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## **EU Trade policy: Main issues for the 133 Committee in 2005**

### Introduction

This document sets out the areas on which discussions between the Commission and the Member States in the 133 Committee are likely to focus during 2005.

In summary, it is expected that considerable attention will continue to be devoted to the Doha Development Agenda, as well as to the regular work of the WTO, including WTO accession negotiations and pursuit of EU interests in dispute settlement cases. Sectoral trade policy questions, including in sectors such as textiles and clothing, steel, intellectual property rights and shipbuilding are also likely to figure prominently on the EU's trade policy agenda next year. As regards trade defence instruments, work will continue on investigating and remedying unfair trade practices or injurious surges of imports on the Community market, and to monitoring and defending EU interests against third country trade defence actions.

Bilateral and regional trade policy will also receive a lot of attention in 2005, with preparatory work taking place in preparation for further EU enlargement, for the introduction of a Common Economic Space with Russia and for the European Neighbourhood Policy, as well as further integration initiatives with EuroMed partners. Further afield, 2005 should see Mercosur and GCC FTA negotiations brought substantially forward progress made in the EPA negotiations with our ACP partners, and negotiations on a wide range of trade related issues opened with ASEAN and Canada. A new approach to strengthen trade and investment relations with the US is also planned, while with Central America and the Andean Community the focus will be on evaluating their regional integration. Trade relations with China and India will also enter into a new phase in 2005.

Finally, the EU's trade policy in 2005 will continue to reflect sustainable development goals, and at a thematic level particular attention can be expected to issues such as the link between trade and social develop-

ment, the introduction of the new GSP scheme and other measures to assist developing countries, measures to deal with SPS and TBT problems, and other market access and competitiveness questions.

## 1. Multilateral Trade

### The WTO Doha Development Agenda negotiations

An important priority of DG Trade in 2005 will be to make progress, across the board, on the WTO Doha Round of negotiations. The negotiating frameworks adopted in August 2004 put the negotiations on a firm footing and set the overall parameters for the work in 2005. For the EU, we will insist on all negotiating issues being treated in parallel in line with the notion of the Single Undertaking, and in particular ensure that, as the year progresses, all issues approach a similar level of detail, specificity and ambition as we prepare for the Ministerial meeting in Hong Kong.

The EU agenda will continue to be fourfold:

- better market access in goods and services to help our trade and growth, and spur development;
- stronger WTO rules to secure that access, level the playing field for trade and improve the management of globalisation;
- measures to promote development, with special attention being paid to the needs of the more weak and vulnerable members of WTO;
- and measures in WTO to promote sustainable development, notably through addressing the relationship between trade policies and other policy areas.

The 133 Committee will continue to be consulted systematically throughout the year both on the overall conduct and direction of the negotiations and on the specific subjects in the DDA, described in more detail below.

After the agreement in July 2004 on the WTO framework, **agriculture** remains a key issue for negotiation. The process to define the agricultural modalities – for domestic support, market access and export subsidisation will stay high on the agenda. In addition, non-trade concerns and ways to better protect Geographical Indications are key areas that must be addressed seriously. Alliance building with developing countries on areas of shared interest will be a priority. In addition, preparation of the technical input in particular on Market access during the lead up to the Hong Kong Ministerial meeting will be of

the highest importance. The same is true for negotiations concerning NAMA (for fish products) and discussions to clarify and improve WTO disciplines for fisheries subsidies.

On **non agricultural market access**, the EU's objective is to ensure that by the Hong Kong Ministerial NAMA negotiations have advanced as much as other issues negotiated under the Doha Development Agenda. The EU is fully committed to further tariff and non-tariff liberalisation in both developed and developing countries. The EU recognises that special and differential treatment must be granted to developing countries, bearing in mind that the more advanced amongst them should make a substantive contribution in order to achieve a result that promotes South/South trade, a crucial element for the development dimension of the DDA. The EU's goal is a tariff landscape where countries with similar levels of development have similar tariff profiles. The EU will continue to lead negotiations in 2005 to achieve an ambitious formula for tariff dismantling, but will also pursue additional trade liberalisation through sectoral approaches (including for products of particular interest to developing countries and for key EU priority sectors). The EU's approach to non-tariff barriers will be to identify areas for negotiation and seek their reward while recognising that some important NTB items will need to be dealt with in the negotiating group on Trade Facilitation. The EU will also contribute to the NAMA negotiations on environmental goods, pursuing our double objective of better market access and support for the environment. The 133 Committee will be regularly consulted on all key aspects of NAMA, and on future EU submissions to WTO, as negotiations progress.

The launching of negotiations on **Trade Facilitation** offers a unique opportunity to agree stronger multilateral rules in this area. As with NAMA and other areas, the Commission wishes to ensure that by the time of the HK Ministerial meeting negotiations have advanced as much as other issues negotiated under the Doha Development Agenda. Negotiations will focus on ensuring ambitious and specific commitments in the areas highlighted in the negotiating modalities, including increasing the transparency of trade regulations; simplifying, standardising and modernising import export and customs procedures; and improving the conditions for transit. The Commission will where necessary consult the 133 Committee on the detailed commitments to be proposed in the WTO. Work should also address developing country concerns, including on technical assistance and special and differential treatment, as well as on provisions for effective co-operation between customs and other authorities on trade facilitation and customs compliance issues. Both in the 133 Committee and in other fora of the Council concerned with development policy, the trade related assistance dimension will need to be addressed.

The conclusion of the August package has injected new momentum into the **services negotiations** by setting a date for the submission of revised offers in May 2005. The main priorities for 2005 will be first, to pursue our revised requests and to press for significantly improved offers from other WTO Members, whilst taking full account of the development dimension of the DDA, and secondly, to prepare a revised EU services offer in time for the May 2005 deadline. While work in Geneva seems to be picking up again two particular challenges confront these negotiations. First, a number of important developing countries have still not submitted any offers and there is growing concern about what to do about those members that have so far refused to engage. Second, many of the offers lodged so far offer only very modest or minimal improvements. Some offers even reveal attempts to withdraw existing commitments (“backtracking”). The EU must now build on the August package to try to inject more ambition into the negotiations, including possibly seeking agreement on benchmarks of a more qualitative nature, if the revised offers submitted by May 2005 still show an imbalance and lack ambition. Other priorities will be (a) to continue to ensure an active participation of the EU in the negotiations in the rule-making area and (b) to continue work on a number of technical issues related to the market access negotiations, including the modalities and the numerical ceilings for the EU’s mode 4 offer.

**Trade and development** will continue in 2005 to be a priority area for the Community in the WTO negotiations and elsewhere. The Commission plans to review the overall approach on special and differential treatment in early 2005. There will be a revision of the Development Policy of the Community and its trade aspects in spring 2005 and this may have implications for the future prioritisation, design and implementation of trade related assistance, including that provided to support the DDA negotiations and the mainstreaming of trade into developing country development plans. DG Trade wants to ensure that trade assistance remains a policy priority and that its coordination and implementation improves. The Trade and Development Experts Informal Group will report periodically to the 133 Committee throughout 2005 on the detailed implementation of Trade related assistance and related policies. DG Trade will also periodically report on the implementation of the Integrated Framework for LDC’s. Last but not least, the UN Major Event in 2005, which will review the success in meeting the Millennium Development Goals, is likely to involve some evaluation of trade and development policies and will need careful preparation in the 133 Committee and other Council groups (see p. 8 below).

The EU will continue to exercise leadership on all issues under the DDA agenda on **trade and environment**. In particular, we will seek substantive progress on environmental goods by defining a list of en-

vironmental goods for which special tariff treatment should apply. We will seek agreement on observer status for MEA secretariats and UNEP in relevant WTO Committees, and on improved and institutionalised MEA/WTO information exchange. The WTO should continue to pursue other DDA matters, in particular with a successful high level event on sustainable development in order to give effect to the oversight role for the CTE and the CTD.

**Regional Trade agreements** need more transparency as well as clearer and stronger disciplines, taking account of the EU's existing agreements and ongoing negotiations, its interest in access to third country markets, the needs of developing countries for flexibility according to their level of development, and common interest in a well-functioning multilateral trading system. In the course of 2005, the Commission intends to discuss in the 133 Committee a submission to the WTO covering both the key questions on transparency and the substantive issues for the negotiations, including the definition of 'substantially all the trade' in the context of RTAs, the criteria for evaluating RTAs, and the treatment of RTAs between and with developing countries.

In the negotiations on improvement and clarification of the Dispute Settlement Understanding, the Community will continue to play an active role in order to achieve a positive outcome in these negotiations. Initially, the Doha Ministerial Declaration mandated negotiations to be concluded by May 2003. A positive outcome could not be achieved by then, nor within a new deadline (May 2004) agreed by the General Council of the WTO. On the basis of the July 2004 package, the negotiations now continue without a specific deadline within the Doha Agenda. It is therefore presently an open question whether the results will become part of the final Doha deal (which was initially not foreseen) or whether a result ahead of that can be achieved. The EU continues to be fully committed to making the system even more effective, predictable and transparent. Priorities are: improved rules and procedures for panel composition, transparency, solving the long-standing "sequencing" issue, encouraging compensation, improving third parties' rights, allowing a remand by the Appellate Body and facilitating developing countries' participation in the dispute settlement system.

Following the adoption of the July 2004 package, **investment, competition and transparency in government procurement** no longer form part of the DDA work programme, nor will there be any work towards negotiations on the issues during the duration of the DDA. However, the three issues remain within the WTO's normal work programme. The three issues remain important issues for the WTO and for improving both trade performance and economic governance in WTO members, in particular developing countries and emerging eco-

nomies. A more transparent and non discriminatory international environment in respect of these policy areas also carries important market access benefits for our traders and investors.

Discussion will be needed at the appropriate time in the 133 committee on how to ensure that constructive exchanges may take place within the WTO so as to increase understanding of the issues of competition, investment and transparency in government procurement, and their role in the multilateral trading system. The Commission will in parallel evaluate how best to continue work on the three issues and that can contribute to demonstrating the importance of improving the regulatory environment in all three areas

On **Geographical Indications**, the EU will continue to work on the establishment of the wines and spirits' register as mandated in the TRIPS Agreement and confirmed in Doha. Renewed efforts will be made in the area of extension of GI protection to products other than wines and spirits. On **biodiversity**, further discussions on the issues previously raised by developing countries will take place in the TRIPS Council.

As an integral part of its DDA strategy, the Commission will throughout 2005 intensify its bilateral dialogue with WTO partners, including the US, China, India, Brazil, the ACP countries, ASEAN and others, in order to pursue areas of common interest in the DDA and make progress. The Commission will keep the 133 Committee informed of these contacts and some – for example Summits and Trade Ministers' meetings – may need preparation in the 133 Committee.

### **WTO regular Work programme**

In parallel to the work conducted pursuant to the Doha Ministerial Declaration, the Commission will continue throughout 2005 to participate actively and to defend the Community's interests and policies in all **regular Councils and Committees of the WTO**, including the General Council, the Council on Trade in Goods and its numerous Subsidiary bodies, the Council on Services, the TRIPS Council, and the Trade Policy Review Body..

Work in the 133 Committee on the **WTO accession** processes of Russia, Ukraine, Saudi Arabia, Vietnam, Algeria, several LDCs and others will continue in 2005. As regards Russia, Ukraine, and Vietnam, now that in each case the bilateral market access negotiations with the EU are done, the focus will be on the continued implementation of their bilateral commitments to the EU, and on the multilateral working party processes in Geneva, where we will be active in ensuring that the countries in question make clear commitments prior to accession. As regards Saudi Arabia, we will work to ensure that some

difficult questions remaining from our bilateral agreement are resolved. As regards Algeria, we expect to see – and will encourage – new momentum from their side. We will seek to conclude a bilateral market access deal in 2005 if Algeria is ready to make progress. In all the accession negotiations the EU will play a key role, one aim being to be in a position to welcome at least some of these trading partners as WTO members in 2005 at the Hong Kong Ministerial.

In early 2004 the EC notified the WTO of the **enlargement** of the European Communities and provided to WTO the necessary data and information required, in respect of both goods and services, pursuant to enlargement. Consultations to establish possible compensatory adjustments in both goods and services were opened towards the end of 2004. Following agreement in the WTO to extend the negotiation period to April 2005, consultations with affected WTO partners will continue into early 2005 and, we expect, be concluded in the first half of the year. The processes for goods and services will continue to be conducted separately in view of the specificities of each area. The 133 Committee will continue to be consulted regularly on progress.

In 2005 the EU will bring to completion work on the **third review of the “Pharmaceutical Tariff Elimination Agreement”**, a non-binding arrangement between the most important pharmaceutical producing countries to reduce to zero their WTO bindings of duties on certain pharmaceutical products, including active ingredients and intermediate products. The review will consist in an increase of product coverage comparable to the second review implemented in 1999.

As regards the regular work under the **Government Procurement Agreement**, 2005 will aim at finalising the current GPA review (regulatory part), and at kicking off the negotiations on expanded market access. Two new members might finalise their accession negotiations: Taiwan and Jordan.

#### **WTO functioning and transparency:**

Despite the fact that the Doha Ministerial and the July package illustrated that the WTO is capable of producing substantive results, Seattle and Cancun served to highlight a number of areas where at least some shorter-term institutional improvements could be initiated. Such improvements would not entail a radical overhaul of the organisation, but would e.g. rather ensure a timelier organisation and conduct of preparations for Ministerials and the Ministerials themselves, as well as aim at improving the direct involvement of developing countries in the working of the WTO. Whereas such improvements relate to the internal functioning of the organisation, Members should also continue to pay attention to further potential improvements relating to the external transparency of the organisation, including dialogue with civil society.



The EU has a clear interest in such improvements and should continue to work towards their realisation, taking account of the work of the “Sutherland Group” appointed by the WTO DG. DG Trade will consult the 133 Committee on its further ideas on WTO functioning in 2005.

#### **Appointment of the new Director General of the WTO**

The 133 Committee will need in early 2005 to discuss the candidatures for the new DG of WTO, applying the criteria for selection that the Commission and Member States have decided upon in 2004. It would be important, for the EU’s international credibility, to concur on a single candidate. The process of selection will begin in January 2005 and is to be completed by the end of May.

#### **WTO dispute settlement**

The effective management of trade disputes under the WTO will continue to be a high priority. This includes the use of the Trade Barriers Regulation as an important instrument of access to export markets for the European industry in case of WTO violations.

At the end of 2004, the EU was actively involved in 27 **WTO disputes**: in 15 of them the EU was the complaining party. In a number of these cases Panel/Appellate Body reports will be delivered in 2005 as explained below.

In 2005, particular priorities would be as follows: (1) Ensuring implementation of WTO rulings by our partners (in particular in the Byrd amendment and FSC cases); in both cases non-compliance will necessitate the application or reintroduction respectively of counter-measures against the US. (2) Safeguarding EU laws and policies in Panel and Appellate Body proceedings. The cases against the EU concerning genetically modified organisms (Panel report expected in 2005), the offensive and the defensive disputes on aircraft subsidies (currently at consultations stage) and the EU's sugar regime (AB report expected in 2005) are of obvious considerable political, economic and systemic relevance; (3) Enforcing EU’s rights by means of offensive cases such as in the Hormone dispute (challenge of illegal US and Canadian countermeasures), in the dispute concerning Mexican countervailing measures on olive oil from the EU, in the dispute on Korean shipbuilding subsidies and in a number of disputes on US trade defence measures (Panel reports on the Privatisation and zeroing cases against the US are due in 2005).

#### **OECD, UN and UN Agencies, other International Organisations**

The OECD provides an important forum for the analysis of trade policy questions. The EU will continue to participate actively in its work

in 2005. Work will focus, inter alia, on the review of the Organisation's policy on enlargement and outreach, where the OECD will be encouraged to substantially strengthen its dialogue and outreach with both non-Members and with civil society organisations, and on work that could be performed by the Organisation in support of the DDA negotiations. As regards the all important question of OECD enlargement, while this is not an issue exclusively for consideration by the 133 Committee, the Committee will need to be kept abreast of developments in this area. The Commission expects by the beginning of 2005 to have reached agreement with the Council on ensuring that the six EU Member States not yet OECD Members join the organisation as early as possible, and that in the meantime the Commission and Presidency ensure that in all areas of OECD work their interests are reflected.

The Commission and Member States will play a key role in preparing and participating in the OECD Economic Ministers' Meeting, to take place in the spring 2005. Discussions in the 133 Committee throughout 2005 on the OECD's trade related activities, and in appropriate Council bodies on enlargement and outreach can be expected. 2005 will mark the five year point after the 2000 review of the OECD Guidelines for Multinational Enterprises, and will thus provide an opportunity for stocktaking with Member States.

The Commission has reflected on the request by several non-EU OECD members for a review in the OECD Economic Development Review Committee ("EDRC") of EU policies as they apply to all 25 EU member States and have an impact on macroeconomic performance. Currently, only the policies applicable to the euro area are subject to EDRC review. The Commission is open to the idea of such a wider review and will consult the 133 Committee and other relevant Council groups on the matter during the course of 2005.

Within the UN trade policies are likely to be addressed as part of the Major Event of 2005 to mark inter alia the progress made in achieving the Millennium Development Goals. The Commission will consult the 133 Committee in the preparatory process for this Major Event, with a view to ensuring a well coordinated Community position in the UN process that will ensure our trade and development policies and assistance efforts are properly reflected in its outcome. In parallel the Commission intends in the course of 2005 to revisit the trade policy agenda of the World Bank and the IMF so as to seek maximum coherence between those policies and those in the WTO.

At UNESCO, the Commission is negotiating a Convention on cultural diversity, in consultation with the Cultural Affairs Committee. The Commission will consult the 133 Committee on trade-related aspects of this negotiation. Several negotiating sessions are planned to take

place at UNESCO: a meeting of the intergovernmental Expert Group is scheduled from 31 January to 12 February and a subsequent one might be convened upon decision of UNESCO's Executive Board in May or June. The objective is to submit to UNESCO's General Conference in September 2005, for adoption, a final draft of the Convention on cultural diversity.

## **2. Sectoral questions**

### **1. Access to medicines**

The Decision of the WTO General Council of 30 August 2003 on paragraph 6 of the Doha Declaration on the TRIPs Agreement and Public Health requires further implementation. First, the Decision specifies that it shall be replaced by an amendment of the TRIPs Agreement by mid-2004. WTO Members failed to meet this deadline and they agreed to extend the target date to end March 2005. Given its pro-active role in the process leading to the adoption of the 30 August Decision and its position in favour of an amendment, the EU should work to make sure that this new deadline is met. Furthermore, as a follow-up at EU level to enable all WTO Members to participate in the mechanism as potential exporters the Commission adopted on 29 October a proposal for a regulation on compulsory licensing of patents relating to the manufacturing of pharmaceutical products for export to countries with public health problems and which lack manufacturing capacities. The Commission will do its utmost to ensure that the legislative process in the framework of the co-decision procedure will move rapidly in 2005 so that this new mechanism can be operational as soon as possible.

### **2. Intellectual property rights**

The main priority for 2005 in the field of Intellectual property rights (IPR) will be to implement the recently adopted Enforcement Strategy which aims at addressing IPR violations in third countries. This is a multi-annual objective.

The 2005 actions to be undertaken consist in particular in identifying the countries where efforts should be concentrated, launching IPR initiatives at multilateral and bilateral level, supporting the creation of public/private partnership in third countries and in developing awareness raising activities. In this context specific attention will be given to the enforcement of IPR for the textiles sector. The EU will also intensify its efforts to use WTO accessions as another useful way of attempting to obtain an increased level of protection for Geographical Indications.

### **3. Textiles**

Taking the necessary steps to ensure a smooth transition to the liberalisation of quotas that will take place on 1.1.05 will be a major challenge. This will require establishing a system to carry out a very close monitoring of the evolution of imports of the products liberalised from

the major suppliers, in terms and quantities and average prices, in order to be able to react in a proportionate and WTO-compatible manner in case of serious market disruption.

DG Trade will also take steps to adopt a number of trade measures identified in the Commission Communication of 13 October 2004 on the report of the Textiles High Level Group, in order to deal with certain important trade matters of concerns to industry and trade. These include the improvement of access to third country markets, including the establishment of a task force to identify priorities and means of action, and the adoption of measures to promote goods manufactured under sustainable development conditions.

Bilateral market access agreements with some countries (in particular Serbia and Montenegro to liberalise trade, and Belarus) will also have to be negotiated.

#### **4. Steel**

The discussions in the OECD on elements of an agreement to strengthen disciplines on subsidies granted by all levels of government failed to produce immediate results in June 2004 and have entered a stage of informal consultations. It is expected that by mid-2005 another High-Level Meeting will assess the situation and the chances for a successful conclusion of the talks. In this context, the impact of trade remedies on world trade in steel should also be raised. In the meantime, in January, the OECD is organising a conference on steel issues to which representatives of governments, from OECD and non-member countries, and business are invited. The Commission intends to play an active role.

Negotiations with Ukraine and Kazakhstan are soon to be launched on the basis of the mandate adopted by the Council. Agreements covering 2005 and 2006 (but limited to the date of WTO membership of the countries concerned) are envisaged. Ratification and implementation will be decided by the Council, on a proposal by the Commission, during the first months of 2005.

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Concerning coke (China), ferrous scrap (Ukraine, Russia) and iron ore (Ukraine), all of which are essential inputs for the EU steel industry, the Commission will continue to be active to improve the situation for European importers in terms of their availability.

#### **5. Shipbuilding**

The EU will continue to seek to eliminate market distorting factors in the world shipbuilding industry, in particular government and other official or semi-official support measures, and unfair pricing practices.

The aim is to restore normal competitive conditions. This will require intensifying negotiations for a new plurilateral agreement in the OECD in 2005 with a view to a successful conclusion by the end of the year. The main players in world shipbuilding participate in the negotiations (Korea, Japan, China and the EC; the US is not taking part).

In parallel, the Community will continue its dispute settlement action in the WTO, in which the Community has challenged the consistency of certain subsidies with Korea's obligations under the Subsidies Agreement. The report of the WTO panel is expected in early 2005. It will also defend the case of the Temporary Defence Mechanism in the Panel requested by Korea.

## **6. Waste**

In 2005 DG Trade will review the arrangements covering shipments of non-hazardous waste for recovery purposes to non-OECD countries in order to simplify control procedures so as to facilitate sustainable trade whilst fully respecting environmental standards.

### 3. Trade defence instruments

#### General

Work will continue throughout 2005 to remedy the effects of unfair trade practices or injurious surges of imports on the Community industry. This objective will be achieved not only through the impartial, transparent and effective carrying out of TDI investigations, but also through the effective monitoring of measures in force and by ensuring the development and improvement of TDI policy in general.

On the substance, certain elements might have a defining role in the way TDI will be implemented in 2005 and therefore merit being highlighted. First, in order to better support the Community's small and medium-sized producers vis-à-vis the use and implementation of trade defence instruments, special efforts will be undertaken, inter alia, in the form of increased and tailored information.

Secondly, continued efforts will be necessary in 2005 in order to:

- continue respecting the strict deadlines applicable to TDI investigations and complete swifter expiry reviews, which have been subject to mandatory deadlines since March 2004, and
- follow-up vigilantly the impact of the translation problems arising from the lack of translators in the nine new languages, in view of the time constraints applicable to TDI investigations.

#### Investigations

Trade remedies consist of anti-dumping, anti-subsidy and safeguard measures (including the special safeguards mechanism regarding imports from China) as well as the new airlines instrument. Recent trends in requests for action suggest that in 2005 these activities may lead to the opening of around 75 TDI investigations (new cases and reviews), i.e. about the same level as in 2004. As always in the past, investigations will be carried out on the basis of verified facts, ensuring respect for the rights of defence, and will lead to the swift imposition of measures when warranted, all within the statutory deadlines applicable.

According to experience, these trade remedy measures are likely to concern mainly the chemical, steel, textile and electronics sectors.

The newly-introduced instrument concerning unfairly priced or subsidised airline services will provide a remedy against such practices from non-EU countries and is modelled on the basis of the anti-subsidy instrument in the trade in goods area. A methodology is being defined in order to take into account the specificities of the air service sector.

#### Monitoring of measures

The Commission will ensure, in the framework of existing legislation, that the roughly 180 anti-dumping, anti-subsidy and safeguard measures currently in force are enforced coherently and effectively across the Community. The Commission will continue to ensure the effective monitoring of the roughly 50 undertakings in force and will take initiatives to further improve the monitoring system in place (e.g. by improving the information systems used for monitoring). In this regard, particular attention will be paid to the “special transitional undertakings” accepted from certain third countries exporters in the framework of enlargement.

#### **Third country action**

The Commission will monitor trade defence actions of third countries and, whenever necessary, ensure prompt follow-up action of measures targeting imports originating in the EU. The Commission will defend the rights of Community operators either by bilateral contacts, ensuring that other WTO members comply with the relevant multilateral obligations, or by WTO dispute settlement actions.

There will be an increase in this area in 2005 due to more frequent use of trade defence instruments. Around 200 such measures are in force in 2004 against EU exports. An increase of activity is expected in the area of safeguards in particular. In 2005, around 40 measures are expected against the EU and/or its Member States. As a consequence, the Commission will have to focus its intervention on the most important cases, from an economic and systemic point of view.

Enlargement may have a serious effect on the repartition and importance of third country actions in 2005 in two ways. First, it will bring into the limelight markets that were considered of lesser importance for the EU15 but are strategically important for the EU10. Second, the number and diversity of exporters that will have to be consulted for each case will increase significantly.

#### **Others**

Ukraine’s and China’s requests for a market economy status are still under active review. In 2004 problematic areas preventing such graduation were identified in both cases. Any progress achieved by these countries in this respect will be assessed and appropriate action (granting or refusal of graduation) will be taken. In the meantime, requests have also been lodged by Vietnam, Kazakhstan as well as Mongolia and are expected from Armenia and Georgia.

Double pricing of raw materials has been a recurring issue with regard to a number of countries, in particular Russia and Saudi Arabia. In 2005 further work will be done on tackling this trade distortive practice through existing and possible new trade defence mechanisms on the bilateral and multilateral level.



In mid-2005 it is intended on the one hand to take stock of and assess the 2004 enlargement with respect to trade defence together with new Member States and their economic operators. On the other hand, the first steps to prepare the programmed enlargement to Bulgaria and Romania will take place, notably through the organisation of TDI seminars.

## 4. Bilateral trade

### 1. Europe

#### **Preparations for enlargement**

**Romania** and **Bulgaria**'s progress towards accession will continue to be monitored closely. Specific priorities include issues related to the trade commitments adopted by these two countries during their accession negotiations, in particular the re-negotiation/denouncing of Trade and Bilateral Investment Treaties that conflict with the *acquis*. After the successful re-negotiation of the bilateral investment treaties between these two countries and the US, other international agreements need to be brought into conformity with the *acquis*, such as all trade agreements, and investment agreements with Canada and Japan.

Accession negotiations with **Croatia** are expected to start in the spring 2005. These will entail a comprehensive screening of Croatia's trade-related legislation and international agreements with a view to ensure that Croatia can take over the EU's trade policy upon its accession. Work on enlargement issues will also entail contributing to the Commission's opinion on **FYRoM**'s EU membership application.

Should the Council endorse the Commission's recommendations with regard to **Turkey**, accession negotiations with this country may start in 2005. In this respect, in addition to the comprehensive screening of legislation, a key objective will be to make progress in the resolution of long lasting trade irritants arising from Turkey's insufficient compliance with certain of its obligations under the Customs Union. This country should also be further encouraged to complete its alignment to the EU's GSP, after the good progress made in 2004. Indeed, respect of these obligations would be a prerequisite for the opening of negotiations on the relevant chapters of the *acquis*.

Actions to deepen trade ties with Turkey will continue, notably the ongoing discussions on the extension of the Customs Union to public procurement, services and agriculture and efforts will be pursued to ensure that both existing and future partners with whom the EU has concluded preferential trade agreements, conclude similar trade agreements with Turkey.

Further to the conclusion of bilateral WTO market access negotiations with **Russia** on 21 May, the multilateral work will continue with the objective of welcoming Russia as a WTO member as soon as possible. The follow up and/or implementation of the bilateral aspects of the deal of 21 May will be a priority in 2005, and may be dealt with in the context of the future EU-Russia Common Economic Space. Discussions on this initiative will continue upon adoption of the Action Plan on the Common Economic Space, the focus of our work in 2005 should be the implementation of the trade-related aspects of the Ac-

tion Plan, notably regulatory convergence on trade-related areas, investment and trade facilitation issues. Discussions will also continue on the follow up to trade-related effects of EU enlargement on Russia. Management of the Partnership and Co-operation Agreement and work on the resolution of bilateral irritants will also continue as needed.

Within the **European Neighbourhood Policy** (ENP), the focus for Ukraine and Moldova will be the implementation of the trade-related aspects of the Action Plans. For Ukraine this will include the review of the feasibility study on establishing an FTA, as well as the new focus on encouraging regulatory convergence. For Moldova, this may include the development of a proposal for wide ranging autonomous trade preferences. Multilateral work will continue with the objective of welcoming Ukraine as a WTO member as soon as possible. Management of the Partnership and Co-operation Agreement and work on the resolution of bilateral trade irritants will continue as needed. For the countries of the Southern Caucasus (Georgia, Armenia and Azerbaijan), country reports will be finalised and work is likely to begin on developing Action Plans for each country."

Work will continue on the trade policy aspects of the Stabilisation and Association process with the **Western Balkan countries**. In addition to the WTO accession negotiations and the further development of a regional free trade area among the countries themselves, the main instruments of EU trade policy towards these countries are the Stabilisation and Association Agreements (SAA). Two SAAs have been concluded (Croatia and FYROM) and work will entail monitoring the implementation of both countries' commitments under the Agreements. Negotiations will continue on the trade part of a Stabilisation and Association Agreement with Albania. The Commission will continue to assess Bosnia and Herzegovina's progress in fulfilling the priority actions identified in the 'feasibility study' published in 2004, with a view to deciding on the presentation to the Council of a negotiating mandate on an SAA with this country. Finally, the Commission will publish a 'feasibility report' on Serbia and Montenegro's readiness to negotiate an SAA, including its trade aspects.

**Switzerland:** The agreements of the Bilateral II – package (signed on 26 October 2004) will have to be ratified in time in order to meet the deadline for implementation (1 July 2005).

Other subjects of bilateral discussions will be:

- government procurement;
- adjustments in the coal and steel sector;
- fine-tuning of the agreement concerning products of the clock and watch industry;

- revisions of the agreement on trade in agricultural products and Protocol No. 2 of the Free Trade Agreement.

## 2. Mediterranean and the middle East

With regard to the trade part of the **Barcelona Process**, DG Trade will make proposals to implement the conclusions of the Istanbul Trade Ministerial Conference of July 2004, namely on PanEuroMed origin rules, liberalisation of services and approximation in the field of technical legislation, standards and conformity assessment. The regional groundwork accomplished so far will be pursued more bilaterally in the context of the ENP policy framework and along the lines of specific Action Plans agreed, or to be agreed upon with each Med partner. DG Trade will assess the progress in these sectors for the 5th **Euro-med** Trade Ministerial Conference, due to take place at the end of 2005.

At bilateral level, DG Trade efforts will concentrate on ensuring the proper implementation of the trade aspects of the Association Agreements in force through i.e. the meetings of the sub Committees on Industry, Trade and Services (**Morocco**, **Tunisia**), or the activation of these sub committees (**Egypt**, **Jordan**, and perhaps **Israel**). The Association Agreement with **Syria** has been initialled in the second half of 2004, and certain trade-related activities, such as tariff dismantling, will start in 2005 with that country and Egypt, **Lebanon**, **Algeria**, and the **Palestinian Authority**.

Improving trade relations with the **Middle East** will remain important both politically and economically, given the need the need to bring stability and economic prosperity to the region. The **Gulf Co-operation Council**, our fifth export market, (Saudi Arabia, Oman, Qatar, Bahrain, UAE, Kuwait) is one of the key actors to that end. The conclusion of a comprehensive FTA with the Gulf Co-operation Council will thus remain one of the Union's important regional objectives for 2005.

Continuation of negotiations for a Trade and Cooperation Agreement with **Iran** will depend on developments on the political side. In the meantime the Commission will continue to follow developments related to Iran's economic reform and trade policy.

On **Iraq**, political and security developments will seriously influence actions which the Commission might envisage. Technical assistance might be provided both bilaterally and through the International Reconstruction Fund Facility for Iraq to support the setting up of an operational Customs Service and to develop a trade policy in conformity with general multilateral principles. GSP preferences will become

operational as soon as an operational Customs Service exists which can be responsible for administrative cooperation.

### 3. North America

The 2004 EU-US Summit in Dromoland castle has set the agenda for our bilateral trade and investment relations with the US in 2005.

On the basis of widespread consultations with interested parties to be carried out on both sides of the Atlantic, the Commission and the US administration will develop a strategy to improve the transatlantic partnership and present its recommendations to the 2005 Summit. The strategy will build on experience of previous co-operative schemes such as the TEP action plan and the Positive Economic Agenda as much as on concrete proposals and ideas stemming from interested parties to design an innovative approach to our bilateral co-operation.

In the meantime, the Commission will continue to work closely with the US on the multilateral negotiations, and co-operate on pending bilateral matters such as regulatory co-operation and the conclusion of an agreement on trade in wine.

The Commission will also continue actively to promote EU interests in the various disputes with the US in the WTO - notably GMOs, customs and aircraft, while seeking US compliance in the remaining cases (Byrd, FSC, 1916 Act, Irish Music, Havana Club) where Congressional action is needed for the US to respect WTO rulings. It will also pursue the lifting of US sanctions on beef hormones and remain vigilant with respect to US practices in antidumping.

Against the background of a change in political leadership in **Canada**, the EU objective will be to secure Canada's continued commitment to the work on a bilateral Trade and Investment Enhancement Agreement. Building on exploratory discussions with Canada in 2004, the Commission seeks substantive negotiations in the course of 2005. Areas of particular EU interest are government procurement, intellectual property, regulatory cooperation and sustainable development. Other issues include full implementation of bilateral agreements (in particular wines and spirits) and the managing of WTO disputes (GMOs, GIs, Beef Hormones). Finally, the Commission will follow closely the bringing into conformity of the Foreign Investment Protection Agreements (FIPAs) of certain MS that conflict with the *acquis*.

### 4. LATIN AMERICA

EU-Mercosur negotiations progressed in 2004, but it was not possible to conclude them. The EU objective remains to reach a comprehensive, ambitious and balanced agreement where no sector would be ex-

cluded, whilst taking account of the sensitivities of certain products. A final agreement will include elements of special and differential treatment where appropriate, notably through the application of longer transition periods to reflect Mercosur's lower level of development.

Provided improved offers are submitted by Mercosur to reflect the above ambitious objectives of the FTA our aim should be to conclude this inter-regional Association Agreement in 2005.

With **Mexico & Chile** work will focus on the renegotiation of existing FTA agreements following their built-in agendas. With Mexico, the entire chapter on services, other than financial, will have to be negotiated while all remaining discrimination on financial services will have to be eliminated. Negotiations have already started and are expected to conclude by the end of April 2005. The agriculture review clause will also be tackled and further reflection on the investment review clause will continue. In terms of disputes the EU will continue to challenge Mexican countervailing measures on olive oil. The activities in relation to Chile will mostly concern the preparation and negotiation of the agriculture review clause. Monitoring of the entry into force at the beginning of 2005 of the services' and investments' chapters, following the FTA's ratification from Member States national parliaments, will be necessary. Finally, for simplification and efficiency purposes, GSP preferences still applicable to Mexico and Chile will be consolidated within the respective FTAs.

Relations with the **Andean Community and Central America** will revolve around the Joint Assessment on Economic Integration, due to be launched before the end of 2004. The aim of this process is to establish whether a high degree of regional integration will be created in each of the respective regions to sustain a future bi-regional FTA with the EU. A favourable assessment is a pre-requisite for the launching of Association Agreement negotiations, together with the completion of the DDA. Special attention will also be paid to the new EU GSP system with regard to these regions.

## **5. Asia and Australasia**

### **a) East Asia**

In 2005 DG Trade will continue to monitor closely the implementation by **China** of its WTO commitments in particular through the annual Trade Review Mechanism. We will also seek a constructive participation of China in the international trading system. In the context of the 30th anniversary of EU-China diplomatic relations, efforts will be made to develop a partnership with China by deepening the broad range of dialogues established on various issues, and in particular the development of the high level bilateral Trade Policy dialogue.

Priority issues relate to Chinese export quotas, automobile policy, textiles, the financial sector, telecommunications, IPR, the establishment of new NTBs and horizontal legislation (e.g. trading rights regarding **Taiwan**, we will continue to monitor implementation of its WTO commitments. We will give priority to areas such as IPR, government procurement, standards and certification, and customs co-operation. Priorities with Japan include consolidating existing bilateral dialogues (government procurement, intellectual property, access to medicines, aviation), to implementing the 2004 Joint Initiative for the Enforcement of Intellectual Property Rights in Asia and specific actions in the area of bilateral investments, as well as to continue and reinforce dialogue on the DDA process and on other WTO issues of common interest. The EU and Japan have also a dialogue on GIs. Furthermore, the EU has proposed of a new dialogue between the respective services in charge of forward looking studies and analysis on current and future developments in trade policy, such as on regional economic integration and globalisation. It is also important to continue to promoting constructive contacts in important regulatory areas such as standards, SPS, services competition and transparency in government procurement, via the ongoing regulatory reform dialogue, as well as in other bilateral and multilateral fora. Particular attention will be dedicated to the bringing into conformity with the *acquis* of the friendship, commerce and navigation agreements concluded by certain new Member States with Japan.

#### **b) South East Asia, Korea and ASEM**

The priorities for EU-ASEAN trade relations in 2005 reflect recent economic developments in **South East Asia**. Closer co-operation on ASEAN's own regional economic integration, concentrating at first on priority sectors, will be carried out under the Trans-Regional EU-ASEAN Trade Initiative (TREATI), drawing on EU experience in creating a common market to facilitate intra-ASEAN trade in areas which also benefit EU trading interests. We will also try to identify and evaluate the impact of ASEAN's existing and future trade agreements on EU commercial interests in the region, in order to identify better our own interests and exploit new opportunities, both at regional level and with individual countries. . In addition, efforts will be made to develop relations via the trade and investment co-operation content of the bilateral Cooperation and Partnership Agreements being negotiated with individual ASEAN countries such as Singapore and Thailand.

With **Korea**, the priority remains to improve our market access and influence those Korean economic and regulatory reforms with an impact on EU market access; to monitor the impact of Korean policies on free trade agreements, notably with Japan and China, to consider

adjustments to EU policy in order not to endanger EU exports to Korea and lastly to continue addressing subsidisation in the shipbuilding sector before the WTO and the OECD..

For **ASEM**, the objective in 2005 will be to demonstrate our continuing commitment to the Economic Pillar by ensuring that a successful Economic Ministers Meeting (EMM 6) takes place as rapidly as possible, building on the results of the Economic Pillar review, the declaration of the ASEM 5 Summit, and the recommendations of the Task Force on a Closer Economic Partnership.

#### **c) South Asia**

The EU should encourage South Asian regional cooperation, and in particular invite SAARC to co-operate on trade and economic integration.

With regard to **India**, after the adoption of the Communication on a Strategic Partnership, and in line with their objective of boosting trade and investment, the EU and India will need to set up a “Joint Study Group of Officials”, with close involvement of business and academia. We should also help creating a “Business Leaders” Round Table to that effect. These initiatives should help preparing an Action Plan, with a trade and investment chapter, to be endorsed at the 6th EU-India Summit in 2005.

#### **d) Australasia**

For **Australia** and **New Zealand** the priority will be for the EU to maintain a healthy trading relationship, particularly through effective handling of largely agricultural issues that arise, and to promote trade and investment where possible. For Australia this includes managing current dispute settlement cases and tackling Australia’s restrictive approach to quarantine/sanitary and phytosanitary measures, to improve EU access to the market. With the conclusion of wine negotiations with Australia, negotiations should start on a new or revised Wine Agreement with New Zealand Co-operation should continue with both countries on the DDA.

## **6. Africa, Caribbean and Pacific**

Following the conclusion of the 1st phase of negotiations at all ACP level in October 2003, regional negotiations were opened with all ACP regions, i.e. Central Africa (CEMAC and Sao Tome and Principe) and Western Africa (ECOWAS and Mauritania) in October 2003, a group of 16 countries in Eastern and Southern Africa in February 2004, the Caribbean ACP region in April 2004, a group of 7 countries in Southern Africa in July 2004 (SADC) and finally with the Pacific ACP region in September 2004.



The task for 2005 will be to continue negotiations with all regions at technical, senior and ministerial levels in accordance with the respective roadmaps. The ACP's regional economic integration and trade policies will be identified and analysed as to their relevance for the negotiations. EPA discussions at all ACP EC level will be continued in order to ensure transparency of the regional 6 EPA negotiations and to clarify horizontal issues.

Trade Related Assistance needs for EPA negotiations will be identified, and support measures in the context of the indicative programs and the all. ACP instruments proposed. Discussions and consultations will also need to be undertaken with the ACP, notably on sugar, bananas and rice.

As regards trade relations with **South Africa**, work in 2005 will focus on the built-in review of the free trade agreement and on concluding the ongoing negotiations on automotive products.

## 5. Thematic issues

### 1. Trade policy and sustainable development

The objective of calibrating EU trade policy so that its contribution to sustainable development is maximised will continue throughout 2005, and will include encouraging and facilitating trade in sustainable trade products.

The Commission will continue to carry out and improve **Trade Sustainable Impact Assessments** (Trade SIAs) of the trade agreements it is negotiating, notably with Mercosur, and with the African, Caribbean and Pacific (ACP) countries in view of Economic Partnership Agreements (EPAs). It will take into account the results in its trade policy as appropriate.

With a view to making trade policy more sensitive to sustainable development, the Commission will also continue to explore how better to integrate **Corporate Social Responsibility** in EU policies, and will give particular attention to the final report of the European Multistakeholder Forum on CSR, and possible follow-up.

Trade in fish and fisheries products can generate significant benefits but also social and environmental problems when there is not a sustainable balance between available marine resources and their exploitation. The role played by **Regional Fisheries Organisations** (RFOs) in developing and implementing strategies for sustainable fisheries may have important trade implications, including import bans. Therefore, active participation in the work of these bodies (where the EC is a member) and monitoring of others will be a priority.

#### CIVIL SOCIETY OUTREACH

We will continue to strengthen our process of civil society outreach in order to promote understanding of and support for EU trade policy. Particular attention will be given to reinforcing participation in the process by civil society actors in the new Member States

#### Trade policy and social development

The pursuit of the strategies outlined in the *Commission Communication of 18 July 2001 on "Promoting core labour standards and improving social governance in the context of globalisation"*, the *Communication of 18 September 2002 on "Trade and development: Assisting developing countries to benefit from trade"*, and the *Communication of 18 May 2004 on "The Social Dimension of Globalisation - the EU's policy contribution on extending the benefits to all"* described earlier, all constitute essential reference points for work on trade and social questions, an integral part of the Community's approach to sustainable development, in 2005

Following up on the 2001 and 2004 Communications, work will continue on promoting the link between trade and social development. This will include further development or implementation of the EC's own policy instruments (GSP; bilateral agreements) and an active contribution to the follow up to the recommendations of the World Commission on the Social Dimension of Globalisation. The Commission will in particular seek to identify additional means by which to pursue a constructive debate on the relationship between trade policies, social policies and the respect for core labour standards. The Commission also plans to develop technical co-operation with the ILO on trade-related matters, including working with ILO on how best to manage the social impact of trade liberalisation in our trade related assistance. It will also advocate ILO observership in the WTO and a more close and active dialogue between WTO, ILO and other international organisations with a role in promoting sustainable development. In the WTO, following the EU's own Trade Policy Review of October 2004, the EU will continue to encourage discussion in the TPRB of the correlation between respect of core labour standards and economic growth and development.

## **2. Policy on TBT and standards issues**

In 2005 priority will be given to regulatory co-operation with key trading partners, in particular with Wider Europe, North America, China and South East Asia, in order better to understand and to reduce technical barriers to trade. We will negotiate agreements with candidate countries, and ensure the proper implementation of mutual recognition agreements (MRAs) concluded with Japan, Switzerland, Canada, US, Australia, New Zealand and Israel.

DG TRADE will continue to pursue improved market access of Community products to third markets by defending and promoting EU rights under the TBT agreement, and will also aim to ensure that EU regulatory proposals and their implementation are compatible with the TBT agreement.

## **3. Policy on SPS issues**

Sanitary and phytosanitary (SPS) measures are increasingly replacing tariffs and quotas as major barriers to trade in agricultural products. This can have a major negative impact on exports from the EU.

The trend will continue to be combated by improving the information available to the Commission on such barriers, and using bilateral and multilateral instruments and negotiations to have them reduced or removed. An inter-service co-ordination group on SPS export trade issues was created in 2004, and is backed up by a newly-created database of SPS export problems. These are already in use to identify problem areas and priorities. However, further work is required to co-ordinate the Commis-

sion and Community efforts in this sector, and to optimise the available instruments for action. A seminar involving all stakeholders (EP, Member States, Industry, NGOs) will be organised during the first quarter on 2005, with view to identifying the optimum strategy for dealing with SPS barriers to EU exports. Last but not least, the Commission will increase its support to the relevant international organisations (Codex, International Plant Protection Convention and Office International des Epizooties) to enable developing countries to play a full part in the standards setting exercise.

#### **4. Export credit and credit insurance**

##### **Export Credits - OECD**

Work will continue in OECD on issues left over in the 2003 review of the Arrangement on export credits. A general reflection on the role of officially supported export credits will take place, in order to better assess the WTO implications of officially supported export credit activity and to ensure that any trade distortions due to public action in this area do not exist. In addition, work will focus in particular on the environmental dimension; modernisation of the Aircraft Sector Understanding; more transparency for untied aid; rules to combat bribery; and development of rules for a minimum commercial risk premium. In addition, within the EU work will take place on the *Medium and Long Term Directive*. This work is aimed at increasing transparency among MSs export credit practices by adjusting the directive on medium and long term export credit insurance. This adjustment will be followed by an improvement of the EU Export Credit Harmonisation Database.

#### **5. GSP and preferential rules of origin**

New ten-year guidelines on the next EU scheme of Generalised System of Preferences (GSP) for the period 2006-2015 were adopted on 7 July 2004 by the Commission and preparation of the first implementing regulation started. A proposal for the first regulation under the new scheme was adopted by the Commission on 20 October 2004 and forwarded to the Council. It is expected to be adopted in early 2005. During the first half of 2005, implementation of the current GSP scheme will continue and actions will be undertaken to prepare beneficiary countries for the entry into force of the new scheme on 1 July 2005, especially with regard to the special incentive arrangement for sustainable development and governance. Exclusion from the GSP of those beneficiary countries which benefit from a commercial agreement with the Community, which covers at least all the preferences provided by the GSP scheme, will also be prepared.

DG Trade is also contributing to the development of new approaches to preferential rules of origin, to be presented shortly to the 133

Committee for discussion in the first part of 2005. The objective will be more simple and streamlined rules that are easier to apply, together with greater flexibility in terms of origin cumulation.

## **6. EU origin marking scheme**

Further to the discussions held in the 133 Committee in July 2004, the Commission will soon bring to a close its further analysis of the implications of an EU origin marking scheme applicable to particular sectors, including textiles sectors such as and clothing, ceramics, furniture, etc. This analysis encompasses a range of technical, legal and economic aspects to be followed with the interested sectors, as well as consultations with consumer associations and Member States' administrations. A recommendation on the way forward, that may include a proposed Regulation on the issue, should be submitted to the Council in 2005.

## **7. Market access database**

The Commission will continue to update and upgrade information in its Market Access Database to make it a more effective tool to ensure that partners comply with their multilateral and bilateral obligations. Access to the database will be fully extended to Croatia before the end of 2005.

The MADB must also be viewed in the context of the EU strategy of promoting competitiveness of EU industry, in which improving access to third country markets has a key role to play.

## **8. Helpdesk**

During the first semester of 2005 the Commission will officially launch a new section within the Expanding Exports Helpdesk (EEH) containing key information on EU and Member States' specific requirements (e.g. TBT; SPS) and internal taxes, followed by a promotional activity to improve the use of the EEH by developing countries' exporters.

A regular analysis of the statistics on the use of the EEH as well as a public consultation of the users via the IPM (Interactive Policy Making) system operated by DG MARKT is also foreseen.

## **9. Export controls on dual use goods and technologies**

Decisive steps will need to be taken in 2005 in order to meet the ambitious objectives set by the European council of Thessalonica regarding the export control of dual use items. These steps include:

- Contribution to the implementation by the EU of the recommendations made by the Task Force on Peer Reviews of the application of the 1334/2000 Regulation, which may require amendments to this Regulation.

- Proposals to remedy the difficulties created by the non-membership of new Member States in the international regimes of export control of dual use, in particular so as to improve Community coordination on decisions taken under these regimes which affect international trade.
- Follow-up of the efforts of "multilateralisation" of export control of dual use items launched by the UN Council Security aiming at reinforcing international safety and avoiding distortions of competition due to the absence of coordination and harmonisation.

## 10. Trade and Competitiveness

The Lisbon European Council in March 2000 adopted the objective of making Europe the world's most competitive and dynamic knowledge based economy. This is an ambitious plan. Key to reach this objective is a fully functioning internal market, trade liberalisation and action in support of industry and research and technology. At the same time, our strategy needs to be balanced with a strong social and sustainability dimension, including the spread of best practice in labour market and welfare state reform.

Trade policy clearly plays a role in reinforcing delivery of the Lisbon agenda, in particular concerning EU firms' ability to successfully compete on the world market with our goods and services. Greater openness to trade and foreign direct investment, especially in those countries which still maintain high entry barriers, acts as an important spur to growth, employment and productivity by increasing competition and lowering barriers to entry. International trade between countries is not a zero-sum game: when two countries compete through trade they both gain through better resource allocation and increased specialisation. Trade policy contributes also by providing EU firms with access to new markets and to offer them inputs for their production and exports from foreign sources against world market prices. Better market access worldwide and a more level playing field, including through stronger trade and IPR rules; the judicious use of trade defence instruments to ensure fair competition within predictable rules; ensuring that regulatory measures are transparent and as little trade restrictive as possible – all these constitute ways for trade policy to bolster competitiveness.

Trade, and in particular the pursuit of the EU's push for greater opening of overseas markets for European products, services, investment and IP, can thus contribute to the EU's international competitiveness and should form part of the Union's competitiveness strategy. Trade and competitiveness, as part of the external dimension of the Lisbon Agenda, will therefore be included in the mid-term review process of the Lisbon Agenda and will be discussed in the Article 133 Committee. Already under the Dutch presidency a useful debate on this issue was started, and can be built on. The Trade Commissioner Peter Mandelson is part of the

Group of Commissioners in charge of competitiveness in the broader sense and this will reinforce the trade dimension of the Lisbon strategy.

## **11. Trade and corruption**

The link between trade and corruption is of growing public interest and debate. At the international level, the UN, OECD and other international bodies have developed certain corruption-related instruments, whereas the WTO does not currently have any trade and corruption specific agreements or mechanisms. The relevance for corruption of existing WTO agreements is of a more indirect nature e.g. through the various transparency and non-discrimination requirements which are key features of the WTO and which are intended among other things to reduce the scope for discretionary decision making on the part of public authorities.

DG Trade does not consider it useful to focus the issue of trade and corruption, specifically on the WTO. Efforts should also be made, first and foremost, to raise the general public awareness of the harmful economic, social and developmental effects of corruption, and the contribution that good trade policies and rules can bring to stemming it. This could be done *inter alia* by encouraging relevant intergovernmental bodies, business representatives and civil society organisations to speak up and share more widely their views and experiences. DG Trade plans to discuss this with the 133 Committee in 2005, and will encourage a public dialogue on the issue during the year. On this basis it would be possible to determine how and where this subject could be further pursued at the international level.

DG Trade

29 November 2004