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Working together for Growth: Making the most of the Internal market and external trade

ADDRESS BY PHILIPPE DE BUCK DIRECTOR GENERAL, BUSINESSEUROPE

Ladies and gentlemen,
Signe Ratso,

BUSINESSEUROPE is a strong advocate of the EU's trade policy strategy and of the Single Market Act. This is a wonderful opportunity to underscore our commitment to both strategies.

I commend the European Commission for organising this conference which aims to stimulate cooperation across strategies and Commission departments to boost the EU's competitiveness. External trade and Single Market liberalisation are essential tools for economic growth and to job creation.

The Internal Market is central to economic growth for Europe and for the world.

- It is the world's largest market of 500 million consumers in 30 countries that generate €12 trillion per year.
- It adds €600 billion a year to our economy and by removing barriers we could add another €350 billion in new growth and jobs.
- Cross-border investment totals €430 billion and 70% of Member States' exports are destined for other EU countries.

Trade agreements add to the internal market by generating export and investment opportunities for business.

- 7.2% of all jobs depend directly on EU exports and around 18% (or 36 million jobs) of all EU are trade competitiveness related.
- EU trade agreements (currently under negotiation) and bilateral negotiations on regulatory convergence can deliver a much needed 1% GDP boost to our economy.
- Consumers save around €600 per year thanks to the competition generated by trade agreements.



The economic benefits of the Internal Market and Trade negotiations can be boosted even further. This requires a more coordinated strategy to strengthen our competitiveness base and to improve coordination with our trading partners.

1. Strengthening competitive base through better regulation

As the EU economy slows due to the Eurocrisis, we need to work together – EU institutions and business – to stimulate economic growth in our own market.

Without a strong Internal Market, our companies will struggle to remain globally competitive. We want to keep advanced manufacturing and services businesses in Europe. We want to expand job creation and growth.

But I am concerned by the slow pace and disjointed policies of the EU. Progress on the Internal Market is slow and EU regulations are burdensome and often undermine competitiveness.

a. Single Market Act: Step on the gas!

It's time for the EU to *step on the gas* to get Internal market measures adopted.

- The Unitary patent debate is over. Member States must rapidly agree on a deal that supports innovation, cut costs and reduces legal uncertainty.
- Investments are needed in the energy market to improve the security of supply, to lower prices and to improve the environment. This requires a clear roadmap on the energy mix coordinated between member states and the EU.
- The digital agenda will be the growth enabler for European industry over the next ten years. Barriers to cross-border transfers of data and content and much needed investments in infrastructure need to be lifted.
- Services liberalisation requires clear rules on the mobility of providers. If companies and people cannot work across EU borders, what is the point of the Internal Market?
- The EU standards system needs to be transparent and pro-competitive to allow the best standards to develop for the market. The EU must also put an end to national standards on top of EU standards which fragment the internal market.

b. Better Regulation: Not good enough!

- The Commission needs to apply the Better Regulation principles. Competitiveness checks are not always applied to new EU laws and regulations.
- For example, EU capital directives for banks could significantly increase the cost of trade finance and export credit guarantees. These low risk financial activities are vital to have a competitive export industry.
- For example, EU regulations and tariffs limit our access to energy and raw materials. Imposing a *de facto* import ban on fuels made unconventional fuels (oil sands, shale oil) undermines our competitiveness and energy security.



High import tariffs on biofuels increase the cost of alternative energies and limit the development of bio-industries in Europe.

The external dimension of the Internal Market also has tremendous potential to stimulate trade and growth.

2. External Market Policies to expand business opportunities

EU experience with internal market liberalisation can support the international expansion of our businesses. The EU's regulatory cooperation strategy is challenging but can deliver huge benefits for trade and better regulation. On the services side, the EU must adopt a more dynamic approach to market development.

a. Regulatory cooperation

One of the main strategies of the EU external market strategy over the years has been to promote regulatory cooperation with major trading partners. Three main strands of this activity have been pursued: regulatory approximation, regulatory convergence and non-tariff barrier negotiations.

Regulatory approximation makes sense for countries nearby whose exports are largely directed toward the EU.

- This is the case for countries that are geographically contiguous to the EU (such as Norway and Iceland, future candidate countries in the Balkans and more recently with Eastern and Southern Neighbourhood countries and with Russia).
- By adopting similar regulations to ours, we can essentially expand the benefits of the Internal Market to our neighbours.

Three challenges need to be addressed to advance this policy further.

- First, the EU should commit resources to help businesses comply with our regulations due to the high initial costs of self-conformity regulation.
- Second, the EU should invest heavily in working with Russia on regulatory approximation. As a very large economy, Russia will face significant regulatory challenges as it advances toward WTO accession. We can partner with Russia to facilitate this process and to eventually create a Single Market between our economies.
- Third, the EU needs to allow participation in regulatory processes that matter economically to our neighbours. This could be the case for regulation of the energy, raw materials or agricultural imports for example.

BUSINESSEUROPE is prepared to engage in this cooperation with business organisations in neighbouring countries. We have put forward project proposals to the European Commission on this recently for our Eastern and Southern neighbours.



Regulatory convergence is used to boost trade and investment with countries that have similar public policy and market regulation objectives like the United States.

- Convergence works best in new areas of regulation such as the development of electric vehicles as was discussed at today's conference.
- The main challenge that we see in this field is to generate momentum for business and regulators across the Atlantic to cooperate on new standards and regulations. This is why we need the Transatlantic Economic Council.
- We also need to look at ways to transform this cooperation into binding rules over the medium term. The High Level Group on Growth and Jobs headed by Mr De Gucht and Mr Kirk (USTR) could examine how to do this in practice – perhaps in the context of a trade negotiation.

Tackling persistent non-tariff barriers (NTBs) to our exports is also a key part of the external market strategy.

- In some markets like Korea and Japan, European exporters have faced significant challenges entering the market. The EU-Korea FTA set a new benchmark for removing sector-specific NTBs in areas such as textiles, pharmaceuticals, food and electronics.
- The main challenge here is to ensure the proper implementation and enforcement of NTB rules. To ensure that our partners truly commit to sectoral liberalisation, the EU should include “non-violation” or “catch all” clauses in NTB agreements.

b. Services liberalisation

The Internal Market has shown that services liberalisation is essential to boost trade, growth and jobs. The same holds for services liberalisation internationally.

Free trade negotiations in services need to be more ambitious.

- We need to accept that the classical distinctions between services sectors are breaking down with new business models.
- We no longer talk of the banking sector or the securities sector but of the “financial sector”.
- Telecommunications and information technology are now part of the same business.
- Logistics industries use multimodal transport to carry goods and people across borders.

It is therefore essential that the EU adopts full services liberalisation based with limited exceptions in free trade negotiations.



Services delivery also depends on people and experts. Therefore free trade negotiations need to allow for the temporary movement of services experts.

- The EU free trade agreement with India could boost our productivity significantly if it gave us access to Indian information technology specialists. And if we cannot bring these experts to Europe on a temporary basis, companies will send their business to India.

Services require long term investments. Therefore free trade agreements need to ensure market access and protection against unfair expropriation.

- Free trade negotiations with Canada, Singapore and India should therefore include the best possible investment protection chapters for EU companies.

One sensitive point in the EU concerns the decision to offer internal market liberalisation to our trading partners on a non-reciprocal basis.

- For example, if we liberalise the electricity, gas or public procurement markets, should our trading partners benefit from this?
- My initial response is to say “yes” our trading partners should benefit from this. This will make our market more attractive to investors.
- At the same time, we recognise that some countries maintain persistent barriers to our companies in the same sectors. In such cases, the EU needs to examine ways to strengthen its leverage to open those markets. Commission proposals to promote reciprocal market access in areas such as energy or procurement markets are moving in this direction.
- Of course, we will not accept *hidden protectionist measures*. These policies must clearly aim to open foreign markets to our companies and not to close the EU market. In addition, these policies must be applied cautiously and must avoid unnecessary administrative burdens.

To conclude, I repeat our strong commitment to advancing the Internal Market and the “External Market”. We need to step up our game to create growth opportunities for business and to create jobs in the EU.

I thank you and look forward to the discussion.
