

Why EU Trade rules matter

An introduction

Sofia 24-25 March 2011

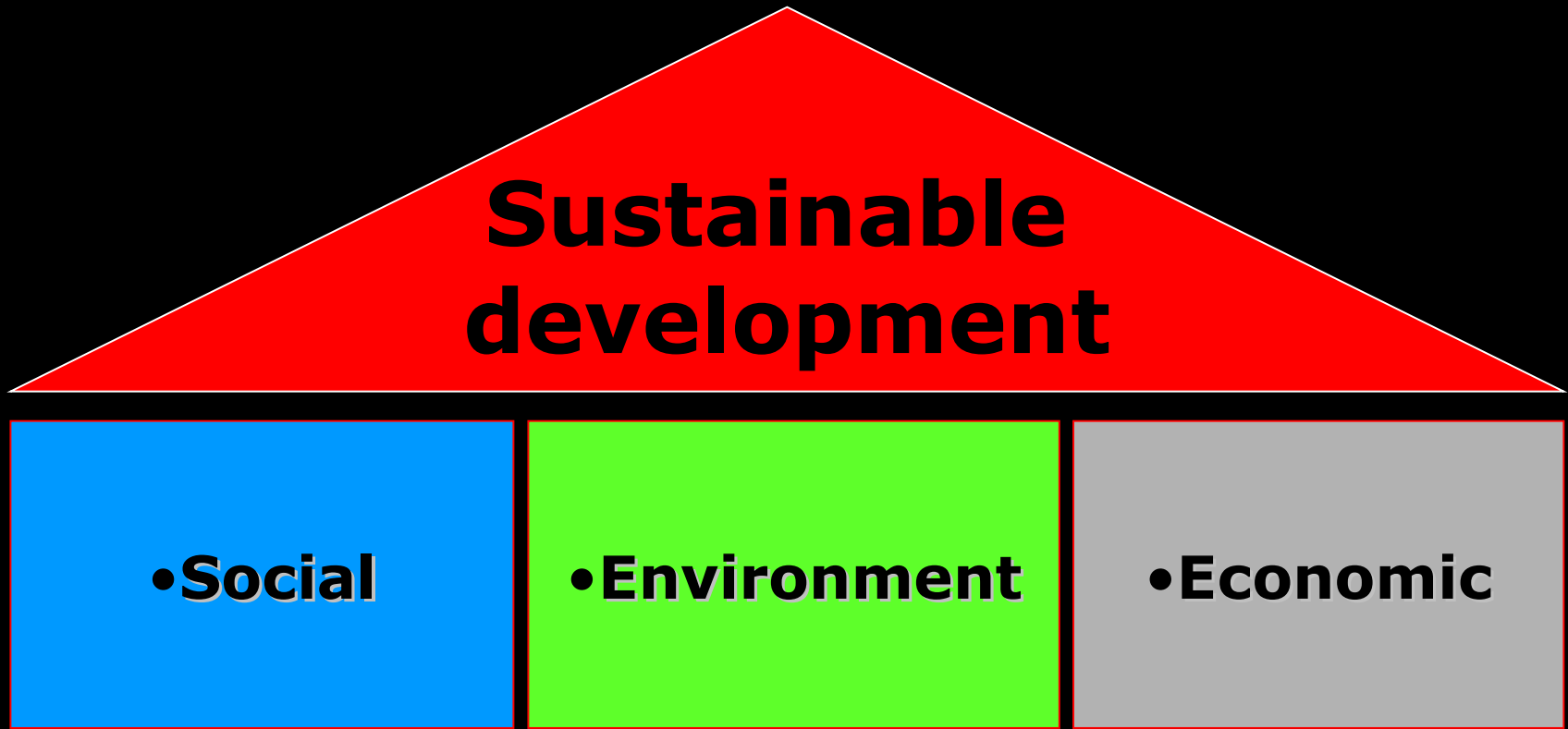
Dr. Burghard Ilge



Outline

- Sustainable development and the challenge of economic globalisation
- Challenges of Trade and Investment rules
- Is there more than the WTO
- Concrete concerns for trade in goods (example EPAs)
- Some other concerns

Sustainable development



development that "meets the needs of the present generation without compromising the ability of future generations to meet their own needs

Relation trade and investment sustainable development

Trade and Investment =

coupling national economy
to the outside world

Other couplings: International rules

Environment:

International Environmental Agreements,
(2000-3000)

Social:

Human rights treaties, the ILO conventions , a.o.
(> 100)

Economic:

International Trade and Investment agreements.
(Trade: \approx 200, Investment: *EU* more than 1200)

How strong are the different rules?

Environment and social agreements:

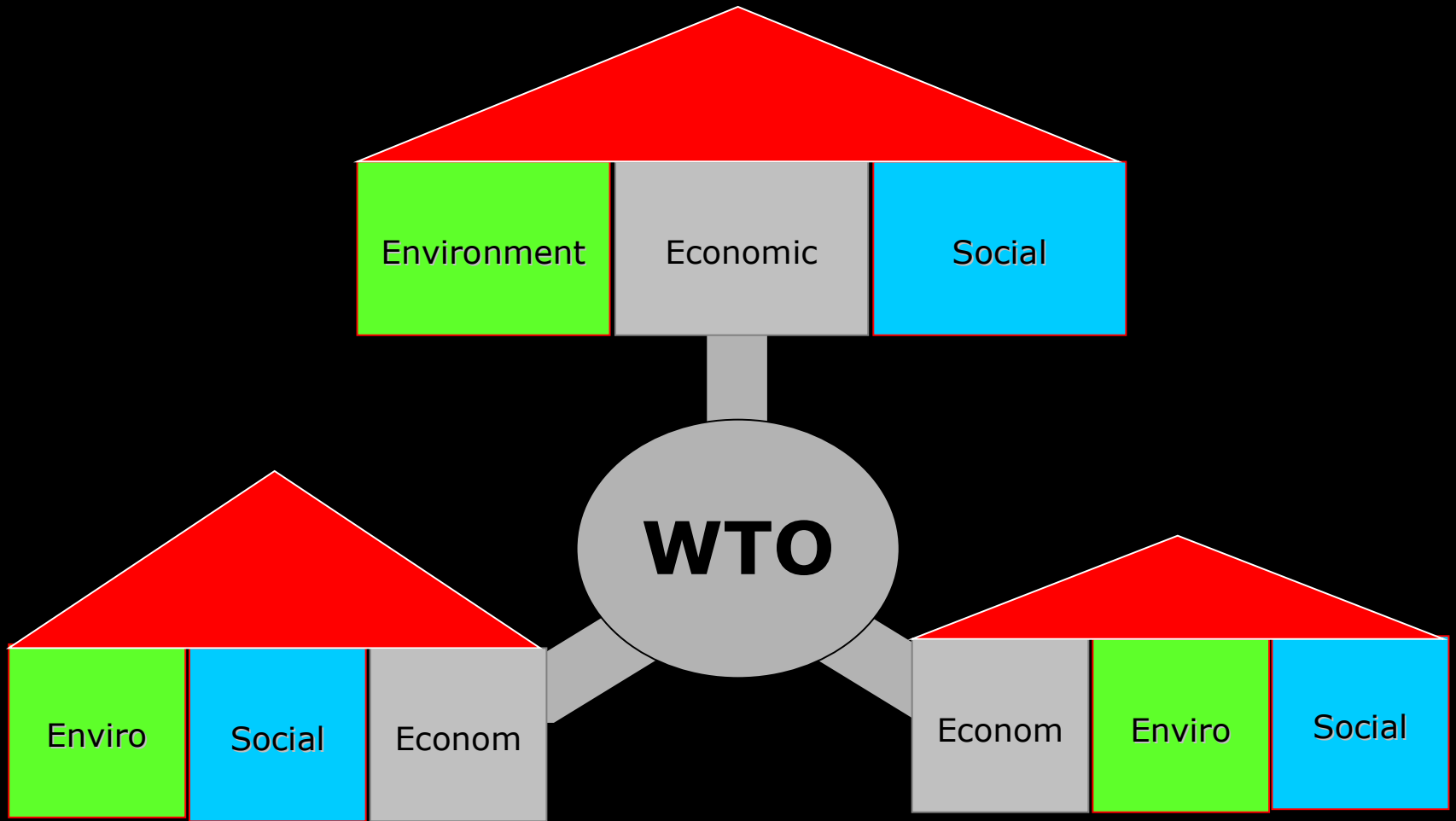
Usually weak, mainly limited to diplomatic channels

Trade: **WTO**, "Dispute Settlement Body"
can allow "trade sanctions"

*losing country to pay compensation or
winning country might introduce trade measures*

Investment: **ICSID**, "investors to state arbitration"
enforcement of International
Investment Agreements (e.g. BITs)

*losing country has to pay compensation to company
Decision automatic enforceable in all ICSID countries*



WTO critique

Social and Environmental policies:

“Only *least trade distorting* measures are permitted”

“Allowed exceptions in WTO are too limited”

Decision making process:

“Not transparent”

“in the favor of the most powerful countries”

Trade sanctions **US** against **Tuvalu**
Trade sanctions **Tuvalu** against **US**

Development dimension North South Relations

'The international trading system was devised by the rich to suit their needs; it ignores those of the poor.'

Pope Paul VI

*'de WTO is een **rich man's club**.'*

Eveline Herfkens

Challenges for sustainable trade relations

Society:

Technical [legal] and "complicated" [complex]

Link concrete – abstract

Political:

Economic self interests

"Stepped decision-making" (regional: EU, international: WTO)

Scientific:

No country is the same

Models may not contain too many parameters

How relevant is the model ?

Not every thing is economical. How to deal with:

- Social aspects*
- Environmental aspects*
- Culturele aspects*
- What is the "reality on the ground" ?*

Is there more than the WTO?

All WTO members bound by WTO rules

Most Favorite Nation (MFN) principle

Exceptions:

Article 24 GATT

allows

Customs Unions and
Free Trade Agreements (FTAs)

WTO rules on bilaterals

GATT article 24:

“duties and other restrictive regulations of commerce ... are eliminated with respect to **substantially all** the trade between the constituent territories”

Interim agreements should be implemented “[...] within a reasonable length of time”. “the reasonable length of time [...] **should exceed 10 years only in exceptional cases**”

Other rules (e.g. *services, enabling clause ...*)

EU trade policy after 2005

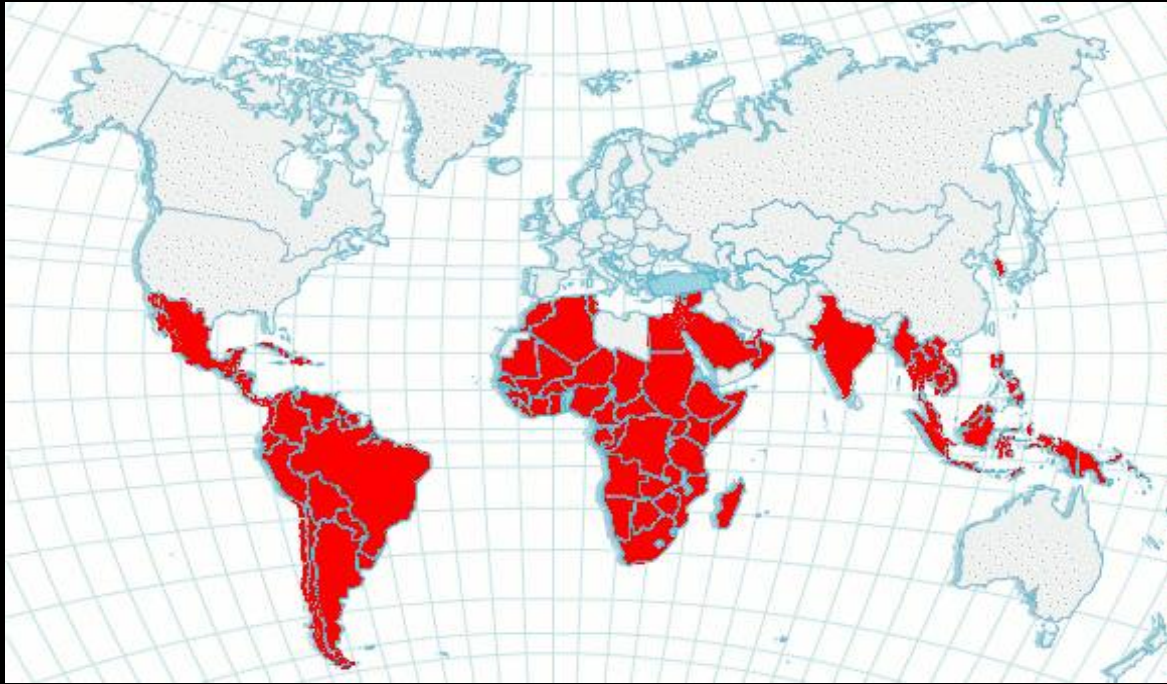
- 2005 Deadlock after Hong Kong
- July 2006 Suspension of negotiations

- 4th Oct 2006 New strategy paper

Global Europe: competing in the world

taking a more "activist" approach to opening markets

The global dimension



132 Countries + 27 EU: = **159**

current WTO member countries: = 153

Countries recognized by the UN: = 192

Some controversial issues not required by WTO:

New generation issues :

Intellectual property rights

Investment

Government procurement

Services

Standstill clause

MFN clause

Prohibition of export taxes

Exclude issues: e.g. Subsidies

Process issues:

Transparency

Inclusiveness:

Civil Society

Parliamentarians

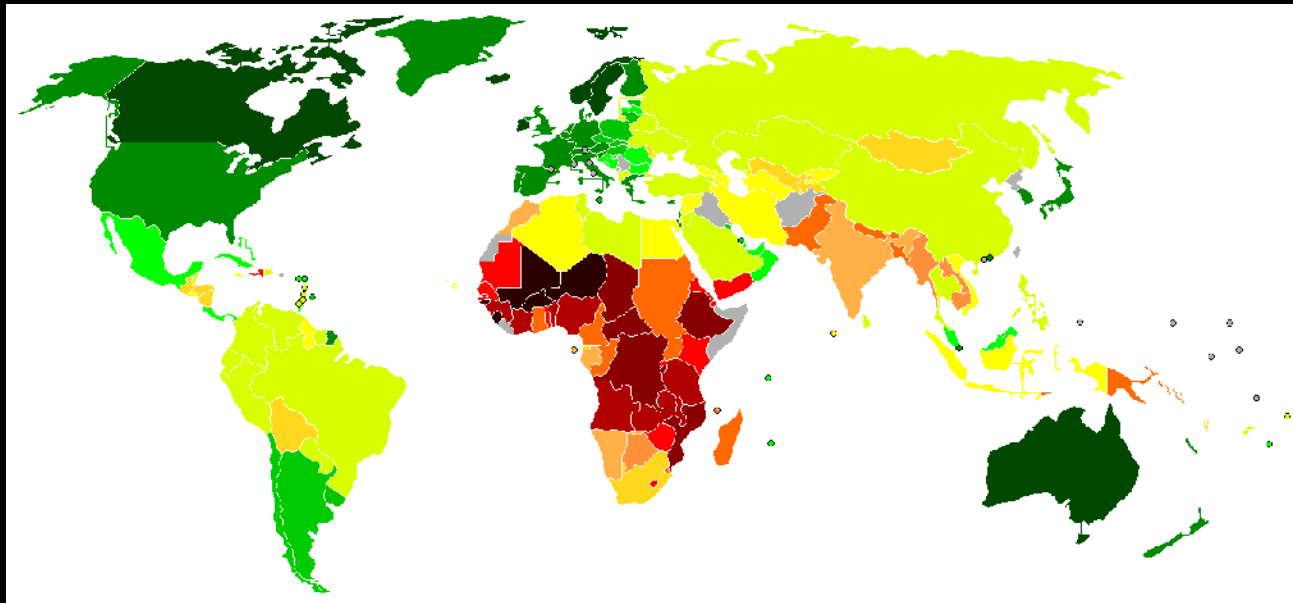
Government departments

...

Impact on other processes:

- multilateral (e.g. WTO, WIPO ...)
- regional (e.g. Southern RTA)
- other bilaterals (e.g. EU competition with US efforts)

Creating a level playing field ?



TOP



Competition

BOTTOM

Some concrete concerns_

Impact of liberalising market access

- loss of government revenues
- Impact on vulnerable groups (e.g. women in Mozambique)
- Threat of deindustrialisation ("*kicking away the development ladder*")
- Loss of protection against production advantages (e.g. Subsidies)

Government revenues

Some examples

- Swaziland = 7 x EU-development aid
- Namibië = 2,5 x budget deficit

Mitigation ???:

- replacement with **aid money**
 - > less control by parliament
 - > less reliable
- replacement with **national tax**
 - > capacity constrains
 - > informal sector

Deindustrialization

“liberalisation can be a threat to the modern industrial sectors which partly can only survive because of protection against imported goods”
[SIA EU-West-Africa]

Consequences of liberalisation Kenya

- 70.000 Jobs lost in the textile industry
- 90.000 Jobs lost in the leather industry

total opening for EU imports

COMESA-countries (eastern and southern Africa)

- increase of imports from EU : € 1,15 billion
- loss of export of COMESA countries to one another: $\approx 6\%$
- loss of government revenue between:
6% (Burundi en Mauritius) 8% (Seychellen) to 16,5% (Djibouti)

ECOWAS-landen (West Afrika)

- increase of imports from EU : of 15% (€ 1,87 billion)
- loss of export of ECOWAS countries to one another: $\approx 7\%$
- loss of government revenue between:
2,5% (Nigeria) to 20% (Guinee Bissau and Ghana)

Thank You

What are some other concerns ?

intellectual property (IPR)

services

investment

public procurement and competition

intellectual property (IPR)

some general concerns

- access to medicine
- access to seeds
- access to educational material
- hampering development of software
- compensation claims (trademarks)

Services

some general concerns

- Affordable access to general services:
Water, Electricity, Banking, Health, Education , a.o.
- Co-existing public/private service providers
- Interferes deeply with rules and regulations
- GATS Art. V.
Substantial coverage: (sectors, volume, modes)
elimination of essentially all discrimination
only "flexibility" for developing countries

Public procurement and competition

- Economic stimulus
for national business sector
- Differentiation:
e.g. regional discrimination
- Indirect discrimination
- Counterbalance EU state aid

Investment

prior to the Lisbon Treaty

- * TRIMs **agreement in WTO outlaws:** local content requirements **and** quantitative restrictions for FDI;
- * EU-Chile FTA **which affords the right of establishment (market access) and** National Treatment to investors;
- * Energy Charter Treaty **confers investment protection rights – including recourse to** investor-to-state arbitration – to investors.

Investor-to-state arbitration

Latest case: Vattenfall v. Germany (2009-2010)

Compensation claim Euro 1.4 billion by Vattenfall

Now in: Energy Charter and BITs

Investment in EPAs <-> BITs with EU countries

Lisbon treaty : authority for FDI from MS to EU

- Full investment chapter in EU-FTAs
- renegotiate EU member state BITs

It is all on the Internet

The INTA Committee

<http://www.europarl.europa.eu/activities/committees/homeCom.do?body=INTA&language=EN>

<http://www.europarl.europa.eu/activities/committees/homeCom.do?body=INTA&language=BG>

Bulgarian INTA member

<http://www.europarl.europa.eu/members/expert/committees/view.do?language=EN&id=38613>

list of all EU members of Parliament from Bulgaria:

<http://www.europarl.europa.eu/members/public/geoSearch/search.do?country=BG&language=EN>



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През този ден няма излъчвания

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[16/03/2011 - 17:17](#)

▶ **Заседание**

[16/03/2011 - 16:42](#)

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Пресъобщения

EU investment policy needs to balance investor protection and public regulation

International Trade - 17-03-2011 - 11:24

The fact that the Lisbon Treaty made foreign direct investment (FDI) an exclusive EU competence necessitates striking a delicate balance between protecting investors' rights and the right of public authorities to regulate, argues the International Trade Committee in a report voted on Wednesday. This in turn requires very clear definitions of what types of investors and investments will be protected, it adds.

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Member

- ▶ Committee on the Environment, Public Health and Food Safety [\[See\]](#)
- ▶ Delegation to the EU-Chile Joint Parliamentary Committee [\[See\]](#)
- ▶ Delegation to the Euro-Latin American Parliamentary Assembly [\[See\]](#)

Substitute

- ▶ Committee on Industry, Research and Energy [\[See\]](#)
- ▶ Delegation for relations with the Mashreq countries [\[See\]](#)

Curriculum vitae

- ▶ Degree in engineering (chemical cybernetics), Moscow (27.02.1975). Doctorate, Sofia (27.04.1980). Senior research associate, rank II (March 1990). Doctor of Technical Science (17.12.1998). Professor (2000).
- ▶ Postgraduate student, Higher Institute of Mining and Geology, Sofia (1977-1980). Central Institute for Complex Automation, Sofia (1985). Research associate and senior research associate, Deputy Director of the Joint research and implementation centre of Gorbunov mining and processing operation and the Higher Institute of Mining and Geology (1980-1990). Associate Professor and Professor, University of Mining and Geology, Sofia; Director, College of Mining and Metallurgy, Kardzhali (1990-2007). Editor, Geology and Mineral Resources magazine (since 2002).
- ▶ Member of the Union of Scientists in Bulgaria (since 1984). Member of the Union of Chemists in Bulgaria (since 2006). Member of the Supreme Attestation Committee (2004-2007). International Mineral Processing Congress, member of a scientific advisory committee, member of the Balkan Mining Academy (2004) and foreign member of the Russian Mining Academy (2007).
- ▶ Gold order of labour (1985), gold medal from the International Technical Fair (1989), foremost processing engineer of Bulgaria (2001), gold medal from the East West Euro Intellect technical fair (2003). Honorary citizen of Kardzhali (2005).
- ▶ Author of 4 textbooks, 3 monographs, 160 publications, 36 patents.

Parliamentary activities

- ▶ Questions [\[See\]](#)
- ▶ Speeches in plenary [\[See\]](#)

Declaration of financial interests (86 Kb) :

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FAO over tomatenpuree

Senegal - Prior to trade liberalization (1994), Senegal had become the 23 largest tomato producer in the world. Producers sold tomatoes to state-owned tomato-paste factories. As tariffs were lowered and Senegal's tomato-paste factories were privatized imports of subsidized tomato paste surged from Europe. Tomato-paste factories stopped buying local tomatoes, as it was cheaper to convert imported triple-concentrate tomato paste into double-concentrate paste for local sales. Result prices drop to half. In 6 years, local tomato production had fallen from 73 000 to only 20 000 tonnes

Ghana – tomato industry: Between 1993 and 2003, there was a staggering 628 % increase in processed tomato imports into Ghana. In 2003, 27 000 tonnes of prepared EU tomatoes entered Ghana, at a cost of 25 million Euro in lost foreign exchange,. There is a consensus among stakeholders that two policy measures will be needed to help the infant tomato-processing industry take off – tariff protection and production support. The influx of tomato paste from Europe is of particular concern because local processing can provide a safety valve for the fresh tomato market when there is a glut – the excess can be canned or made into concentrate to save it from perishing. This is of great importance to Ghana's large number of poor tomato farmers who, in spite of a lack of firm links into the processing and marketing chain, still grow tomatoes.