



CIVIL SOCIETY MEETING

MEETING WITH WITH JEAN-LUC DEMARTY ON TRADE POLICY

Date: 20/09/2012

Time: 16:15-17:45

Location: Charlemagne Building, room S.Mansholt
170 Rue de la Loi, 1049 Brussels

Key-note Speaker

Mr Jean-Luc Demarty, Director-General, Directorate-General for Trade

Moderator

Ms Montserrat Gago, Coordinator relations with civil society, Directorate-General for Trade

Panel Presentation

Mr Demarty welcomed civil society representatives. He noted that the EU was at an important juncture for trade policy, where it would need their input in what would be a challenging way forward.

Mr Demarty proceeded to provide an overview on how the EU's current efforts in trade policy were designed to help Europe surmount its current crisis, notably the new opportunities for trade opening, the enforcement of trade rules and the need to ensure that trade works for developing countries around the world.

Turning to market opening, **Mr Demarty** said that the EU was pursuing an unprecedented agenda of market opening with partners across all regions of the world. At the multilateral level, hard work was in process on the conclusion of an agreement in Geneva on trade facilitation, a result of which would bring a substantial boost to trade around the world that would particularly benefit developing countries for whom slow border crossings acted as major export as well as import barriers.

Mr Demarty recalled that most of the EU's efforts to open markets, however, are taking place in the bilateral context. In the last year, trade deals have been signed

with Colombia, Peru and Central America, which were now pending of the approval process in the European Parliament; a deal with Ukraine had been initialled, though the implementation would be delayed until the political situation there improves; and negotiations with Canada and Singapore were closer to be finalised.

Mr Demarty noted that work was ongoing with the United States on creating the conditions to launch a comprehensive trade deal early next year and on the opening of negotiations with Japan once the Council gave its green light on the negotiating directives mandate. He added that negotiations had been launched with Vietnam and three Caucasus countries, and progress with India, Malaysia, Mercosur and the Gulf had been attained– albeit at different speeds. A scoping exercise on the future trade negotiations with four countries in the Southern Mediterranean was also on going.

Mr Demarty explained that in all of these talks, the EU sought to create modern, comprehensive rules that addressed the real barriers that companies faced in 21st century, while tailoring its approaches to the realities and level of development of each different partner. In order to achieve this, not only tariffs would have to be reduced, but also other issues such as regulatory hurdles, government procurement, intellectual property, investment and competition would have to be addressed.

Mr Demarty acknowledged that this agenda was ambitious but the results it would deliver would also be significant as, if current trade deals on the table could be completed and implemented, European GDP would increase by 2 per cent and an additional 2 million jobs could be created.

With regard to enforcement, **Mr Demarty** indicated that the EU would use all means at its disposal to ensure markets were kept open and that conditions for trade are fair. He mentioned the Market Access strategy that had allowed the EU to pursue vigorous trade diplomacy with key partners in coordination with Member States and delivered some notable successes over the last year – such as on China's indigenous innovation policy or food regulatory barriers in India.

He recalled that this approach had also been backed by action through the WTO's dispute settlement mechanism when necessary, as well as by the EU's trade defence tools. In this respect, he thanked civil society organisations for the useful input they provided on the proposal for the modernisation of the EU's trade defence instruments during the public consultation.

Turning to sustainable development, **Mr Demarty** highlighted that the EU used its free trade agreements to require its partners – and the EU at the same time– to respect core international standards on labour rights and the environment. He emphasised that economic partnership negotiations with the African, Caribbean and Pacific countries were specifically being used as a development tool ("trade helps development"). He welcomed the recalibration of some of the Generalised System of Preferences + with the aim of focusing on those most in need and our Aid for Trade spending.

Mr Demarty finally referred to the importance of the support and input of civil society to achieve the goals presented. He stressed that it was essential that the

Commission listened to their views and opinions in order to shape the best responses and outcomes in a busy and wide-ranging trade agenda.

Discussion Highlights / Questions and Replies

The meeting was then opened to the floor for general comments and remarks.

Eurocommerce thanked Mr Demarty for meeting civil society and on made several points:

- On Trade Facilitation in the WTO, it expressed its support;
- On the bilateral agenda, it welcomed the start of the Japan negotiations as well as the progress in negotiations with India concerning distribution services;
- On TDI, having participated in the public consultation on the modernization of Trade Defence Instruments, it enquired on the outcome of this consultation as well as on the next steps in the modernisation process;
- On the Generalised System of Preferences (GSP), it welcomed the stability and predictability of the system which is being put in place and requested further information on the date when the full details on the GSP+ scheme can be expected.
- On Trade Policy, it stated that it should not only be focused on trade liberalisation for import/export, but also by certainty/predictability in all different areas as to enable serious planning and business continuity.

Mr Demarty agreed on the need for stability and predictability on the markets as well as on the importance of clear and stable trade rules being respected by all trading partners. Concerning GSP+, he confirmed that the Commission was working intensively to implement the rules for the GSP+ package as soon as possible but could not yet give a more exact date of implementation.

European Crop Protection Association (ECPA) noted the importance of IPR protection in trade negotiations and considered it as a key component of the EU's competitiveness, together with innovation and research and development. In this respect, **ECPA** asked for clarification on the scope of the IPR chapter in the FTA negotiations with India and enquired whether the IPR clauses would go beyond existing Indian legislation. On EU-US trade relations, **ECPA** noted that the EU, as one of the strongest economic regions in the world, should be more independent and focus on its own Trade Agenda, without being influenced by the US Trade agenda.

Mr Demarty confirmed that IPR was a key element in all of the EU trade negotiations and that the stakes involved are very high. However he noted that IPR protection was not so much a question of legislation, but rather of enforcement in certain countries.

With regard to the India negotiation, **Mr Demarty** emphasised the EU was not trying to undermine India's ability to produce affordable generic medicines or their

use of compulsory licensing. He confirmed that the EU was pursuing national treatment with India, according to which the moment that India would modify its legislation (in accordance with TRIPS rules), EU companies should benefit from the same provisions. **Mr Demarty** noted that given the rate of economic development in India, it was more than likely that India's domestic legislation on IPR would be modified in the near future.

With respect to trade relations with the US, **Mr Demarty** indicated that the EU was not in competition with the US in Asia and that Europe was not apprehensive about the Transpacific Partnership negotiations. The EU it also actively negotiating with Asia (Japan, South Asia, China) and he expressed his confidence that good results would be obtained in these negotiations as well.

Mr Demarty recalled that the EU would probably also engage in negotiations with the US on a bilateral trade agreement that would be more ambitious and far-reaching than the TPP.

APRODEV and **the International Human Rights Organisation** raised the issue of forced displacement and dispossession following agro-industrial development in Cambodia, a phenomenon that might have been driven in recent years by the incentives given under the EBA (Everything but Arms) scheme. **APRODEV** stated that the EBA had had the opposite effect to what had been intended and led to impoverishment on a massive scale, while at the same time rewarding the land owners with trade preferences for the EU market.

Both organisations asked the Commission which actions had been taken or will be taken, following the extensive evidence provided to the EC on this matter of forced dispossession and the so called "blood-sugar".

Mr Demarty replied that the EU was well aware of this serious problem in Cambodia. He stressed that the file was currently being analysed to assess the steps to follow in accordance with the GSP+ rules and the clauses in the EBA regulation. He stressed that the Commission took this issue very seriously, and would certainly take this information into account and continue to monitor the situation without excluding to take measures if the infringement was confirmed.

Koepel van de Vlaamse Noord-Zuidbeweging - 11.11.11 enquired on the status of the FTA negotiations with India, including the provisions on data exclusivity, as well as on the Commission's views on the liberalisation of the retail sector in this country. It also requested the Commission's point of view on the ratification of interim EPAs by countries which are actually not ready to fully implement them, as, for instance, Madagascar, which had signed an interim EPA but could not be ready for its actual implementation.

Mr Demarty assured that regular discussion rounds and negotiations with India continued and that these negotiations were now coming to what could be called "a moment of truth". There was a political will from both sides to reach an agreement but the crucial question would be if India could deliver to the negotiation table what was needed to obtain a balanced agreement. There remained several key issues to tackle including the sustainable development chapter as well as certain aspects of trade in services.

On the question of data exclusivity, he asserted that the EU's intention was not to impose, neither publicly nor behind closed doors, data exclusivity on India. He reiterated that Indian authorities could not be forced to adapt their domestic legislation on IPR, even if it implied a different interpretation of the TRIPS agreement. The only amendment in the protection of IPR expected from India was national treatment. He insisted that the Commission is following the line announced during previous negotiation rounds on this chapter and believes the EU position remains balanced.

On the question of EPAS, **Mr Demarty** recalled that the conclusion of EPAs remained in the hands of ACP countries. The EU was not imposing its terms to the negotiating countries, but aimed at finding an agreement which would be WTO-compatible and which would favour the development of the ACP countries concerned. Coming back to the example of Madagascar, he pointed out that implementation of the EPA might not be problematic to Madagascar as it granted free access to the whole EU market.

The Confederation of European Community Cigarette Manufacturers (CECCM) asked to what extent investment protection is being negotiated in current negotiations such as with India, Singapore and Canada. The federation enquired whether the investment protection clauses would also include dispute settlement mechanisms between states and investors and what the relation of this provision would be to the existing Bilateral Investment Treaties (BITs) between the EU Member States and these countries.

Mr Demarty confirmed that the negotiation of investment protection was a new competence for which the Commission received a mandate after the Lisbon treaty. In the current FTA negotiations, investment protection provisions as well as investor-to-state arbitration was a substantial element. In the meantime, the pre-existing Bilateral Investment Treaties remained valid as long as the EU had not negotiated an agreement at EU level (grandfathering regulation).

The European Economic Social Committee (EESC) congratulated the European Commission on the Domestic Advisory Group (DAG), the civil society forum which had been set up under the EU-Korea FTA and reiterated its commitment to contributing to the DAG, as well as developing similar initiatives for other DCFTAs which were planned.

Further to that, The EESC enquired on the status of a possible separate agreement on Trade Facilitation and its scope. The ESC also asked Mr Demarty on his assessment on the future of the Doha negotiations and whether the DDA negotiations would resume, especially after the US elections and a change of leadership in China, taking into account the amount of resources employed for the extensive bilateral negotiating agenda. The EESC also brought up the question of whether the TPP could be another attempt at rules/standard setting and if this would not put the WTO backwards and might create two separate sets of rules and standards.

Mr Demarty thanked the EESC for its positive feedback on the Civil Society Domestic Advisory Group under the EU-Korea FTA and hoped that the mechanism of the civil society forum will create a precedent for ensuing FTAs.

Mr Demarty pointed out that that it would still be possible to reach an agreement in trade facilitation next year, before the WTO ministerial. Concerning the perspectives for the Doha negotiations, **Mr Demarty** said that there two aspects in the difficulties in concluding the Doha Development Agenda (DDA) negotiations. On one hand, the world had changed in the last 12 years; certain big emerging developing countries (especially China) had become major economic actors, but should display more preparedness and effort to develop dynamic strategies as to reach an agreement and move away from the *status quo*. Some of these emerging countries showed some relatively weak signs of preparedness to move, but not enough to make a deal. On the other hand, the US was asking developing countries to pay the same price as developed countries, which was not realistic.

Mr Demarty assured the audience that if there was the slightest opportunity to conclude the DDA, the EU would take it. He recalled that, keeping in mind the availability of resources, the EU would aim at reaching bilateral agreements but in the meantime would keep developing its multilateral negotiation agenda.

The European Services Strategy Unit enquired if, considering the high unemployment rates in Europe, there was any rethinking of including provisions on "Mode 4" in future FTA negotiations, particularly the ongoing ones with India.

Mr Demarty replied that the European Commission was well aware of the concerns on Mode 4 and the interaction with the immigration policy. However, to envisage an agreement with India without provisions on Mode 4 would be unrealistic; the question would rather be if it would be possible to come to a reasonable agreement within quantitative limits for the type of provisions (mainly the IT-sector), taking into account that some regions in the EU might lack IT specialists. Moreover, in the perspective of negotiations with India, he emphasised that the global result would be largely positive for growth and jobs in the EU.

IFPI (representing the European recording Industry) enquired about the ambition of IPR provisions negotiated compared to national treatment. **IFPI** expressed its concern that settling for National Treatment level alone would be a missed opportunity to improve the environment in which the European music industry produced business and created new music.

Mr Demarty agreed that national treatment should not be considered a "magical formula". Each negotiation had its characteristics and the European Commission will do its utmost to defend the interests of IPR for the EU industry. How far these provisions reached would depend on the specificities of each negotiation.

European Livestock and Meat Trading Union (ELMTU) expressed, in the first place, its full support for the negotiations with Japan. Secondly, it enquired about the state of the FTA negotiations with Mercosur, taking into consideration Argentina's latest protectionist measures and the new membership of Venezuela. Additionally, **ELMTU** raised the issue of the ban on EU beef. A good number of trading partners are still banning EU beef products (such as South Korea, Canada, Mexico, USA, China) and the ELMTU enquired on the further steps the Commission would take to eliminate barriers to trade in beef, considering that the product is safe and in compliance with international standards and that there was an important economical motivation.

On the beef-ban, **Mr Demarty** replied that the Directorate-General for Trade is working on this issue amongst others in negotiations with Korea, Japan and the US. On Mercosur, he stated that the protective measures put in place by several of its members, such as Argentina and Brazil, created difficulties which could put serious strain on the negotiation efforts made in the past years.

Oxfam Belgium asked whether the Commission had any plans for launching negotiations with Thailand, the Philippines and Indonesia and if this was the case, whether a calendar had already been proposed.

Mr Demarty replied that the EU was aware of the importance of negotiating with countries in the ASEAN region. It was currently already negotiating with Singapore and Malaysia; it had likewise opened negotiations with Vietnam; Thailand and Philippines have expressed their interest in negotiating an agreement as well. However, he pointed out that this heavy bilateral and multilateral negotiating agenda also put a lot of pressure on the human resources of the Directorate-General and that this is an issue which would certainly have to be addressed.