

### C. The effects of the economic crises on the EU Trade Policy

I want to underline three points in this regard:

- First it is obvious that the EU resisted protectionism well, in any case much better than others. First the worry in a situation of economic crisis is the protectionist instinct that develops among economic operators. In an overall difficult situation these last few years where the world trading system was struggling to reduce protectionist distortions the EU's record is very good. The WTO secretariat and the OECD and UNCTAD looked into the measures of the EU and other important players, Their reports are very positive bill of health to the EU Trade Policy and to each ability to resist protectionism. It is quite clear that the EU has resisted protectionism better than others. To a very great extent, this is also due to the nature of our Trade and instrument system. A lot of the openness of the EU Member States is not only WTO obligations by Member States, but it is also part of our internal obligations related to our internal market rules and discipline.

- Second, I believe that within the EU something important has evolved in a positive way related to how international trade policy is seen through the current economic crisis. Not only the EU has in an overall satisfactory way avoided the protectionist risks but it has also moved in a private direction by drawing some important positive conclusions on trade policy in a situation of economic crisis. The point illustrated for example in the report that the Commission presented to the Foreign Affairs Council on the 31st of May 2012. There the Commission argues that boosting trade is one of the very few means to boost economic growth without drawing on public finances. The crisis reinforced within the EU the recognition at the highest political level that more open trade stimulates growth and creates job. The whole policy making attitude of our political leadership including the European Parliament and of course the Member States' capitals have evolved in a positive direction in a very significant way. Thus, the EU is a proactive global player that has the political will and can deliver in terms of Trade Policy.

- Third: The renewed determination and sense of urgency for specific FTAs particularly the more high profiles ones with the US and to a less extent with Japan. If we take together the agreements that are already implemented or at signed and on their way to implementation, they cover a little more than 30% of the EU external trade. If we add the ongoing

negotiations, we reach close to 50% of our external trade. If we add to that Japan and the US that are under discussion now we would come to other 70% of our external trade. FTAs are obviously very important and increasing. The world is evolving very quickly. Nobody can afford to stay still in terms of trade liberalisation. We all have to keep moving. This is a case where the "bicycle theory" applies. If we cannot move multilaterally, we will move otherwise. This is true for all and that is what in fact everybody is doing. At the same time multilateralism remains the best option for all and this is widely recognised as such. However, there is no doubt that globally, multilateralism is in the defensive in terms of resources and political attention compared to PTAs. We believe that we should not fall into the logic of "either or" between multilateralism and PTAs. For the EU the priority is clear. Multilateralism will receive all the attention and resources that can serve a realistic project of delivery.

#### D. The multilateral trading system

##### D.1 A basic contradiction

When we deal with the state of play the prospects and the relevance of the MTS we very quickly face a profound contradiction:

- On the one hand nobody puts in doubt the fact that the NTS is every day more needed. The nature of international trade is changing rapidly, with the emergence of global value chains, the increasing importance of behind border measures, the increasing relevance of the global challenges related to trade (currency, environment, global warming, public health and consumer protection issues, new forms of transport and communication, new technologies and transfer of technologies, etc.). In fact, the world community needs more and more the common rules and disciplines that only a successful NTS can provide. Thus, the members of the WTO are quasi unanimous in arguing that multilateral rules setting is much preferred than any other option. In a world of increase complexity, only multilateral common rules can guarantee the playing level field globally. They are also politically far more acceptable. In a world characterised by an exploding overall interdependence at the level of nations but also economic operators and also individual citizens, the nature of international trade is changing too and the need for common multilateral rules and disciplines in trade is also increasing rapidly.

- At the same time, however, multilateralism has been dramatically unable to deliver the common rules that are every day more needed. In fact the international community suffer from a very serious delivery gap that lasts more than 10 years while the common interest that we have to succeed multilaterally is increasing. This is the contradiction that we have to manage.

Seen like this the challenge of the multilateralism becomes clear: we need to find ways to make us collectively more able to produce more trade policy results multilaterally.

If we see the situation like this, then there is only one way to define the current period of non delivery in the WTO. This has to be dealt with as a transition. A transition from a situation where we are not able to deliver, for all kind of reasons, towards a situation where the WTO can again adopt common rules and disciplines needed and can start again delivering. After more than 10 years of continuous failing this is easier said than done.

## D.2 FTAs and Multilateralism

The multilateral option remains for the EU its top priority in the sense that if we believe that there can be multilateral delivery of new rules and disciplines and market opening, we will invest all our attention and necessary resources to make it a success to the extent that it depends upon us. Also as it is clear from all the documents produced by the EU on trade policy, multilateralism remains and is recognised as the main strategic priority. It simply means that whatever we do we also position ourselves with a multilateral perspective to build, to facilitate, or at least not to make more difficult.

## D.3 Plurilateralism and Multilateralism

One example the EU approaches to plurilateral option was the plurilateral process that was launched as a US initiative in the WTO on Services early 2012. This initiative was presented at the beginning from XXXXXX in Washington as an alternative approach to the DDA along the lines "the DDA does not work, let's look in another direction". This was an approach that the EU could not subscribe to. We went through several months of intensive negotiations in Geneva and the EU together with the US and other delegations redefined the approach of the plurilateral possible agreement on Services in a way that would make it possible to keep it technically compatible with "GATT architecture" in a way that facilitates other members

joining the plurilateral process and will hopefully facilitate down the road the transition from a plurilateral to a multilateral agreement on Services. Multilateralisation became the key word for practically all the participants in the process. Overall we are ready to participate to plurilateral solutions provided they serve the purpose of multilateralising down the road of bringing closer multilateral options.

#### D.4 2013 a crucial moment for Multilateralism versus PTAs

The best thing that we can do to preserve multilateralism is to start delivering. We are at a very critical point of the transition period that I mentioned before. During these last years resources were constantly transferred to the bilateral or plurilateral front away from the multilateral. Practically all WTO members have transferred resources in that direction. In addition, in 2013 we all have a very important agenda of possible PTAs under negotiation. The more prominent aspects of this bilateral agenda for the EU is the negotiations that have started on the one hand with the US and on the other hand with Japan. The US is also pushing forward the ambiguous TPP and practically every important trading nation has a very important bilateral agenda of negotiations. If these important bilateral negotiations advance in 2013 and 2014 and multilaterally we are unable to deliver the package we are working on for Bali then this could mark a turning point in a very negative way, i.e. in the sense that the distance of the credibility and the priority recognised to the bilateral and plurilateral processes will become much deeper vis-à-vis a multilateralism that will appear hopelessly unable to deliver for the foreseeable future. The XXX importance of credibility will be further matched by an increased unbalance of political attention and resources. On the other hand, if a WTO DDA related package is delivered in Bali, then political attention, resources and policy priority will move in opposite direction and multilateralism will at least partially reverse the negative evolution of these last years.

#### D.4. The state of play of the DDA: MC8 and important turning point

When we were preparing MC8 which was the Ministerial Conference held in 2011, we came collectively to two key conclusions:

- First that we were at an impasse and it was impossible to conclude the whole Round. It was too complex and the gaps among key members too big.

- Second was that there was no prospect in continuing to do the same thing. We could go on with "business as usual" trying to negotiate the whole Round because there was no prospect of success for the foreseeable future.

The obvious question was then what? Is Doha dead? We came to the conclusion also very quickly among ourselves that it does not make sense to argue that Doha is dead. Fundamentally, Doha is a set of issues that are pertinent for international trade that are built not out of the blue but fundamentally out of the accumulated experience and accumulated work of all of us. The issues would not go away if we declared DDA dead. There is however one argument that remains: People say that Doha is a very rigid framework. If we get away from DDA, we get away from the rigidity. The answer to that question was: let's try to get away from the rigidity without destroying the framework. And this was the approach that prevailed: we came out of MC8 with a slightly more flexible definition of the Single Undertaking. We have not changed the Single Undertaking. What we have changed was a kind of excessively rigid interpretation of the existing rules. *De facto* the single undertaking over the years was interpreted in a very strict way, equivalent to "we do the whole thing or we do nothing". Whereas according to the existing rules, we have the possibility to go step by step within the Single Undertaking. So, in fact what we did was not to change the rules but rather to escape from this very rigid interpretation that made progress completely impossible for almost 10 years.

We went a small step further: when we accepted that we will do part of the whole thing, we had to indicate what a partial delivery can be trade off and how to reach it. Additional elements of MC8 conclusions included: "make small steps where we can", "progress where it is possible" and "think of new ways to move forward". On the basis of these conclusions, we committed into the preparations of MC9 which is the Ministerial in Bali in December 2013. This is a very important moment for the multilateral system. Because this transition period that we are in can not last forever. In fact, the conclusions of the MC8 said that ten years of non-delivery is enough; we cannot just go on doing the same thing; we have to do better; we have to find more flexible and different way to move forward. Thus we have to build in the conclusion of MC8 and hopefully we deliver something at MC9. In fact we all agreed at MC8 that possible failure at MC9 will not make 2014 one more year added to a decade of no progress. It will quite clearly be a turning point of significance which will or undermine whatever credibility is left to, the negotiating pillar of the WTO and the MTS, or ??

So, what we are doing, again summarizing, we have set a set of issues around trade facilitation, trade facilitation, some issues concerning the development and some issues concerning agriculture that would make a set of issues that hopefully, hopefully, will allow to deliver MC9. This is very much uphill battle. I do not want to appeal excessively optimistic because multilateralism is in a very challenging face and this is going to be very difficult but that's what we are trying to do. We have a set of issues and we have the sound building of those and deliver part of single undertaking at MC9. At the same time, we will have to make sure that do not abandon the rest of the single undertaking. There are different ways to do that, basically again keeping in mind a very simple answer to complex questions, we will have one if we manage to have one package, one set of issues delivered at MC 9 and unavoidably we will have to define the next step as an another set of issues, another package that we would have to work on after MC 9 moving towards the delivery of the whole the single undertaking down the road. If this happen, there are two scenarios. Whether we will be successful or we will fail. If we are successful, I think *de facto* we would have saved the way of the multilateral trade negotiations for the coming years, for several years. Again, when you think about the future and the whole process and the future of multilateralism, you have to realize that this process has to manage another very important contradiction. What happened with the DDA is that it fixed the agenda that was too small compared to challenges of the world, the challenges concerning international trade. You have plenty of important issues, you know environment, climate sector, energy, food, security, investment and competition, all kind of issues that we are dealing with within the bilateral agreements that we are *de facto* excluded from these negotiations. So, the world that evolves in a way which is very dynamic and the new areas and we stayed fixed and frozen in some kind of limited agenda that was in itself too big to be delivered in any case. So, we are facing both the need to allow the WTO to open to these new challenges, to create conditions that really WTO is the place where we really talk about the global challenges that are of importance to the world, which is not happening now, because of this protective attitude of the DDA Agenda. And at the same time, the agenda that we have which is too narrow from that point of view is too complex and too big to be delivered. So, in fact, we are building a double flexibility, which allows deliver by steps so that we can define a kind balance of interests in a set of issues or a package; set of issues that is large enough to reach this balance of interest that is needed for any multilateral agreement, but still reduced enough to be manageable from a point of view of multilateral negotiations.

So, if we are successful in doing that, I think we would have made a very important step in creating in the system this flexibility that hopefully will make it able to more adapt to the way the world is changing. More able to deliver the transition that I talked about. If we fail by MC9, it would be very bad situation; it would be very difficult to argue about moving on with the DDA as it is because of the perceptions. People will see not much credibility. Of course, it will not be the end of multilateralism and I want to finish with that. Whatever the scenario is, from our point of view talking on behalf of the EU, multilateralism is and will remain our strategic objective and strategic priority. We will never give up; we will always look for the multilateral solutions because we simply believe that that's what a world needs and that where we will collectively adopt and come back to. Because that's where fundamental interest is becoming bigger every day. But I very much hope that we will be able to advance in Geneva and remain on a positive scenario.

I am just feeling, Ladies and Gentlemen, really, that what is happening in Geneva sometimes in obscure corridors in terms of transparency. These months and this period are much more important than the issue itself. The issue can not be underestimated. The trade facilitation has a real potential for everybody in terms of impact on trade flows. But what is happening is much more important than the issue itself. It is about preserving multilateralism; it is about keeping multilateralism going in a positive way; it is about building the future that we all need to build, not some of us, all of us will. Whatever, as I said, which ever of the scenario, this fact remains true. What is happening will be very important for the next step. We are in a transition. We have to define the multilateralism that can deliver simply. Because that is what our citizens need everywhere need.

Sorry, I was a little bit long, but thank you very much for your attention.