Global Europe: external aspects of competitiveness

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The European Parliament adopted a resolution based on the own-initiative report by Daniel **CASPARY** (EPP-ED, DE), in response to the European Commission's communication entitled 'Global Europe: competing in the world - a contribution to the EU's Growth and Jobs Strategy'. The report was adopted by 403 votes in favour to 273 against with 8 abstentions. Parliament welcomed the Commission's Communication on Global Europe and agreed with the strategy to influence positively the process of globalisation and to manage risks. However, it considered that the development of trade was not an end in itself, but must be assessed in the light of its impact on economic growth, employment and sustainable development. An analysis of European economic competitiveness, instead of solely focusing on trade figures, should also focus on the proportion of total world output achieved by European producers and on employment trends. In addition, the EU's negotiating objectives in trade negotiations must be consistent with EU development policy, with particular care taken in the case of LDCs and developing countries.

Parliament intended to work towards greater consistency in its macroeconomic policies, improved monetary and financial security, cooperation in tax matters and the elimination of unfair tax competition. Firstly, it was necessary to pursue a **monetary policy based on price stability** so as to be able to finance technological progress and to assist SMEs by enabling them to enter markets outside the Euro-zone; secondly, to establish **business-friendly taxation systems** that are likely to increase the number of start-ups and, to that end, to cut taxes that undermine efficiency and impede job creation; and, thirdly, to **increase competition on the internal market**, bearing in mind that the fiercer competition is within the EU, the more able EU-based companies will be to compete outside the EU.

Parliament was convinced that the **social model** that remains at the base of European industrial relations had enabled the EU to maintain a high degree of global competitiveness vis-à-vis its main competitors. The biggest challenge facing the EU was to uphold the functioning of that social model despite existing pressure to further lower the social and environmental costs of production. Since the benefits of an open trading system outweigh its potentially disruptive impact, the EU should strive to complete the single market, promote increased global liberalisation and free trade and resist protectionism. However, its potentially disruptive impact on certain sectors and regions, such as the effects of displacement and relocation, could not be disregarded. Increased competition should prompt the EU to boost its efforts in education and in **research and development** in order to maintain its position on world markets for innovative products and highly skilled services. In spite of external competitive pressures, the EU should also maintain a sufficiently wide and diversified **industrial base**, and trade opening should be accompanied by solid industrial policies at both European and national levels. The backbone of the EU's economic success is the activity of its **SMEs** which, through improved access to research and development opportunities, must be endowed with the ability to guarantee the production of high quality goods at the higher end of the value chain.

With regard to the world trading system, Parliament felt that the lifting or **significant reduction of high tariff and Non Tarrif Barriers** maintained by emerging economies to EU exports should be one of the main priorities of EU trade policy.

On the **WTO**, Parliament felt that achieving an ambitious and balanced outcome of the DDA negotiations was crucial for European companies and should be considered a priority by EU negotiators. Since it is a development round, the EU's new trade agenda must reflect those objectives.

Since achieving an ambitious, development-oriented outcome to the DDA negotiations must be the EU's first priority, Parliament regarded **bilateral and regional FTAs** as a sub-optimal solution. Such agreements lead to trade diversion, are often unbalanced, contribute to introducing discrimination in international trade relations, and tend to reduce the level of engagement of participating countries in the WTO. New bilateral or regional free trade initiatives should only be launched when necessary to improve the competitive position of EU exporters on crucial foreign markets, especially in cases where other major trading powers are negotiating such agreements. The Commission must take into account the risks of excluding the weakest trading partners from the benefits of international trade and their interests must be taken into consideration during the entire negotiation process.

Parliament gave an indication of **general approaches to trade negotiations**, and stated that the implementation of fair trade policies by the EU and all its trading partners would have to place greater emphasis on the international recognition of minimum environmental standards that create a level playing field between all the partners.

Parliament felt that the EU needed to diversify its economic relations. In addition, the strengthening of **transatlantic economic relations** must proceed on the basis of compliance with the EU's environmental and public health rules, and must not compromise the independence of its competition policy and its rules on the protection of public services and cultural diversity.

Parliament went on to insist that **China** should comply with all its WTO obligations, such as the enforcement of international labour standards and the protection of **intellectual property rights** (IPRs). Inadequate protection of IPRs represents one of the greatest challenges facing the EU in its bilateral relations with the Chinese authorities. China should fully respect the TRIPs agreements and improve the enforcement of judgments handed down by the courts. Respect for patents and the defence of IPRs lie at the heart of the EU's external competitiveness, and Parliament felt that the EU should adopt a more resolute stance in its approach towards third countries in that connection. Counterfeiting and piracy result in job losses, undermine innovation and deprive governments of tax revenues. **Adequate IPR protection** and effective enforcement are the bedrock of a global economy.

Stressing the increasing relevance of **regulatory issues** in international trade, Parliament felt that the most effective way to avoid regulatory divergences, resulting in the creation of obstacles to trade, lay in the development of global rules and standards. It encouraged the Commission to participate in the work of all relevant international agencies and standard-setting bodies.

Parliament moved to call on the Commission to pursue, in all trade negotiations, both the progressive and reciprocal liberalisation of **services** and a policy of increased standardisation of rules concerning that sector, in order that the highly competitive European services sector might operate more freely in third countries. However, this should neither lead to offers nor requests in the area of **public services**. The latter should be kept out of all negotiations, particularly in the case of public services which address people's basic needs and provide access to essential "public goods" such as health, education, drinking water and energy and those which play an important role in preserving cultural diversity, such as audiovisual services.

The large degree of openness of EU **public procurement markets** is not matched by commensurate access in favour of EU suppliers, particularly SMEs, to foreign public procurement markets for goods, services and construction contracts. Parliament felt that the Commission should work towards reciprocal access in relation to developed and emerging economies in that important economic sector. It urged the Commission and the Council to insist on inserting in the GPA being renegotiated at the WTO a clause enabling the EU to give preference to SMEs when awarding public procurement contracts, along the lines of those already applied by other major States which are party to the agreement, such as the United States and Japan.

With regard to **customs**, the excessively complex import procedures applied by many countries in the world often entail significant transaction costs for EU exporters and represent significant barriers to trade. Parliament invited serious consideration of the idea of setting up a **unified EU customs service** for a more effective application of customs rules throughout the customs territory of the EU.

Lastly, on **institutional issues**, Parliament deplored the fact that important trade legislation, such as that concerning Trade Defence Instruments, remains outside the scope of the codecision procedure and that uncertainty remains as to the applicability of the assent procedure with respect to FTAs. Member States must carry out the necessary institutional reforms and, in particular, by giving effect to the provisions of the Treaty Establishing a Constitution for Europe concerning international trade.