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**POLICY PRIORITIES FOR THE
EU TRADE COMMISSIONER**



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Foreword

The new EU Trade Commissioner must recognise that trade policy is not just about promoting the EU's direct commercial interests: it is also a key tool to stimulate economic growth in the developing world.

It is both hypocritical and self-defeating for the EU to give aid to developing countries while simultaneously blocking their trade – especially as trade is a crucial part of the route from poverty to prosperity.

The EU has taken welcome steps to remove barriers facing poor countries' exports, but there is still much to be done. The EU's trade with the poorest countries remains pitifully low and largely stagnant. They account for a seventh of the world's population but only one fortieth of EU imports. The scope for growth is immense and expanding trade is a 'win-win' tool that benefits rich and poor countries alike – the more the poorest countries can export to us the more they will buy from us.

We have set out 10 key priorities for the new EU Trade Commissioner to help the world's poorest nations to trade out of poverty.

1. Strengthen the link between development and trade in EU policy-making
2. Ensure developing-country voices are heard in making trade rules
3. Diversify trade with developing countries
4. Abolish tariff peaks

5. Revise rules of origin for 21st century trade
6. Protect poor countries from trade defence measures
7. Provide a level playing field for agricultural trade
8. Promote environmentally-friendly trade with developing countries
9. Build the capacity of developing countries to meet EU trade standards
10. Increase business networks between EU and developing countries.



Rt Hon Sir Menzies Campbell QC MP



Lord Hastings of Scarisbrick CBE



Rt Hon Peter Lilley MP



Rt Hon Clare Short

Co-Chairs of Trade Out of Poverty

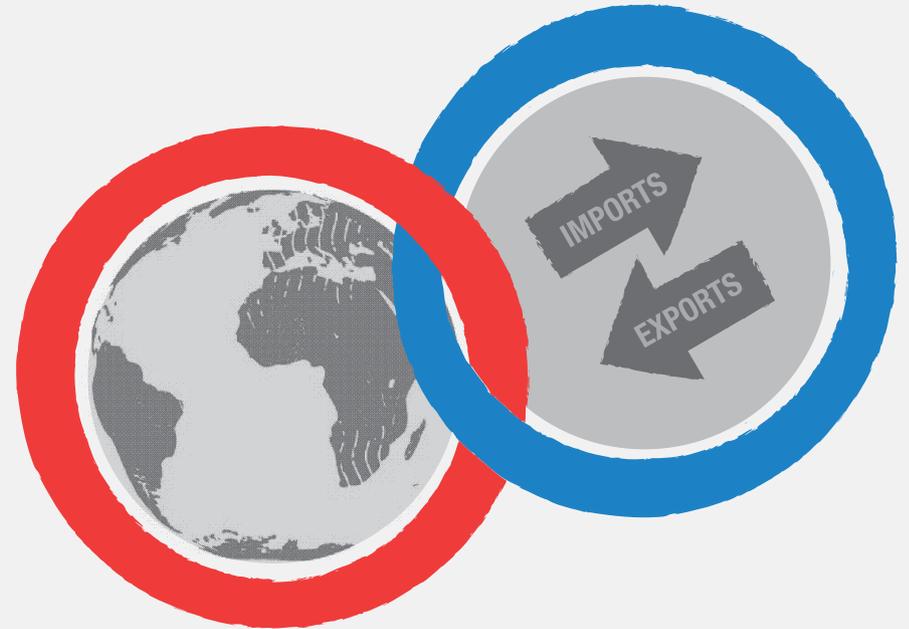
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Strengthen the link between development and trade in EU policy-making

The new EU Trade Commissioner must not lose sight of the development dimension in conducting Europe's trade policy. No country has gone from poverty to prosperity without engaging in trade. Success stories like South Korea, Indonesia, Singapore, Mauritius, Botswana and Brazil all point to the role of trade and investment in raising living standards.

Actions for the EU:

1. Establish a unit within the EU's Directorate General for Trade focused on the impact of trade policy on development.
2. Work with the EU Commissioner for International Cooperation and Development to increase Aid for Trade (AfT) to the least developed countries (LDCs) in order to help modernise trade infrastructure.
3. Design an EU import strategy to create opportunities for the poorest countries.
4. Ensure that free trade agreements – above all the forthcoming EU–US deal – do not disadvantage LDCs but improve their market access.



2

Ensure developing-country voices are heard in making trade rules

Developing countries have a voice within the World Trade Organization (WTO), but lacklustre progress on negotiations has tipped the Doha Development Round into uncertainty. The recent global agreement on reducing the costs of moving goods across national borders – from which sub-Saharan Africa stands to gain US\$6.4 billion – also risks being derailed. In a world being carved up by mega-regional trade agreements, LDCs will be marginalised and their ability to use trade to escape poverty will be undermined.

Actions for the EU:

1. Revive the political backing for the WTO's Doha Development Round.
2. Support poor countries in the implementation of the WTO trade facilitation agreement.
3. Implement the remaining economic partnership agreements with the African, Caribbean and Pacific countries flexibly, and listen to their concerns.
4. Ensure that the United Nations Sustainable Development Goals include a commitment to a new global trade framework that goes beyond market access for the poorest countries.



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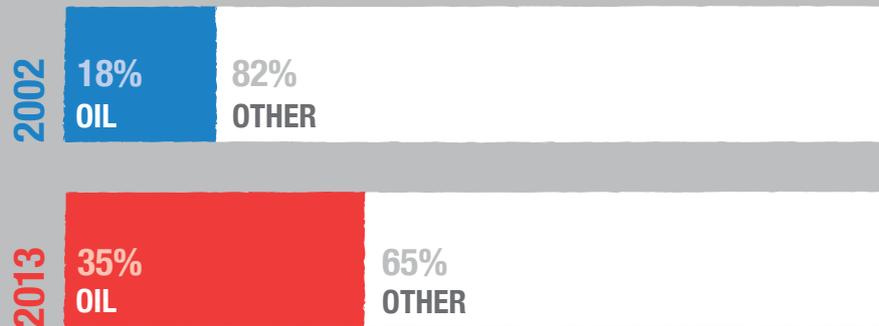
Diversify trade with developing countries

LDCs have committed to double their share of global exports by 2020. To trade out of poverty in a sustainable way, exports must come from a wider range of sectors and industries in order to facilitate wealth distribution and job creation. But recent growth in the value of LDC exports to the EU has been largely owing to oil exports, which increased in value by an annual average of 16% between 2002 and 2013, and doubled in share from 18% to 35%. The EU should help LDCs to diversify their trade.

Actions for the EU:

1. Actively promote good-quality and reliable imports from developing countries.
2. Use the 'power to convene' to bring private-sector buyers in the EU together with potential suppliers in developing countries.

EXPORTS FROM LEAST DEVELOPED COUNTRIES TO THE EU



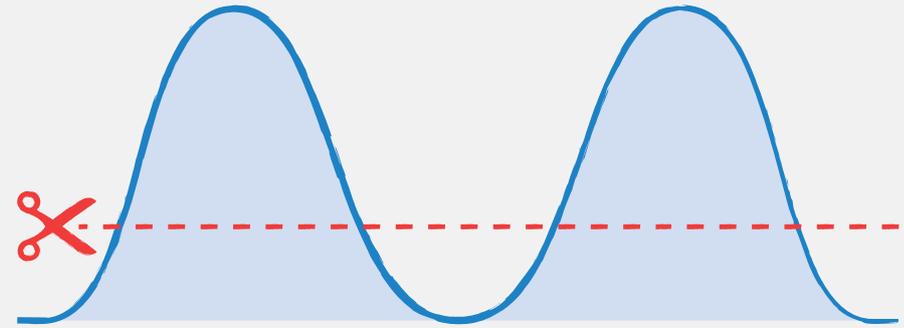
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Abolish tariff peaks

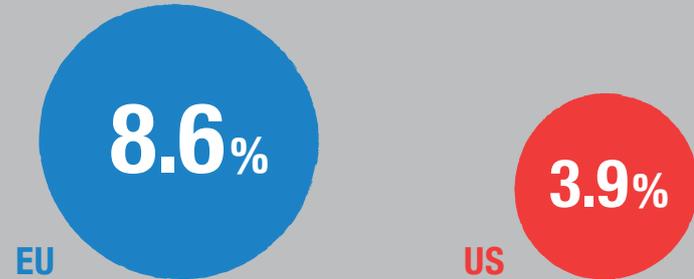
The EU imports most products from developing countries duty- and quota-free, but some still attract a tariff. EU tariffs on agricultural products actually imported averaged 8.6% in 2011 – more than twice as high as the US average of 3.9%. This understates the problem since the EU applies a range of tariff peaks that are so high that they effectively prohibit imports. For example, the tariff on imports of whey (a by-product of the manufacture of cheese) from Pakistan in 2013 was more than 100%.

Actions for the EU:

1. Reduce average applied tariffs.
2. Remove tariff peaks.



EU TARIFFS



AVERAGE TARIFFS ON AGRICULTURAL IMPORTS

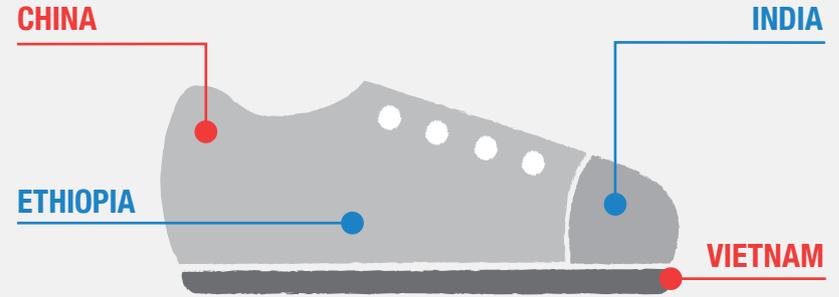
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Revise rules of origin for 21st century trade

The EU sets rules of origin (RoO) to establish whether products from developing countries are sufficiently made within these countries to benefit from duty- and quota-free access. Increasingly goods are 'made in the world', with different components made, and processes carried out, in different countries. RoO often preclude poor countries from participating in global value chains. The EU must revise its RoO to make it easier for developing countries to participate in these production chains.

Actions for the EU:

1. Further reduce the value-added thresholds in the RoO in EU trade preferences.
2. Allow imports from LDCs in all bilateral and regional cumulation of origin.
3. Extend the 10-month validity of proof-of-origin certificates for LDC exporters.



**MADE IN THE
WORLD**

6

Protect poor countries from trade defence measures

The EU uses trade defence measures on imports that are seen to be unfair to EU producers, often at the expense of EU consumers and developing countries. In 2011, the EU had in place measures such as anti-dumping and anti-subsidy on 135 countries, covering 68 products. The impact of these measures on developing countries can be substantial. Just the announcement that imports from a country are being investigated for possible application of trade defence measures can reduce imports by as much as 17%, even though the investigation may eventually find the case to be unfounded.

Actions for the EU:

1. Publish assessments of the impact of trade measures on poor countries.
2. Ensure greater transparency when making decisions on the use of measures.
3. Represent consumer interests on panels that inform EU decisions regarding the use of measures.



2011 EU ANTI-DUMPING AND ANTI-SUBSIDY MEASURES ON:



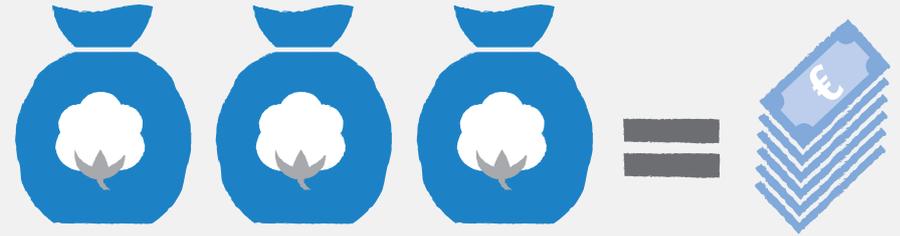
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Provide a level playing field for agricultural trade

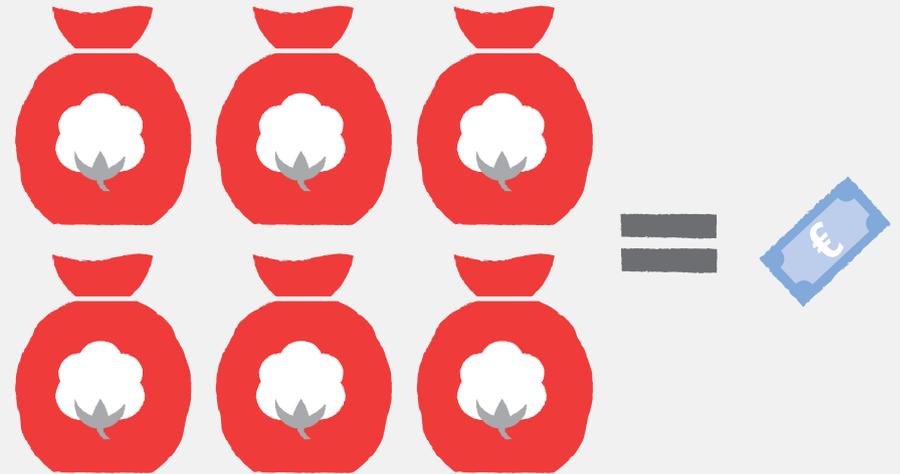
The EU decision to abolish support for agricultural exports and shift subsidies away from production is to be welcomed (though it retains the threat of reintroducing export subsidies in its armoury). Moreover, the EU still spends around €50 billion per year on support for EU farmers, nearly 40% of the total EU budget. This is trade distorting, costly to EU taxpayers, and not development friendly. Subsidising EU farmers creates an unfair playing field for agricultural producers and exporters in developing countries. For example, the EU currently spends €255 million subsidising its farmers to grow cotton rather than importing cotton from developing countries.

Actions for the EU:

1. Make legally binding the decision to abolish agricultural export subsidies.
2. Shift subsidies away from crops like cotton that can be better produced by developing countries.



COTTON FARMERS IN THE EU



COTTON FARMERS IN DEVELOPING COUNTRIES

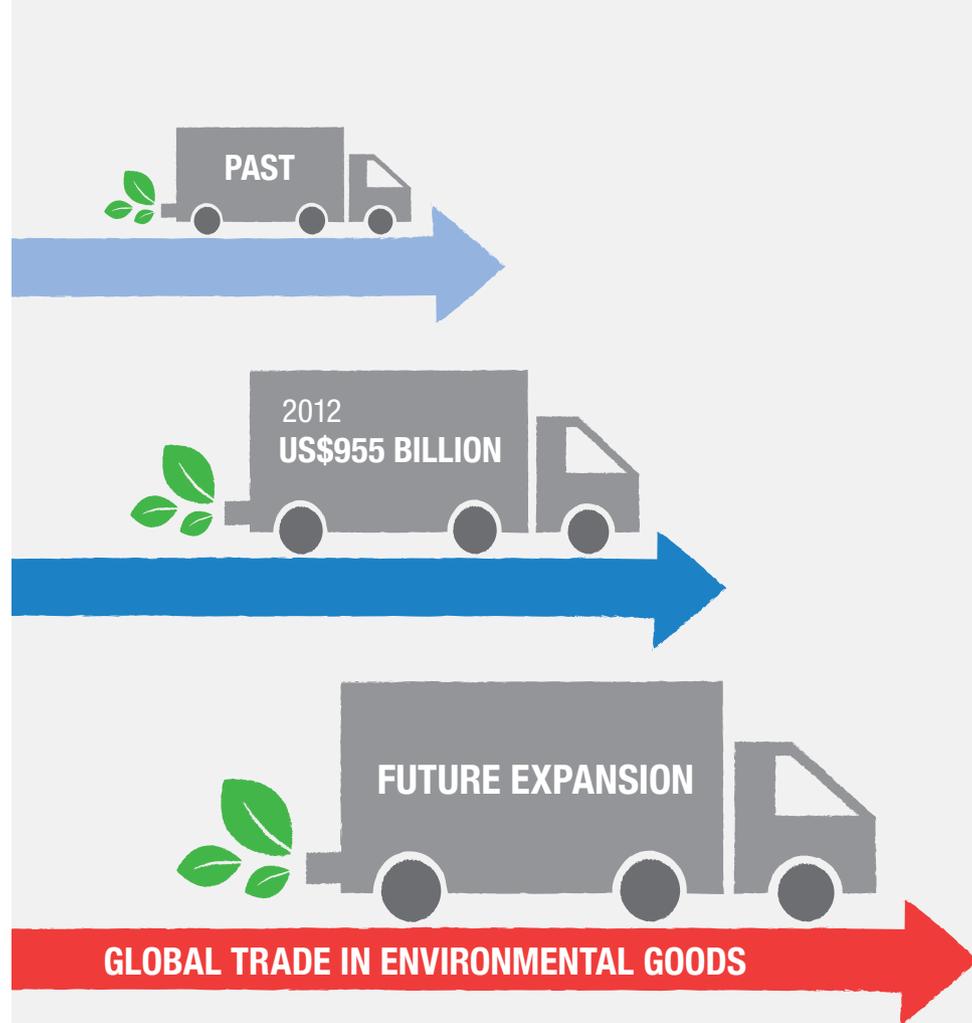
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Promote environmentally-friendly trade with developing countries

Global trade in environmental goods reached US\$955 billion in 2012, with tariffs on some products as high as 35%. Trade can help improve environmental outcomes globally, but there is room for expansion and inclusion of developing countries. Importing from poor countries whose environment is better suited to production without resource depletion is better than subsidising resource-intensive production in Europe. For example, imported tomatoes 'grown under the sun' in Kenya are far more climate friendly than those grown by Dutch growers using intensive farming methods and heated greenhouses.

Actions for the EU:

1. Use trade with developing countries to improve global environmental outcomes.
2. Work to conclude the WTO Environmental Goods Agreement and ensure that developing countries can participate in the opportunities that it will create.



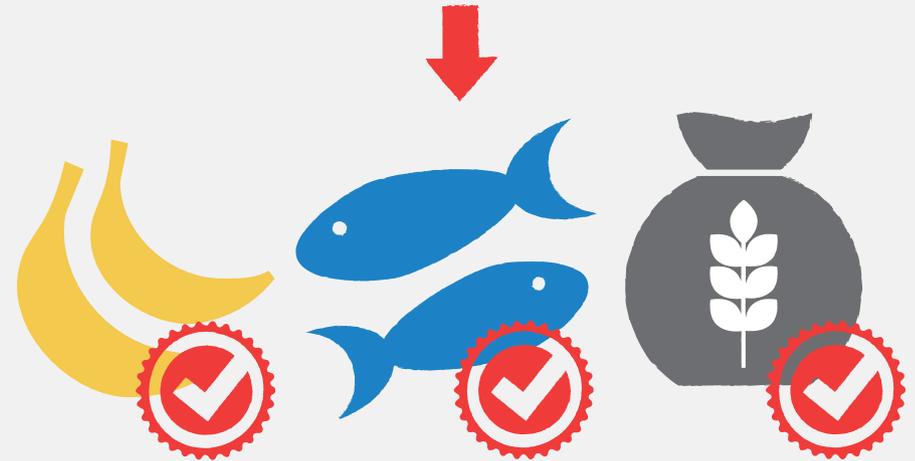
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Build the capacity of developing countries to meet EU trade standards

Primary products – for example agriculture, fishing, forestry, minerals and oil – make up 55% of LDC exports to the EU. These products face the most stringent health, safety and traceability standards, which many poor countries lack the technical and financial resources to meet. Market access becomes meaningless if the capacity to produce goods and services and meet the standards required does not exist. The EU has been heavy-handed in banning products from developing countries, and unmindful of the implications. For example, the EU should have helped Nepal improve capacity on standards rather than banning Nepali honey.

Actions for the EU:

1. Actively help to build technical capacities in developing countries at national and regional levels to meet EU product standards.
2. Communicate information on EU standards in a timely and transparent way.



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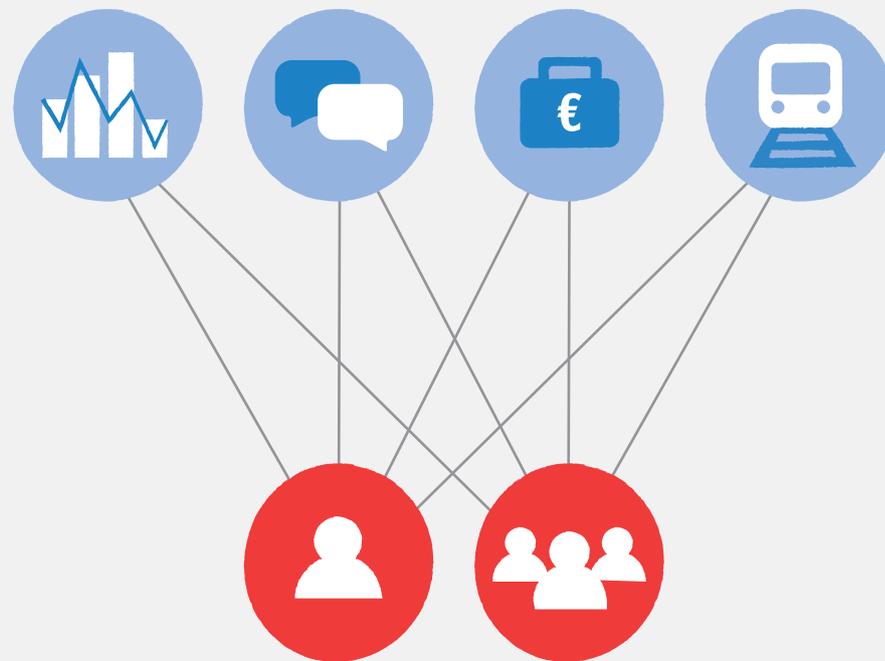
Increase business networks between EU and developing countries

Services – financial, business, communications, transport, environmental etc. – account for over two-thirds of economic activity in the EU. Until recently the EU could not grant LDCs similar preferential access for their services as it does for goods. However, a 15-year service waiver, agreed at the 2011 WTO Ministerial Conference in Geneva, would allow the EU to provide preferential market access for trade in services to the LDCs. Developing countries could then start to build a share of this market. But the waiver is yet to be applied.

Actions for the EU:

1. Respond positively to the LDC proposal on trade in services with the EU.
2. Offer all LDCs the levels of services market access that are offered in its free trade agreements with developed and developing countries.

EU SERVICES MARKET



PROFESSIONALS AND BUSINESSES IN DEVELOPING COUNTRIES

List of least developed countries

Afghanistan	Madagascar
Angola	Malawi
Bangladesh	Mali
Benin	Mauritania
Bhutan	Mozambique
Burkina Faso	Myanmar
Burundi	Nepal
Cambodia	Niger
Central African Republic	Rwanda
Chad	São Tomé and Príncipe
Comoros	Senegal
Dem. Rep. of the Congo	Sierra Leone
Djibouti	Solomon Islands
Equatorial Guinea	Somalia
Eritrea	South Sudan
Ethiopia	Sudan
Gambia	Timor-Leste
Guinea	Togo
Guinea-Bissau	Tuvalu
Haiti	Uganda
Kiribati	United Rep. of Tanzania
Lao People's Dem. Republic	Vanuatu
Lesotho	Yemen
Liberia	Zambia

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