



The Future of Trade and the Retail Sector

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Brussels – Conference: Unleashing the potential of trade

Ladies and gentlemen,

Unleashing the potential of trade is exactly how I see my job so I am very happy to be with you this morning.

My goal for EU trade policy is that it improves people's lives, in Europe and around the world, by providing economic opportunity and supporting a more integrated, innovative and peaceful world.

The question of course is how to do it. There are many ways:

- We can make it easier for manufacturing companies to export;
- We can help services companies find their way to foreign markets;
- We can make the EU a more attractive place for foreign investors to come and create jobs.

But I also believe that retail companies, like the ones represented by Eurocommerce and the Foreign Trade Association, can be an important channel for trade to boost people's quality of life.

From a trade policy perspective, retailers and wholesalers bring to consumers the lower prices and greater choice that trade provides.

But beyond that, the sector employs 29 million Europeans, 13% of the labour force.

Retail companies also make up the backbone of the European SME community, accounting for almost a third of all EU SMEs.

And retailers are also an essential part of the infrastructure to deliver true sustainable development – with your direct connections to producers around the world.

But yours is also an industry facing real challenges:

A challenge of demand: Since the 2008 financial crisis many European consumers have lacked resources and confidence. With 25 million people unemployed that's hardly surprising.

A challenge of technology: Like so many of their peers retailers must adapt to disruptive digital innovation. That means adapting their strategies for an online world and getting used to a more competitive environment, with more cost pressures.

And a challenge of sustainability: Consumers today are more and more concerned about the environmental and broader ethical footprint of the products they buy.

Dealing with these changes puts many firms in the sector under pressure.

The question we have to answer is two-fold:

Can trade policy help?

And can it do more than it's already doing? This year the Commission is updating its trade policy strategy. This is the right time to consider what more can be done all across the board to boost sustainable prosperity.

But let's start with the first question: Can trade policy help the retail sector?

The answer is certainly yes. In three ways.

First, by helping Europe export. Trade deals create opportunities for European companies, boosting demand abroad for European products, and consequently demand for the products you sell here. During the crisis, we saw that exports to faster growing parts of the world were a lifeline that reduced the severity of the recession. Their importance will only increase in future given that we expect 90% of global growth to come from outside the EU over the next 20 years.

Furthermore, many companies within the retail sector can and do grow by exporting their own services, mostly by investing abroad. Trade deals make this easier.

The second way trade policy helps the retail sector is enabling your access to the goods and services you sell at competitive prices:

- Our tariffs are already low - at an average of 4%. And if we complete our whole agenda of bilateral negotiations over 60% of our imports would be covered by free trade deals.
- Our generous preference schemes offer easy access for products from developing countries.
- We have autonomously suspended tariffs on some 1600 products crucial for our competitiveness.
- And we are streamlining our customs procedures by implementing a modernised EU customs code.

The EU's own domestic Single Market rules also keep our economy open:

- Our state aid rules are unique globally;
- Our EU-wide standards have made it easier for exporters around the world to gain access to our 28 Member States
- And, while we still have more to do on services integration, the strides we have made have helped bring the cost benefits of competition to vital sectors like telecoms.

The final way trade policy can help your sector is by encouraging high standards of labour and other human rights as well as environmental protection around the world.

That supports your own efforts to bring sustainability into your supply chains:

- We do this through the GSP plus scheme - which offers better access to the EU market for exports from countries that live up to high standards for labour rights and the environment.
- We do it through the sustainable development chapters of our free trade agreements.
- And we have shown the potential of voluntary schemes with strong political backing through the Sustainability Compact for Bangladesh and our proposal on conflict minerals.

That answers the first question. But what about the second? Can a new trade strategy help Europeans by helping the retail sector?

I'm afraid that I can't answer that definitively today. We will be working over the coming months on a new strategy. The final result will only be available in the autumn.

But I will carefully listen to your suggestions for how we can modernise our trade policy.

And I can present the context for our new approach and let you know the questions we are asking ourselves that are most relevant for your sector.

The context is change:

Today, the world economy has changed, becoming more integrated than ever. Global value chains link production across borders, the distinctions between manufacturing and services are becoming more blurred and whole economic sectors are being created through digital technologies.

The political context for trade has also changed. There is an intense public debate, mostly focused on the Transatlantic Trade and Investment Partnership, but with implications for all EU trade policy.

These changes are driving us to ask a series of questions, several of which matter for those three ways that trade helps retailers.

First, growth and demand in Europe. Here we must answer a basic question: How can we boost public trust in trade policy so it can continue to deliver growth and jobs?

It's important to note that the TTIP debate is actually dealing with a new type of trade policy discussion. Those opposed are not generally motivated by traditional protectionism.

Today's integrated world economy means the argument for protectionism is weaker than ever. The vast majority of Europe's imports are parts, components, raw materials and energy. And our economy depends on our ability to access all of those things. Even our ability to export depends on our ability to import, since 13% of the value of our exports comes from imported goods and services.

The concerns in the TTIP debate are many and they vary from country to country. Trust in trade negotiations is an important one, when new areas of trade policy are going behind the border, driven by our integrated economy. That's particularly the case for regulatory cooperation.

The new strategy will need to address these arguments by showing:

- That trade helps people...
- That it supports other policy objectives, rather than undermines them..
- And that there is a clear process for transparent democratic control over the process. We are dealing with policies that are decided democratically at home; the same has to apply to international negotiations.

The new strategy will also have to answer questions that impact your access to inputs:

Most obviously, is what we do today actually working? The question of how to properly implement trade agreements will be essential here. Are firms – importers and exporters – aware of the opportunities created by trade deals like the Korea FTA? Is it easy to take advantage of those? What can we do better?

We also have to work out our approach to the multilateral system. The World Trade Organization is the foundation of the open global trading system that is so essential for the whole economy and for the retail sector. We are now working hard to deliver a long-elusive

result on the Doha Round. We are back at the table and there is now considerable momentum. We will need to think about how to achieve a deal on Doha, but also about how we can strengthen the global system beyond Doha.

We also need to look at all of our bilateral relationships. Today the European Union has an unprecedented agenda of free trade negotiations. Getting results from our ongoing negotiations and prioritising our efforts will be essential, for the whole economy, including your sector. What is the best way to do it?

We also need to address our bilateral relationships with strategic partners, even where we don't have free trade negotiations. Emerging countries, like China are very important in this context. The new strategy will need to assess how to secure their long term support for an open rules-based trading system.

Finally, the new strategy will need to look at what we can do to promote responsible supply chains.

The Rana Plaza tragedy in Bangladesh reminded us all that global integration has a darker side. The retail sector, directly connected to consumers, is of course very aware of this.

As I said, the EU has responded with an innovative approach in the Bangladesh Compact. And we also drive sustainability through many other policies. The question for the new strategy is whether we can do more.

Ladies and gentlemen,

I'm afraid that leaves us with many more hard questions than hard policy answers.

Maybe you're now still confused but at a higher level!

The Commission will work intensively over the coming months to try to provide them.

But we will need support from many stakeholders outside our walls: governments, think tanks, business, environmental and development NGOs, trade unions and consumers.

Today's discussions will be an important contribution to that.

But we will continue to look for more:

- I myself and my colleagues will be travelling to several Member States to listen and talk to people.
- We will have two dedicated meetings of our Civil Society Dialogue on this topic.
- And I will host a major stakeholder conference on the 23rd of June dedicated to preparing the trade strategy Communication.

So I wish you the best for your work today.

And I look forward to hearing your contribution as we work hard to deliver a new, updated, trade and modern strategy, composed of creative solutions, that benefits all Europeans.

Thank you very much for your attention.