

# **The CAP and Enlargement:**

**Perspectives and Opportunities**

**WTO/Trade Liberalisation**

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## WTO/Trade Liberalisation

- **The benefits of trade and evolution of the WTO**
- **The EU in the trade area, including institutional questions**
- **The case for the DDA**
- **The future in the DDA**



# International Trade and the WTO System

- Trade, along with technological innovation, the prime engine of global growth.
- Over past 50 years (since GATT established as part of post-war global economic architecture), trade growth has outpaced economic growth by 2-3% each year. Trade has grown 18 times since 1950.
- Trade also an instrument of development. Many countries exported their way to industrialization. Real GDP per inhabitant worldwide has doubled



## The Evolution of the GATT/WTO

- ✎ The GATT-WTO has evolved more rapidly and strongly than most other post-war International institutions.
- ✎ WTO only global international organization that includes wide ranging and legally binding obligations on all Members, subject to intergovernmental dispute settlement
- ✎ Trade now focus of public attention, interacting with many others policy areas - more so than in the past - e.g. environment, health, labor.



# EU and the Multilateral System

- ✎ EU a dominant actor and voting Member of the WTO
- ✎ Regionalism though important is second best policy option
- ✎ EU has prioritized the multilateral route in its relations with its biggest trading partners
- ✎ Sustainable development and multilateralism require global governance institutions



# EU as an Economic Power

	<b>EU</b>	<b>US</b>	<b>JAPAN</b>
<b>Share in world GDP</b>	<b>19.8</b>	<b>21.3</b>	<b>7.3</b>
<b>Share in world trade</b>			
λ <b>Goods :</b>	<b>19.1</b>	<b>19.7</b>	<b>7.6</b>
λ <b>Services :</b>	<b>24.3</b>	<b>20.2</b>	<b>7.7</b>
<b>Share in FDI</b>	<b>32.2</b>	<b>29.1</b>	<b>3.0</b>
<b>Share in technology*</b>	<b>16.6</b>	<b>19.2</b>	<b>7.4</b>
<b>Rate of growth of GDP (1992-2002)</b>	<b>2.0</b>	<b>3.2</b>	<b>0.9</b>

\* world total = sum of available figures  
indication : trade in high-tech goods



# EU as a Trading Power

## The EU's enlarging Single Market

	1960	1973	1981	1986	1995	2004
<b>Number MS</b>	<b>6</b>	<b>9</b>	<b>10</b>	<b>12</b>	<b>15</b>	<b>25</b>
<b>Market size (index)</b>	<b>100</b>	<b>235</b>	<b>281</b>	<b>340</b>	<b>470</b>	<b>595</b>
<b>Intra EU trade</b>	<b>35%</b>	<b>52%</b>	<b>50%</b>	<b>58%</b>	<b>63%</b>	<b>65%</b>
<b>Extra EU trade</b>	<b>65%</b>	<b>48%</b>	<b>50%</b>	<b>42%</b>	<b>37%</b>	<b>35%</b>



# Global Governance and the Role of the EU

<b>Trade pillar :</b>	<b>WTO</b>	<b>1 State / 1 vote</b>	<b>EU, member dominant actor</b>
<b>Financial pillar:</b>	<b>Bretton Woods,</b>	<b>1 dollar / 1 vote</b>	<b>EU indirect role (MS on the board)</b>
<b>Normative pillar:</b>	<b>ILO, WHO, FAO, Codex Alimentarius ITU, WIPO...</b>	<b>1 State / 1 vote</b>	<b>EU observer or participant (but Member of FAO and Codex))</b>





# EU Common Commercial Policy - Basis

- 1) Customs Union: common external tariff
- 2) Single market (deep integration) : combination of
  - Free movement of goods and services, labor and capital
  - Regulatory convergence through :
    - Full harmonization (norms)
    - Approximation of laws
    - Mutual recognition



# Political Constraints

1. Trade policy, particularly trade preferences, is often used, along with public aid, as an EU policy instrument in the absence of a common diplomacy/defence policy.
2. EU is neither a “super state”, nor even a Federal State, thus no financial solidarity (EU budget 1% of GDP) and therefore no possibility to redistribute welfare gains and adjustment costs attached to trade liberalisation between member States.



# The EU's WTO machinery

- Internally - Commission
  - DG TRADE/DG AGRI
  - The WTO Inter Service group
  - Preparation of DDA submissions
  
- Externally
  - ↗ Council
    - The 133 Committee
    - Geneva co-ordination
  
  - ↗ Parliament
  
  - ↗ Civil society



# Making the case for the DDA

- Compelling economic case for DDA
  - ⌘ Cutting barriers to trade by a third in agriculture, industrial goods and services would boost world economy by 500 - 600 Billion
  - ⌘ Growth gains from increased trade dwarf development aid flows
- Need to update the WTO rule-book to today's economic realities
  - ⌘ Radical changes in world economic relations since the Uruguay round was launched
  - ⌘ Trade Impacts on Other Policy Areas, and vice versa
- Making the WTO part of global governance efforts
  - ⌘ Ensuring coherent policy making between UN, BWI and WTO



## Agriculture - The four pillars of reform

- Market access (tariff cuts)
- Domestic support reduction
- Export subsidies
- Non - trade concerns



# Industrial market access

- 85% of world merchandise trade is industrial
- The Doha mandate : highs, peaks and escalation
- South-South liberalization : half the story
- The negotiation approach : formula or sectoral ?
- Non-tariff barriers - unfinished business



# Services

- Increasing share of global GDP
- Uruguay round fixed the status quo
- Developing countries need efficient, competitive services  
- they underpin development
- Good regulation



# The WTO negotiation reality - multipolar negotiations

- The players (until mid-2003)
  - The Elephants: the EU and the US
  - Cairns group
  - India and acolytes
  - LDCs
  - ACPs
  - EU Candidate countries (2 sub groups)
  - China





# The WTO negotiation reality - multipolar negotiations

- The players (at the Cancun Ministerial)
  - The EU and the US
  - The G 20
  - The G 90 (ACPs, LDCs and the Africa Group)
  - The G 10



# The Future in the DDA on Agriculture

- The WTO has now set up its new negotiating machinery, including the chair of the Special Session (for the agricultural negotiations)
- Serious negotiations should resume in the week of 22-26 March in Geneva
- We need to learn the lessons on the past
- But will all our partners be willing to engage in negotiations? And what are we trying to achieve?



# The Future in the DDA on Agriculture

- We are trying to do what we were unable to do in Cancun, i.e. to agree on a framework of negotiating modalities
- For agriculture, this would be a text, essentially without figures, that will set the broad outline of the approach to follow
- It will say, for example, how we will reduce tariffs, but not by how much; this will be done in the next stage, when we agree on full modalities with figures



# The Future in the DDA on Agriculture

- What are our chances of success?
- We feel we have done our bit, and had done this even before Cancun, and will continue to do so. What counts now is not what individual WTO partners are asking for but rather what all are willing to contribute
- In the past months we have launched a whole range of initiatives, to explain to developing countries in particular that there is real substance in our offer.



## The Future in the DDA on Agriculture

- But at the same time we have our own “red lines”
- These are mainly on domestic support and on export competition - you will notice the reference to export competition, and not to “export subsidies”



# The Future in the DDA on Agriculture

- First on domestic support:
- Our CAP reform is essentially based on a movement from coupled to de-coupled payments; or in WTO speak from amber/blue to green box support
- This move from trade “distorting” to non (or at most minimally) trade distorting support is what was recommended under the last round of negotiations. It follows that the purpose of the WTO is not to do away with farm policies, but to address support which has a negative impact on international trade



# The Future in the DDA on Agriculture

- So we will not accept a solution that will call into question our CAP reform
- It follows that the most trade distorting support (amber box) must be cut most, and blue box support, which is less trade distorting must be allowed to continue to play its role as a stepping stone to the decoupled support
- And the green box must be left to play its role



# The Future in the DDA on Agriculture

- Second on export competition:
- Many say that export subsidies need to be abolished. We concede this on products which are of interest to developing countries
- But what export “subsidies” are we talking about? Yes, EU export refunds have a trade-distorting impact on markets. But these are already disciplined, which is not the case for other forms of export support.





## The Future in the DDA on Agriculture

- We therefore insist that when we talk about export subsidies, we should talk about **all** forms of export competition, not just ours
- The Doha mandate is also about export credits and surplus disposal in the guise of "food aid", and export monopolies, which can distort trade



# The Future in the DDA on Agriculture

- But what about market access?
- Well we feel the solution we agreed with the US in the run up to Cancun (the so-called “blended formula”) is a good one
- Some developing countries like India, say it would mean they would do more than the developed countries. We say lets talk about this, because we recognise the need for special and differential treatment for DCs



## The Future in the DDA on Agriculture

- So can we get things moving in Geneva next week?
- Well we can certainly start the process, but don't expect sudden results
- We are working to get a result by the summer break. But for this to happen the “men in grey suits” in Geneva can only go so far. The final hurdle will have to be taken at the political level, not least to ensure balance across the board in the negotiations

