

Brussels,
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Lord Roper
Chairman of the European Union Select
Committee
House of Lords

Dear Lord Roper,

Thank you for sending us your report on *Developments in Trade Policy (COM(2006)567)*. This report is very timely, as the world economy is now confronted with a major crisis where all economic policy means available should be deployed to spur recovery.

We welcome the overall conclusions of the report, which are supportive of the trade policy pursued by the EU, based on an open and rules-based trading system that creates growth and jobs and that is consistent with the EU's development objectives, including the reduction of poverty.

The special emphasis that the report puts on the importance of multilateral trade liberalisation, through the WTO, and the need to conclude the Doha Development Agenda is fully in line with the priorities that we have set. We are convinced, now more than ever, that we need to push hard for the policy measures which will promote international trade.

Trade is complementary to the fiscal stimulus many Governments are injecting as part of economic recovery packages. That is why we need further global market opening and to hold back from the temptation to slip into protectionist policies which will cut demand further and intensify the downturn. There is pressure on the international trading system to favour protectionism, dispute and national interest over collaboration. That approach would hurt us all - large and small, rich and poor. Concluding Doha can and should be part of the macroeconomic package the global economy needs and would send a most needed signal that multilateral cooperation can work for the good. In this context, we commend the tireless efforts of the UK government to make the case for open markets, and to put the issue on the agenda of the forthcoming meeting of the G20 countries next April.

Beyond Doha, we must use all the tools of our trade policy to ensure that our companies, and in particular our SMEs, can compete in global markets under fair conditions. It is welcome that, even in the absence of an immediate Doha deal, the WTO has started to monitor protectionist trends, and the EU will play an active role in this process. In this respect, we also share your concerns as to long-term perspectives for the WTO.

We also welcome the emphasis that you have put on trade and development. Promoting development is one of the key objectives of our trade policy. The objective of trade policy is not trade for trade's sake but a more prosperous, stable and equitable world in which poorer economies are integrated into the world trading system. This is why we have pressed the development dimension of the DDA, including on the need to provide more and better Aid for Trade to those countries which need it most.

We also read with great interest your recommendations on the Economic Partnership Agreements. We are fully aware of the need to strengthen the sense of trust and confidence in the negotiating process for Economic Partnership Agreements. Our approach, is pragmatic and flexible. We recognize that each region will want to move at its own pace, and that each region should decide on the areas where it is prepared to take commitments. The ultimate objectives of the Economic Partnership Agreements remain development and regional integration.

As regards bilateral and plurilateral agreements, we share your concerns that any such policies should not run counter to the efforts undertaken at multilateral level. We are exactly on the same page on this issue. Given its commitment to multilateral institutions, the EU has a political responsibility and an economic interest to ensure that the multilateral trading system is reinforced, not weakened. This why the EU has consistently defined its own Free Trade Agreements to ensure they complement the multilateral trading system and to make them a stepping stone rather than a stumbling block for further multilateral trade opening. New EU Free Trade Agreements must be fully compatible with WTO rules and aim above all at deep integration, in order to maximise the mutual and long-term benefits from regionalism. We are pleased that your report concludes that the Commission's work on bilateral agreements has not undermined its commitment to multilateral agreements.

We congratulate the House of Lords for the depth of its report, the pertinence of its conclusions, and the quality and diversity of the experts that have been heard. In a globalised world, where trade policy is under close scrutiny of civil society, it is important that parliaments take a close –and critical- look at the issues. This is the key to the legitimacy and the sustainability of Europe's trade policy.

I look forward to developing our policy dialogue further in the future.

Yours sincerely,


Margot WALLSTRÖM