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GLOBAL EUROPE TRADE STRATEGY: IMPACT ON EMPLOYMENT

SPEAKING NOTES FOR ADRIAN VAN DEN HOVEN SOLIDAR SEMINAR, EUROPEAN PARLIAMENT 19 NOVEMBER 2009

1. The complex issue of trade and employment

- Difficult to assess even for academics. Trade liberalization appears to accelerate structural changes in the economy (e.g. a shift from an agricultural to an industrial economy or from an industrial to a services/high value added industrial economy). This may be positive or negative depending on where people are in the production chain.
- However, economies that ignore the realities of globalization and refuse to open up in the medium term suffer terrible consequences. Shielded industries eventually begin to suffer from a lack of competitiveness. This is evident in countries like Russia or Ukraine where the local manufacturing industry is in need of major structural reform.
- In the EU, BUSINESSEUROPE and its members are working on the “flexicurity” concept to help prepare the EU economy for globalization and the changes that it may bring.
- The biggest supporting countries of trade liberalization in the EU are countries with very strong private sector trade unions (Germany, Denmark, Sweden). It is therefore difficult to make a correlation between support for trade liberalization and anti-trade unionism. In some countries, trade unions play an important role in strengthening export competitiveness.

2. The Global Europe Strategy

- BUSINESSEUROPE strongly backs this strategy to promote EU exports and more growth in industry and services companies – hence more employment in Europe.
- The focus of Global Europe is on emerging markets (especially in Asia) where EU exports have a relatively weaker position compared to the US or Russian markets. To gain access to these markets, we need strong



trade policies to have a level playing field (e.g. to deal with complex issues like NTBs, raw materials prices, services, etc.)

3. EPAs and Sub-Saharan Africa

- There is a confusion that Global Europe is about forcing open sub-Saharan African markets. This is a myth. The Economic Partnership Agreements (EPAs) are development free trade agreements that seek to restore WTO rules because our preferential ACP trading regime favors ACP countries over Latin American and Asian developing countries.
- There was very little business pressure to open the markets of ACP countries. This is another myth. Perhaps BUSINESSEUROPE should have been more influential here but we were not.

4. Raw Materials Initiative

- The EU Raw Materials Initiative does not aim to exploit the resources of poor African countries. It is about establishing rules for free markets once raw materials are extracted. We should be aware that countries that manipulate energy or raw materials prices to support industrial development do so at a huge cost to the environment. The very high energy inefficiency levels in Ukraine and Russia are driven by subsidized (dual pricing) of gas and oil.
- As regards extractive industries, BUSINESSEUROPE is calling for more, not less, governance to help developing countries avoid or at least contain the so-called “resource curse”. Some countries like Canada or South Africa have done a good job in developing extractive industries without undermining governance. EU development aid can be used in a positive way to help countries with weaker administrative capacity to improve governance.
- The EU must also be aware of the impact of its internal policies on development. EU rules mandating minimum quantities of biofuels in gasoline and diesel fuel could have an impact on the price of food on global markets, for example.

5. Trade & international labour standards

- BUSINESSEUROPE is not opposed in principle to including cooperation on labour or environmental issues in trade agreements. However, we will not support EU policies to try to impose EU standards on foreign countries. This kind of policy will backfire and harm our interests.
- However, if the EU includes such measures in trade agreements or rules, it should apply them. For example, the EU is currently reviewing whether to maintain GSP+ for Sri Lanka. There are claims that Sri Lanka



is not fully meeting the conditions and therefore, after a review, the EU might suspend the additional tariff benefit. BUSINESSEUROPE will support the decision by the EU because we believe in enforcement of the rules. However, the consequences are not clear cut. A suspension of GSP+ could harm employment in Sri Lanka. Considering this, we hope that the EU will consult local trade unions and employers' representatives during the review procedure.

- The EU might want to consider focusing its efforts in countries where it can have the most influence. Those who believe the EU can change the whole world are living in a utopia. However, the EU does have a lot of influence in countries like Ukraine or Russia which are facing heavy restructuring of their uncompetitive manufacturing sector with huge employment consequences. We need to help these countries restructure their industry or we risk paying some of the cost if these countries are destabilized by social unrest.
- As regards the defence of public services, trade agreements do not undermine them. Rules on public services are only there to open them up to international competition once a country has decided to privatise a service. In today's world of high government deficits, it is likely that more governments will turn to public-private-partnerships to finance much needed infrastructure development. EU companies can benefit from this but only under a framework of fair rules.
