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# **Building on Global Europe: The Future EU Trade Agenda**

*Check Against Delivery  
Seul le texte prononcé fait foi  
Es gilt das gesprochene Wort*

House of German Industries

**Berlin, 15 April 2010**

Good afternoon ladies and gentlemen.

It is a pleasure to be here today. First, as the new Trade Commissioner, I am keen to meet with you, both German industry representatives and specialists on international relations, and to hear your views on EU trade policy.

Second, it is a joy to be here again in vibrant Berlin. This famous metropolis is testimony to the transformational power of peace and reconciliation. I have long been a supporter of European integration first as a member of the European Parliament, then as Belgian Foreign Minister and now as a Commissioner. Without Germany being firmly anchored in the European Union, reunification would not have taken place as quickly as it did in 1989-1990. Hence, Berlin is for me also a symbol of what we Europeans can achieve together.

### **The economic crisis has brought new priorities**

But it is the current economic picture, not Berlin's backdrop, that provides the setting for our exchange of views of today. The crisis hit global trade hard, much more than economic activity in general. In 2009 EU exports fell by 16% and imports dropped by 23%. Overseas investment also fell – by some 38%. In a way, these steep drops in global trade were unsurprising since they are closely associated with the fragmentation of the international supply chains. Because of this fragmentation, trade always responds more than proportionately to any change in GDP.

Moreover, the decline in trade could have been worse. The EU was at the forefront of global efforts to address protectionist risks and on the whole we have been successful. Markets have been kept open and trade flowing. We are currently witnessing a clear recovery of trade.

But we are not out of the woods yet. Whilst we have avoided the worst type of protectionist spiral, the global recession is leaving its mark on the jobs market. EU unemployment has now reached 9.5% - wiping away a decade of progress. Unemployment is likely to stay high for some time and experience has shown that there is a causal link between unemployment and protectionism.

Trade is at the forefront of the European recovery plan and will remain there. It is through trade policy that markets stay open and that goods and services keep flowing – to the benefit of European businesses and of course of public finances. Because we have one trade policy and one common voice, I feel a particular responsibility as Trade Commissioner of the European Union to influence the trade policy debate in the right direction.

### **On the German trade surplus**

Before sharing with you my thoughts on the EU's trade policy, let me make a few comments on the recent discussions in Europe and also the G-20 on exports and trade surpluses, in particular that of Germany. In essence, while it is urgent that we address global trade imbalances, it would be deeply misguided and damaging to introduce measures that would undermine the international competitiveness of German firms. We would be doing nobody a favour by making the German corporate sector less efficient.

To be sure, we need to work together with the world's main players to correct global trade imbalances. It is natural that individual countries want to boost their exports, as they provide jobs and income. It is equally clear that the world as a whole cannot run an export surplus. A global race to surpluses would thus be self-defeating.

However, we have seen over the last few months the beginning of the necessary rebalancing. China's trade surplus is shrinking, and so is the US's trade deficit. The

euro-area's external position is broadly in equilibrium. A rise in the Chinese currency and a cut in the West's consumption of oil and gas would give a further boost to this rebalancing process.

At more than 5% of GDP, the German trade surplus is large. It is, in this respect, not unique, for that matter. The Netherlands, Sweden, also Switzerland, are running surpluses of the same level. To help the European economy grow faster, Germany and these other countries could boost their domestic demand, for example through tax cuts or measures that would expand their services sector.

But we must not come up with remedies that are worse than the disease. Europe does not become stronger by asking some of its members to become weaker. If to correct its trade surplus, Germany should neglect exports or downgrade its production, that would be ludicrous. Where German products and services are highly regarded on international markets (as they are), then they should continue to be appreciated and bought. Companies have to continue to strive for excellence and fight for their market share. There can be no race to the bottom and no holding back of exports.

When the doomsayers say that Europe will struggle to compete in a globalised economy, I point to Germany. I do not doubt that European companies face strong competition in foreign markets and at home. But the European economy can and will rise to the challenge. Many of you are at the sharp edge of the global export market but you are surviving. Based on competitiveness, innovation and knowledge, German companies show how we can continue to succeed in a globalised economy. You lead from the front. I thus join the former Austrian Chancellor Schüssel who candidly said a few days ago: "Lernen statt neiden!"<sup>1</sup>

## **New trade policy**

Ladies and gentlemen, let me now turn to the EU's new trade policy. As you may be aware, I have announced that the Commission will set out a renewed trade strategy later this year, based on the Europe 2020 Strategy.

While it is too early to set out in detail the contours of that policy, let me give you a sense of where we may be going. My starting point will be those parts of the 2006 Global Europe strategy that are still valid, and build from there the responses to current conditions and medium-term perspectives.

What elements will make up the new strategy? I will outline the multilateral aspects, my bilateral agenda and some thoughts on investment. Due to time constraints I shall not address other themes, such as trade and development.

## **Multilateral agenda: Doha Round**

First, given the size and openness of our economy, multilateralism must stay at the core of our trade policy. As the world's largest trade partner, our top priority remains concluding the WTO's Doha Trade Round.

The Doha round is important in itself as it will generate important welfare benefits. For example, a successful conclusion would boost Europe's GDP by around 45 billion € in the long run. At a time when there seem to be few engines for growth, the gains from trade are worth reaping. But I don't hide that this is a difficult undertaking because trade liberalisation is not an easy sell where there is economic slack and unemployment.

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<sup>1</sup> Neue Zürcher Zeitung, 31 March 2010

Hopefully, we will witness more engagement in months to come, given that five G-20 leaders have called for "a greater level of ambition necessary to make an agreement feasible". I am fully prepared to play an active role in this process.

## **Bilateral agenda**

Second, I have a major bilateral agenda ahead for an ambitious set of trade negotiations, with a particular focus on countries with the strongest medium-term growth potential. It is fair to say that Europe is at the vanguard in trade liberalisation that goes much beyond what is possible in the WTO framework. Time not permitting to take you on a tour d'horizon of the entire world, let me concentrate here on Asia and the Americas.

## **Asia**

The Free Trade Agreement with Korea, which we have initialled last October, is by far the most ambitious of its kind. Import duties are eliminated on nearly all products, many significant non-tariff barriers will be eliminated and there is far-reaching liberalisation of trade in services. I am strongly convinced that this is a very beneficial package for the European economy.

Furthermore, this deal with Korea is symbolic of Europe's capacity to liberalise trade even in a downturn. Whilst other trading partners are struggling to even maintain trade openness in the current economic (and political) climate, Europe is not only upholding its liberal policies but we are opening markets even further.

I therefore consider it essential that the agreement be approved by Member States and the European Parliament this year. It will be a crucial test of Europe's ability to deliver. I would thus take the liberty to call upon you to make your support for the text known to those MEPs who may consider voting against it.

The Singapore negotiations we have launched just a month ago will be equally broad and deep. We are also in the process of negotiating an FTA with India that will bring new access for European exporters. It is our ambition to close these negotiations still this year. And by the end of 2010, we should have started negotiations with Vietnam.

## **US and China**

Our relations with China and with the US will do much to define five years from now whether the Union has made a real contribution to shaping rather than simply reacting to the challenges of globalisation.

The immediate challenge is to re-energise the Transatlantic Economic Council and the High Level Economic and Trade Dialogue with China. These should provide a strategic, forward-looking forum that delivers improved market access and early solutions to future problems. But this must also be seen in the wider context of our economic and political relations.

A particular and urgent focus with both partners should also be working to support industries of the future, such as "green" and high tech products and services. We can do this through trade agreements and specific initiatives, but also through putting in place together the right regulatory environment and international standards.

## **Investment**

Third, one of the EU's new priorities will be investment. The Lisbon Treaty brings additional opportunities to act with one voice at EU level to further our common interests, most visibly for Foreign Direct Investment.

We are currently examining how to use the new Lisbon powers in this area to expand opportunities for our companies. It is my intention to develop a comprehensive approach in the next weeks. For sure, we want to deliver a high level of security for EU investors in third countries and ensure that the EU remains the world's top destination for Foreign Direct Investment. Accordingly, we are elaborating a strategy where, on the one hand, bilateral investment treaties between individual Member States and third countries can be maintained, but where on the other hand such bilateral treaties do not hamper the development of a European investment protection policy.

My staff is working intensively on a draft regulation to be adopted by the European Parliament and the Council, and on a policy communication which will be made public before the summer.

The underlying philosophy is to aim to do better collectively than we would individually. Our aim will be to provide under European investment treaties the same level of ambition as under national investment treaties. This means negotiating in the future EU clauses that cover a broad scope of investment activities, offer high standards of protection and contain strong dispute settlement mechanisms. The logic of European integration also applies here and I would like to count on broad Member State support in the area.

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Ladies and Gentlemen,

The European Council has, on the basis of the proposals of the Commission, set a number of objectives for the EU to reach in 2020. The heads of government have rightly emphasized that our internal action must go hand in hand externally with an open trade stance. Of course, there is much more to growth and employment than international trade and investment. But without the latter, pushing our growth to a level of 2% and more – which is essential if we want to sustain our welfare state – is going to be so much harder.

The economic crisis has temporarily halted the process of globalisation. But let there be no mistake: this process is very likely to pick up again with renewed vigour. The EU must put in place the conditions to benefit from it to the full.

We must also remind ourselves that, with globalisation, there is much more than economics at stake. Open trade opens minds as well. Countries that are open to trade are open to differences. New ideas, new cultures flow across the borders along with imports and exports. 20 years after the fall of the Berlin Wall, the force of free and open markets – on welfare, on politics and on society – is obvious here in Berlin. Economic integration is ultimately about so much more than straight imports and exports – as you well know.

I've set out my stall: how I see the future EU trade agenda. Now it's over to you.

Thank you very much for your attention.