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Aid 2 Trade

Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort

"EU Trade Policy Towards Developing Countries" Conference

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Good morning ladies and gentlemen,

It has been less than two months since I made the switch, as European Commissioner, from development aid to trade.

It will therefore not surprise you that it pleases me very much to be able to speak here today on a question that matters a great deal to me: how can we help countries make the same move - from partners in development aid to partners in trade?

DG Trade has, I feel, brought together an impressive set of speakers for today's seminar on *Trade policy towards developing countries*. With eminent scholars and experienced practitioners both on stage and in the audience I have in front of me a room full of people capable of discussing the nexus between trade and development in all its complexities.

This mix of participants is important also because trade and development are all too often different worlds in which different people speak different languages; where people who believe in development aid discuss aid and those who don't focus on trade; where development aid is perceived by one world as *unhelpful* and trade by the other as *unethical*.

This *preaching to your own church* doesn't do either of them any favours.

So the real subject of this seminar, for me, is a set of fundamentally practical policy questions:

What works and how do we make it work?

How can aid help trade and how can trade help development?

What can we do, as European partners?

And what can we do better?

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To answer these questions, it's important to bear in mind the effect the economic crisis has had on developing countries.

They too were swept up in a worldwide economic storm not of their own making and they too saw trade flows dwindle, financial sources dry out and investments postponed or cancelled. The sharp decline in prices for primary commodities particularly hit countries that depend on the export of raw materials and energy. More than anything, the crisis confirmed developing countries' integration in international markets.

And it is now growth in key developing countries in Asia that is in fact now pulling the global economy out of the crisis. There are also signs that ACP and other developing countries, too, are leaving the worst of the crisis behind them. For instance, the IMF expects Africa to reach around 4,5% growth figures in 2010. This bodes well for the future.

But the recent past shows that, first, developing countries need to be able to diversify since excessive dependence on commodities or particular export markets remains a big risk; and second, we will certainly need increased international trade to revive growth in the medium term and reinforce resilience in developing markets in the long run.

That was of course always the main tenet of the Doha Development Round, and conclusion of Doha remains the first best option to give international trade a much needed boost in the years to come, not only but also for the poorest countries in particular.

It would open trade on their terms, tailored to their capacity to absorb trade liberalisation and keeping in mind that for some vulnerable countries and sensitive sectors opening up to competition may be too much of a shock.

For that reason, the draft package on the WTO table was always worth fighting for, and it is even more worth the effort since the crisis. The development dividend to be expected from the DDA is huge and necessary: from global farm reform, trade facilitation and aid for trade to the extension of unlimited market access to all least developed countries by both developed and emerging economies (as is already the case for the EU through its *Everything But Arms* regime).

As you all know, the EU is not holding up these negotiations. We cannot therefore unblock them either. But we will put our considerable weight behind any efforts to bring the Doha negotiations to a successful end as soon as possible.

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Europe has also been very active, and indeed proactive, outside the DDA, and our own instruments for trade with developing countries are up for review as we speak.

Today, I am launching a public consultation on the Generalised System of Preferences and I invite all interested parties inside and outside the EU to make their views known.

The GSP scheme is one of our key trade instruments to promote economic progress in developing countries but at the same time the importance of tariff preferences has been somewhat eroded by liberalisation in other contexts – and this process is likely to continue. The GSP+ incentive scheme is a globally innovative way to promote international standards on core human and labour rights as well as sustainable development and governance principles.

The current GSP scheme is due to expire at the end of 2011 and this is an opportunity to conduct a serious and substantive review, to look at its implementation modalities and to ensure that the GSP responds to the changing economic environment and development needs of poorer countries.

Until 2008, GSP preferences seemed to be well established. Imports into the EU under GSP preferences have been steadily increasing and amounted to 68 billion € in 2008. It will be interesting to see the impact of the crisis on GSP once the 2009 data arrive later this year, as this will certainly be something to take into account in the review.

The fundamental question for the review is whether the current GSP objectives remain valid and whether GSP preferences are still the best tool to achieve them. That implies asking the hard questions: is it right that GSP continues to be available to traders who have in the meantime become major global players in international trade with very significant and wide-ranging exports to the EU? Should the EU give GSP preferences to countries which already benefit from other preferences granted by the EU? Should the current architecture of GSP – with GSP, GSP+ and *Everything But Arms* – be changed? And should the current arrangements for monitoring compliance be reinforced?

These are some of the issues we want stakeholders to thoroughly debate in the months to come.

After an impact assessment, the Commission proposal for a successor regulation can then be expected towards the end of this year or at the very latest during the first quarter of next year. Because the adoption procedure is likely to last beyond the expiry date of the current scheme, we will also submit a proposal to roll over the current regulation, so that we avoid a time-gap in which GSP beneficiaries would lose their preferences from 1 January 2012.

The whole procedure, of course, takes time. But I am willing to do what is realistically possible, within the legislative and practical constraints, to speed up this process.

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Ladies and gentlemen,

Because we increasingly see developing countries as equal partners in trade, bilateral and regional trade agreements are also gaining prominence.

The EU has an active negotiating agenda with developing countries from all corners of the globe. Three weeks ago, I shook hands on a deal with Ministers from Colombia and Peru; two weeks ago I was in Vietnam and India discussing FTA negotiations at different stages of maturity. These are just a few examples of the agreements in prospect with developing country partners.

These agreements will not at all be identical. There is no *identikit* model agreement that the EU seeks to impose on partner countries. But with all our developing country partners, I strongly believe there is a mutual benefit in reciprocal (if not identical) market opening and intelligent rule-making that supports partners' own development agendas. Going beyond tariffs to address issues vital to development such as investment, services and trade-related rules, while taking the particular development needs and situations of partners appropriately into account.

In this context, I would like to make a few specific comments on our trade relations with the ACP Countries. By negotiating *Economic Partnership Agreements* the European Union wants to establish mature trade partnerships for development between the EU and EPA regions, striking a careful balance between rights and obligations of both partners. This is not an easy undertaking and there are no one-size-fits-all solutions, but the logic behind them is sound and the benefits to be gained from them are real.

EPAs will help make ACP countries more competitive by lowering import costs and providing access to affordable quality services. They will help create a transparent and predictable business environment and help ACP countries to attract the investment they so desperately need. And they will promote regional integration and create bigger markets – we in Europe know how important that is!

This too is a difficult and highly charged debate, but I think it's crucial we have this debate in all openness, and I would stress that EPAs are about more than just negotiations. They should be regarded as a process, involving a long-term partnership never set in stone.

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Ladies and gentlemen,

If I told you, a moment ago, that I do not belong to any 'church', it does not mean I don't have strong convictions. Quite the contrary, my experience with Africa, in trade and in development has imprinted on my mind some basic rules of what works and what doesn't, of what is needed and what isn't for developing countries to make headway.

I am convinced that development aid can make a difference if it bears in mind the distinction between what former World Bank economist William Easterly called 'planners' and 'searchers'. 'While the traditional foreign aid planners announce good intentions but don't motivate anyone to carry them out,' Easterly writes in his polemic *White Man's Burden*, 'Searchers find things that work and get some reward.' While planners at the top apply big ideas, searchers find out what the reality is at the bottom. Where the first make plans in other people's best interests, the latter help people make their own plans come true.

I am convinced that more and more people dealing with development aid fall into the second rather than in the first category, and I tried to use the few months I had as Development Commissioner to convince others of this change in mentality.

I am also convinced that among developing countries' traders, businesspeople and workers are some of the best and most creative 'searchers' you'll ever find. There may not be a French word for 'entrepreneurs' – as a certain American politician once supposedly said – but there must be hundreds of African, Asian and Latin American words to describe the creativity, the eagerness, the sheer energy of millions of people in poor countries who make the best of a very difficult situation, who want to get on in life and achieve remarkable things while doing so.

I refuse to believe that these people cannot compete in regional and international markets and I am absolutely certain we can help make trade work for them – just as it has worked for us in Europe and, later, for the emerging economies, large and small, of the past two decades. Go to Southeast Asia and see for yourselves! What is more, it is already working for those ACP countries that successfully move away from dependence on basic products and raw materials into higher value added sectors.

Not everyone will agree with me on this. The mistrust of, and downright opposition to our Economic Partnership Agreements makes clear that many people, often but not always with the best intentions, think two-way trade will undermine rather than strengthen developing countries and should therefore be tempered rather than promoted. That is just not what economic history tells us, it is not what my experience has taught me, and at any rate, we will see other global players engaging in two-way trade in Africa.

We will need to convince policy makers and civil society, both in developing countries and in Europe, that poor countries stand to gain most from trade. In fact, an OECD study calculated that, if all tariffs worldwide would be removed, almost 60% of the welfare gains would accrue to developing countries.

We will have to remind those who are serious about development that the initiatives of the past have not made the least developing countries' economies more robust, prosperous or sustainable, that aid without trade is not helping and that a mature, tailor-made and mutually agreed economic partnership is the right thing to do. It is a sad but undeniable fact that ACP countries' share of EU imports has steadily shrunk over the past decades – despite the EU giving them more open access than many other developing countries - and still concentrates on only a handful of commodities. We have to reverse this trend.

We will try to convince our partners in the developing world of these things by being open-minded in the debate about our trade instruments and in the way we apply them.

I am determined to work constructively with stakeholders, including civil society and NGOs both in the EU and outside on trade policy towards developing countries, and I'm intent on working closely with my successor as Development Commissioner, Mr. Piebalgs and with Baroness Ashton, to see how our policies in ACP and other developing countries can best add to one another.

Because while liberalising trade is important, it is definitely not enough. We can and have to help developing countries make the most of the market access on offer, develop their capacity to expand their trade and best use trade to reduce poverty.

We already do: the EU is the largest provider worldwide of Trade Related Assistance and Aid for Trade, amounting to over 7 billion € in 2007. And I expect that figure to increase when we have the final figures for 2008. We have also provided more than 1 billion € to Trade Facilitation related projects in 2008. This is one of the success stories in development aid and we should increase and improve our efforts even more.

We can also help developing countries' trade indirectly by assisting them in appropriate flanking measures such as in education or good governance, in building institutional capacity and providing social safety nets.

Close cooperation between Aid and Trade will not only make our efforts more productive and effective, it would also increase their legitimacy by making it clear that one is not about *help* and the other about *self-interest*. Both are about exactly the same thing: increasing welfare for developing countries. And developing countries can only fare well if they use both to maximum effect.

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Ladies and gentlemen,

In a discussion as complex and as important as this, I do not expect you have all the answers by 7 o'clock tonight.

But I am asking you to work hard on this in the years to come, and to work with me on this.

I see trade policy for developing countries as one of my key objectives for the years to come, and though it presents some major challenges, I regard it as one of the most worthwhile to strive for.

I hope to learn from your discussions and ideas, and to be stimulated by your enthusiasm, today and in the years ahead.

Thank you very much.