

# EU External Trade Policy

Promoting easier trade between Europe and the rest of the world has been one of the most significant roles of the EU Commission since the European Community was founded in 1957. The EU represents its member states in World Trade Organisation (WTO) negotiations and has a responsibility for promoting *free trade*. While the European Community played an important role in the reduction of barriers to trade in the years after World War II, progress in recent years has been slower. The EU has been criticised for making it difficult for developing countries to trade with it, with some suggesting that the EU is guilty of *protectionism*.

## History

In 1968, the EEC set a Common External Tariff. This meant that all member states agreed to the same *tariff* rates on imports coming into the Community from other parts of the world. This was seen as an important part of creating a single market for Europe, going hand in hand with the elimination of internal tariffs. At the same time, the EEC was engaged in a series of WTO negotiations (known as 'rounds'), which led to massive reductions of tariffs for trade in manufactured goods during the Kennedy, Tokyo and Uruguay rounds. However, neither the EU nor other developed countries such as the USA, Australia and Canada were very willing to make similar progress in the areas of agriculture and primary manufactured goods (such as textiles) which make up a significant proportion of imports from developing countries. In these areas, the EU has maintained a system of tariffs and *subsidies* that protects products made within the EU from competition. Since 2001, a new round of WTO negotiations (known as the Doha Round) has been under way. However, negotiations in 2008 failed to reach a deal and despite continuing negotiations, there is little sign of a deal being concluded.

## How does international trade negotiation work?

Under the Treaty of Rome, the EU Commission has full authority to negotiate issues of trade on behalf of member states. Most negotiations take place through the multilateral procedures set out by the WTO. During WTO trade talks all the negotiating partners come together with their own ideas on how far they are willing to cut tariffs and subsidies. They then try to reach a compromise on which they can all agree. This can be a long and difficult process – the EU itself has been accused of blocking progress in the current Doha Round by refusing to offer significant cuts in agricultural tariffs.

As a result, the EU has been increasingly keen to make bilateral free trade agreements. It has such agreements with twelve Mediterranean countries, Mexico, Chile, Switzerland and South Africa. The EU has been engaged in free trade talks with African, Caribbean and Pacific (ACP) countries to develop Economic Partnership Agreements (EPAs), but the negotiations are controversial because the EPAs could force ACP countries to remove the vast majority of tariffs on EU exports in return for the EU scrapping the remaining tariffs it imposes on agricultural produce from these countries. Following difficult negotiations in 2007, no formal trade agreement was reached, but some ACP

countries signed interim Economic Partnership Agreements (EPAs). The EU signed a full EPA with the Caribbean region in 2008. Negotiations with the African and the Pacific regions are on-going. Since April 2007, EU foreign ministers have also been engaged in free trade talks with India, South Korea and 10 Southeast Asian Nations (ASEAN); negotiations for free trade agreements with Singapore and Malaysia opened in 2010. In 2008, the EU signed a trade deal with South Korea worth €65 billion.

In December 2009, the EU signed a deal to remove import tariffs on bananas from Latin America, and the EU signed a temporary agreement with Mauritius, Seychelles, Zimbabwe and Madagascar to remove tariffs on EU goods by 2025. The EU suspended a trade deal with Sri Lanka in February 2010 following accusations of Human Rights abuses during the government's war against Tamil Tiger rebels.

## Facts and Figures

- Imports most heavily taxed by the EU tend to be from poor countries. For countries with a GDP per capita of under £5,000 per year, the average tariff is 6%, compared with 1.6% for countries with a GDP per capita of over £15,000 per year.
- Worldwide free trade could raise Europe's GDP by just under 2% and African GDP by 5.4%.
- The Commission has estimated that free trade agreements would boost EU exports to ASEAN by 24.2%, to India by 56.8% and to South Korea by 47.8%.

## Arguments

### For freer trade

- It is unfair for the EU to use tariffs and subsidies to protect its own market, blocking developing countries from selling their products on the same terms.
- Current tariffs affect the poorest in society the most because they spend a larger proportion of their income on food and textiles. For example, tariffs raise the price of rice by an estimated 101%.

### Against freer trade

- Tariffs are vital to protect European industries from foreign competition, especially farming, because farmers are the guardians of the countryside.
- The WTO is imposing free trade on developing countries, who should be allowed to protect their industries to allow them to develop.

## Quotes

*'Reducing barriers to trade drives economic growth. It is not an unfair price to be paid by... developing countries.'* Peter Mandelson, EU Trade Commissioner, 2005.

## Technical Terms

**Free Trade:** international trade when there is no restriction on the import or export of goods.

**Protectionism:** restriction of free trade in an attempt to protect domestic producers and markets.

**Tariff:** a type of tax imposed on imports or exports.

**Subsidies:** a sum of money paid to producers by a government in order to help them compete.

## Links

[http://europa.eu/pol/comm/index\\_en.htm](http://europa.eu/pol/comm/index_en.htm)

[http://www.wto.org/english/thewto\\_e/whatis\\_e/whatis\\_e.htm](http://www.wto.org/english/thewto_e/whatis_e/whatis_e.htm)