

Screening
Chapter 30: External Relations
The European Union
Common Commercial Policy

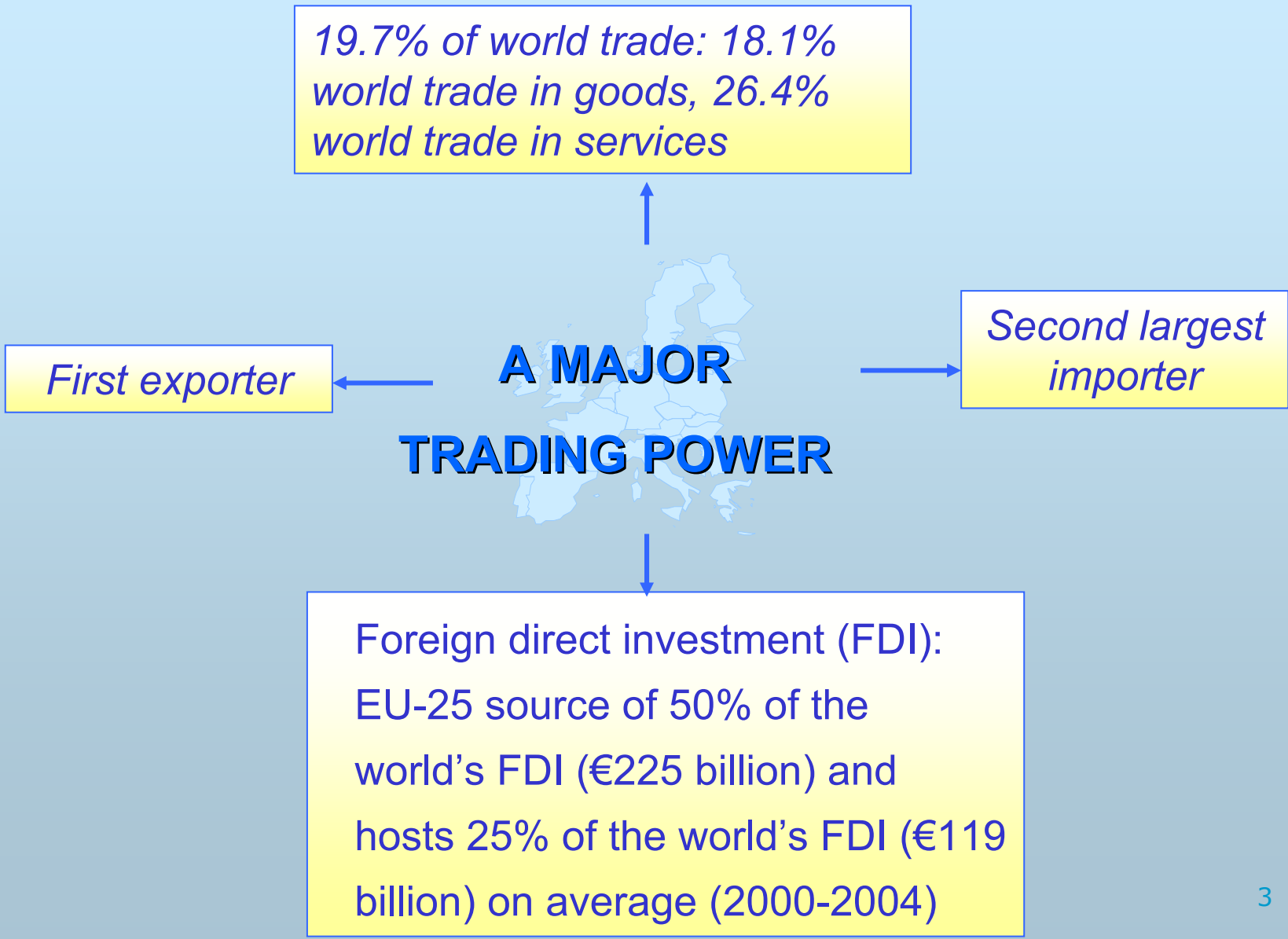
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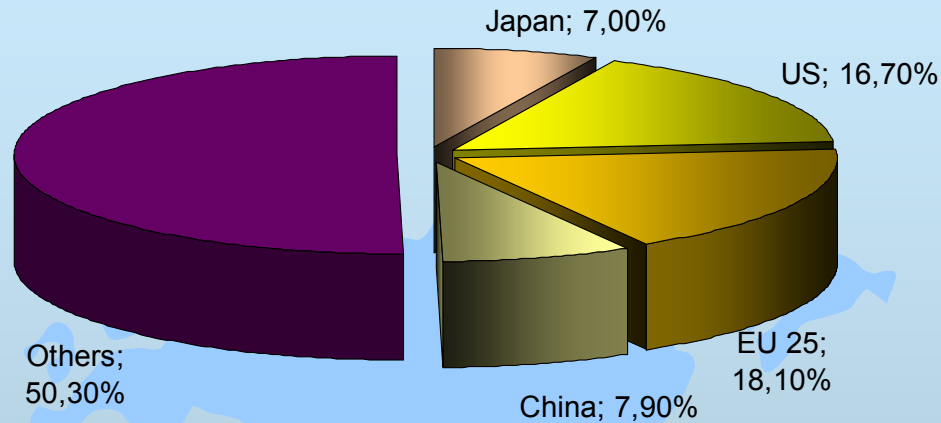
1. Introduction: the EU in world trade (1/2)



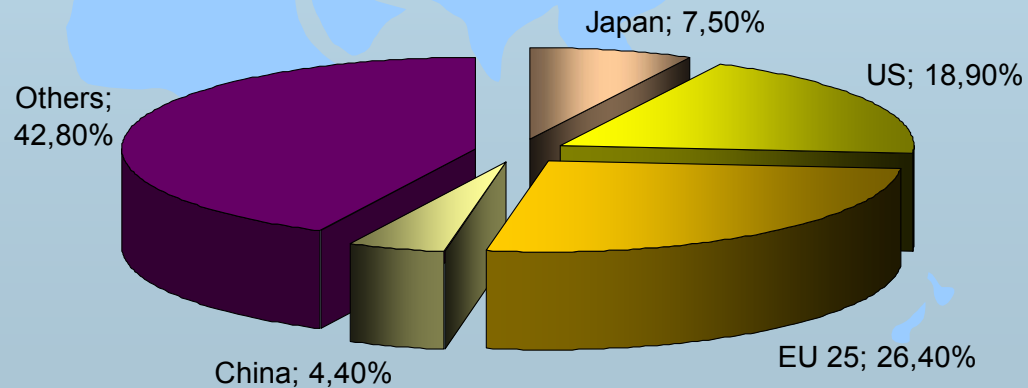
1. Introduction: the EU in world trade (2/2)

**A
MAJOR
TRADING
POWER**

SHARE IN WORLD TRADE IN GOODS

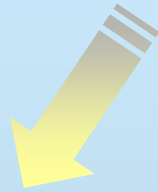


SHARE IN WORLD TRADE IN SERVICES



2. EU Trade policy – basic features (1/10)

Being the leading trade “bloc”



Strong interest in:

- **open** markets
- clear **regulatory** frameworks



Responsibility to:

- EU citizens
- rest of the World

2. EU Trade policy – basic features (2/10)

Policy concepts

*to contribute to sustainable development by
integrating more countries in world trade*

**Promote European interests
and defend European values**

On democracy, rule of law,
environment, social rights,
public services, cultural
diversity, food security...

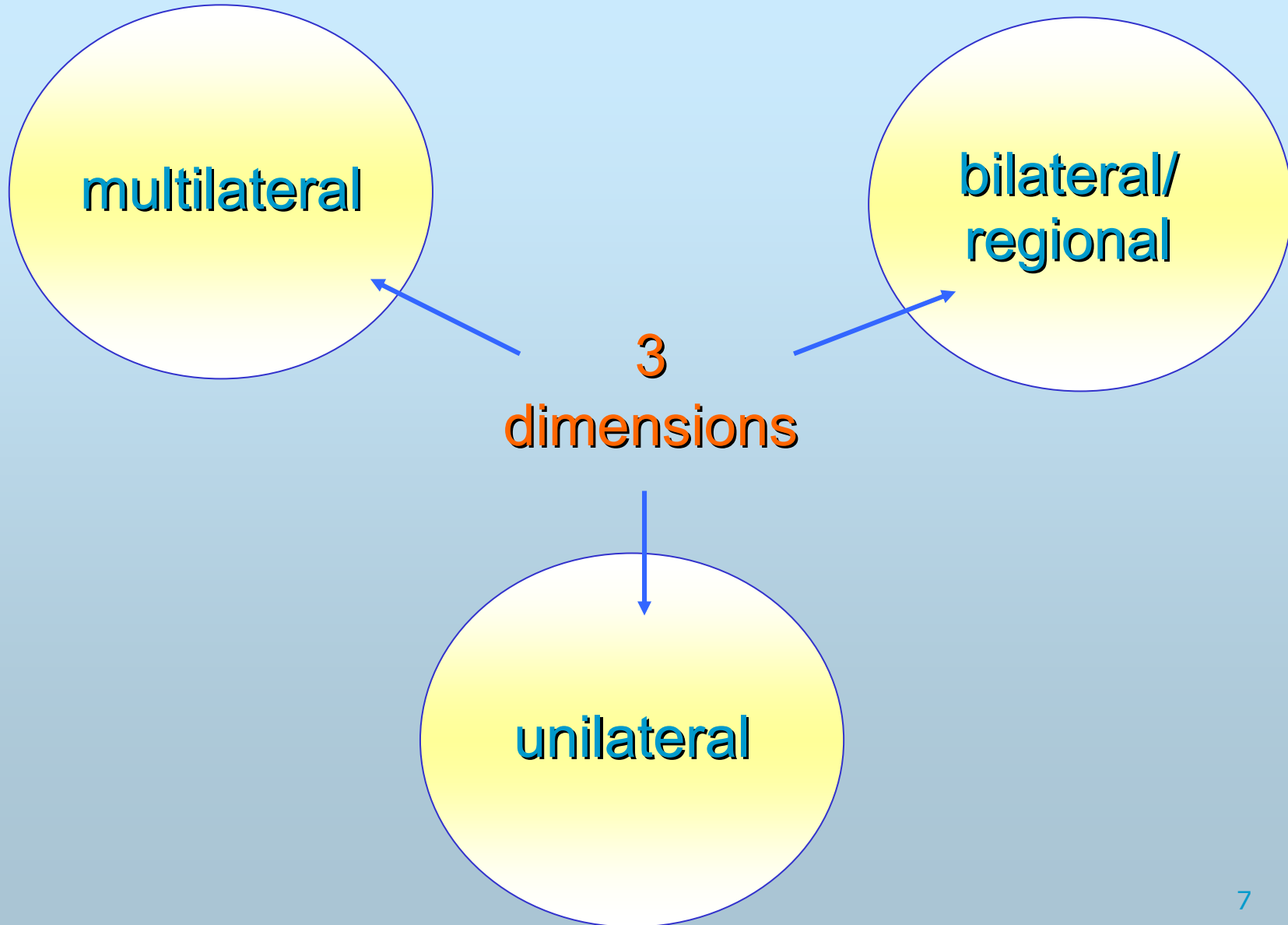
**Open world trade markets,
through:**

the progressive abolition of
obstacles to international trade
and the lowering of customs
barriers

Harness globalisation by:

agreeing on a set of rules to
regulate markets, and
ensuring compatibility of trade
opening with other societal
values

2. EU Trade policy – basic features (3/10)



2. EU Trade policy – basic features (4/10)

multilateral

Mostly implemented *in the framework of the WTO* with the aim of promoting **market access with rules**, in the context of effective **global governance**.

For example:

- for trade in **goods**: policies such as “tariff reduction” and technical barriers to trade.



including the promotion of **EU values** :

- environmental concerns
- food safety
- cultural diversity
- ... and how to promote core labour standards ?

2. EU Trade policy – basic features (5/10)

bilateral/regional

In addition to the WTO's multilateral negotiations, the EU concludes **bilateral agreements** and devises specific trading policies with third countries and **regional areas**. 121 countries are potentially linked to the EU by regional trade agreements, many negotiated in the 1990s.

EU policy rationale for bilateral agreements

- trade expansion and rules-making (WTO+)
- fostering development and...
- ... promoting regional development
- “Neighbourhood policy”



Key EU bilateral agreements include:

- Economic Partnership Agreements in negotiation with ACP countries (Cotonou)
- Free Trade Agreements with EFTA, EEA, Euromed, Mercosur (in negotiation), Mexico, South Africa...
- Customs Unions with Turkey, Andorra and San Marino
- Partnership and Cooperation Agreements with Russia and Ukraine
- Stabilisation & Association Agreements with Balkans countries

2. EU Trade policy – basic features (6/10)

unilateral

The EU also implements **unilateral measures** as an additional trade policy instrument in the interests of **development and/or political stability** in line with the Union's key political priorities:

General System of Preferences (GSP) - the classical instrument for fostering **development** is by granting tariff preferences. The EU's GSP grants products imported from GSP beneficiary countries either **duty-free access or a tariff reduction** depending on the sensitivity of the product and the GSP arrangement enjoyed by the country concerned.

“Everything But Arms” initiative (EBA) - EBA is a special GSP arrangement for the **least developed countries**. EBA grants duty-free access to imports of all products from LDCs without any quantitative restrictions, except to arms and munitions.

Asymmetrical preferences e.g. for the Balkans with the aim of ensuring peace, stability, freedom and economic prosperity in the region (cf. “Wider Europe”).

2. EU Trade policy – basic features (7/10)

The EU is the most open market for poor countries

178 developing countries and territories are beneficiaries of the EU's GSP.

In 2004, EU imports benefiting from GSP preferences amounted to more than €50 billion. Bangladesh leading beneficiary country followed by China, Pakistan, Brazil, Malaysia and India.

Key Facts on the General System of Preferences (GSP)

The 49 Least Developed Countries (EBA - "Everything But Arms") benefit from duty-free and quota-free access for practically all exports of originating products to the EU for an unlimited period of time.

The GSP is implemented following cycles of 10 years, providing stability to traders and economic operators. New guidelines for 2006-2015.

2. EU Trade policy – basic features (8/10)

NEW GSP

- **General scheme:** increase of product coverage from 6900 to 7200 (mainly agriculture and fishery sector of interest for developing countries).
- **Special scheme for Least Developed Countries: Everything But Arms (EBA).**
- **New special GSP+** for vulnerable countries = duty free on 7200 products if the country meets criteria:
 - ratification and implementation of 27 key international conventions;
 - few benefits under the GSP;
 - a poorly diversified economy.
- **Tariff Reduction: no changes**
 - MFN ad valorem duties reduced by flat rate of 3,5 % points;
 - Clothing and textiles: 20% reduction;
 - Specific duties: 30% reduction;
 - Standstill clause.

2. EU Trade policy – basic features (9/10)

NEW GSP BENEFITS

- **Differ according to sensitivity of products:** Non-sensitive products enter duty-free; Sensitive products enjoy tariff reduction.
- **How is duty calculated?**

CN CODE 0703 90 00 - “Leeks and other alliaceous vegetables, fresh or chilled” - Sensitive product

MFN Rate	Reduction	Calculated GSP rate	Previous GSP rate	Applied GSP rate
10,4%	3,5 %-points	6,9%	8,4%	6,9%

CN CODE 3204 16 - “Synthetic organic colorings matter”-Sensitive product

MFN Rate	Reduction	Calculated GSP rate	Previous GSP rate	Applied GSP rate
6,5%	3,5 %-points	3,0%	2,2%	2,2%

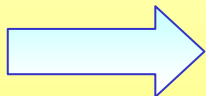
CN CODE 0306 13 50-“Shrimps of the genus Penaeus-frozen”-Sensitive product

MFN rate	Reduction	Calculated GSP rate	Previous GSP rate	Applied GSP rate
12 %	3,5 %-points	8,5 %	4,2 %	4,2 %

2. EU Trade policy – basic features (10/10)

GRADUATION OF SECTORS

- **Reason:** level of competitiveness which ensures further growth reached in the sectors concerned, even without preferential access to the EU market
- **CHANGE:** CCT sections instead of sectors
- Graduated sectors lose GSP preferences
- What does GSP concretely means for you after enlargement?



As part of the EU, you will have to grant it too.

2. EU Trade policy – How it works (1/7)

How it works NOW

Article 133 of the EC Treaty provides in more detail for the common commercial policy

Rests on:

- Shared, uniform concept of policy
- A decision-making process based on a mixture of 'exclusive and shared competences'

Comprises:

- Trade in goods, services and trade-related aspects of intellectual property rights
- special provisions for specific fields (e.g. audiovisual, cultural, educational, social and health services)

2. EU Trade policy – How it works (2/7)

How it works NOW

The negotiating process

The Commission is the negotiator

- On behalf of the 25 Member States

The Council is the decision maker

- **Mandate** = determined by the Council on the basis of a Commission proposal
- The Commission **negotiates** on the basis of this mandate
- The Council **approves** the result of the negotiation (generally by qualified majority)

The European Parliament

- is **informed** by the Commission of trade policy developments
- gives “**assent**” on major treaty ratifications (when covering more than trade)

2. EU Trade policy – How it works (3/7)

How it works NOW

The 133 Committee

- = a special committee provided for by Art. 133 of the EC Treaty appointed by the Council to assist the Commission
- = a permanent dialogue and sounding board between the Commission and the EU Member States on trade policy

Civil Society dialogue

- = regular consultation with business, trades unions and civil society

2. EU Trade policy – How it works (4/7)

How it works NOW

Note that the exclusive Community competence covers trade policy; for now, the rest is left to the EU Member States.



Examples of Member State trade activity include:

- *organising trade fairs;*
- *promoting national exports;*
- *promoting inward investment;*
- *providing tailored advice on importing and exporting to/from their country.*

2. EU Trade policy – How it works (5/7)

The trade policy instruments

“Defensive” instruments to ensure fair trade and defend the interests of European companies...

... have been designed in line with specific WTO agreements recognising the right of members to counter unfair practices:

Anti-dumping measures created to counter dumping practices, the most frequently encountered trade-distorting practices. Dumping occurs when manufacturers from a non-EU country sell goods in the EU below the sales price in their domestic market, or below the cost of production.

Anti-subsidy measures designed to combat subsidies, which are made available to manufacturers by public authorities and which can also distort trade when they help to reduce production costs or cut the prices of exports to the EU unfairly.

Safeguards: A WTO member may restrict imports of a product temporarily if its domestic industry is seriously injured or threatened with injury caused by a surge in imports.

2. EU Trade policy – How it works (6/7)

The trade policy instruments

“Offensive” instruments to open markets and eliminate obstacles to trade...

... across the multilateral, bilateral and unilateral fronts:

The **Trade Barriers Regulation** (TBR) gives EU industry the opportunity to lodge a complaint with the Commission when encountering trade barriers that restrict their access to third country markets. The TBR can also be used to evaluate whether there is evidence of violation of international trade rules, resulting in adverse trade effects - this could lead to the initiation of the **WTO dispute settlement mechanism**.

2. EU Trade policy – How it works (7/7)

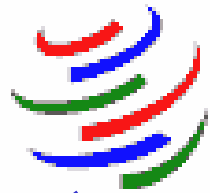
What happens with both TBR and TDI upon enlargement?

EU TDI + TBR legislation (= part of EU Common Commercial Policy) is directly applicable in the new Member States and all national legislation of the new Member States automatically becomes void

- All EU TDI (TBR if any) measures are automatically applicable in the enlarged EU (including the new Member States). The updated list of EU TDI measures can always be downloaded from [Europa website](http://ec.europa.eu/comm/trade/issues/respectrules/anti_dumping/stat_s.htm) http://ec.europa.eu/comm/trade/issues/respectrules/anti_dumping/stat_s.htm
- All EU TDI measures and on-going investigations against the new Member States automatically lapse and all national TDI measures and on-going investigations (both against EU Member States and other countries) of the new Member States automatically lapse;
- New Member States are fully involved in EU decision-making process on TDI+TBR (advisory committees, Council).

3. WTO Related Aspects/Multilateral Policy

WORLD TRADE ORGANIZATION



The core of the multilateral rule-based system

Unique forum for trade negotiations, rule setting, resolution of disagreements

Objectives

- to boost international economic growth
- to ensure business confidence

Functioning

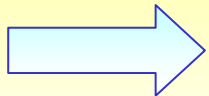
Consensus = each country on an equal footing

Core principles

- No country may apply quantitative restrictions or similar measures
- **Non-discrimination** - 'Most Favoured Nation' principle
- **National Treatment** - no country may discriminate between its own products and imported products
- **Transparency** - all rules affecting trade must be transparent; publication, notification, discussion, trade policy reviews

3. WTO Related Aspects/Multilateral Policy - WTO & Enlargement

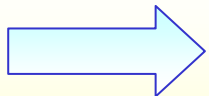
- What do we expect you to do before you join the EU?



Coordinate your WTO positions with us
Same applies for other international fora (e.g. OECD).

- What will we have to do after you join the EU?

Some examples:



- Art. XXIV:5 & Art. XXIV:6
- GPA
- Services Consolidation



3. WTO Related Aspects/Multilateral Policy - Art. XXIV:5 and Art. XXIV:6 of GATT 1994 Procedures

- For every enlargement of the EU, the provisions of Art. XXIV:5 and Art. XXIV:6 of GATT 1994 have to be respected.
- The evaluation is carried out by the WTO Secretariat, based on data submitted by the Commission.
- The Commission notifies the modification and withdrawal(s) of the schedules of the (enlarged) customs union before accession.
- Following the notification, concerned WTO partners may make claims for compensation in case their MFN trade (in a certain product) is negatively affected by enlargement.
- The European Commission evaluates the claims, and if accepted, enters into negotiations to settle the claim.
- Compensation usually takes the form of lowering EU tariffs and expansion and opening of quotas, depending on the level of tariffs and of trade of the new Member State with WTO members.

3. WTO Related Aspects/Multilateral Policy - Art. XXIV:5 and Art. XXIV:6 of GATT 1994 Implications

- The overall effect of EU enlargement for trade in (non-agricultural and agricultural) goods will be beneficial for third countries.
- Nevertheless, for some tariff lines, the acceding countries may have had lower tariffs prior to adopting the Common External Tariff of the EC, possibly triggering compensation claims.
- The scale of compensation on particularly sensitive lines could be significant.
- To minimize the possibilities for compensation claims, acceding countries are advised not to autonomously lower any duties in the pre-accession period.
- Lowering of bound duties can trigger claims. Reductions in applied rates can create difficulties in negotiations and, more importantly, increase trade flows on which compensation is calculated.

3. WTO Related Aspects/Multilateral Policy – What should Croatia and Turkey do regarding the GPA?

- The EC will negotiate in due time with GPA Parties the accession of Croatia and Turkey (as extension of the EC territory).
- Until then Croatia & Turkey must make sure their GP legislation is compatible with the directives.
- Croatia & Turkey will have to prepare lists of entities (central, sub-central, utilities).
- Croatia & Turkey should refrain from engaging in any new GP agreement and report to the Commission on any FTA or GP agreement concluded to date or being currently negotiated.

4. Special trade acquis which requires transposition

All trade acquis is directly applicable upon accession of Croatia & Turkey to the EU except the following trade issues which require national transposition:

- EU Export Control regime for dual-use items and technologies;
- Export Credits.

4. Special trade acquis which requires transposition – Dual Use Goods (1/7)

LEGAL FRAMEWORK

- Regulation 1334/2000 and its subsequent amendments. Directly applicable in all MS.
- Joint action CFSP 401/2000 on technical assistance related to military projects. Still under national implementation in some MS.
- Member States' complementary legislation.

4. Special trade acquis which requires transposition – Dual Use Goods (2/7)

ITEMS CONTROLLED

- Latest list of items controlled in the EU can be found in Annex I of Regulation 394/2006 (OJ of the EU number L74 dated 13 March 2006). The list is divided into 10 categories (from 0, nuclear, to 9, space).
- The origin of those lists: the international export control regimes.
- Other dual-use technologies can be controlled at national level on the basis of Articles 4 and 5 of Council Regulation N° (EC) 1334/2000. Additional lists under Article 5 are implemented by 3 MS (France, UK, Germany). They are available on the OJ of the EU. Series C. Number 270. Dated 29 October 2005.

4. Special trade acquis which requires transposition – Dual Use Goods (3/7)

IMPLEMENTATION OF ARTICLE 4 (catch all clause or end use control which enables national control of non-listed dual-use items)

- Role of governments: in particular articles 4-1, 4-2;
- Role of exporters: articles 4-4 and 4-5.

DELIVERY OF LICENSES

- Member States are responsible for granting export licenses in general;
- The specificity of the Community General Export Authorization, Annex II of Regulation 394/2006.

4. Special trade acquis which requires transposition – Dual Use Goods (4/7)

CRITERIA TO DELIVER/DENY LICENCES

- Criteria to deliver licenses are not listed in a comprehensive manner in article 8 of Regulation 1334/2000.
- Cooperation between Member States.

TYPES OF LICENSES IN FORCE IN THE EU

- National general licences (7 EU Member States implement these licences: UK, Germany, France, Italy, Netherlands, Greece, Sweden);
- Global licences (not in all new EU MS) as defined in article 6-5;
- Individual licences (all MS);
- Licences on non-listed items (individually granted).

4. Special trade acquis which requires transposition – Dual Use Goods (5/7)

CONTROLS OF INTANGIBLE TRANSFERS OF TECHNOLOGY

- Article 2biii) of EU Regulation 1334/2000;
- Joint Action CFSP 401/2000 concerning controls linked to technical assistance for military purposes/moves of natural persons across borders.

DIVISION OF LABOUR IN THE EU

- European Commission has the right of initiative to propose modification of EU legislation;
- All EU Member States are members of export control regimes except 7 new EU MS in Missile Technology Control regime and one new EU MS in Wassenaar;
- MS responsible for enforcement & sanctions;
- Membership of the European Community in export control regimes is exception.

4. Special trade acquis which requires transposition – Dual Use Goods (6/7)

ASSESSMENT OF EU SYSTEM

- The mandate of the Thessaloniki Action plan (June 2003) and its implementation;
- The 2004 Peer Reviews and their follow up.

2006 WORK PROGRAMME

- Preparation of a Commission Communication to the Council to be based on the:
 - Results of the Impact assessment study on possible options to amend the Regulation carried out in 2005 (report available on DG TRADE website);
 - Compliance with UN Resolution 1540: brokering/transit and transshipment/sanctions;
 - Overall objective of facilitating trade and of strengthening security;
 - Continued preparation of enlargement.

4. Special trade acquis which requires transposition – Dual Use Goods (7/7)

SOURCES OF INFORMATION

- You can also get information from DG TRADE website at :

http://europa.eu.int/comm/trade/issues/sectoral/industry/dualuse/index_en.htm

- TRADE page on dual use is related to the Council website and the international export control regimes' websites as well as SIPRI's

<http://europa.eu.int/comm/trade/issues/sectoral/industry/dualuse/links.htm>

- You can access the details of MS licensing authorities and enter into their websites by clicking on « MS contact points and websites ».

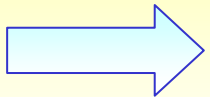
4. Special trade acquis which requires transposition – Export Credits (1/2)

- Short-term Communication (2005/C325/11):
 - Definition of marketable risks;
 - Clarification which risks cannot be insured by MS.
- OECD Arrangement on Export Credits:
 - Framework for orderly use of export credits;
 - Level playing field for official support;
 - Exporters' competition based on quality and price;
 - Maximum terms and conditions;
 - Minimum premium and interest rates;
 - Trade -and aid- related export credits.

4. Special trade acquis which requires transposition – Export Credits (2/2)

- Council Directives

- Joint Insurance (84/568/EEC of 27 Nov 1984)
- Medium and Long-Term (98/29/EC of 7 May 1998)



These Directives must be transposed into national legislation

- EU Consultations

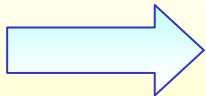
- Council Decision 76/641/EEC of 27 July 1976.
- Notification of the deviation of standard rules:
 - . Notifications under OECD Arrangement.
 - . Repayment terms > 5 years.

- Inclusion of subcontracts

- Council Decision (82/854/EEC of 10 Dec 1982)

5. Bilateral Sectoral Agreements

- **Textiles:** Belarus, Russia, China, Serbia, Ukraine, Uzbekistan, Vietnam, Pakistan, Sri Lanka, India, Brazil (see handout)
- **Steel:** Russia, Ukraine, Kazakhstan
- **MRAs, veterinary, wine agreements** covered by other chapters of screening.
- **What do you have to do before enlargement?**



Nothing. Insofar as they are in force when you become an EU Member State, they will be directly applicable to you and we will ensure their adaptation as appropriate

6. International Agreements (1/2)

WHAT DO YOU HAVE TO DO BEFORE ENLARGEMENT?

- As part of your EU accession commitments, you will have to bring into conformity all your respective international agreements with the “acquis communautaire”. For trade and trade-related agreements, this implies renouncing, by the date of accession, all bilateral or regional Free Trade Agreements with third parties.
- It also implies terminating or modifying trade and trade-related non-preferential agreements, to bring them in line with the relevant “acquis communautaire”.

WHAT DOES THE EC HAVE TO DO BEFORE ENLARGEMENT?

- Make sure that they are adapted as appropriate in order to take account of your accession.

6. International Agreements (2/2)

