November 2006

THE NEW 'GLOBAL EUROPE' STRATEGY OF THE EU: SERVING CORPORATIONS WORLDWIDE AND AT HOME

A WAKE-UP CALL TO CIVIL SOCIETY AND TRADE UNIONS IN EUROPE AND ELSEWHERE

1. New ambitions of EU trade policy beyond the WTO

On 4 October 2006 the European Commission unveiled a new communication entitled *Global Europe: Competing in the world*,[1] which outlines how Brussels will pursue bilateral free trade agreements with major emerging economies in order to secure new and profitable markets for EU companies. The EU will also push for stronger intellectual property rights and reduced non-tariff barriers in its trading partners – and for even more business-friendly 'domestic reforms' within Europe itself.

The report sets out an aggressive so-called 'external competitiveness' strategy. As EU Trade Commissioner Peter Mandelson puts it: *"What do we mean by external aspects of competitiveness? We mean ensuring that competitive European companies, supported by the right internal policies, must be enabled to gain access to, and to operate securely in, world markets. That is our agenda."*[2]

Since the official communication of 4 October is meant for public consumption, the most worrying content has been filtered out. If one wishes to understand the EU's true priorities and intentions, one needs to consult the blunt draft version prepared earlier by the Directorate General Trade of the Commission (DG Trade) – this paper was kept secret by the Commission, but was leaked to the public and is available at http://www.s2bnetwork.org/download/globaleurope_draft. The EU's priorities are still included in the public attachment to the official communication that is available from the Commission's website: http://trade.ec.europa.eu/doclib/docs/2006/october/tradoc_130370.pdf

The essence of the proposed strategy comes down to this: if the EU wishes to maintain its competitiveness in the global market, it must step up its efforts to create opportunities for its companies abroad, targeting especially the overall regulatory environment in third countries. But in order to build strong companies, the EU should also create a more business-friendly environment at home.

The EU not only wants to take a more aggressive – or, as it calls it, more 'activist' – stance in its dealings with trading partners. It also wants to initiate various new bilateral processes, and it suggests the introduction of new measures such as prior consultation with business abroad and at home, including regarding the design of new regulations; private access to dispute settlement for EU companies; restricting access to government procurement contracts in the EU for countries that do not reciprocate; and full parity in bilateral negotiations.

[1] http://ec.europa.eu/trade/issues/sectoral/competitiveness/global_europe_en.htm
[2] Churchill Lecture, Federal Foreign Office, Berlin, 18 September 2006

If trade policy was already an instrument to introduce policy reform at home via the WTO and bilateral negotiations, it will now also directly dictate domestic reform. *"The internal and external dimensions of competitiveness are inextricably linked*," says DG Trade. Getting rid of all barriers that hinder the operations of companies and making sure all regulations are minimally trade distorting must be the agenda of the EU at home and abroad.

Breaking down the regulatory environment seems to be the most important strategy for increasing the EU's external competitiveness. This includes SPS and TBT requirements, regulations on services, public procurement but also IPR, investment and competition policy regimes of third countries. What is to be expected is more competition, more flexibility, more deregulation. Goodbye to the European social model; here's to naked globalisation for all.

Mandelson's priorities

- Decreasing non-tariff barriers to EU exports and investments: "We need to look at the whole operating environment in third countries," says the Commission, which intends to insure that regulation is non-discriminating and the least restrictive possible.
- Increasing access to raw material inputs in order to compete on a "fair basis". The main goal here is to completely eliminate export taxes and other export restrictions which trading partners use to secure their own raw materials for their own use.
- Securing energy supplies through improved trade in the energy sector of third countries, the main interest being to secure gas and oil supplies for Europe. This also includes a competitive, EU-wide energy market.
- Further strengthening the presence of EU companies in emerging markets through permanent establishment, meaning more investment liberalisation.
- The opening up of public procurement markets – an "enormous untapped potential" for EU exporters, says the Commission (10-25% of the GDP of partner countries); however, practices in partner countries "impede" the "fair" participation of EU suppliers and "shut [them] out from important exporting opportunities".
- Improvement of the application of trade defence (anti-dumping) mechanisms by third countries, which threaten to cancel out market access obtained by EU companies.
- Enforcement of intellectual property rights, including geographical indications.

For the Commission, even an ambitious outcome of the current Doha negotiations at the WTO will not be enough to fulfil the aspirations of the EU business lobby. After the completion of the round, all the issues above need to be put back on the table. However, since there are doubts about the readiness of WTO members to take up such an agenda, a new programme of ambitious bilateral negotiations needs to be developed.

A new generation of bilateral agreements

Such a programme begins by identifying the criteria to select the target countries. The main criteria are: market potential (the size of the market and its growth and profit prospects), the level of protection against EU export interests, and the number of bilateral agreements countries already have with other trading partners (establishing privileged relations which shut out the EU and establishing a common regulatory regime that is not compatible with that of the EU). These steps are followed by: access to resources; the balance between offensive and defensive interests; and the effect on the multilateral system.

On this basis the Commission identifies ASEAN, South Korea and Mercosur (Argentina, Brazil, Paraguay, Uruguay, Venezuela) as priority targets, along with India, Russia and the Gulf Cooperation Council. The EU has already started free trade agreement (FTA) talks with the Gulf Cooperation Council, which comprises six Arabian Peninsula countries around Saudi Arabia. Its FTA negotiations with Mercosur, suspended since 2005 over disagreements on agriculture, industrial goods, investment and services, are set to resume. Brussels and New Delhi are also exploring the possibility of starting FTA talks. The EU has not called for an FTA with China, in spite of its large and growing market. China is seen at one and the same time as a threat, an opportunity and a prospective global partner, and the EU has further elaborated its trade and investment policy with China in a new communication published on 24 October 2006.[3]

The new bilaterals will:

- Secure market access for essentially all trade in goods and services, seeking full parity with what other countries have obtained in their bilaterals.
- Tackle non-trade barriers and aim for regulatory convergence. Apart from the usual SPS, TBT, IPR issues, DG Trade wants to open up a new frontier: it sees barriers not only in certain measures themselves, but also in the way they are introduced "without sufficient consultation". Therefore discipline is needed, including "dispute avoidance mechanisms". This goes in the direction of the "prior consultation commitments" that the USA is seeking in its bilaterals. In the case of the US, when countries want to change their rules affecting business and trade, they need to involve their trading partners during the decision-making process. The EU calls for "consultation, early warning procedures, exchange of information and the possibility to comment". The Commission also proposes stronger monitoring, enforcement and dispute resolution mechanism which should be accessible to the industry.
- Include new provisions for investment, IPR and competition.
- Open public procurement markets. Since the EU procurement market is already broadly open, the Commission is considering reducing access for countries that do not reciprocate, so as to push them into negotiating procurement agreements.

The Commission also suggests a verification mechanism to ensure that its trading partners share the same level of ambition before starting the negotiations, in order to avoid the risk of negotiations being blocked because of a mismatch of expectations. Such verification is taking or has already taken place with India, ASEAN and South Korea.

The domestic dimension of the external trade strategy

In order to support external competitiveness and better serve the EU's economic and business interests, external considerations must be taken into account when setting key internal policies. The completion of the single market and increasing internal competition is key to this, but the main focus is again on the regulatory framework. Internal rules and practices should be made more consistent with the rules and practices of the EU's trading partners, and less trade restrictive.

The external dimension must be taken into account at an early stage of decision making in order to minimise regulatory frictions with trading partners. "International regulatory cooperation is the right tool", says the Commission, "helping to choose the least trade restrictive system, minimize the cost of regulations for domestic business and 'upstream' dispute resolution… One good example has been the consultation process for the REACH directive **where the voice of the industry outside Europe became heard**…. We should be ready to improve our level of transparency, prior information, chance to comment…"

While the Commission uses REACH as a positive example, NGOs argue that, on the contrary, REACH demonstrates how the lobbying activities of the chemical industry have

[3] http://ec.europa.eu/trade/issues/bilateral/countries/china/global_europe_china_en.htm

undermined legislation that was designed to protect people and the environment.[4] It was the European business lobby that called on non-European companies to intervene as well. Interestingly, the European Parliament found that large TNCs exporting a few bulk chemicals would mostly bear the costs.[5] But clearly the pressure of the giant corporate lobby industry is not sufficient for the Commission; in future the Commission will call in non-EU corporate interests to take part in the decision-making process. The Commission wants to be more transparent (to foreign business, not to its own civil society) and wants to listen to foreign corporate grievances before making decisions "affecting the market" – decisions such as those on environment, health or social regulations. This will make the EU even more undemocratic. Finally, the Commission also wants to **equip people for change**. The Commission is aware that if it wants ambitious agreements serving EU corporate interests, then it will also have to offer something in return. The Commission is prepared to open up sensitive sectors of the EU economy while admitting this will bring about "transformations which are disruptive to some in the EU".

Therefore the Commission will open up the EU, but will seek transition periods, safeguards, etc. It promises to equip some people for these changes with education and active labour market policies through the so-called Globalisation Adjustment Fund. For those who will find no jobs, no policy is developed, even while an increasing number of economists are starting to worry about jobless growth, the working poor and the lack of distribution of wealth. For **consumers**, the Commission promises measures so that the positive effects of trade opening and lower prices from lower tariffs "are not captured by specific interests".

2. Critique: 'Global Europe' - a dangerous corporate agenda

Mandelson's vision for a 'Global Europe' looks two ways: outwards to the EU's relations with other countries and inwards to the sort of Europe we wish to create for ourselves. The outward-looking policy marks a new beginning for the EU's relations with other countries, with an emphasis on unapologetic self-interest at its core. Gone is the talk of trade justice or making globalisation work for the world's poorer countries. Instead Mandelson promises simply "a sharper focus on market opening and stronger rules in new trade areas of economic importance for us."

In practice this means launching a new generation of trade deals with developing countries such as Brazil, China, India and Korea – precisely those markets that European business needs to conquer if it is to thrive. Mandelson's code word here is "activism" - using bilateral negotiations to force open new markets - and the stated aim is to win EU companies the right to exploit these new opportunities and the natural resources of the developing world.

Access to the services, industrial and public procurement markets of emerging economies is the central element of the new vision, despite the acknowledged problems that this causes poorer countries' own development efforts, and the consequential poverty when local businesses collapse under unfair competition. Perhaps the clearest throwback to colonial times is the demand for open access to natural resources. Mandelson has heeded the calls of the Brussels business lobby by making European access to the resources of developing countries a "high priority" and by promising to oppose any attempts by such countries to defend their resources for their own use.

[4] *Corporate Power over EU Trade Policy: Good for business, bad for the world*, Seattle to Brussels Network 2006, p. 38; http://www.s2bnetwork.org/download/Corporate_power_over_EU_Trade_policy
[5] 'WWF Response to "EU Trading Partners" statement', 9 June 2006, Brussels

This self-interest extends to energy sources too, with Mandelson calling for a "coherent policy" to secure European access to the planet's oil and gas reserves. Furthermore, a new set of investment agreements will allow multinational corporations to start up production in cheap labour economies free from the regulations or performance requirements that could dent their profit margins. At the same time, new intellectual property rules will ensure that local firms are prevented from copying the designs and technology which they could use for their own development purposes.

The first thing to note is that this is a vision born of failure. The EU has tried again and again to impose this model through the multilateral negotiations of the WTO, and was the driving force behind the launch of the Doha round of trade talks in 2001. Yet since that time the EU has seen its best efforts rebuffed at every stage.

The EU's attempt to introduce a multilateral investment agreement failed first at the OECD and then at the WTO's Cancún ministerial in 2003. The attempt to start negotiations on public procurement also failed at Cancún, while efforts to open up foreign services markets for EU companies have fallen far short of what was hoped for. The EU's proposed ban on export taxes, which restrict corporate access to the natural resources of developing countries, has failed even to get onto the negotiating agenda. And now the remnants of the EU's Doha dream lie in tatters, with talks suspended and no sign of a restart any time soon.

So how has Mandelson's vision failed so spectacularly? There are two main reasons for this: one external and one home-grown. The first reason is that developing countries are no longer willing to submit to the neo-colonial ambitions of the European business community. Countries such as Brazil, China and India have made clear that they will not be pushed around in world trade talks, and even the former colonies of Africa are refusing to lie down quietly in their economic partnership agreements (EPAs) with the EU.

The second area of resistance has been on the home front – and this is where the second major element of Mandelson's vision also kicks in. Mandelson's attempts to gain more market access for EU companies through the WTO negotiations have been thwarted by domestic resistance to the neoliberal model in Europe itself. Put simply, the EU has not been able to offer its trading partners the open markets which Mandelson would love to create internally, and therefore has not been able to extract from those trading partners the new business opportunities demanded by EU companies externally.

So the home front is where Mandelson wishes to redouble his efforts, and where the true threat he poses becomes clear. All those European groups opposing the free market model on social, environmental or developmental grounds must be overcome through a new concentration on "competitiveness", the favoured EU code word for the neoliberal agenda. Anyone concerned with agricultural sustainability, workers' rights, climate change or the European social model itself stands in the way of the Mandelson vision. The defenders of such interests threaten the EU's capacity to compete with Japan and the USA today, or with India and China tomorrow.

The clearest example of how this will affect Europe is to be found in Mandelson's plans for the downgrading of EU standards and regulations. The deregulation agenda forms a central part of Mandelson's agenda for Europe, euphemistically described as "an open and flexible approach to setting our rules". The fixation with minimising inconvenience to business even at the risk to public health, workers' rights or the environment pervades the Mandelson vision, and forms the most immediate threat to people across the EU.

Mandelson has spelled out in his recent speeches what lies unsaid in the vision paper: that this assault on the European model is to be brought about through "regulatory convergence" with the USA. In place of the European model of high standards won through decades of public pressure and committed campaigns, Mandelson offers us a future remodelled along US lines, where corporate interests come first and people's needs come nowhere. And the reason? "The greater the consistency in rules and practices with our main partners," says the vision, "the better for EU business."

3. Challenges for civil society and trade unions in Europe

The values and interests at the core of the Commission's new 'Global Europe' strategy are clear. Up to now, pro-development language was used to hide an aggressive pro-corporate agenda. Now the EU has revealed for the first time how the internal projects and directives developed by the Commission and supported by the Council of Ministers are directly linked to the external objectives of the Commission, and vice versa.

To date, trade policy has not been very high on the agenda of most movements, trade unions and NGOs in Europe. With many ongoing problems at the domestic and EU levels, such as the push for the Services (Bolkestein) Directive to create a single services market in Europe, the EU Convention process and the increasing precariousness of jobs in Europe, most of the aforementioned groups have been focusing on other issues.

However, today many different civil society groups in Europe all want discussion and dialogue to understand the impacts of Mandleson's proposed policies. These groups include social movements, trade unions and others working on issues such as agriculture, workers' rights, consumer interests, development, environment, women's issues, corporate accountability, climate change, migration, war, etc. Trade policy can no longer be an issue which a few groups address from a development or an environmental angle. It has to be understood within the context of how the EU is pushing forward a neoliberal agenda not only in countries outside of the EU, but also within the EU borders.

The questions we need to start discussing are:

- Do we understand the full scope of the policies proposed?
- What are the impacts of further trade liberalisation on the number and quality of jobs not only in developing countries, but also in Europe?
- What has the increase of migration flows to do with trade policies?
- What governance model is promoted when corporations from the EU or outside have privileged access to influence policy, but with no public debate?
- How are climate change and trade policy linked?
- Why do consumers not benefit from the proposed model?
- What are the social, environmental and cultural costs of the race for more competitiveness and the pursuit of economic growth as proposed?

We would like to invite all progressive forces in Europe and internationally, all our allies working in farmers', workers', consumer, women's, environment, development and public services networks, to join us in the analysis of the EU's trade policy and its assault on the vast majority of people and the environment. We would like to invite all these forces to prepare a space that allows us to start a Europe-wide debate for spring 2007 and to discuss how we can work together to resist this aggressive agenda and to work for alternatives that are based on human rights, solidarity and sustainable economic activity.

If you are interested in getting in touch with the Seattle to Brussels Network to work on this issue, please contact: astrickner@iatp.org