GPA) should be pursued to increase market access. The EU must also work to achieve a higher degree of reciprocity in market opening and improved transparency in tendering procedures. In addition, EU development aid policies could be better adapted to private sector and infrastructure development by adopting clearer rules and procedures and by fostering public-private-partnerships.
- UNICE would like to add that the protection of EU intellectual and industrial property is essential for the future growth of a high technology economy. A coherent EU strategy to protect and promote IPR (e.g. trademarks, patents and geographical indications) should be an EU priority in trade policy.

**Question 6. Cooperation with Member states**

- Cooperation with the Member States should be improved in third countries to ensure that EU delegations and national embassies cooperate to remove trade barriers and distortions. In addition, UNICE urges the EU to prevent the politicisation of the trade policy due to diplomatic pressure from third countries. The economic interests of the EU should be paramount.
- UNICE also believes that the EU should develop a more coherent approach to bilateral trade negotiations to ensure that our economic interests are promoted more actively. The main focus of bilateral policy should be to improve market access in traditional and high growth export markets, to remove hindrances to European exports and investments and to create a level playing field for access to raw materials and inputs.

**Question 7. What role should structural adjustment play related to international trade?**

- UNICE notes that the EU has decided to create a Globalisation Adjustment Fund through the adoption of the Financial Perspectives (2007-2013). The necessity of the new fund should be clarified because the needs identified could be met either at national level or by redeploying the Social Fund programmes.
- Companies need to adjust to competitiveness pressures by adopting economic restructuring to become more efficient and to adopt sustainable business strategies. Any European funding designed to mitigate the effects of globalisation should not undermine the ability of companies to adapt to global competition.

**Question 8. How can competitiveness and the development objectives of EU's trade policy be better linked?**

- UNICE believes that the EU could better promote development through trade policy by focusing more on the development benefits generated by trade liberalisation and improvements in trade rules (e.g. rules on Trade facilitation and NTBs). While UNICE recognises that less advanced developing countries need more time to adapt to trade liberalisation, it believes that the emerging countries, which have reaped the benefits of freer global trade, should now agree to play by international trade rules. South-South trade is the fastest growing sector of international commerce and it is essential that emerging countries open their markets to their poorer neighbours.
- UNICE is also concerned that preferential EU trade policies (GSP, ACP) have had a negative impact on multilateral trade negotiations while providing questionable benefits to the beneficiaries of these preferences. UNICE therefore requests an economic assessment of the benefits of these preferential arrangements.

**Question 9. How can SMEs take advantage of opportunities arising in emerging markets like China or India?**

- SMEs, like big companies, will benefit from opportunities in emerging markets if and when the EU successfully improves market access for goods, services and investment. UNICE therefore calls on the EU to focus trade policy much more on improving market access and legal security for European business.
- EU-Chinese cooperation on regulatory and implementation-related issues (e.g. IPR enforcement) would lower risks for smaller companies interested in the Chinese market. For instance, the WTO Trade Policy Review Mechanism of China highlighted number of WTO implementation problems which need to be resolved.

- EU delegations in third countries could also play a bigger role in supporting the activities of European business abroad notably by increasing the number of trade experts working in delegations. Closer cooperation with national trade promotion agencies of EU Member States could also be envisaged.
  - Finally, the Commission should cooperate more actively with UNICE in organising joint events with third country government officials and EU business.
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