

## **THE ECONOMIC DIMENSION OF EU FOREIGN POLICY:**

**BUSINESSEUROPE recommendations for the 16 September European Council debate on Strategic Partnerships**

### **EXECUTIVE SUMMARY**

The EU should establish an economic dimension of EU foreign policy to help European business operating and investing abroad. BUSINESSEUROPE's recommendations for achieving this objective are:

- 1.** Ensuring a strong EU voice in multilateral rule-making organizations.
- 2.** Obtaining negotiating mandates from the Council and Parliament before political summits or bilateral meetings with strategic partners.
- 3.** Establishing an economic division in the External Action Service to provide foreign commercial services in key embassies and work closely with business
- 4.** Using trade and investment negotiations to open markets for European companies, to protect their commercial rights and technology at global level.
- 5.** Making market analyses for strategic markets such as the US, China, Russia, India, Japan and Brazil to facilitate cooperation.
- 6.** Developing reciprocity-based economic diplomacy with large emerging economies to address economic nationalism.
- 7.** Backing up multilateral climate change negotiations with a bilateral strategy to promote EU technology.
- 8.** Strengthening consultation with BUSINESSEUROPE on all foreign economic policy issues.



## **BUSINESSEUROPE RECOMMENDATIONS FOR THE 16 SEPTEMBER EUROPEAN COUNCIL DEBATE ON STRATEGIC PARTNERSHIPS**

As the EU progressively defines a foreign policy, BUSINESSEUROPE would like to outline the importance of the economic dimension. The EU's commercial activities around the world generate huge economic returns for growth and jobs. Although the market continues to be the main driver of globalisation, states play an increasingly important economic role in large emerging economies. Consequently, European diplomacy will need to be much more responsive to the international development of EU companies. The EU can help European business trading and investing abroad by providing political support and safeguarding European investments and technologies. In turn, European business can contribute to EU external policy objectives through responsible trade and investment.

### **1. STRATEGIC ECONOMIC ISSUES**

The EU should determine the issues within its competence that are of strategic importance for future growth and jobs in Europe. For BUSINESSEUROPE, the priority issues are:

#### **a. Strengthening the Rules-Based System of Global Commerce**

The EU should develop a much more reciprocity-based economic diplomacy with large emerging economies, encompassing a better understanding of their industrial policy and taking a much firmer line against economic nationalism that may undermine EU commercial or technological interests. In addition, the EU should develop a stronger line against state intervention that distorts global markets either through regulation or through the activities of state-owned-enterprises.

#### **b. Supporting EU Trade, Investment and Technology**

The EU's economic diplomacy should have as its core objective the competitiveness of EU companies in international trade, investment and technological development. In addition to free trade negotiations, the EU could do much more to support this objective. As regards international investment, the EU should pro-actively engage in market access and protection negotiations and take a very firm position on the protection of EU investments abroad. The protection of EU commercial and industrial technology is a central concern for business and for the future competitiveness of the European economy.

The EU's industrial policy should define clear objectives on how to protect this technology at the global level by negotiating and enforcing strong intellectual property agreements and by sheltering EU companies from forced technology transfer measures. Similarly, access on a level playing field of European enterprises to the procurement markets of strategic partners should elevate the need for the latter to join the WTO Government Procurement Agreement (GPA) without delay.

**c. Making Better Use of Available Policy Tools to Foster Trade and Investment**

The EU has significant resources available to facilitate partnerships on issues like trade, energy or climate change. First, the External Action Service should have a clear economic component both in terms of central planning (an economic division) and a foreign commercial service in key embassies along the lines of the model developed jointly by the US State and Commerce Departments. Second, the EU should lift restrictions on development and technical assistance funds that prohibit support for EU interests and EU business. In addition, the EU should reach out to large recipients of development aid (the EU and Member States provide roughly €50billion/year – the EU €7.5 billion alone) to support its positions in multilateral negotiations. The notion that development should be completely de-linked from the EU's political and economic objectives should be dropped. Third, the EU should work more closely with BUSINESSEUROPE to structure business input into strategic dialogues with key partners.

**d. Redefining the International Dimension of Energy, Raw Material and Climate Change Policies**

The EU's energy policy has been largely driven by internal considerations to consolidate the internal energy market. The external dimension of these policies should now be given attention. Energy security requires the EU to privilege diplomatic relations with key resource holders and to support technological developments that will favour the establishment of open markets for energy trade.

The challenge of maintaining open markets for industrial raw materials should be central in the dialogue with strategic partners. This includes security of supply, co-operation with European industry to develop resource sectors, rules for open international raw material markets and better EU internal regulations that may affect raw material imports.

The EU's policy of leading by example in climate negotiations has not achieved significant results at the global level. Consequently, multilateral climate negotiations should be backed up by a structured bilateral relations strategy to make progress towards an international agreement on climate change. Bilateral arrangements should also be used to facilitate the use of offsets, market access (Environmental Goods and Services Agreement) and provide funding support for the export of EU clean technologies and projects.



## **2. AN EFFECTIVE AND INFLUENTIAL VOICE IN INTERNATIONAL ECONOMIC AFFAIRS**

Although the EU has had significant successes in translating its commercial weight in international trade negotiations, it has had difficulty influencing international affairs outside of trade negotiations. If the EU wishes to influence a wider range of issues necessary for an economic diplomacy, it will need to step up its game internally and externally.

Outside of the WTO, the EU plays a very limited role in multilateral organisations where international rules are negotiated. While member states should clearly hold responsibility in institutions that discuss issues of national competence, this is no longer justified on issues of EU competence covering areas like monetary policy, financial market regulation, environmental policy, development policy and policies that affect trade and investment. In these fields, the EU should participate directly in negotiations and discussions via the President of the Council, the High Representative or the appropriate Commissioner. Alternatively, the EU Member States should agree to a common negotiating line via the rotating EU presidency backed up by the EU institutions.

In addition, the EU should prepare major multilateral conferences well in advance to ensure that a common EU position can be agreed and supported diplomatically in the run-up to the event. Major events should also be thoroughly evaluated ex-post to assess the EU's achievements in comparison to its negotiating mandate. BUSINESSSEUROPE should be consulted throughout this process to ensure that business views are taken on board in the EU's negotiating strategy and to build up a constituency to support the EU negotiating position.

EU bilateral relations with strategic partners are often built around highly structured events or dialogues (biannual or annual summits, strategic economic dialogues, etc.) which provide ample opportunity for defining a coherent strategy. Major summits or meetings should be planned through specific Council and Parliamentary preparatory meetings based on a Commission proposal for a negotiating mandate and an appropriate level of flexibility to advance core interests with the partner. BUSINESSSEUROPE should be consulted throughout this process to strengthen the EU position.



### 3. STRATEGIC ECONOMIC PARTNERS

The global economy is evolving rapidly with the emergence of new economic powers. The balance of power is changing and in addition to OECD countries a number of key emerging countries will shape the international economic system of the future. The EU's diplomatic strategy should engage strategically with these new key players. The strategies should include:

- Detailed studies into each country, going beyond an enumeration of trade barriers to a full market analysis to develop clear ideas about future growth sectors. This will enable the European Union to prioritise its interests and use its leverage more effectively.
- Clear mandates for action by the EU from Member States and the European Parliament to give the strategies greater legitimacy and negotiators room for manoeuvre.
- Avoidance of a silo approach to key relationships, where individual EU bodies engage in bilateral dialogues and negotiations on their own without coordination. Coordination needs to happen across all of the Commission Directorates General, the Council (and the External Action Service), the Parliament and Member States.
- BUSINESSSEUROPE and the EU institutions should develop structured dialogues to help in the plan the economic dimension of the partnership and to facilitate business input into the process.

#### ➤ THE US

The EU-US economic relationship is and will remain the largest market in the world for the foreseeable future. Strategic EU-US cooperation is vital to foster greater alignment on global issues and achieve international economic objectives. The Transatlantic Economic Council should be the main vehicle for economic cooperation on bilateral and global challenges leading to concrete results for companies. It needs more resources and a broad commitment from the EU and US Government. In the medium term the EU and U.S. need to speed up the drive towards a barrier-free transatlantic market.

#### ➤ CHINA

The EU-China High-Level Economic Dialogue (HED) can better foster concrete improvements for European businesses in China through a clear definition of priorities. An EU-China Action Plan should set and implement objectives and milestones to be reached within clear established deadlines. The Action Plan should be agreed jointly by the two sides and reviewed at the annual meetings of the High-Level Economic Dialogue. Close involvement of business is essential to strengthen the main business concerns in all approaches. The Commission should continue to regularly evaluate the EU-China relationship and push harder for China's full respect of international obligations.



### ➤ **RUSSIA**

Russia is one of the EU's biggest export and investment markets. Its government has adopted a number of trade and investment measures to shore up its companies in the wake of the crisis – often to the detriment of EU firms. The business regulatory environment can also be unpredictable. Meanwhile WTO accession and bilateral trade negotiations with the EU are stalled. Raw materials from Russia, including energy, remain vital for Europe's economic activity. In this light, BUSINESSEUROPE suggests creating a strategic economic dialogue with Russia to advance improvements in the business environment for companies while maintaining support for WTO and bilateral negotiations to resume normally. This dialogue can also facilitate a business project approach to support the EU-Russia Modernisation Partnership.

### ➤ **INDIA**

India currently represents a small fraction of European international trade and investment but its dynamic growth and enormous population make it a strategic priority for the European Union. It should also be the subject of a comprehensive economic analysis by the European Commission. The top agenda item is the conclusion of an ambitious free-trade agreement that will open the Indian market without exceptions. Such a deal has huge potential for both sides. India also needs to figure highly in the resource allocation for the Market Access Strategy.

### ➤ **JAPAN**

In 2010, negotiations will start for a new EU-Japan Action Plan 2011-2020. BUSINESSEUROPE advocates the creation of an EU-Japan High-level Economic Partnership Council to foster closer economic cooperation at the highest level and involving different Japanese ministries and Commission Directorates. The new Action Plan should outline areas for closer EU-Japan ties and include potential pilot projects to be delivered within reasonably short timeframes and should be assessed on an annual basis.

### ➤ **BRAZIL**

Brazil is a key market for Europe not just because of its own stable growth in recent years but also its role as a site for many regional investments by EU firms. The principal method to advance the relationship would be the conclusion of an ambitious free trade agreement with the Mercosur region, including a strong chapter on investment. However, there is much progress that can be made in the bilateral relationship, looking at issues such as technical barriers to trade, the enforcement of bilateral tax treaties and infrastructure development.

