

## TRADE NEGOTIATIONS: THE INSTITUTIONAL ASPECTS : THE ROLE AND PLACE OF INDUSTRY

Piet Steel, (Solvay) on behalf of the European Round Table European Parliament, Brussels: 18 March 1999

Mr. President, Honourable Members, Ladies and Gentlemen:

Let me start by making two obvious statements.

First, international trade helps world peace and creates more wealth, prosperity and jobs. Second, there is no escape from the global marketplace - no economy can isolate itself. Trade is Europe's main growth engine. We are the world's largest trader: the largest exporter and, equal with the US, the largest importer in the world. We represent a fifth of total world trade in goods and a quarter of trade services.

But to maintain its position as a trading superpower, Europe has to remain competitive. In the last ten years, Europe has gone a long way in creating more favourable market conditions for business. We have now a Single Market of 350 million people, the largest in the world. We have an Economic and Monetary Union with a single currency. We are liberalising utilities, energy and telecommunications in Europe. And last but not least, we are enlarging the European Union to admit new Member States. All this will significantly strengthen Europe's position in the world.

Europe is not an inward-looking continent, it is not a fortress. It has an elaborate network of international agreements with individual countries and regions such as:  
the candidate Member States of Eastern and Central Europe  
the Mediterranean countries  
the Mercosur countries  
the countries of the Lomé Convention.  
the Asean countries and  
above all, Europe and the US, whatever the problems, have the world's biggest bilateral trading relationship and the biggest investment relationship. Last year, their common destiny was sealed in the Transatlantic Economic Partnership.

It is obvious Europe must be a key actor in international trade negotiations.

This is why European business fully supports the WTO, especially the launch of a new comprehensive round of WTO negotiations on goods and services.

This leads me naturally to the subject of today's hearing: "The Institutional aspects of trade negotiations: role and place of industry"

This hearing today is a timely initiative by the Parliament and deserves therefore our greatest attention.

We are on the eve of the launch of new round of trade negotiations. And a new Inter-Governmental Conference to complete the unfinished business of Amsterdam is eagerly awaited.

European business is in favour of a strong Europe with strong institutions. We do not like institutional conflicts because they weaken the authority and credibility of Europe.

European business favours a strong Commission that has the ability and the power to lead the multilateral trade negotiations. The events of this week show that a strong Commission must be balanced by a strong Parliament.

Therefore, it is important that a strong parliament helps to define and supports the fundamental objectives of the coming trade negotiations.

We are sensitive about the way Europe organises itself in order to assume this lead in the coming negotiations.

Even if for outsiders European institutional questions are arcane and hard to understand, in diplomacy and politics, formal procedures reveal substance and power.

Business leaders had hoped that the Amsterdam Treaty would have solved the institutional aspects of future international trade negotiations, in particular the respective powers of the Commission, the Member States and the European Parliament. Unfortunately, it did not. Except for an open-ended enabling clause, nothing was decided in Amsterdam. The question of whether the Commission has the power to negotiate international agreements on services, trade related investment measures and trade related intellectual property remained open and undecided.

Unless this anomaly in the Treaty is properly addressed, the EU will enter the next WTO negotiations with a serious handicap. A next IGC should urgently clarify these matters.

Let us examine more in detail the current EU institutional procedure for trade negotiations.

The present rule is that on the basis of a mandate given by the Council, it is the Commission which conducts the trade negotiations on behalf of the Union and in close consultation with the Member States in accordance with Article 113 of the Treaty. This rule is essential for the functioning of a customs union.

For instance, during the Uruguay Round and previous rounds (Tokyo), the Commission negotiated on behalf of the Union and its Member States,

However, because of the inclusion of the Annexes on GATS and TRIPS in the Uruguay Round Agreements, these were signed both by the Union and the Member States. The Commission disagreed arguing that the entire Uruguay Round Agreements fell within the exclusive competence of the Union. The Court of Justice had to give its opinion. It pragmatically ruled that GATS and TRIPS were mixed agreements and decided, consequently, that both the Commission and the Member States had to sign the whole Uruguay Round agreements.

As far as the Parliament is concerned, it has only a consultative power. In certain cases, the assent of the Parliament is required before the Council can conclude a trade agreement. But, only when the trade agreement:

- is an association agreement;
- establishes a specific institutional framework by organising cooperation procedures;
- has important budgetary implications for the Community; or
- entails the amendment of an EU act adopted under the co-decision procedure;

The time has come to review these rules and to examine whether they can be strengthened.

A first attempt to grant more power to the Commission and involve the EP in future trade negotiations was made during the IGC resulting in the Amsterdam Treaty. The Governments were unable to agree. Or rather they agreed to disagree and accepted a clause enabling the Council, acting unanimously on a proposal from the Commission, to grant the Commission powers to negotiate and conclude future agreements on trade in services and intellectual property.

We know, however, how difficult it will be to reach an unanimous decision in the council. This will become a potential handicap.

On the assent procedure of the EP, Amsterdam provides in Article 228 some changes. On the conclusion of international agreements, the Parliament must be fully and immediately informed. We

encourage the Parliament to make use of this right, bearing in mind the fundamental objectives of the negotiations.

This is the situation today which, in the eyes of the European business, is far from satisfactory.

We think it would be damaging for Europe as a customs union, damaging for Europe's interests as the biggest trading bloc in the world, damaging for business and industry, if during the Millennium Round, the Commission's negotiating power was excessively curbed by the Council. Today's world trade and tomorrow's international trade rules will primarily focus on invisibles such as services, investment, intellectual property and competition.

However, granting to the Commission more negotiating powers should be offset by more transparency and openness during the negotiations. We share Sir Leon Brittan's view that one of the key features of the Millennium Round will be an openness of information and discussion, so that interest groups and people in general can find out what is being done in their name and influence it.

Mindful of the criticism that there is a need for a proper democratic control in Europe, we would welcome proposals for an enhanced role of the Parliament in trade negotiations. The EP has the right to be kept fully informed of the state of negotiations. And it would even help the Commission negotiators if the EP could be associated during the negotiating process.

However, it is not the role of the EP to conduct the negotiations but its role is to scrutinise the negotiators of the commission on the basis of a Council mandate.

The involvement by the EP in the negotiating process, and through their representatives the business community and other members of civil society, would not necessarily require a modification of the treaties. It could be done through an inter-institutional arrangement.

Although the negotiation process may seem technocratic and bureaucratic, its outcome has a considerable bearing on the life of millions of European citizens, consumers and workers alike.

With the EP on its side, it would be easier for the commission to arbitrate among the many, often opposite, interests and views within Europe.

The appointment of a new commission and the negotiation of a modus vivendi between the EP create the opportunity to put forward the idea of allowing EP representatives as observers in the negotiating team. Business would not be opposed to such a move.

We can assure the EP that at next round of multilateral trade negotiations, the European industry will do everything it can to make its voice heard. The ERT, the TABD and UNICE are girding themselves to contribute in a constructive spirit to the preparation of the round.

We welcome the Commission's initiative to start a structured dialogue with industry on services and investment. I think it should be widened to other possible subjects of the negotiation. European business and the EP should engage in a similar dialogue to safeguard Europe's main interests in the negotiations.

It is our common interest to maintain and develop a multilateral framework of rules governing international trade. As I said in my introduction, international trade helps world peace and creates more wealth, prosperity and jobs. Today's hearing is a fine example of how we can work together. Let's do it.

Thank you