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EU External Trade Policy

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Introduction

The EU's external trade policy has been one of the success stories of the past forty years. It has been a key force for the opening of markets for goods, services and capital, the expansion of world trade, and the strengthening of international rules guaranteeing a "level playing field" for the European Member States in the world outside the EU. Even with trade in agricultural products, some progress has been made, for example reform of the EU's sugar regime will mean a 36 per cent cut in sugar prices over four years. The EU, through its Common Commercial Policy, has helped to create, and continues to underpin, the World Trade Organisation founded in 1995 as the successor to the General Agreement on Tariffs and Trade set up in Havana in 1948 – each of them the only international body policing the world of commerce. World trade expanded 22-fold in the second half of the twentieth century making it a growing political issue. This paper describes how the EU handles this important topic; there is a separate paper on the EU and the current difficulties in the Doha Round of trade talks.

The EU and World Trade

The 25 Members of the EU constitute the world's largest, and leading, trading body. Excluding trade between members, EU states together account for more than a fifth of world trade, although constituting only seven per cent of the world's population. Thus, the EU is the world's largest exporter, and second largest importer, of commercial goods; and is both the largest exporter and the largest importer of commercial services. The progressive liberalisation of world trade, accompanied by the abolition of barriers between EU Member States in the Single Market, has helped the EU modernize and improve its international competitiveness and has contributed to the EU's general economic welfare and prosperity. The liberal thrust of the Common Commercial Policy has also assisted the process of liberalisation within individual EU Member States (such as Italy and France). It remains a strategic objective of the EU to open up its own markets further as others do likewise.

Negotiating as One

Although the EU, represented by the European Commission, speaks and negotiates with a single voice internationally in matters of trade policy, it is the EU Member States, not the Commission, who determine what that policy should be. Formal negotiations are conducted by the Commission on the basis of "Directives" agreed (with the active participation of a British Trade Minister) by the EU Council of Ministers. Decisions in the Council are taken by Qualified Majority Voting (QMV) with only a few limited issues where decisions are still taken by unanimity. The European Parliament is consulted before and after international negotiations, and updated while they are in progress. In addition, it is laid down in Article 133 of the EU Treaties that the Commission shall conduct its formal negotiations, "in consultation with a special Committee of Member State government

representatives, whose task it is to assist the Commission." The UK is represented on that Committee by a director general from the Department of Business, Enterprise & Regulatory Reform. This is an area of EU policy where the UK has always been influential.

Trade Disputes

In the World Trade Organisation the EU is an important and influential player, alongside the USA, the G20 group of developing nations (including Brazil, China and India) and the Cairns Group of agricultural exporting nations. The United States is by far the EU's largest bilateral trading partner (the US takes 24 per cent of EU exports and provides 15 per cent of EU imports) and the EU has used this relationship to counter instances of US protectionism. For example, in 2002, the USA imposed trade tariffs of up to 30 per cent on imports of steel products from the EU, placing huge additional costs on British steel manufacturers, an industry that employs 70,000 British workers. EU countries were granted permission to impose retaliatory measures on a range of US goods, applicable across the whole then 15 Member States, which resulted in the US subsequently removing the tariffs, much to the relief of the British steel industry. However, while the two have not always seen eye to eye, they have usually been able to cool trade friction, reconcile differences of approach and work closely together towards common objectives. In this way, the EU is promoting a growing body of internationally agreed common rules, and extending a bridge to the developing countries (with whom the EU's Member States have influential links).

The Service Sector

EU external policy extends beyond the conventional, although enduringly important, exchange of goods. Trade in services, now part of the WTO agenda, accounts for almost a quarter of total EU external trade. The sector embraces computer and information activities, travel and tourism, finance and insurance, transport, telecommunications, construction, and much else. The services sector is the largest economic sector in the EU, accounting for two-thirds of both GDP and employment.

Conclusion

The UK is a major trading nation, whose exports in trade and services outside the EU are exceeded only by those of Germany and are about the same as those of France. We have successfully supported, ever since our entry in 1973, a liberal and trade expansionist approach by the EU. In so doing, the UK has secured a much better deal for itself than if it had had to negotiate alone, whether multilaterally in the WTO, or bilaterally with international partners of a much greater size such as the US (whose own trade interests occasionally clash with ours). This is a clear case of Britain benefiting from being in the European Union.

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Senior European Experts

The Senior European Experts Group is an independent body consisting of former high-ranking British diplomats and civil servants, including several former UK ambassadors to the EU, and former officials of the institutions of the EU.

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