

|| The EU's place in the global market

Making trade the currency of sustainable development

The European Union is an economic heavyweight, but it is not a monolith. It works for the good of its own members but it also takes into account the global good. Half a century of European integration has served the EU well and it believes that closer regional and global integration can do the same for the world.



Wherever you live in our increasingly wired world, chances are you come across the European Union by one or other of its monikers – the EU, 'Europe', 'Brussels', etc. – in the media fairly regularly. However remote Europe may seem from your life, and despite its size and complexity, it is not an impossible thing to comprehend.

Chaos theory's famous 'butterfly effect' tells us that this delicate creature fluttering its tiny wings in the Amazon could set off a storm, for instance, in China. What is true for the weather is also true for modern economies.

In our increasingly globalised world, the economic decisions each and every one of us makes – weekly shopping, holidays, savings, investments – affects in subtle and intricate ways a worldwide web of people that can count in the millions.

The way we all affect and are affected by one another makes it essential to learn more about the rest of the world. That means that Europe is also of interest to you. This brief introduction will help bring the EU, and particularly its overseas trade aspect, that much closer to home for you.

Historic times for Europe

The EU and its 'borderless' internal market have helped underwrite peace and prosperity in Europe by giving European nations common interests and common causes. This year marks the 60th anniversary of the official close of World War II – a five-year conflict which claimed the lives of some 50 million people. European integration grew out of the ashes of this devastation and its main goal was to avoid its recurrence.

What started off as a modest Steel and Coal union between six founding member states has grown to embrace 25 members. The Union now hopes to extend the unprecedented wealth generated by its internal market to the ten new members who joined in May 2004 – not to mention the Union's new neighbours. The euro – which has soared on international markets since its introduction as a physical currency – is another recent success story.

Stage presence

In addition to internal peace and prosperity, the EU offers its Member States a more powerful presence on the world stage. As the leading trading bloc, the EU actually speaks with one voice in international trade.

One important function of the EU is to pursue and defend the international commercial interests of its Member States and their citizens, through direct talks with other countries and regional blocs, as well as at the only world forum for international trade, the World Trade Organisation (WTO).

Historic times for the world

The world has also been going through some historic changes. International trade – i.e. between countries – stands at its highest levels ever. The growing importance of cross-border commerce is reflected in the WTO and its expanding membership of 148 countries and territories. Its main functions revolve around setting rules for international trade, settling cross-border trade disputes, and organising trade talks.

The EU is also a member of the WTO. This means that the 25 member states speak with one voice at WTO meetings as they are represented by the EU's executive branch, the European Commission. Meanwhile, the Union's Council of Ministers take the important political decisions and, together with the directly elected European Parliament, co-decide on new legislation.

Giving its own experience with the power of common markets to generate common wealth, if you will, the Union is a strong advocate of trade as a forerunner of peace and prosperity. The EU thinks that its more than fifty years of experience in the multilateral game can benefit the world.





Sustainable markets

Although international trade has improved the lives of hundreds of millions of people around the world, a more competitive world has had its victims. Easing the pain of developing countries in the global market is essential for us all to gain from opening up of world trade. The EU is dedicated to reforming the global system to spread prosperity and make development more sustainable.

“Trade policy, when used well, can make a powerful contribution to economic development all round the world,” explains External Trade Affairs Commissioner Peter Mandelson, “as long as we recognise the need for special and differential treatment for the poorest.”

“We gain through open trade and liberalisation... [but it] is not an end in itself. It is a means for creating a better and more just society and improving people's lives,” he adds.

A gentler world

The Union realises that a great deal needs to be done to improve the global trading system, but it takes the view that things have got better thanks to this multilateral approach to world affairs, and they will continue to advance. The EU has been a major driving force behind the reform of international commerce to better tune it to the needs of developing countries.

It was a pivotal force behind the formation of the WTO, which absorbed and replaced the 63-year-old General Agreement on Tariffs and Trade (GATT). This development gave the ageing GATT more power to pursue development-related issues and expand its remit to cover both manufactured goods and the growing cross-border trade in services.

From Doha to Cancun and beyond

Under the WTO, governments hammer out changes and shifts in the rules of international trade in what are called ‘negotiation rounds’. The international community launched the current negotiation round in Doha (Qatar) in 2001.

The ‘Doha Round’ is built around sustainable development and covers a broad range of trade-related issues, including intellectual property, agriculture and services. Its main focus is on making trade work for developing countries by honing the rules of global commerce to their needs. Doha has become the EU's number one foreign trade priority.

“Of course, there is no simple panacea for development,” Mr Mandelson admits. “The answer lies chiefly in building up the capacity of developing countries.”

In 2003, there was quiet optimism among negotiators that the WTO meeting in Cancun, Mexico, would push Doha towards its 2005 deadline. Instead, in September 2003 the talks broke down over farm subsidies and access to developed world markets.

But, just as some feared that all might be lost, the EU led the charge to salvage Cancun. In 2004, patient talks at WTO headquarters in Geneva, Switzerland, led to a breakthrough between developing and developed countries that helped put the Doha Agenda back on track.

Reform begins at home

The European Union is working hard to make Europe not only a better place for its citizens but also a better place for the world. It is gradually removing remaining non-competitive practices and granting increasing preferences to more of the world's poorest countries.

The pace of reform is necessarily set by complex internal dynamics but there have been numerous recent successes, including the decoupling of farm subsidies from production, the opening up of European markets to more agricultural and industrial imports from developing countries, and the removal of quotas on textiles.

The Union was the first to grant a Generalised System of Preferences (GSP) for developing countries in 1971. In recent months, the Commission has reformed the GSP system to better adjust it to the countries that need it the most. This will likely prompt other developed countries to follow suit and ensure that trade can really bring opportunities for development.

