

EU TRADE & INVESTMENT POLICY & THE ROLE OF FTAs

**ASEAN – OECD INVESTMENT
POLICY CONFERENCE
18 – 19 November 2010**

EU INVESTMENT AFTER LISBON

- LISBON TREATY
- STEPPING UP EU AMBITIONS:
 - EU Investment policy
 - EU Trade Policy
- EU & ASEAN: STRONG RELATIONS
- THAT CAN BE STRENGTHENED (FTAs)?

EU – SOME FACTS

- 27 Member States, one trade (and investment) policy
- 20% of world GDP, 18% of world trade, largest source for FDI
- Over 50% of EU total imports from Developing countries &
- Almost 80% of DCs exports enter EU at zero or reduced tariffs, tariff and quota free for LDCs
- The EU provides more than half the world's aid, also in the field of trade development

LISBON TREATY...

Treaty in response to a changing world

- A more democratic and transparent Europe
- Simplified working methods and voting rules
- Charter of Fundamental Rights into European primary law
- bringing together Europe's external policy tools

... Through significant innovations

- 2.5 year Presidency of the European Council
- High Representative for EU foreign affairs and security (+ action service)
- 'Solidarity clause

LISBON TREATY AND INVESTMENT

- Foreign direct investment now part of the common commercial policy
- The Union is to contribute to the progressive abolition of restrictions to foreign direct investment
- Action to be guided by general principles of the EU and other commitments e.g. consumer and environmental protection + Role EP

Pre-Lisbon Treaty division of competence: theory

	<i>Portfolio</i>	<i>FDI</i>
<i>Promotion</i>	Member States	Member States
<i>Protection</i>	Member States	Member States
<i>Liberalisation</i>	Treaty (Free movement of capital)	Latest generation of EU Free Trade Agreements

Pre-Lisbon Treaty division of competence: practice

EU level:

- **Multilateral:**

 - **General Agreement on Trade in Services (GATS)**

 - **Attempt in OECD (Multilateral Agreement on Investment, MAI)**

 - **Further attempt in WTO (a « Singapore issue »)**

- **Bilateral:**

 - **« Minimum Platform on Investment » Focus on establishment and MA**

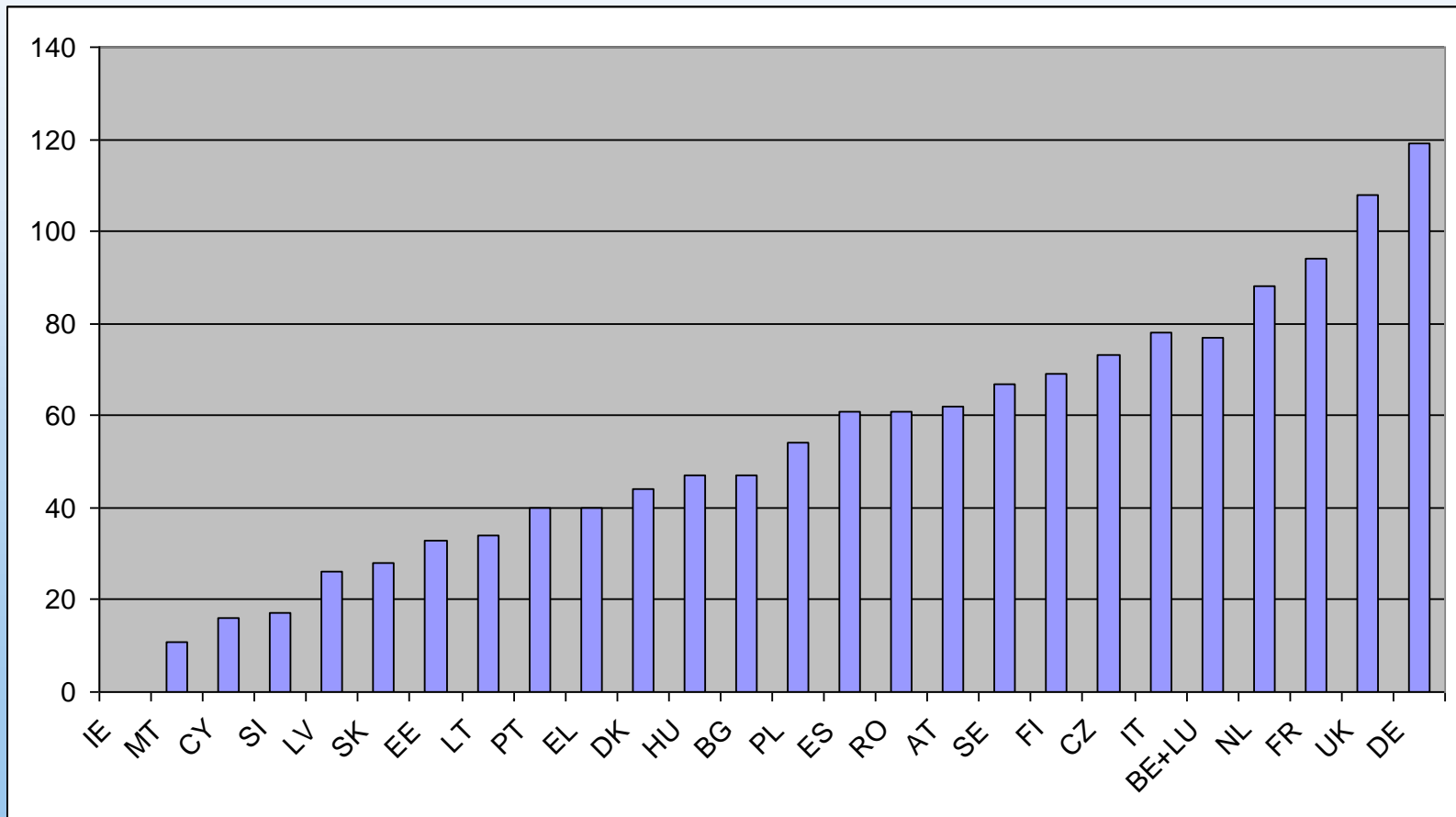
 - **Examples: EU-Korea FTA, EU-Cariforum EPA + ongoing negotiations**

- **Sectoral:**

 - **Energy Charter Treaty (ECT)**

MS level: Bilateral Investment Treaties (BITs)

BITs: the most visible manifestation of MS competence



Implications of the Lisbon Treaty

- **Validity of existing Member State instruments, i.e. BITs (*short term*)**
- **Ability of Member States to enter into new BIT negotiations or conclude ongoing negotiations (*short to medium term*)**
- **Interest of the EU to exercise newly-gained competence (*medium to long term*)**

Commission's response

- Address any uncertainty that will arise relating to existing BITs: *grandfathering*
- Enable MS to continue negotiations and conclusion of BITs with certain specific third countries: *empowerment*
- Define contours for new EU policy in a Communication. Focus on investment protection to complement current agenda.

Investment Communication

- **Agenda for future EU negotiations**
Going where the growth is
FTA as a vehicle for investment negotiations (Canada, India, Singapore, etc.), but also non-FTA partners (China, Russia)
- **Parameters for EU investment agreements**
EU added-value: produce better results as a collective
Investment protection & investor-state arbitration
- **Investment promotion policies can complement and fit well alongside a common EU investment policy (cf. export promotion)**

COUNCIL CONCLUSIONS

- Pragmatic and realistic approach that empowers Member States when no EU agreement foreseen
- Criteria for selecting priority partners for EU:
 - economic climate in third countries,
 - market size and growth, the strategic importance of the economic relations of the EU,
 - opportunities offered in terms of investment,
 - political and institutional stability, the degree of local legal protection for European investors,
 - BITs concluded by Member States with these countries, as well as the potential added value of an EU agreement
- cf recently adopted Trade Policy

NEW TRADE POLICY – WHY?

- Potential, by 2020, to a 1% higher level of EU GDP
- Gains from a wider variety of goods and services for the average consumer in the range of €600 a year, in addition to lower prices
- More than 36 million jobs in Europe depend on EU ability to trade with the rest of the world

TRADE POLICY

- Negotiating agenda WTO and major partners
- Deepen trade relations with other strategic partners, focusing on tackling non-tariff barriers
- Help EU access global markets by redressing balance open EU markets & more closed markets
- Make sure trade is fair, and rights are properly enforced, translating promise on paper into concrete benefits;
- Ensure trade remains inclusive so that the benefits go to the many, not the few.
- Negotiating comprehensive investment provisions

TRADE POLICY – INVESTMENTS

- Investment is key to diffusion of innovation and new technologies: newer sectors (telecom) but also for instance traditional – high tech textile production (textiles)
- Services represent 70% of world output but only one fifth of world trade
- Estimated tariff equivalents above 20%
- Public Procurement: 10% share of GDP in industrialised countries.

WHAT DOES THIS MEAN FOR ASEAN?

- Further strengthen strong partnership!
- Trade policy dialogue and cooperation
- FTA negotiations within an ASEAN context

→ Levels of Ambition?

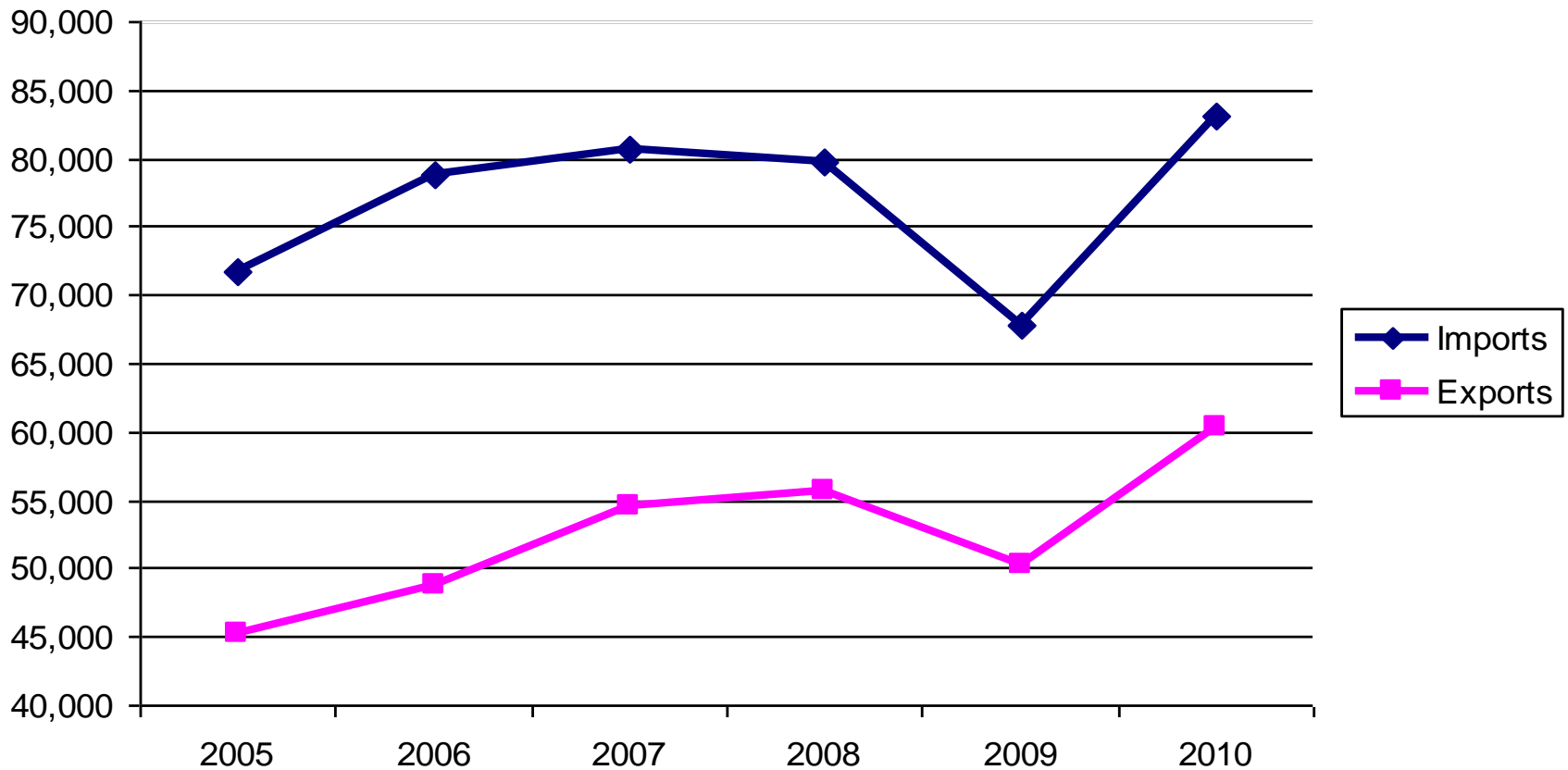
EU & ASEAN: STRONG PARTNERS

- € 120 Billion trade ASEAN and EU
- EU is ASEAN's largest export partner
- Substantial part GSP
- Providing a healthy trade surplus for ASEAN (€ 18 billion)

- **... And ASEAN important to EU**
- substantial Trade in machineries, chemicals, agricultural products and manufacturers.
- Besides, trade fully recovered after the crisis in 2009.

External Trade

ASEAN EU TRADE



EU ASEAN LARGEST PARTNER

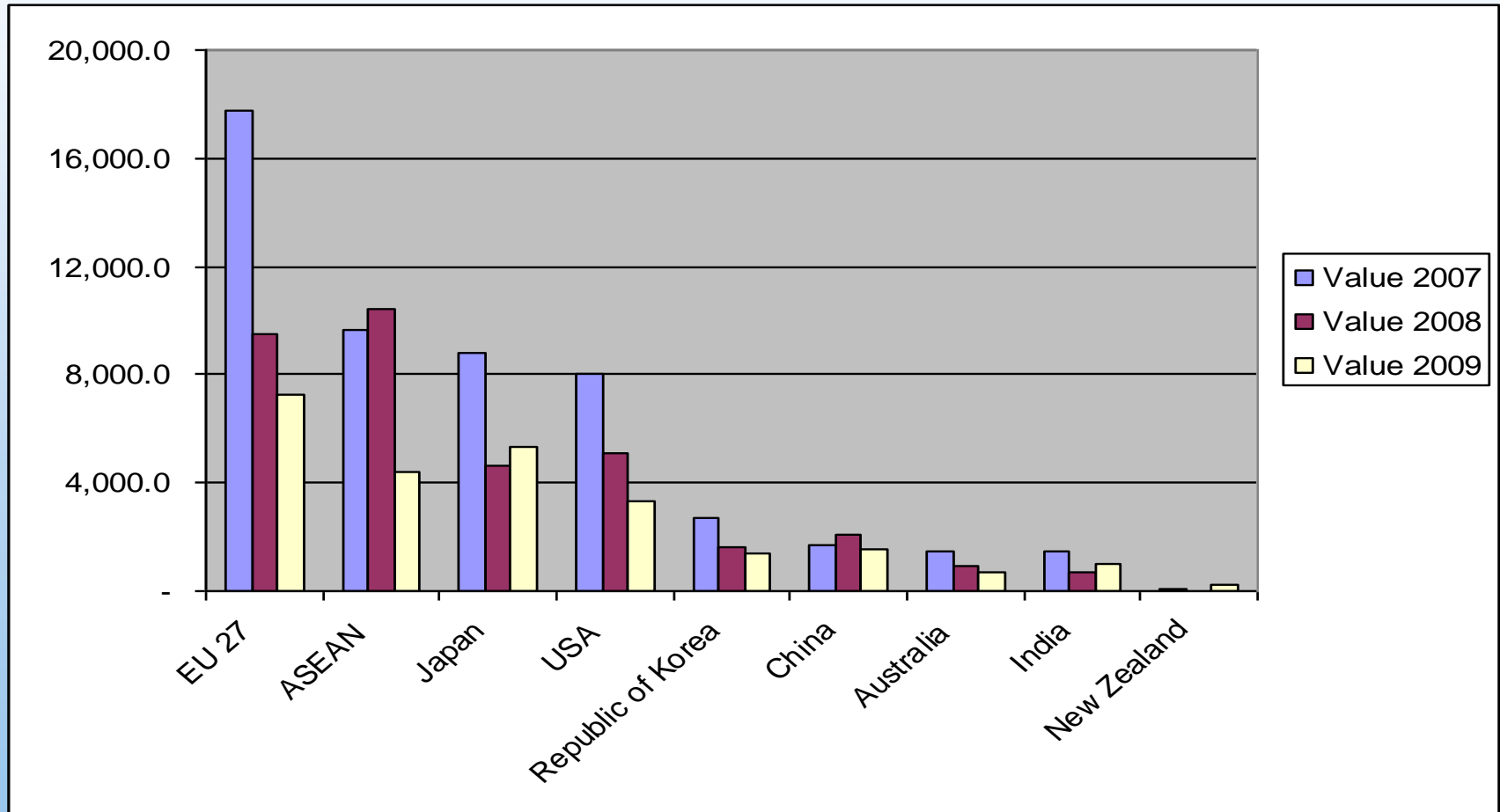
The Major Imports Partners

Rk	Partners	Mio euro	%
	World (all countries)	534,052.3	100.0%
1	China	68,581.3	12.8%
2	Japan	60,861.6	11.4%
3	EU27	57,414.9	10.8%
4	Singapore	54,941.1	10.3%
5	United States	47,363.2	8.9%
6	Malaysia	35,052.6	6.6%
7	South Korea	29,473.7	5.5%
8	Thailand	25,176.1	4.7%
9	Indonesia	18,809.9	3.5%
10	Saudi Arabia	14,044.0	2.6%

The Major Export Partners

Rk	Partners	Mio euro	%
	World (all countries)	568,683.4	100.0%
1	EU27	66,734.3	11.7%
2	United States	62,401.7	11.0%
3	Japan	56,253.6	9.9%
4	China	56,111.5	9.9%
5	Hong Kong	39,688.0	7.0%
6	Singapore	36,801.8	6.5%
7	Malaysia	33,259.6	5.8%
8	Indonesia	28,092.7	4.9%
9	South Korea	23,576.1	4.1%
10	Australia	23,027.7	4.0%

EU LARGEST INVESTOR (ASEAN SEC)



Imports + Exports

Partner regions	Mio euro	%
ACP	111,049.4	4.8%
Andean Community	15,300.8	0.7%
ASEAN	118,044.8	5.1%
BRIC	577,249.8	25.2%
CACM	8,789.6	0.4%
Candidate Countries	98,251.3	4.3%
CIS	241,534.0	10.5%
EFTA	273,772.9	11.9%
Latin American Cour	134,700.4	5.9%
MEDA (excl EU and 1	118,958.2	5.2%
Mercosur	62,364.6	2.7%
NAFTA	429,954.7	18.7%

EU ASEAN FTA?

- 2007 agreement to start EU-ASEAN FTA negotiations
- By mutual agreement, negotiations were paused in March 2009
- Level of ambition: coverage and scope
- EU: comprehensive and ambitious trade agreement including non-tariff measures, services and 'rules' (competition, IP and govt procurement).
- GSP schemes offering already substantive tariff reductions

NEXT...

- ASEAN FTAs with 6 countries
- EU ambition: Creating new opportunities
- Bilateral FTA negotiations with countries willing and capable of sharing ambitions
- ... In Regional context

- Trade policy dialogue proposed during 2010 Brunei SEOM:
 - High Level Policy Dialogue
 - SEOM-EU Consultations
 - Technical Dialogue between officials
 - Cooperation / financing
 - Business Summit
 - Coordination of European Chambers in ASEAN

CONCLUSION

- Lisbon Treaty: No big bang - evolution rather than revolution
- Regulation to deal with existing BITs of Member States and option to conclude new BITs
- Communication setting out general lines of a common EU policy → Gradual and selective negotiating agenda in the short term
- For ASEAN, stepping up ambitions: pursuance of agreements ongoing and future explored
- ASEAN MS ready for level of ambition → In line with recently adopted Trade Policy and Investment Communication