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TO THE COUNCIL, THE EUROPEAN PARLIAMENT,  
THE ECONOMIC AND SOCIAL COMMITTEE  
AND THE COMMITTEE OF THE REGIONS

***The Global Challenge of International Trade:  
A Market Access Strategy for the European Union***

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Communication to the Council, the European Parliament, the Economic and Social Committee and the Committee of Regions

***The Global Challenge of International Trade:  
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**1. Introduction: The Need for a Market Access Strategy**

1. Much of the prosperity of the European Union depends on foreign trade and investment. The 1993-1994 economic recovery has been led by steady export growth. The Union has an open economy where many jobs depend directly, and even more indirectly, on exports. It accounts for one fifth of world trade in goods. And direct investment by Europe in third countries accounts for over one third of foreign direct investment worldwide. The stock of foreign direct investment in Europe amounts to 460 bn \$, and foreign investment supports directly millions of jobs in the Union. It is for this reason that the common commercial policy is a keystone of the EC Treaty, and that a wide range of actions and instruments to implement it have been put in place.

2. This openness of the European economy to international competition enables firms to find goods and services for intermediate consumption and to finance themselves under the best conditions world-wide, thus enhancing their international competitiveness and creating jobs in Europe. It also facilitates greater variety of supply for consumers and therefore innovation. However, market opening is likely to be accompanied in the years ahead by increasingly competitive pressures from imports on the Community market and, as in the past, by the problems and friction inherent in any restructuring process. This should be seen in a more general economic context, where in a globalized economy, new relocation based on comparative advantage and free trade may bring activities back to Europe at large with a positive fall out on business development and employment in the EU. Request for protection or government support should therefore be evaluated against the background of the greater growth potential from an outward looking policy, which will progressively ease the need for positive social measures accompanying the adjustment effort. Therefore, market opening offers considerable benefits to both business and citizens.

3. European firms are exposed to a much greater degree of competition than before: they should have the opportunity to compete on equal terms, especially on foreign markets, and not to be hindered by trade barriers. As the Commission's White Paper on Growth, Competitiveness and Employment stressed <sup>1)</sup>, open markets worldwide are one of the keys to securing faster growth and more rapid job creation in Europe. If European industry is to reap

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1) Chapter B.II.6.

the full benefits of improved competitiveness policies at home and to take advantage of the economies of scale that operating in an increasingly integrated market would imply, the European Union must shape its approach to international economic relations with a view to improving the climate in which European firms operate.

4. Further trade liberalisation is contributing to the process of a gradual globalization of markets and companies. Trade in goods and services is increasingly accompanied by investments and networking operations between companies. Exchanges more and more include intra-firm trade in semi-manufactures, and global resourcing aims at an optimal allocation of research, development and production facilities. Outward processing trade using local advantages for lowering production costs or the logistics of distribution systems is turning even medium sized companies into global players.

5. Aiming at higher productivity at lower costs, international industrial co-operation is generating inter-company links in the form of strategic alliances. Global competitiveness demands the constant adaptation of companies to the ever freer circulation of goods, services, capital and persons. The creation of a favourable environment for the optimal use of local advantages is a declared objective of the Commission's 1994 Communication on industrial competitiveness.

6. To achieve competitiveness in the global economy, EU companies need both to ensure their presence in third country markets and fully exploit the advantages of the Single Market. The regional integration process and the rise of huge geographic markets like China require an active presence of companies and increased co-operation with local partners in order to secure future market shares. Such initiatives of the private sector have to be encouraged.

7. The Single Market facilitates the process of economic integration and structural changes, aiming at a level-playing field of start-up conditions for business. Benefits to foreign competitors from the liberalisation of the internal market should be matched by efforts to ensure EU business opportunities on third country markets. Thus the Commission's role in the field of promotion of international trade and co-operation needs to be reviewed in the light of changing conditions of markets in Europe and world-wide.

8. European firms encounter a *multitude of obstacles abroad* of a very different nature <sup>2)</sup>. Therefore, in addition to carrying out adequate policies to promote the international competitiveness of European industry, *the Community must strive to achieve improved market access in third countries in parallel to the continued progressive opening of its own market*, both by ensuring the full implementation by its partners of their Uruguay Round obligations and through other market access actions.

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2) For instance, customs duties which in some instances may be considerable, and which in any case involve significant administrative costs caused by compliance with custom formalities; outright violations of negotiated agreements; "unregulated" practices even in areas where trade rules have existed for a long time (e.g. the use of high export taxes to get round the prohibition of export restrictions in Article XI GATT or the use of differential export taxation to avoid subsidies disciplines); "abuses" of legitimate practices (e.g. use of a differentiated tariff structure between different stages of a product cycle, not to protect the domestic market, but to affect the supply of inputs and favour domestic processing/export of the finished product; various other forms of obstacles to access to raw materials); obstacles in the "new" areas of trade rules (barriers concerning intellectual property rights obviously affect trade in goods; barriers concerning trade in services have a relevance of their own, but also affect trade in many products, where deals include a very high services component: aircraft, shipbuilding, etc.); "invisible" obstacles, and in particular insufficient or non-existent enforcement of national laws and regulations which, on the face of it, purport to implement third countries' international obligations, as well as insufficient (even non-existent) or inadequately enforced domestic rules on private anti-competitive behaviour which acts as barriers to market access

9. In implementing this strategy, the special relationship between the EU and the individual third countries and regional groupings should play its role to the full. With respect to Central and Eastern European Countries for instance, implementation of the Europe Agreements with the objective of facilitating their accession to the EU must constitute a privileged avenue for achieving improved market access. Regarding other countries such as CIS-countries, particular emphasis should be put on market access objectives in the context of the current negotiations on their accession to the WTO in addition to the implementation and expansion of their commitments under the bilateral agreements. Exchanges with emerging markets in other regions can be promoted through negotiations aimed at further tariff reductions and the abolition of other trade impediments. As far as developing countries are concerned, measures which support and encourage their integration into the multilateral trade system deserve particular attention.

10. This Communication sets out proposals to meet these objectives. In developing the strategies described in this paper, the *active support of European business* will be essential. This paper is intended as a basis for rapid reactions from European business and other interested parties, so that the policy approach set out in it can be further refined, even as it is being implemented in the year ahead. Although substantial market opening is necessarily a long term process, an improved market access strategy should result in more effective Community action and in concrete benefits for European industry, including in particular SMEs.

11. Sections 2 and 3 outline the objectives and instruments available for a more effective market opening strategy. Section 4 contains two parts. The first sets out the bilateral market opening agenda and the second, the multilateral agenda.

## **2. The Objectives of a Market Access Strategy**

12. The Community has traditionally acted to eliminate trade barriers abroad, through bilateral and multilateral negotiations, including resorting to available international dispute settlement mechanisms. However, the very success of these efforts at liberalisation have made many of the less obvious obstacles more apparent and pernicious than before. Moreover, the more new trade rules are agreed upon, the greater the need to monitor and ensure their effective application. Thus there is a need for:

- ~ *a more systematic, more coherent, and more pro-active approach to both negotiation and enforcement of trade deals and rules on the part of the Community, and*
- ~ *greater emphasis on the objective of third country market opening in the Community's commercial policy.*

13. To this end, a market opening strategy should pursue the following goals:

- (a) *The Community's trading partners should effectively adhere to and comply with the numerous and complex obligations arising out of the agreements now covered by the WTO. In view of the vast expansion of the subject matter covered by the WTO as compared with the GATT, this implementation and enforcement effort will be of a much greater magnitude and complexity than what was necessary under the GATT regime, extending, inter alia, into intellectual property and services. Legislation implementing WTO obligations should not only be enacted, but also effectively enforced. Obviously,*

for Community efforts to secure other countries' respect of their obligations to be effective and credible they must be *accompanied by its rigorous compliance with its own WTO obligations*.

- (b) The renewed stress on market opening of the commercial policy also implies the *full exploitation of existing market opening instruments specifically adapted to this objective*. Trade policy instruments should contribute fully to the longer term objective of the viability of the Community's economy through the achievement of proper access to third country markets.
- (c) The Community must also *act against other barriers to economic flows, be they trade or investment, which do not fall into the traditional concept of "trade barrier"*: discriminatory national laws on investment, the non-enforcement of domestic competition laws, leading for instance to untransparent trade practices or denial of access to distribution infrastructure, are but a small selection of the barriers which firms frequently encounter. In other words, there are too many areas where the rules of the game do not exist or are insufficient, and the Community must contribute to, and indeed actively promote the establishment of these rules.
- (d) Business needs to be informed about the possibilities offered by existing instruments to press for the reduction of trade barriers and to contribute to trade promotion, as well as of trade policy instruments aimed at protecting the Community against unfair trading practices such as dumping or export subsidies.

### **3. The Policy Instruments Available**

14. There are two avenues by which the Community can pursue market opening: the multilateral and the bilateral. The choice of approach will depend to a large extent on the objective. As the world's largest trading partner, the Community has a clear interest in strengthening the multilateral trading system by consolidating the Uruguay Round results and applying the WTO rules. It has also an interest in further market opening actions, thus creating new opportunities for European business in third country markets. A bilateral approach may in certain cases achieve quicker results and, if it is used vis-à-vis a country with a particularly interesting market for the Community, it may be a starting point for a genuine liberalisation policy. Its market opening effect can be multiplied if other trading partners agree to subscribe to the same undertakings. Many barriers cannot be reduced or eliminated unless other major trading partners accept to do so similarly at the same time, making the multilateral effort indispensable. The two main groups of instruments available to the Community to achieve the objectives set out above are as follows:

#### **(i) The multilateral level**

15. The privileged forum for a multilateral Community action will naturally be the new WTO, but other fora such as the OECD, the Energy Charter Treaty, WIPO, the Council of Europe, IMO or ICAO <sup>3)</sup> should also offer opportunities, in particular in order to initiate or complete work carried out under the WTO aegis:

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3) WIPO (World Intellectual Property Organisation), IMO (International Maritime Organisation), ICAO (International Civil Aviation Organisation)

- ~ *Enforcement of existing obligations through multilateral dispute settlement or, as appropriate, through Community action permitted under such multilateral rules.* Industry should be sensitised to the possibility for action under this heading (e.g. against foreign subsidies, technical barriers to trade or lack of intellectual property right protection), and encouraged to supply the Commission with concrete examples of real problems. This can be done by the Commission on its own initiative (in consultation with the 113 Committee) or at the request of a Member State, Community industry or enterprise under the Trade Barriers Regulation (TBR).
- ~ *Reduction of barriers to EC exports or other economic interests in the context of the negotiations concerning the accession of third countries to the WTO (currently 20 countries) or the OECD (e.g., China, Taiwan, Russia, Ukraine for the WTO or Korea for the OECD).*
- ~ *Future multilateral negotiations in the WTO (or in certain instances in the OECD).* Two important deadlines have already been fixed. Firstly, the first regular ministerial conference of WTO will take place in December 1996 in Singapore. Later, the date of 1 January 2000 will mark the start of the first round of multilateral trade negotiations on liberalisation commitments in services. In the same year, work on the continuation of the reform of international agricultural trade will begin. There are areas where new rules of the game are needed, and the Community must have a flexible, but nevertheless concrete multilateral agenda.

## **(ii) The bilateral level**

16. At the bilateral level, the Community has other means of persuasion and of negotiation at its disposal:

- ~ *Bilateral negotiations of a general or sector-specific character, ad hoc or in the context of the conclusion of overall agreements with the country in question; more concretely, this means that once a problem concerning a third country has been identified as warranting a market opening effort (either because access to that country's market for a given product or sector is not free, or because certain practices in that country constitute a more "horizontal" barrier to trade), negotiating away those obstacles may be the most effective instrument, especially if they are not the result of a more or less deliberate attempt to hinder trade.*
- ~ *Systematic, co-ordinated use of all bilateral opportunities, including high level visits to Brussels or Commissioners' and senior officials' missions in third countries and other relevant international events.*
- ~ A special category of bilateral instruments of trade liberalisation, and therefore of market access for our firms, is that of the effective progressive implementation of *agreements providing for* improved market access or for *free trade* with individual third countries or with regional groupings, such as the Europe Agreements with central and eastern European countries, the Euro-Mediterranean Agreements as well as agreements such as that with MERCOSUR. In the first place, the different consultative mechanisms established in existing agreements should be fully used to deal with particular market access problems posed. Such agreements can generate trade liberalisation that subsequently spreads to the multilateral field provided that the criteria set out in the WTO-Agreements are fully respected.

- ~ The Commission's role is not to press in favour of the commercial interests of individual companies in winning contracts outside. However, it will not hesitate to intervene whenever it appears that European companies, large or small, are denied fair and equal opportunities to compete on technical and economic merits with companies from third countries.
- ~ The *Trade Barriers Regulation* can also be used as a bilateral tool to ensure that the obligations assumed by a country under any international trade rules, be they multilateral or bilateral, are adhered to. Recourse by European industry to the Trade Barriers Regulation would allow the European Community to tackle individual barriers immediately in those cases in which companies feel most aggrieved by them. In addition, this would provide the Community with greater leverage in the context of negotiations on the problems in question: in fact, although this regulation ultimately allows for the use of retaliation (in conformity with international rules) as a sanction for third countries' trade barriers, its purpose is to ensure the removal of those barriers; thus, the regulation is geared to a negotiated settlement when this appears capable of yielding a satisfactory result.
- ~ The same holds true with respect to *GSP*, since its benefits could be withdrawn in full conformity with international rules from individual developing countries discriminating against the Community or failing to comply with their Uruguay Round market access commitments.

### (iii) Flanking policies

17. A market access strategy, as an integral part of the common commercial policy, has to be seen in the overall context of the Community's policies aimed at improving the business environment for European firms, and therefore their ability to generate growth and employment. There are also other actions which play a specific role in enhancing export opportunities for our firms which, in this sense, can be seen as flanking policies of a market opening strategy:

- *Mutual recognition* has over the past year risen to the top of the international trade agenda, as one of the limited number of instruments available to reduce regulatory obstacles faced by traders, and one which by its reciprocal nature may be more attractive (and therefore more effective) than unilateral pressure to liberalise third country markets. Negotiation of mutual recognition agreements (MRA) coincides with, and in turn stimulates, internal pressures in third countries, especially the USA and Japan, towards autonomous deregulation. It is therefore contributing significantly to the global aim in this area, which remains the harmonisation of standards and technical regulations themselves. The elaboration and application of *internationally agreed standards*, whenever feasible, should be the preferred venue to avoid difficulties arising from diverging technical regulations because of their wider impact.
- Wider forms of *business and industrial co-operation* are also encouraged by both the Community and its Member states. Among them, the co-operation aspect of the Community's extensive network of bilateral agreements with, and the provision of technical assistance to, third countries can play an important role as an incentive for further market opening by those countries. These instruments can be used in a way that contributes to the long term development of local resources and technologies in third countries through the development of common economic and commercial interests, thus providing for a further increase of investment, co-operation and business opportunities arising from the ongoing globalization of the world economy. International cooperation in research and technological



development constitutes an important stepping stone for the development of industrial cooperation <sup>4)</sup>. The Community has also set up a number of instruments to promote industrial cooperation with third countries, such as ECIP, MED-Invest, or AL-Invest <sup>5)</sup>.

- Activities which focus on changes in policies generally applicable to all European exporters could be supplemented by specific *export promotion* initiatives. These, however, should be conducted only as a complement to Member States' activities and not in competition with them, and only when a Community contribution would constitute clear value added.

18. These various instruments could be employed in a coherent, co-ordinated manner with respect to individual countries as well as within particular sectors. *In the case of particular trading partners*, current concerns may often be addressed for instance in the context of negotiations on e.g. a bilateral agreement between the Community and a third country. More importantly, they can be addressed more effectively on a bilateral basis once such an agreement is in place. Certain commitments can also be pursued within the context of requests to join organisations such as WTO or the OECD. Some problems may be submitted for WTO dispute settlement. Others are addressed during periodic high-level meetings and/or visits by Commissioners. For some developing countries the Community has not hesitated in the past to withdraw GSP benefits when its interests were harmed by certain actions by this country. Finally, Commission Delegations have sometimes been instrumental, to the benefit of EU exporters as a whole, in prompting a greater voluntary coordination of export promotion efforts undertaken by the different Member States. The outstanding success of various sectoral forums such as automotive industries forums is just an example in this respect.

19. An example of a combination of different instruments in a specific sectors is the policy in the *textiles and clothing sector*. This sector has been undergoing an important restructuring over the past two decades due to the new competitive environment, both internal and external. The Community is obliged, under the new WTO rules, to eliminate remaining quotas over the next ten years. In exchange, the European industry legitimately expects that greater competition in its home market will be matched by increased market opportunities abroad and by fair competition and better protection against fraud and piracy. Taking into account that the pace of elimination of MFA-quotas has been linked to the opening-up of MFA-countries' home markets, the Commission is working closely with the industry to spot third country trade barriers which should be eliminated as a priority in countries and market segments of particular export interest. This will enable the Commission to negotiate with third countries on the pace of the elimination of quotas on the basis of the market opportunities they are ready to offer to the Community.

20. Another example concerns measures to promote further liberalisation of *information technology* related products and services, where greater market access can be better achieved by a combination - which might take the form of an information technology agreement - of international liberalization of telecommunication services in the WTO, the achievement of mutual recognition of technical standards for equipment or interconnection, the liberalisation of public procurement of telecommunication equipment, and vigilant action to protect intellectual property rights. Other measures which could be examined in response to industry interests include the acceleration of tariff reduction or greater clarity in the customs classification of information technology related products. Although such negotiations can be

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4) See Commission Communication on the perspectives of international R&D cooperation (COM(95)489 final).

5) ECIP (European Community Investment Partners), and instruments to promote investments in Mediterranean and Latin American countries.

initiated in a bilateral basis with individual countries, a greater impact could be achieved if they could be inscribed in a multilateral context.

#### 4. Steps to Establish A Concrete Market Access Strategy

21. On the basis of the objectives outlined above and of the policy instruments described, a market access strategy should consist of two parts. First a *bilateral* element which would seek to do the following:

- (a) identify *obstacles* to market access and choose *priorities* for action
- (b) identify the most appropriate *opportunities* for the elimination of trade barriers, e.g.: enforcement of existing international obligations; negotiation of new or clearer international rules; bilateral (formal or informal) negotiations
- (c) improve *coherence* between the multilateral and the bilateral approaches used in individual markets and their coordination with *other actions* such as promotion of industrial cooperation and technical assistance.
- (d) improve *coordination* of market opening activities undertaken by the Commission, Member States, Industry and Commission delegations

22. Second, at the *multilateral* level, the strategy would:

- (a) consolidate the Uruguay Round acquis and make sure that all the signatories of the Final Act scrupulously implement all of their undertakings
- (b) identify ways of pushing market opening still further and exposing new areas to multi- or plurilateral disciplines
- (c) respond to the new challenges and new obstacles raised by the globalization of the world economy.

23. Any proposed strategy does not imply a fundamental change in existing Community policies and objectives, but a *more systematic and co-ordinated use of existing Community and Member States resources* to attain these objectives, with the active support of European industry. This is an area where the negotiation and use of trade instruments by the Community as a whole can certainly yield better results than fragmented and/or uncoordinated action. Within the Commission there will be a need to ensure greater coherence of the activities of the various services involved. In institutional terms, the initiative *does not imply a transfer of responsibility from the Member States to the Community nor vice-versa*: experience has shown that, in most cases it is possible, through a pragmatic approach, to reach agreement with Member States about the common defence of their interests.

## **(i). The Bilateral Agenda**

### ***(a) The identification of trade barriers***

24. In order to help identify the barriers which hamper European firms abroad, the Commission, as requested by the Council, has decided to progressively set up a comprehensive *data base* covering obstacles to market access in the Community with the active participation of Member States and industry. An initial data base should be established for the sectors in question by pooling all information available within the Commission services. The results of this exercise would then be transmitted to Member States and industry which, from then on, would be closely associated with all further stages of the work. Much information is already available, some in Member State capitals but possibly even more in the economic and commercial sections of Member State diplomatic missions. Member State and Commission missions in third countries should be called upon to pool their resources to amend and complete the information contained in the draft data base prepared in Brussels. In the future they should make the necessary arrangements for the ongoing updating of this information.

25. *Early results are needed on market access.* The Commission is taking the lead in using the information already collected in some sectors (textiles, clothing, automobiles, chemicals) to launch an effective market opening initiative in parallel with the building-up of the overall data base to show how it would work in practice. It will be essential that the database is *comprehensive* (i.e. covering all sectors and all kinds of trade barriers for which industry has an interest), *clear* in describing the market access situation and barriers encountered, *simple and user friendly*, and always *kept up to date*. The contents of the data base should be made available on-line to all interested parties in Europe, with the exception of certain categories of classified information, in particular the Commission's analysis of the legal and political means of addressing the problems in question and the sources of the information.

26. In determining negotiating objectives with third countries, and without prejudice to the need for prospective and longer term overall analysis of trade policy objectives, the approach followed will basically be *demand driven*, and guided by the priorities set out in cooperation with the industry all over the European Union. Particular market opening efforts will be devoted to those markets where there are specific or important export interests and opportunities, as well as to fast growing economies and to high valued added and technology intensive sectors, where the current world division of labour is pushing European industry to specialise in.

### ***(b) How to eliminate these barriers and promote market access***

27. Depending on the nature of the obstacles and problems, the best way to tackle them effectively has to be determined. This crucial phase implies, in particular:

- establishing *priorities* amongst these problems, on the basis of their relative importance, the likelihood of their elimination and the resulting economic benefits
- comparing such priorities with the available means and *instruments* of action
- *choosing the approach* to be taken and of instruments and opportunities to be used
- setting a *timetable* for its execution (where appropriate against the background of already scheduled bi- and multilateral events).

28. The *determination of priorities* could be greatly facilitated by the elaboration and regular updating of *market access reports* outlining the main barriers encountered on the markets of identified priority countries, which will in addition provide a global overview of where market access problems lie and what the nature of these problems is. Furthermore, the present practice by the Commission to issue every year a report on US barriers to trade could be enlarged to the EU's main trading partners. These reports will be made available both to industry and to Member States in order to allow them to comment on priorities. The Commission will, in close consultation with Member States, determine the most appropriate course of action to solve the market access problem identified, either through bilateral contacts or diplomatic demarches, or in the context of multilateral discussions.

29. Regarding *trade promotion* activities, the market access line in the Community budget (B7-852) will bring together existing activities and concentrate on the most promising actions where there is the highest clear value added of a Community action. Its objectives will be:

- to assist European companies in the identification of market opportunities
- to raise the profile of European industry through supporting industry participation in sectoral trade fairs and business fora jointly with local industry in third country markets
- to promote the image of European products and services in key niche markets, and
- to support bilateral and multilateral market opening actions.

**(c) Finding greater coherence between the different actions**

30. In terms of coherence of the Community's action *vis-à-vis* third countries taken individually or in the context of regional groupings, the Community has established a vast network of bilateral relations. Market opening initiatives are already an important objective in our relations with some key trading partners, but there is no systematic policy covering all important present or emerging economies. There is considerable scope for exploiting an untapped potential for market access initiatives. Internally, this will require, *inter alia*, an *improved synergy between the Commission services* responsible for trade policy, for the sectors concerned, and those with geographical responsibilities. For instance, services with geographical responsibilities should be aware of market access problems identified so that any appropriate bilateral opportunities are exploited, and adequate feedback should exist between them and services responsible for trade policy.

31. Coordination should also be stepped up *within the Council and with Member States*. This can be achieved through improved coordination between the different formations of working groups and committees in the Council responsible for trade policy and for external relations. Most important, however is that *the Community should be ready to bring to bear all relevant aspects of its relations with the country concerned* to promote industrial cooperation and the reduction or removal of residual import barriers in the Community itself.

**(d) Improving co-ordination between different actors**

32. This process implies not only a high degree of transparency between all the actors involved (different Commission services, Member States' administrations, industry associations and individual firms), but also a positive effort on the part of each of them to ensure the involvement and participation of the others.

33. **Better coordination with the Member States** will require:

- Continuous and fast *exchange of information* on market access problems in third countries. In addition to its periodic market access reports, the Commission will regularly keep informed the Council (mainly through the 113 Committee) of any action it undertakes to deal with specific problems brought to its attention. The Commission counts on the transmission of information from Member States to better determine priorities for action.
- *More intense coordination of Member State and Community action* in devising and programming action with third countries to achieve market access negotiating objectives. Experience shows that, even punctual, specific Member States' interests can be defended more effectively by a coherent Community action. The economic benefits of improved market access justify the necessary cooperation efforts to ensure that the Community can speak with a single voice in international trade negotiations.

34. The following steps could be taken to promote a closer *involvement of industry*:

- Industry (including both individual firms as well as industry associations) is invited to *provide the Commission* with adequate information on problems it may want to solve; this information will remain confidential and will be aimed exclusively for practical use - to eliminate barriers.
- A continuous and *two-way feedback* on action undertaken and of results achieved, in order to ensure that information flows are continuous.
- On an ad-hoc basis, *increased participation of business leaders in trips by Commission Members* to third countries, with a double objective: on the one hand, to promote cooperation and links with business of third countries; on the other hand, to assist the Commission in assessing market access priorities.

35. To this effect, the Commission has decided to designate well publicised *contact points* for business, individually or through their associations, to refer to it market access problems in third countries. Input from the Group of Euro Info Centres specialised in external relations will be of particular relevance. These EICs work in close co-operation with European firms active in third country markets and are thus fully aware of existing barriers to entry. Moreover, they would serve as useful distribution points for providing European companies with information on EU activities in this field. Industry will be widely informed of the instruments available to improve third country market access. In Member States, the Euro-Info centres will provide industry and especially SMEs about the possibilities of Community action and regarding whom they should address. Industry can also relay to the Commission (either to the Representation in the Member State concerned, to the external Delegations, or directly to the Commission headquarters in Brussels) any information relating to market access problems. Particular care will be taken to ensure that SMEs can benefit directly from market opening action.

36. The *Commission Delegations* abroad will also intensify their role in assisting EU firms in solving market access problems. Delegations' *trade counsellors* are to be closely involved in dealing with trade questions and in advising the Commission on barriers and course of action. They will also be responsible for liaising with Member States' trade counsellors, commercial offices and European business representative associations in order to assess the market access situation and to coordinate diplomatic action more effectively. They could also

be instrumental in exploiting the possibilities of *concerted action on trade promotion* of European goods and services, investment and design, through targeted initiatives adapted to the peculiarities of the local markets in the respect of existing competence.

## **(ii). The Multilateral Agenda**

37. The Community has maintained a constant policy of supporting and enhancing the process of multilateral negotiations and disciplines. Effective multilateral disciplines are the best guarantee that our exporters and investors are safeguarded against illegal protectionist measures. And the successive rounds of negotiations have led during the existence of GATT to an unprecedented reduction in tariff and non tariff barriers over the last fifty years. The end of the Uruguay Round and the creation of the WTO marked a decisive stage in this process. The Community now needs to build on the consolidation and effective implementation of the new rules. But as the economy evolves quickly and international trade focuses more and more on areas which are only partially dealt with by existing disciplines, the multilateral system needs to keep pace with these developments if it is to continue providing better market access for our business abroad.

38. The first means to strengthen the multilateral trade system will consist in ensuring the accession to the WTO of major trading partners which are still not members as well as in encouraging less developed countries to integrate further. The Union can also work with other WTO countries, and in particular those with which it has bilateral agreements, in order to obtain their support for its WTO objectives. Moreover, multilateral action should put special emphasis on consolidating the Uruguay Round acquis, on further market opening actions, and on expanding the liberalisation disciplines to new areas such as investment while also tackling multilaterally certain problems posed to international trade.

### **(a) Implementing and consolidating the Uruguay Round acquis**

39. Given the breadth of coverage of the Uruguay Round, its implementation will extend, for some areas, until 2005. This process will need to be the subject of close surveillance to ensure the consolidation of the existing acquis. Some examples will illustrate what is at stake.

#### *\* Subfederal public entities*

One of the Community's main objectives in the Uruguay Round was to push for WTO rules to cover subfederal public authorities. Although significant progress was made in all the relevant working parties, some of the Community's key trading partners have not yet adopted the necessary measures. The situation as regards government procurement, standards, services and trade-related investment measures (TRIMs) now gives cause for concern.

#### *\* Regional integration*

In view of the increasing moves towards regional integration in America and Asia the Community has every interest in strict application of the rules ensuring that greater geographical intensity of trade relations is compatible with the principles of multilateralism (i.e. with our own right of access to the markets of other regional groupings). The Community must therefore play an active role in the WTO's work in this area.

#### *\* TRIPs*

Developing countries have until 2005 to implement the commitments taken at Marrakesh.

It may be possible to secure faster implementation. Turkey has shown itself ready to move much faster, in the context of Customs Union. The Commission is giving technical assistance to others (including China).

\* *Agriculture*

The Community is a major exporter of agricultural products. Along with other Members of the WTO, it has undertaken to gradually liberalize trade in agricultural products. Therefore, the Community takes a keen interest in ensuring that WTO members respect their commitments in this field, and in particular those regarding the reduction of subsidized exports and market access, as it intends to comply with its own commitments. The implementation and management of tariff quotas and the special safeguard mechanism are areas that need to be monitored with particular attention.

**(b) Further market opening actions**

40. There are some areas in which the Uruguay Round made some, albeit insufficient progress; in these areas further market opening should be sought:

\* *Financial services*

An 18-month interim agreement, entering into force on 1 July 1996, which was adopted by the members of the WTO on 28 July last year forms a package of initial commitments to liberalize financial services. The agreement was sponsored by the Community and has been rightly welcomed for its contribution to the multilateral system. However, it is up to the Community to improve the package of current commitments on the basis of the most-favoured-nation clause, if possible even before the interim agreement expires in December 1997.

\* *Basic telecommunications*

The basic telecommunications negotiations are of crucial importance to the Community because they will provide an opportunity to exploit the Community's internal liberalization process which will be completed by 1 January 1998. The Community expects a substantial level of commitment from its major partners under the most-favoured-nation clause before negotiations are concluded on 30 April this year.

\* *Maritime transport*

Negotiations in this area, which are one of the issues outstanding from the Uruguay Round, were started in Geneva in May 1994. The Community is making every effort to persuade the major maritime powers to make significant commitments on access to international cargoes, auxiliary services and port and port service access.

\* *GATS rules and disciplines*

There are deadlines for developing a safeguard clause (1998) and public procurement rules (1997) for services. There is a need for subsidy rules (no deadline) and for additional rules to prevent internal rules on professional qualifications from becoming barriers to trade (eg in the field of accountancy or other professional services). Furthermore, regarding the protection of privacy and personal data, the Community wishes to improve on the current situation under Article XIV of GATS with a view to achieving free movement of data on the basis of equivalent levels of privacy protection.

\* *Rules of origin*

Work on harmonizing the rules of origin in the WTO Agreement has already begun, with

completion planned by 1998. In parallel with these multilateral negotiations the Commission is taking steps at internal level to simplify drastically the vast range of preferential rules of origin which, at the moment, vary from one agreement to another. Its aim is to have a single body of rules for all preferential origins, be they European or Mediterranean. It would therefore seem a good moment to examine Community interest in multilateral simplification in this field.

\* *Customs duties*

The Uruguay Round produced an average tariff reduction of over 33%, exceeding the record set by the previous GATT round. However, the reductions agreed by the Community's partners for a series of priority products such as textiles and clothing, glass, ceramics, leather and footwear are very much smaller than those called for by European industry. Any new tariff exercise could therefore be made to work in the Community's favour, if conducted firmly on the basis of a thorough sector-by-sector analysis of its interests.

\* *Government procurement*

The new agreement is largely inspired by the Community rules on public purchasing. It will therefore open up to our exporters new markets in the territories of the Union's largest partners, particularly in services and construction. Some signatories have also extended the list of entities covered by the agreement to include sub-federal public authorities and public undertakings with exclusive or special privileges.

Although progress has clearly been made, multilateral liberalization of government procurement has been achieved solely between the small number of signatories to the plurilateral agreement, and they have included provisions exempting certain bodies unless reciprocity is guaranteed.

Apart from the plurilateral agreement, negotiations have begun recently on opening up government procurement of services in accordance with the provisions of Article XIII of GATS. The negotiations are between the GATS partners and the aim is to reach agreement on a set of rules that will govern the multilateral liberalization of government procurement of services. The start of these negotiations will provide an ideal opportunity for returning to the task of multilateralizing the agreement on government procurement of goods as well.

The ministerial conference in Singapore may provide an opportunity for progress towards the goal of making all government procurement subject to the disciplines of the government procurement agreement. In the meantime we must make strenuous efforts to encourage as many WTO members as possible to subscribe to the current agreement.

\* *Intellectual property*

The Uruguay Round negotiations on TRIPs have helped European products of high added value to gain risk-free access to the markets of the developing countries and, more crucially, to those of the newly industrialized economies.

But further work should be launched in WTO, for example to bring WTO copyright rule into line with the needs of the global information society, or to accelerate international negotiations, currently stalled, on patent law harmonisation. The strengthening of the protection of geographical indications will also deserve attention. In this context the Commission's adoption of the Green Paper on copyright and related information society rights represents a major contribution to current thinking on the subject. The matter is



already being discussed in WIPO.

**(c) The new areas of liberalisation**

41. Following the Ministerial Conference in Marrakesh the GATT Secretariat drew up a long list of topics for WTO members' attention on the basis of ministerial proposals. Multilateral negotiations or study programmes might be launched on some of these topics at the Singapore conference. The Community should prepare its ground well, particularly in the following areas:

*\* Trade and investment*

For many years the Community has headed the list of foreign investors and, for this reason, is extremely interested in global investment liberalization and protection.

Negotiations on a multilateral agreement on investment have just begun within the OECD. These are of crucial interest to the Community as they will define concepts and strategies. However, as the Council has already acknowledged, participation in the OECD negotiations, which will mainly involve the industrialized countries, will not in itself achieve the goal of liberalization of investment conditions worldwide and in May of last year the OECD Ministerial Council therefore called for a twin-track approach (i.e. within the OECD and the WTO).

Since it is the main interested party, the Community should already be acting within the WTO to push the principles of effective market access, national treatment and non-discrimination. In addition, existing restrictions should be fully transparent. Finally, the multilateral agreement on investment should be incorporated in the WTO family and become subject to its dispute settlement machinery.

Every effort must be made to ensure negotiations on investment within the WTO can begin in December of this year. An informal working party might be set up to prepare specific decisions for adoption in Singapore.

*\* Trade and competition*

A number of countries, in particular developing countries, do not guarantee freedom of competition in their laws. Even where they exist, national laws on competition in the main parties to world trade vary considerably as regards their content. Finally, anti-trust authorities have very divergent approaches to the severity with which they apply their laws.

In trade terms these divergences are reflected in appreciably different levels of effective market access. The report by the Group of Experts on competition policy in the new trade order notes that "the anti-competitive practices tolerated by one competition authority sometimes result in access to the market concerned being closed".<sup>6</sup> Firms operating in or from markets where anti-trust legislation is not very strictly applied enjoy an unjustified commercial advantage over companies which are subject to stringent competition rules.

If, as the Group of Experts' report states, "it is difficult to imagine the emergence of a level playing field if this were to be founded only on a group of inevitably heterogeneous

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6) Competition policy in the new trade order: Strengthening international cooperation and rules at international level, European Commission, Brussels, 1995, p. 8.

bilateral agreements",<sup>7</sup> the Community's interests will be best served by establishing a body of binding basic standards accompanied by an effective dispute settlement mechanism.

Although this is a long-term objective, there is nothing stopping us already trying to persuade WTO members which have competition laws to undertake to apply them rigorously.

We can make progress in this area and reach agreement on a broader agenda at Singapore if a consensus can be worked out between the industrialized countries and the more advanced or otherwise significant developing countries beforehand.

\* *Trade and environment*

The Marrakesh Conference set up a committee to study this issue. Its task is to find options which will reconcile environmental protection objectives with the demands of international trade in goods and services.

In particular it was asked to look into the relationship between the rules governing international trade and trade measures introduced under environment conventions, as well as the effects on trade of certain environment policy measures such as eco-taxes, eco-labels and regulations on packaging and recycling. The relationship between the provisions of environment conventions and WTO rules is particularly important since some of the agreements, such as the Montreal Protocol, the Basel Convention and CITES restrict trade in particular products in order to protect the environment and also allow these restrictions to be applied to countries that are not parties to the agreements.

The WTO Committee on Trade and Environment has been asked to produce a report for the WTO's first ministerial conference. From the Community's viewpoint such a report should be fairly substantial and contain specific recommendations to be adopted in Singapore. It should in particular recommend the interpretation or revision of relevant GATT and, if necessary, GATS rules and set out political options to take account of environmental concerns but without promoting green protectionism.

\* *Trade and social conditions*

Certain basic social laws banning forced labour and child labour or guaranteeing the freedoms of association and of collective bargaining are universally recognized within the ILO<sup>8)</sup>. It is only natural that such basic social aspects be considered in evaluating relations with non-Community countries or defining policies with a strong social component.

As far as trade is concerned, the idea of positively encouraging respect for basic social rights has already found some acceptance in the generalized preferences schemes (GSP), including those adopted by the Council in December 1994, of some industrialized countries.

The Commission has said repeatedly<sup>9)</sup> that the level of social development depends mainly on economic development and, whilst it is certainly legitimate to discuss social matters in

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7) *Idem*, p. 19.

8) These rights and principles, together with the principle of non-discrimination in employment, are considered to be the five basic social rights in ILO, and have been reflected in seven ILO conventions (Nos 5 and 138 on minimum age, Nos 29 and 105 on forced labour, No 87 on freedom of association, No 98 on collective bargaining, and No 111 on non-discrimination). The issues addressed here do not cover the broader questions of the respect of fundamental human rights and of cases of serious violations of these rights, whose place in EU external relations was examined in its communication COM(95)216 final of 23 May 1995.

9) See White Paper on Growth, Competitiveness, Employment, Chapter 6.5(f).

the multilateral context, there is absolutely no question of depriving developing countries of their comparative advantage in labour costs.

On the other hand, some practices, such as preventing freedom of association and using forced labour, cannot be justified in terms of the level of economic development. In those international forums where the subject is currently under discussion this view is now gaining ground. Therefore, there should be an increasingly wide understanding that requiring the respect of such rights is no longer seen as a protectionist gambit.

The Community should therefore take a very progressive stance here and discuss these matters with all the countries concerned, in a multilateral forum. The Singapore ministerial conference scheduled for December 1996 could take the lead in the discussion and set up a WTO working party to look into the question of the links between international trade and working conditions. Work currently being done at the OECD and ILO should mean that the approach to the discussions is more objective and that points are more carefully argued.

\* *Trade - finance - currency linkage*

The Declaration on coherence in the Final Act of the Uruguay Round calls on the WTO "to pursue and develop cooperation with the international organizations responsible for monetary and financial matters" to ensure that the IMF, World Bank and WTO "follow consistent and mutually supportive policies".

The WTO has not so far given much prominence to this aspect. It would be logical for the Community which initiated the discussions on coherence within GATT to reactivate the debate to provide a basis for practical discussions in Singapore. Options to help promote greater monetary stability might, within the limits of the terms of reference, be identified.

42. The first Ministerial meeting of the WTO provides a timely opportunity to give fresh momentum to the work programme. Europe must work hard in the months ahead to ensure that the Singapore Ministerial is in a position to take concrete decisions on the new WTO activities needed to develop new rules and new perspectives on market opening. But in order to set a realistic set of objectives for WTO, the preparations for Singapore must focus not only on the decisions to be made next December, but also on the needs of the WTO and the world trading system into the early years of the next century.

43. Alongside the negotiating issues already on the agenda, the debate must give adequate coverage to broader issues, notably the need to integrate more fully the developing countries into the trading system. Beyond the identification of further measures which support and encourage developing countries to integrate in the multilateral system, this requires fresh thinking not only about the agenda and working methods of the WTO, but also about the handicaps - such as excessive debt - that prevent developing countries from taking full advantage of the benefits of the Uruguay Round.

44. These then are, in the opinion of the Commission, the main issues at stake in the multilateral arena for the years ahead. How they are tackled will determine the credibility of the WTO as a force for openness in the world economy. The WTO institutions are now in place, and negotiations on issues outstanding from the Uruguay Round are already under way. But the WTO has still to prove itself capable of becoming the main forum for debate and decision-making on these new challenges.

## 5. Conclusions : Next Steps

45. Greater access to markets worldwide should be one of the prime objectives shaping the deployment of Community resources in the months and years ahead. To achieve significant increases in market access is necessarily a long-term process. Both in tackling pressing problems under existing rules and in developing new rules to remove other obstacles to trade and investment, the Community will be successful if it produces a clear analysis of its own priorities and works closely with its trading partners, developed and developing alike. We should concentrate on action which responds to the demands and priorities of industry and which results in tangible and direct benefits for our exporters and investors. In doing so, the Community should be guided by the following principles:

- The EU has set the pace for economic integration within the internal market and has given a lead in the multilateral extension of economic integration, particularly through the Uruguay Round. The EU must *maintain this open policy stance and ensure that its partners respond in turn by opening their markets.*
- We will *fully respect our obligations*, including the new commitments of the Uruguay Round. We will devote considerable attention to ensuring that our partners implement their obligations as quickly as possible. Where developing countries need technical assistance to achieve this, we will try to give it.
- The Commission *will work with Member States and, more particularly, with European enterprises*, in order to identify more clearly the main obstacles we face to our exports and investments in third countries. We will establish priority objectives and bring all the external economic policy instruments to bear in a more coordinated way to create new market opportunities for exporters and investors worldwide. Where obstacles can be removed by appeal to existing international rules, this will be done. Where bilateral or plurilateral negotiations are needed, they will be pursued.
- The EU must *give the WTO its full support* as the motor of the open trading system. We must contribute fully to its efficient functioning as an institution. Now and in the run-up to the Singapore Ministerial meeting of December 1996, we must work with our partners to strengthen the multilateral process and give it fresh momentum.
- In shaping the negotiating agenda of the WTO, we will *give priority to those issues which will create new opportunities for European business* on third country markets. With the help of industry, we will work to secure agreement to such priorities no later than the WTO Ministerial. But if we are to achieve such ambitious objectives, we must plan now for the WTO Work Programme up to the year 2000 and beyond.

46. This Communication is a first analysis of the Community's priorities in immediate market-opening, in current negotiations and in the debate on the future WTO programme. It will be further refined and developed in the light of reactions, from Member States, from the European Parliament, from business, consumer and other organisations, and from our partners in third countries.