

WORLD TRADE ORGANIZATION

RESTRICTED

WT/TPR/G/136

1 October 2004

(04-4103)

Trade Policy Review Body

Original: English

TRADE POLICY REVIEW

Report by

THE EUROPEAN COMMUNITIES¹

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakech Agreement Establishing the World Trade Organization), the policy statement by the European Communities is attached.

¹ Previous Trade Policy Reviews of the European Communities had used the "European Union" in the title. At the request of the Commission, the title has been changed to the "European Communities".

Note: This report is subject to restricted circulation and press embargo until the end of the meeting of the Trade Policy Review Body on the European Communities.

CONTENTS

	<i>Page</i>
I. INTRODUCTION	4
II. KEY DEVELOPMENTS IN THE EC (2002-04)	4
(1) INSTITUTIONAL DEVELOPMENTS	4
(2) DEVELOPMENTS IN THE INTERNAL MARKET AND CENTRAL POLICY AREAS	5
(3) DEVELOPMENTS IN TRADE	7
III. THE EC TRADE POLICY FRAMEWORK	8
IV. THE EC'S TRADE POLICY AT GLOBAL LEVEL	8
(1) EC EFFORTS TOWARDS THE HARNESSING OF GLOBALISATION	8
(2) THE EC AND THE WTO	12
(3) REGIONAL, BI-REGIONAL AND BILATERAL TRADE RELATIONS	15
(i) Relations with countries in the geographical vicinity of the EC	15
(ii) Relations with developing countries	16
(iii) Relations with other partners	19
V. CONCLUSION	20

I. INTRODUCTION

1. The last trade policy review of the European Communities (EC) took place in July 2002. In the period since then, there have been several important developments in the EC with a direct or indirect influence on its trade policies. Among other things, the EC has embarked on the creation of a new Constitution, and launched and carried out reforms to strengthen the functioning of the internal market and other EC internal policies. This has amongst other things led to far-reaching reform of the Common Agricultural Policy.

2. As of 1 May 2004 the EC was enlarged with the historic accession of ten new Member States, broadening the single market and the coverage of the EC's common commercial policy, and yielding even greater benefits for third country traders and investors.

3. Within the WTO, the EC during the period under review has been the driving force behind progress in the Doha Round, and played a key role both in reviving negotiations after the Cancun ministerial meeting, and in successfully reaching agreement on a negotiating framework on 1 August 2004. An active bilateral and regional trade agenda, aiming notably at promoting the integration of developing countries into the global trading system, has been pursued in parallel to the EC's participation in the WTO negotiations.

4. In sum, EC trade policy in the period under review has continued to be characterised by activism, innovation and leadership, has been underpinned by a strong social and institutional reform agenda, and consciously pursued in a way that serves and promotes sustainable development globally.

II. KEY DEVELOPMENTS IN THE EC (2002-04)

(1) INSTITUTIONAL DEVELOPMENTS

5. The key developments since the last trade policy review have been related to: preparing the final stages of enlargement of the EC; the strengthening of policies in pursuit of the Lisbon and Gothenburg strategies aiming at achieving sustainable development through economic, social and environmental renewal; and the reform of internal policies, including on agriculture, in order to promote more sustainable economic growth in the medium and long-term.

6. A decisive moment in this **enlargement of the European Union** was reached on 16 April 2004 with the signing, in Athens, of the Treaty of Accession for the Czech Republic, the Republic of Estonia, the Republic of Cyprus, the Republic of Latvia, the Republic of Lithuania, the Republic of Hungary, the Republic of Malta, the Republic of Poland, the Republic of Slovenia and the Slovak Republic who concluded accession negotiations with the EU at the European Council in Copenhagen in December 2002. This marked the formal end of the division of Europe at the end of the Second World War and the culmination of an enlargement-process initiated as early as 1989 by the launch of the PHARE-programme aiming at assisting the countries which would later apply for EU membership to convert planned economies into efficient and functioning market economies. That programme was later supplemented by the Europe Agreements providing for progressive integration of the signatory countries to the EU, through co-operation in the field of environment, transport and customs as well as the legislative approximation with EC legislation, particularly in the areas relevant to the internal market, such as standardisation, competition and protection of intellectual, industrial and commercial property. Enlargement has thus taken place over more than a decade.

7. Enlargement itself implies that the EC's common commercial policy is extended also to cover the ten new Member States, whose previous arrangements are superseded by those of the EC. This has led to substantial Liberalization, with exporters from third countries benefiting already from the

extension to the ten new Member States of the EC's transparent and open trade regime, with a single set of trade rules and with bound tariffs being significantly lower. Enlargement has also led to increased opportunities for third country exports and investors by extending further the single market, consisting of more than 450 million citizens, accounting for roughly 18% of world trade and contributing to more than 25% of the world's Gross Domestic Product. The extension of the 'four freedoms' to the new Member States will simplify and enhance the access of third country investors and exporters to the EU market. Investors and exports will also benefit from the adoption of higher regulatory standards, notably in the protection of intellectual property rights, access to government procurement markets or in the field of competition, which will safeguard better the interests of investors and traders in the new Member States. A great number of third countries have also benefited from the ten new Member States becoming parties to the EC's preferential arrangements, including the GSP. The EC has now in conformity with its obligations under the GATT and GATS entered into negotiations with trading partners, whose rights may have been affected by EU enlargement.

8. Accession negotiations have continued with Bulgaria and Romania with a view to their joining the EU in 2007. Turkey has also since December 1999 been a candidate for membership of the EU, and relations between the EC and Turkey have accordingly broadened and deepened during the period of the review. Croatia and the Former Yugoslav Republic of Macedonia have also applied to become members.

9. While reaching agreement on revision of the existing treaties through the **Treaty of Nice** in December 2000, the European Council also recognised the need to pursue further institutional reform so as to better equip the European Union for the future. A Declaration as to this effect was adopted at the European Council in Laeken in Belgium on 15 December 2001, establishing a **European Convention** to examine essential questions raised by future developments of the European Union, including: better distribution of the Union's powers, simplification of instruments for taking action, providing better guarantees for democracy, transparency and effectiveness in the Union, notably in view of EU enlargement; simplification of the current Treaty and other reforms. On 20 June 2003 the President of the Convention presented, on behalf of the representatives from the 15 member states and the 13 candidate countries, the results to the European Council meeting in Thessaloniki, in the form of a proposed new EU constitution. Following further inter-governmental negotiations, the EU Constitution was agreed by the European Council at its meeting in Brussels on 16-18 June 2004. As and when adopted, the EU Constitution may have implications for the conduct of the EC's external trade policy. This will be, however, a subject for a future trade policy review of the EC.

(2) DEVELOPMENTS IN THE INTERNAL MARKET AND CENTRAL POLICY AREAS

10. During the period covered by this review, considerable progress has been made with implementation of the **Lisbon Strategy**. A number of new initiatives have been launched in the areas of environment and employment, e.g. a Community strategy for health and safety at work, a directive on the status of temporary workers and a communication on corporate social responsibility.

11. The **social policy agenda**, a programme covering the period from 2000 to 2005, reached its midpoint in 2003. To take account of changes in society and the labour market, and in view of the forthcoming enlargement, a mid-term review of the agenda was conducted and appropriate changes made to the strategy, notably to update it. In 2003 the EC also formulated a simplified and more effective European employment strategy, based on a streamlined approach to the employment guidelines. Moreover further streamlining of policy coordination processes in various areas of social protection (inclusion, pensions, healthcare and employment incentives) took place in order to reinforce the social dimension of the Lisbon strategy.

12. Similarly, as part of its agenda for sustainable growth, the EC launched on 15 July 2003 the "European action for growth" initiative, based on stimulating investment in trans-European networks and infrastructure, as well as research and development projects for strengthening and improving competitiveness, employment, and investment in physical and human capital.

13. Encouraged by the 10th anniversary of the '**single market**', a series of priorities were set out in 2003 as part of the internal market strategy for the next three years, notably to achieving full transposition by the Member States of legislation already adopted at EC level. In the area of services, considerable progress was made in implementing the action plan for financial services. With regard to taxation, the EC adopted a legislative package which had been under discussion for several years, thus paving the way for more effective combating of harmful practices and fewer distortions in the internal market, primarily with regard to the taxation of savings. In the enterprise field, the EC designed an action plan for modernising company law and adopted a regulation on European cooperative societies complementing existing legislation. Significant progress was also made regarding accounting regulations, particularly with regard to better integration of international accounting standards. Lastly, significant progress was also made in simplifying the legislation on public procurement. All of these reforms will improve the transparency and efficiency of the European business environment.

14. In September 2003, the EC adopted a far-reaching reform of the **Common Agricultural Policy** (CAP), designed to change fundamentally the way in which the EC provides support for the farming sector.

15. The revised CAP has increased its focus on the interests of consumers and taxpayers, while at the same time giving Europe's farmers more freedom to gear their production to market needs. In the future, the largest share of subsidies will be allocated independently of the volume of production, and Member States will only have the possibility, so as to prevent certain forms of production being abandoned to maintain a limited link between subsidies and production, on well-defined terms. The aim of this 'decoupling' is to increase the competitiveness of Europe's farmers while assuring them a stable income. It also significantly reduces trade distortions. The new system of payments will strengthen Community policies in favour of rural development and be linked to the observance of environmental, food safety and animal welfare standards. The different elements of the reform will enter into force in 2004 and 2005. The single farm payment will enter into force in 2005.

16. On 22 April 2004 the CAP reform was continued by adoption of a thorough reform of agricultural policy support for the tobacco, olive, cotton and hops regimes. These reforms will lead to enhanced competitiveness, stronger market-orientation, improved environmental respect, less trade distortion, and stabilised incomes for farmers. For the four sectors concerned, a significant part of the current production-linked payments will be transferred to the de-coupled single payment. For tobacco, before full de-coupling, Member States may decide to maintain coupled elements over a transition period of four years. A part of the current tobacco premium will be used to finance restructuring programmes in affected regions from 2010. For olive oil, the EC has decided that Member States may maintain a coupled payment of up to 40%. For cotton, the EC has agreed to de-couple 65% of the subsidies, while 35% will be maintained as a per hectare payment. Restructuring programmes in favour of rural development will also be introduced. The subsidies for hops will be fully de-linked from production and the EC may decide to keep up to 25% coupled. All these reforms will start in 2006, except hops (2005 or 2006). In July 2004 proposals for reform also of the EC's sugar regime were presented to the Council of Ministers. Discussions on these options are currently under way.

17. Building on the reform of the **Common Fisheries Policy** in 2002, further steps were taken in 2003 to better implement certain aspects of that reform. These included measures to ensure a uniform and effective implementation of the Common Fisheries Policy, management measures for the

sustainable exploitation of fisheries resources in the Mediterranean, measures for the recovery of certain stocks and the introduction of regional advisory councils. In addition, the Community paid particular attention to the fishing industry in the outermost regions: measures were adopted to offset the additional costs incurred in disposing of fishery products from some of those regions.

(3) DEVELOPMENTS IN TRADE

18. In 2003, the EC-15 recorded a trade deficit in merchandise trade of €11.5 bio, against a surplus of €7.9 bio in 2002, reflecting a fall in EC exports, while imports remained stable. EC-15 trade flows with its major partners were mixed, with falls recorded in imports from USA (-14%), Switzerland (-5%) and Japan (-3%) and in exports to the USA (-9%), Japan (-6%), Switzerland (-3%). On average, EC imports increased by 7.7% annually from 1995-2003 whereas EC exports rose 6.9% annually over the same period. The highest EC trade deficit in 2003 was recorded with China (€55.0 bio). The highest surplus was registered with the USA increasing from €+66.7 bio in 2002 to €+69.3 bio in 2003. EC-15 trade with Japan showed an increase in EC-deficit (€26.7 bio in 2003 compared to €25.8 bio in 2002). The EC's largest trading partners remain the USA, China, Switzerland, Japan, and Russia.

19. The most notable increases in 2003 were for trade with China (imports +16%, exports +17%), Russia (import +9%, export +9%) and Turkey (imports +9%, exports +15%). About three quarters of EC imports are composed of primary products, machinery, and other manufactured products, in roughly equal shares. About 87% of EC exports are manufactured products, primarily machinery (28%), transportation materials (17%), and chemical products (16%). The energy deficit increased (€-118.1 bio in 2003 compared to €-112.3 bio in 2002), while the surplus for machinery and vehicles decreased (€+87.0 bio compared to €+95.3 bio). The surplus in the chemicals sector remained nearly stable (€+74.0 bio compared to €+73.5 bio).

20. The EC-15 is the world's largest trader of services with 25% of world imports and 26% of world exports in 2002. The EC maintained a small surplus in its services balance (€+22 billion) in 2002. Services have mainly been exported to the USA (35% of total) and Switzerland (12% of total). Japan accounted for 5% whereas around 4% was exported to the 10 accession countries. About half of EC services' exports consists of "Other business services" (26%) and "Transportation" (24%). The fastest export growth in recent years has been in computer and information services, which grew by over 26% on average annually from 1996 to 2002. EC services' imports have mainly come from the USA (35% of total) and Switzerland (11%). Around 3% originated in Japan. "Travel" and "Other business services" each accounted for 27% of imports and "Transportation" for a further 24%. As in the case of exports, computer and information services was the fastest growing sector, with 17% average annual growth rate from 1996 to 2002.

21. The EC accounts for over 40% of all world outward FDI flows. In 2002, EC FDI outflows exceeded inflows by €45 bio. On average, almost half of EC FDI outflows go to the USA, 13% to EFTA, and 10% to the LATAM 20 countries. In 2002, EC outward FDI flows were only about one third of the exceptionally high flows seen in 2000. The strongest declines were in FDI flows to industrialised countries, whereas FDI flows to China, ASEAN and Russia were higher in 2002 than in 2000.

22. The EC remains the largest importer and exporter of agricultural products. In 2003 the EC imported €60.4 bio and exported €57.9 of agricultural products. The EC also remained the world's largest customer for farm products from developing countries, importing as much as the US, Japan, Canada, Australia and New Zealand taken together. The EC alone absorbs around 85% of Africa's agricultural exports.

III. THE EC TRADE POLICY FRAMEWORK

23. The **formulation and implementation of the EC's common commercial policy** takes place in an efficient, transparent and democratically accountable manner. Article 133 of the EC Treaty forms the basis for EC trade policy, according to which any measure to be taken within the Common Commercial Policy is proposed by the European Commission and decided by the Council of Ministers. The Commission ensures the uniform representation and exercise of EC trade policy at both bilateral and multilateral level, assisted by a consultative Committee (Article 133 Committee) composed of representatives of the Member States, which meets every week. The ten new Member States began to participate fully in the work of this Committee already on April 2003. The day to day management of EC trade policy is the task of the Commission's Directorate General for Trade, serving to the Trade Commissioner. The European Parliament is kept informed of trade policy developments and is consulted on a regular basis. In addition, the Commission implements a systematic policy of transparent and open dialogue with representatives of interest groups and civil society, including representatives from industry, the social partners and the NGO community.

24. The **Treaty of Nice** introduced a substantial reform of Article 133 of the EC Treaty, aimed at adjusting Article 133 and the scope of the Common Commercial Policy to an additional number of policy areas, so as to reflect the increasingly broad reach of today's trade policy. The Nice Treaty introduced further steps to ensure the application of uniform rules and procedures regarding the conclusion by the EC of agreements in the field of trade in services and the trade aspects of intellectual property. The EC and its Member States continue to act together on issues for which they share competence, such as the conclusion of agreements relating to trade in social, cultural, educational and health services which would go beyond the Community's internal powers in these areas. The revised Article 133 thus improves the formulation and implementation of trade policy in the EC by means of a clarification of powers and procedures, and through greater uniformity and flexibility in decision-making.

IV. THE EC'S TRADE POLICY AT GLOBAL LEVEL

(1) EC EFFORTS TOWARDS THE HARNESSING OF GLOBALISATION

25. Both at the multilateral and the bilateral level the EC's trade policy is conceived not only as an end in itself, but as a means to promote sustainable development more broadly. In the EC's view this means a trade policy centred not solely on further trade opening, but also on the development of stronger international trade rules, measures to strengthen the coherence between trade policies and other areas of policy such as social development or the environment, and the use of trade policy as a development instrument.

26. The EC, in partnership with developing countries and least-developed-countries, therefore seeks greater consistency and synergies between trade and development initiatives. Efforts to assist the developing countries in achieving growth, alleviating poverty and improving social equality within a framework of sustainable development have to be undertaken through a range of policy tracks, including trade policy. To this end, the EC remains a strong promoter of the Doha Development Agenda, the conclusion of regional and bilateral agreements giving even greater access to the EC market and fostering local trade, the extensive use of GSP-regimes for developing countries, and not least the provision of duty- and quota-free access to exports from all LDC countries, under the Everything-But-Arms initiative. In February 2004 the EC launched a Helpdesk to foster developing country access to EU markets by providing comprehensive information to developing country exporters on market access requirements and conditions. Similar facilities have also been established by many Member States of the EC. Another important step for further enabling developing countries

to access better the EU market was taken with the adoption of a Commission green paper focusing on simplifying both the procedures and the substantive requirements related to preferential rules of origin. The EC has and will continue to strongly advocate that similar arrangements be introduced by other developed countries.

27. The EC has also continued to work assiduously for the earliest possible accession on commercially viable terms of all candidates having applied to join the WTO, in particular LDC's. The recent accessions of Nepal and Cambodia were thus particularly welcome.

28. The EC also remains a major partner of developing countries by providing assistance to enable them fully to take advantage of trade opportunities. In the autumn of 2002 the EC policy on trade and development was further elaborated through a major policy Communication: "Trade and Development: Assisting developing Countries to Benefit from Trade (COM (2002) 513). This paper underlined the importance of mainstreaming trade in the overall development strategy of countries and to base Trade Related Assistance programmes on a comprehensive analysis of needs; and prescribed that trade should be an important item in the policy dialogue with partner countries. The paper also identified key areas on which to concentrate assistance for trade capacity building, including assistance for WTO accession and multilateral trade negotiations, support for the implementation of existing and future WTO agreements and support for policy reforms and institution-building necessary to enhance economic efficiency and to ensure greater participation in the world economy. Improving market access for developing countries is, in itself, not enough. Development aid plays an important role in improving supply-side capacities and infrastructure, helping developing countries identify and develop new markets, and encourage institutional reform and sound administration, which are pre-requisites for a stable trade and investment climate.

29. The EC and its Member States are the largest donors of trade related technical assistance with the amount of TRA provided in 2001 and 2002 reaching over €2 billion. This corresponds to almost half of all trade related assistance provided globally. (This figure excludes assistance in areas such as port or transport infrastructure which obviously have a direct bearing on trade performance). The EC assistance is provided at the multilateral, regional and bilateral level. The EC and its Member States contribute to about 60% of the funding of the WTO Doha Development Agenda Global Trust Fund, and are also important supporters of the Integrated Framework for Trade-Related Technical Assistance for LDC's. The EC and its Member States continuously reinforce co-ordination in order to ensure the efficiency of the assistance provided and partnership with the recipient countries.

30. Globalisation has created challenges for the WTO system. It provides new opportunities for growth and higher living standards throughout the world, but a much stronger degree of multilateral governance is needed to ensure that the forces behind globalisation are channelled in a manner that promotes sustainable development and the equitable sharing of the economic benefits of globalisation. At the policy level this implies the adoption of strategies for sustainable development aimed at reconciling economic growth, social cohesion and environmental protection. The EC accordingly plays a leading role in international fora concerned with trade and sustainable development issues, and remains particularly supportive of increased action at multilateral level, including through the WTO, and through the implementation of key multilateral environmental agreements, in favour of sustainable development.

31. The so-called 'Cardiff process' calls for the integration of sustainable development objectives in all EC policies. The EC and its Member States are thus committed to pursuing a positive and reinforcing interaction between economic, environmental and social policy in order to make parallel progress on the economic and social fronts to the benefit of all. A market-economy need not mean a market society.

32. The EC's own experiences serve to demonstrate the positive relationship between economic growth, environmental policies protection, and social and labour rights. The EC has created a single market with free movement of goods, services, capital and people, based on a strong and transparent regulatory framework. Economic and monetary union has pushed the process further still, opening up new opportunities for producers of goods, providers of services, and consumers. In doing so, it has contributed to improving living conditions of its citizens and in particular for those in the least developed Member States. The GDP per capita of Spain and Portugal has increased from respectively 71% and 54% of the EC average in 1985, when they joined the EC, to 86% and 71% in 2002, while that of Ireland has jumped from 60% in 1973 to over 125% in 2002. These achievements have taken place in parallel with the development of strong social and environmental dimensions. Practical experience of the relevance of strong social and environmental policies for countries in the process of economic transition has also been seen recently in the context of the EC's latest enlargement.

33. The role of social and environmental policy is integral to the dynamic development of modern, open economies and societies and it brings cumulative benefits through time. The social and environmental dimensions, in their diverse forms within the EC, have played a crucial role in helping maintain continually rising productivity and living standards across the Union, while helping ensure that benefits are widely shared and establishing social cohesion. Social and environmental policies are not simply an outcome of good economic performance but are at the same time an input and a framework. In the experience of the EC, they facilitate capacity to adjust to changes stemming from the internationalisation of the economy and help to turn new opportunities into net benefits for the economy and society.

34. The absence, or insufficiency, of social and environmental policy would create major economic costs. Without social policies, the EC and its Member States might be more inclined - under pressure of its population - to consider restrictive trade measures to fend off perceived negative impacts stemming from the internationalisation of the economy. As the EC has much to benefit from openness in trade, social policy provides a buffer against adverse effects. Without environmental policies the environmental implications arising notably from increased economic integration and trade Liberalization could prove extremely costly in the medium and long run.

35. Good social and environmental conditions also underpin sustainable productivity growth and promote the efficient production of high quality goods and services generating a net added value. Empirical evidence in the EC shows that quality in work is a component of competitiveness. Investment in people, providing real opportunities for all, policies that mitigate the adverse effects of a changing economy on specific groups of people or regions, good social services accessible to all, social dialogue, the respect for fundamental social rights including core labour standards, minimum standards for working conditions and for ensuring workers' upstream involvement in managing change, all play a crucial role. They not only cater for basic needs of solidarity and social justice but also constitute an important investment following the EC's economic development.

36. It is against this background that the EC remains committed to develop a meaningful dialogue, involving in particular the ILO and the WTO, on questions relating to trade, labour, and social development. The promotion of social rights is a positive element in fostering the competitiveness of one country and not an impediment to the development of competitive advantage. The EC remains of the view that the discussion and pursuit of environmental and social issues should not be used for protectionist purposes, and it rejects any unilateral sanctions-based approach. The objective is to further environmental and social progress with a view to promoting benefits for all.

37. The EC therefore welcomed the creation of the World Commission on the Social Dimension of Globalisation under the aegis of the ILO, as well as the reinforcement of the ILO in order to

promote social development, and the adoption of higher labour standards worldwide. The recommendations in the final report of the World Commission constitutes an important contribution to these efforts, and will serve in particular to address in a more objective and effective way the relationship between trade, growth and social development policies, important for all members undergoing social and economic adjustment. The EC looks forward to concrete steps being taken in order to ensure the necessary follow-up to the report in the EC, in all relevant international organisations as well as by governments and other interested groups. In order to contribute to the effective follow-up, the Commission adopted on 18 May 2004 a Communication on the Social Dimension of Globalisation (COM(2004)383 final).

38. Environmental and social policies have to be part of the cooperation with third countries and development policy – and therefore of development assistance – in order to assist developing countries in improving social stability, productivity, competitiveness and economic growth and in moving towards a sustainable development. Sound macro-economic policies, effective social governance, human capital development, proper management of natural resources and environment and improved market access as well as strong trade rules to underpin domestic reform: all these are essential ingredients of a country's strategy for sustainable economic development. Trade-related assistance and capacity building can help developing countries to integrate these elements.

39. The EC has also pursued social and environmental development objectives in regional, bi-regional and bilateral arrangements. All its most recent agreements recognise and promote social rights. The EC has thus for example entered into dialogue and co-operation with countries such as Chile, South Africa and bi-regionally with the ACP (Africa, Caribbean and Pacific) countries as well as a number of other regions. The EC has also granted further trade preferences under the Generalised System of Preferences (GSP) to those developing countries that assure the respect of the core labour rights as defined by the ILO or comply with internationally recognised standards on sustainable forest management. This does, however, not imply an erosion of the preferences or an unequal playing-field for the poorest, as they in any case benefit from full access under the EC's Everything-But-Arms-initiative. With respect to EBA beneficiaries the EC continues to rely on dialogue and development aid to promote social rights.

40. The EC has also launched a partnership with the private sector in the promotion of social and environmental standards by furthering corporate social responsibility, encouraging the private sector to voluntarily integrate social and environmental concerns in their business activities world-wide, in their international operations, wherever they operate. It is important that companies from other parts of the world endorse also these responsibilities and we are seeing more and more companies worldwide develop their own guidelines for corporate social responsibility. In relation to labour issues these should take into account relevant internationally agreed standards and be seen as complementary to legislation, its enforcement and collective agreements. The EC has been at the forefront of the successful review of the OECD Guidelines in 2000 which established a multilaterally agreed "checklist" of basic good corporate behaviour and which contain an implementation mechanism with National Contact Points. The EC has also during the period under view initiated a debate on the relationship between trade and corruption, recognising that both the business community and governments have an equal role to play in combating corruption, which damages the economies and societies of many countries, both developed and developing. Finally, the EC has promoted marketing of fair trade products into EC markets via the co-financing of awareness raising campaigns among consumers throughout Europe.

41. Two other important means of ensuring a more sustainable trade policy have also been given increased priority during the period covered by this review. First, the EC has carried out a number of Sustainability Impact Assessments (SIAs) of both its WTO DDA objectives and of several bilateral

FTA negotiations. The objective of SIAs as a tool for policy makers is to identify how best to maximise the social, environmental, and development benefits of trade Liberalization, and identify where flanking measures might be needed to optimise outcomes or offset possible negative side effects of market-opening.

42. The second instrument to improve trade policy coherence has been to extend transparency in the trade policy making-process and participation in that process of civil society. Domestically, the EC has intensified and further structured its efforts at policy dialogue and consultation with social partners and representatives of broader civil society, recognising that it is primarily at the domestic level that such consultation and arbitration between different partners and interests must take place. Further steps have also been taking to strengthen the parliamentary dialogue. The EC believes that all members of the WTO and the trading system as a whole can benefit from more frequent and structured dialogue with parliaments and civil society representatives. Through such dialogue, misunderstandings about the nature - and limitations - of trade policy can be removed, and greater mutual understanding and support for policies and for economic adjustment can be established among different sectors of society and interest groups. This is essential for any democratic policy-making function.

(2) THE EC AND THE WTO

43. In trade policy as in all other areas of public policy, the EC is committed, above all, to multilateral institutions and multilateral solutions. To this end, the EC has been active in its efforts to maintain the primacy of the multilateral trading system, and to enable the WTO to respond to current and future challenges.

44. The EC has thus attached the greatest importance to the timely implementation and compliance with the agreements to which members of the WTO have bound themselves. It has participated actively in the Dispute Settlement System as a defendant, a complainant and as a respondent. The EC's record of timely compliance with Dispute Settlement Understanding Panel and Appellate Body rulings, and with the rules and agreements of the WTO, are a testament to its support for keeping intact and strengthening the multilateral trading system. While the foundations for this system were already laid by the last Round, the EC has played an active role in the DSU review in order to improve its rules. The EC has also pushed hard for negotiations aimed at making the WTO more responsive to the realities of the modern economy, the aspirations of its society, and the need of developing countries to integrate more into the trading system. To this end, the EC has throughout the course of the Doha negotiations, tabled comprehensive proposals in all areas aimed at further market-opening and stronger multilateral rules.

45. It is perhaps useful at this juncture to briefly outline some of the positions taken by the EC in the DDA in the course of the last two years, and the contributions it has made to the negotiations.

46. Market access – for goods and services – is a core business of the WTO and improvements to market access is vital to foster global economic growth, and to help developing countries to fully participate in the global economy. Agriculture, services and non-agricultural tariffs are all key areas.

47. As regards agriculture, the EC as one of the world's largest exporters and importers of agricultural goods, attaches importance to ambitious results in the negotiations. The EC has used the impetus created by two major reforms of the Common Agriculture Policy in the span of less than a year. Real progress, however, will require movement on all issues covered by the Doha mandate - market access, domestic support, export support and other trade concerns - in a balanced fashion. A formula needs to be established for progressing on market access, and that reflects both the defensive

and offensive interests of members. Very substantial reductions in all forms of trade-distorting support must be aimed at by all. The EC has firmly responded to developing countries' call for early action on cotton and committed itself through the recent domestic reform efforts to eliminate all forms of export support and the elimination of most trade distorting domestic subsidies. The EC's engagement on all these issues was crucial for the adoption of the framework modalities on agriculture on 1 August 2004.

48. Non-agricultural market access represents one of the most significant potentials for global trade gains in this round. The EC thus continues to press for an ambitious outcome. A single, non-linear, ambitious formula, accompanied by flexibilities for developing countries remains the best means to achieve this ambitious outcome. As regards LDC's and the similarly weak and vulnerable developing economies, a meaningful increase in tariff bindings would be appropriate, while further steps should be taken to provide duty and quota-free access to goods from LDC's. The EC was pleased therefore that the 1 August Decisions of the General Council preserved all of these aims.

49. Services negotiations are equally important and should not lag behind. Services are an essential part of today's economies and further Liberalization, including in the area of procurement, offers great potential gains for developed and developing countries alike. The EC has been actively contributing to the negotiations since they were launched in 2000 and strongly encouraged increased participation by all countries. To this end, the EC has submitted to a large part of the WTO membership requests that, far from being standard, are targeted and differentiated on the basis of the level of development of the country concerned. The EC has also tabled a substantial initial offer aiming to give developing countries a better deal especially in sectors of interest to them via the temporary entry of foreign nationals into the EC to provide services. The EC has invited and expects other WTO Members also to table, by the deadline of May 2005, ambitious offers to make the DDA a success.

50. As stated earlier, the EC strongly believes that market opening should be conducive to sustainable development. The EC is therefore pleased that concern about the relationship between environment policy and trade Liberalization, an important component of sustainable development, was included in the DDA. The next phase of negotiations should pay special attention to areas where trade can help sustainable development, for instance by creating market incentives for environmentally friendly goods.

51. More generally environmental considerations should be reflected throughout the negotiations as a whole. The trade round provides the first real opportunity to demonstrate that it is possible to develop real policy coherence between trade Liberalization and environmental protection. All WTO members would benefit from clarification of the relationship between the rules of the WTO and the multilateral environmental agreements (MEAs), and from maximising synergies between trade, environment and development through trade Liberalization in environmental goods and services. Increased co-operation and inter-action between the WTO and international environmental bodies (UNEP and MEAs) is also needed to ensure coherence and best identify synergies for improving mutual supportiveness between trade and environment.

52. The EC's approach to the multilateral trade negotiations has been to complement further market opening with stronger rules and disciplines. One important subject that combines market-access and rule-making is that of geographical indications. The EC has been at the forefront of efforts to complete negotiations on a multilateral register and the extension of the coverage of geographical indications for the benefit of business and consumers around the world. These efforts have been met by an increasing number of friends of geographical indications. Regrettably some trading partners have refused to engage seriously in this negotiation. The EC has also participated actively in the

examination of the relationship between the TRIPS-agreement, the Convention on Biodiversity and protection of traditional knowledge, reflecting a commitment to developing countries' interests in this area.

53. Developed and developing countries alike need to create optimal conditions for cross border trade (trade facilitation), to encourage a climate attractive to productive foreign direct investment, to promote fair competition, and to procure of the best goods and services at fair prices.

54. The EC has thus been a strong promoter of rules in these four areas in view of their importance to the global economy, and their role in creating a more stable and transparent environment for trade and investment. The streamlining of customs and other border procedures, cutting costs and red tape which continue to be a major constraint on WTO members' export performance (especially for SME's), will complement market-opening negotiations. It will, however, also imply significant savings as governments improve efficiency of controls and, ultimately, enable higher revenue intakes. Negotiations should obviously provide the necessary flexibility for smaller developing countries to take on any new commitment in a progressive way, compatible with their trade, financial and development needs, and technical assistance will be important. The EC in its capacity as one of the main sources for FDI around the world seeks a balanced framework of rules that will ensure more a stable and predictable investment environment worldwide. Developing countries for their part need to encourage more long-term foreign direct investment. As for competition, all Members would benefit from basic rules to deal with anti-competitive practices that damage their trade competitiveness, while for government procurement, rules on transparency, without questioning existing preferences to domestic suppliers, would result in cost savings to Members and their tax-payers. Though these three subjects will not be part of the Doha Development Agenda, the EC was heartened by the decision on 1 August 2004 formally to open negotiations on trade facilitation.

55. EC leadership in the WTO, most notably after the failure of the WTO Ministerial in Cancun, was more than instrumental in enabling the WTO membership to revive the DDA and adopt the vital negotiating frameworks on 1 August 2004. The EC, like others after the failure of the WTO Ministerial in Cancun, carried out a thorough reassessment of its position and policy options. It was necessary to re-evaluate whether the original reasons for proposing a trade round remained valid, and whether there remained sufficient support for the multilateral system on the part of other WTO members to make the negotiations worth pursuing.

56. The first conclusion the EC reached was that the WTO must remain the principal forum for trade opening and the strengthening of trade rules. The multilateral approach, based on the principles of transparency and non discrimination, remains the most effective and legitimate means to manage the globalisation process and trade relations between countries, and is the best guarantee against the threat of unilateralism.

57. The EC also concluded that the Doha Declaration remained valid. The negotiations continue to offer great potential to foster long-term economic growth, to stimulate trade and investment, and to promote sustainable development. The DDA has an important role to play in our efforts to attain the Millennium Development Goals, and has a still largely untapped potential to strengthen relations with other international organisations, in the interests of more coherent and effective international governance in addressing linkages between the economic, social and environmental fields for the sake of sustainable development.

58. Having drawn these conclusions, and in order to revive the multilateral system, in the beginning of May the European Trade Commissioner, Pascal Lamy, and his colleague Agricultural

Commissioner Fischler sent a letter to all members of the WTO, indicating movements on several key DDA subjects and encouraging all members to agree on negotiating framework modalities on key issues such as agriculture, NAMA, trade facilitation and development. That letter gave a clear signal of the EC's unwavering commitment to the negotiations, and by indicating the EC's readiness to move was instrumental in rebuilding momentum. The negotiations in Geneva in the end of July 2004 which led to the August Framework Agreement proved to be a major success for the entire WTO Membership. While achieving important results and giving new impetus in the areas of NAMA, agriculture, services, development issues and trade facilitation, the agreement was also important for putting the DDA back on track, demonstrating that the multilateral approach to trade negotiations remains valid. The Framework Agreement creates a good basis for even greater efforts in the negotiations to come.

59. The EC's participation in the negotiations leading to the Framework Agreement is a clear and unquestionable reflection of the EC's commitment to the multilateral approach to trade policy. This remains unchanged and is a top priority in EC's external relations. The EC will continue to work with friends of the multilateral trading system in order to improve and reinforce it. The EC therefore calls on all members to join in defining improvements to the functioning of the WTO, so that it remains able in the future to deliver results for its members. The EC looks forward to continuing the examination of WTO reform with the Consultative Group on the WTO's future role established by the WTO Director General.

60. For the EC the key priority therefore continues to be to conclude the Doha negotiations with results that boost the European economy, trade and employment; that better integrate developing countries in the multilateral trading system and the global economy; and that strengthen at the international level the tools to manage globalisation. The Doha round still provides the possibility for achieving all these aims.

(3) REGIONAL, BI-REGIONAL AND BILATERAL TRADE RELATIONS

61. In addition to its support for the multilateral trading system the EC is engaged in developing trade relations with other trade partners in the world through a number of preferential trade arrangements, including bi-regional and bilateral free-trade areas, and bilateral agreements aiming at facilitating cross border trade with the EC's closest neighbours.

62. The broad geographical coverage of these relationships reflects the global economic and trade reach of the EC. In terms of trade policy, the EC's regional and bilateral trade initiatives are designed to complement multilateral efforts, and in many instances extend significantly beyond the scope of the WTO's Liberalization and rule-making agenda.

(i) Relations with countries in the geographical vicinity of the EC

63. A number of European countries outside the European Union have sought close relations to their EU neighbours, including through trade arrangements. **Norway, Iceland and Liechtenstein** are closely linked to the Internal Market through the Agreement on the European Economic Area (EEA), while **Switzerland** has entered into seven agreements in the sectors of free movement of persons, air and land transport, scientific and technological co-operation, agriculture, conformity assessment and public procurement. Negotiations have progressively continued to other areas including services, processed agricultural products, co-operation against fraud and taxation on savings.

64. While the Europe Agreements with the ten new Member States have been replaced by their membership of the EC, Europe Agreements still exist with the candidate countries **Bulgaria** and **Romania**, and constitute the framework for progressive integration of these countries' economies into

that of the EC in the preparatory phase for EU accession. As for Turkey, the EC has established a Customs Union covering industrial products as well as processed agricultural goods. The agreement also provides for progressive Liberalization of agriculture through ongoing negotiations on mutual concessions with a view to establishing a free trade area, and progressive Liberalization of services and public procurement. These agreements have been linked to the EEA, including through the pan-European cumulation of origin, so as to foster increased regional Liberalization.

65. The EC is, as part of efforts to strengthen the political stability and economic development of the **Western Balkans**, progressively entering into Stabilisation and Association Agreements (SAA) with the countries of that region, on the basis of the individual countries' merits. SAAs have, so far, been concluded with the Former Yugoslav Republic of Macedonia and Croatia and negotiations with Albania are ongoing. These agreements will supersede existing autonomous trade measures that abolish tariffs for nearly all products and provided for progressive Liberalization of trade in services. In addition to establishing a free trade area with the EC, these agreements provide for political dialogue, legislative approximation and deep co-operation in many diverse areas. They are expected to prepare the signatory countries for eventual EU membership, like the Europe Agreements did for the new Member States.

66. The EC's Partnership and Co-operation Agreements (PCA's) remain the central plank of relations with **Russia, Ukraine, Belarus, Georgia, Moldova and Kazakhstan**. One of the main objectives of the agreements is the promotion of trade and investment as well as the development of harmonious economic relations between the Parties. The EC recognises the fundamental role that WTO membership can play in anchoring and cementing economic reforms in these countries and has therefore strongly supported their WTO accession processes. Accession will provide greater stability and predictability; and better terms of access for business. The signing on 21 May 2004 of the bilateral market access negotiations for the accession of the Russian Federation to the WTO was a decisive step in Russia's accession process, which the EC hopes can be matched by other accession partners.

67. In November 2002 the EC launched reflection on a New European Neighbourhood policy aiming at fostering relations with its neighbours through a long-term strategy for promoting reform, sustainable development and trade. In March 2003 the Commission adopted a Communication which suggests that all the neighbouring countries should be offered the prospect of a stake in the EC's internal market, by building on the existing framework to promote the establishment of a more integrated and unitary pan-European market based on stable economic rules protecting producers and consumers and inducing investment.

(ii) Relations with developing countries

68. The EC's relations with the ACP are today governed by the **ACP-EC Partnership Agreement**, signed in Cotonou on 23 June 2000 and concluded for a period of 20 years. This provides for one-way preferential access of ACP-products to the EC market and is primarily conceived as an instrument of development cooperation. In September 2002 the EC initiated formal negotiations of Economic Partnership Agreements with ACP-countries, which are based on the principle of partnership and entailing rights as well as obligations for both sides. Through the EPA's the Communities will further open up its market to ACP products and tackle all other trade barriers. The ACP States for their part must be prepared to implement appropriate policies to strengthen their supply capacity, to reduce transaction costs, to open progressively their markets, and above all to further their own regional integration.

69. Since the negotiation process got under way in September 2002, the ACP and the EC, during a first phase, have conducted clarification meetings on EPA's at the all-ACP level. Specific negotiations with individual ACP regions were launched in October 2003 with West Africa and Central Africa, and in February 2004 with Eastern and Southern Africa. Negotiations with the Caribbean started in April 2004. For the other regions, Southern African Development Community (SADC) and the Pacific, negotiations were formally launched respectively in July and September 2004.

70. The EPA initiative forms an integral part of efforts to foster the integration of the ACP countries into the global economy, and reflects two things. First, the political decision of the ACP States to base their own integration into the world economy on regional economic integration; and second, the EC's belief that regional economic integration within the developing world offer a better long-term prospect for development than perpetuating dependence solely on unilateral preferences granted by northern markets according to a hub and spoke development model: EPAs will therefore be based on existing regional integration initiatives existing in the ACP, and stimulate further regional integration, as provided for in the Constitutive Act of the African Union or as agreed among the ACP States as a whole. The content of the EPAs should of course build on the rules of the WTO, taking account of the results of the Doha Development Agenda. The EPAs, in addition to further market opening, are expected to define more specific and more operational bilateral trade-related provisions in areas such as sanitary and phytosanitary standards, or regional customs and trade facilitation measures. EPAs are intended to tackle practical barriers to trade among the ACP countries themselves, and not only any that may exist between the ACP and the EC. Closer integration among the parties will be supported through extensive trade-related assistance and aid, including for building institutions and improving infrastructure. The EPAs are scheduled to enter into force by 1 January 2008 at the latest. The non-reciprocal Cotonou trade preferences will continue to be applied during the interim period (2000-2007).

71. At the EU-Latin America and Caribbean summit in May 2002, the decision was taken to launch negotiations for new Political Dialogue and Cooperation Agreements to deepen and broaden the partnership between the EC and **Central America (CA) as well as the Andean Community (CAN)**. The co-operation is a reflection of the CA and the CAN countries' desire also to use regional integration to achieve economies of scale, raise regional living standards, and thus be better placed to participate in the global economy. Regional integration should contribute towards establishing a more stable regulatory framework with a very positive potential impact for trade and foreign and domestic investment, higher levels of economic growth, and increased influence of the CA and CAN countries in international trade. The EU-Latin America and Caribbean summit in Guadalajara in May 2004 declared that the conclusion of FTAs with CA and the CAN is the long term objective. The Heads of State and Government stipulated that together with the completion of the DDA, a high level of regional integration is also a sine qua non for region-to-region free trade agreements with the EC, it being self-evident that for the EC any such FTAs would be economically attractive only if the partner region effectively offered a single market comparable to that of the EC.

72. The present regulation governing **the EC GSP-scheme** entered into force in 1 January 2002 and will cover the period until the end of 2005 (after its extension for an extra year). The EC GSP now covers virtually all sectors and fully incorporates the new EBA initiative which was adopted in February 2001 and which grants duty free access to all products from LDCs, except armaments. Under the current scheme, tariff modulation has been simplified with the establishment of just two categories of products according to their sensitivity. Procedures concerning graduation, withdrawal, safeguards and special incentive arrangements have been harmonised and clarified. The preferential margins that were eroded as a result of progressive trade Liberalization have been restored by reducing *ad valorem* duties on sensitive products by a flat rate of 3.5 percentage points and specific

duties by 30%. The special incentive arrangements have been made more attractive by further reducing ad valorem and specific duties by an additional 5 percentage points and 30% respectively. Finally, the GSP's role as a tool to foster sustainable development has been reinforced; predictability has been enhanced by requiring that graduation and exclusion only occur where the conditions are fulfilled during three consecutive years. A new GSP scheme to replace the current one after 2005 is now under consideration.

73. Under the EC Treaty, since 1958, the **Overseas Countries and Territories (OCTs)** are linked to the Community under a specific Association arrangement aiming at promoting the economic and social development of these dependent countries and territories through closer economic relations between them and the EC as a whole. In November 2001, the "Overseas Association Decision" was amended in order to improve the co-operation and promote the effective integration of the OCTs in the global economy for goods and services vis-à-vis regional and world markets by stepping up Liberalization and co-operation in services and trade-related areas. The decision covers a ten-year period ending on 31 December 2011.

74. The Euro-Med agreements concluded with **eight Mediterranean countries** (Tunisia, Morocco, Jordan, Egypt, Lebanon, Algeria, Israel and the Palestinian Authority) continue to be the basis for intensifying bilateral and regional co-operation in support of an area of peace, stability and shared prosperity. The trade part of these very comprehensive association agreements allows for the progressive elimination of tariff and non-tariff barriers to trade in manufactured products in accordance with timetables negotiated between the partners, while trade in agriculture is to be progressively liberalised through reciprocal preferential access among the parties. Trade in services, including right of establishment, is also to be progressively liberalised, with due regard to the GATS agreement. The Mediterranean Partners themselves have also begun to enter their own Free Trade Agreements (e.g. the Agadir Agreement between Egypt, Jordan, Morocco and Tunisia) in order to increase levels of trade between them and maximise the region's potential for economic growth. Consequently, the process encourages a South-South model of regional integration of Partners' economies, a necessary step in preparing the region for the creation of a Euro-Mediterranean Free Trade Area by 2010.

75. The EC has been engaged in talks with the **Cooperation Council for the Arab States of the Gulf (GCC)** on an ambitious FTA between the EC and the GCC as a whole. During the period of this review these negotiations after a long period of being dormant have made significant progress with the aim of achieving substantial commitments on both sides not only to trade Liberalization but also to regulatory changes.

76. Negotiations between the EC and **MERCOSUR** have also continued during the period under Review with the aim of achieving a greater level of political and economic co-operation and integration, not least within the MERCOSUR group itself, by supporting the development and strengthening of common institutions at the MERCOSUR level and by liberalising substantially all trade in goods and services between itself and MERCOSUR. Again, this bi-regional FTA is posited on the effective establishment of a single market within MERCOSUR, comparable to that of the EC, in order to guarantee equivalence of access and free circulation for both parties.

77. The EC's Cooperation and Free Trade agreements with **Mexico** and **Chile** remain in place and contribute towards promotion of trade as well as dialogue also on multilateral issues. Relations with **South Africa** have continued to develop on the basis of the 1999 agreement on Trade, Development and Co-operation and South Africa's special membership of the ACP Group. Awaiting the ratification of the bilateral agreement, talks have been aiming at sorting out technical issues that are pending in areas such as agricultural trade, rules of origin, anti-dumping, which are necessary for

progressively establishing a free-trade area and ensuring South Africa's participation in intra-regional trade. With respect to **India and Pakistan**, dialogue and partnership has increased over the last two years through further agreements on co-operation in fields such as customs, technical standards, and combating fraud. However, there remains still considerable scope for deepening trade relations with these important partners.

(iii) Relations with other partners

78. In addition to the FTA or regional integration initiatives described above, the EC has also established frameworks with a number of developed countries for continued dialogue on trade issues, and certain more specific bilateral initiatives related to trade facilitation. The focus of co-operation with a number of developed countries has largely been on tackling remaining regulatory barriers while preserving a high level of protection for health, safety, consumers and the environment. Mutual Recognition Agreements on product testing and certification requirements, agreements or co-operation in SPS and veterinary matters, and co-operation on customs and competition issues have all proven to be helpful instruments to remove barriers or prevent their creation. The EC has also sought to use such bilateral frameworks for preventing disputes. Co-operation with key industrialised country partners encompasses both bilateral issues and multilateral issues, and reflects the shared commitment to strengthen the multilateral trading system and to improve the bilateral regulatory environment.

79. In relation to the **United States** co-operation has continued within the framework of the New Transatlantic Agenda, the Transatlantic Partnership (NTP) and with the launch of the Positive Economic Agenda which has further expanded co-operative efforts to other areas where mutually beneficial arrangements can be found. In relation to **Canada**, co-operation has significantly stepped up during the period of this review with the adoption of the EC-Canada Trade and Investment Enhancement Agreement (TIEA) identifying areas to be covered by the future negotiations as well as the broad objectives sought for each of those areas. One of the key elements of the TIEA will be cooperation between EC and Canadian regulators, which will be developed on the basis of a voluntary Framework being currently prepared by the European Commission and the Canadian Government. As regards **Japan**, the deregulation dialogue which was launched in 1994 and the launch on 8 December 2001 of the "EC-Japan Action Plan" are just two examples of a broad and deep cooperation. With respect to **Korea** similar co-operation has continued on the basis of the Framework Agreement for Co-operation and Trade of 1 April 2001. Co-operation between the EC and **Australia** has led to a mutual recognition agreement of conformity assessment procedures. In spring 2003 agreement was also reached on the removal of the rules of origin requirement in that Agreement, and a deeper and broader cooperation was agreed by both sides. Negotiations are currently being pursued with a view to reach agreements on wine and veterinary matters. EC relations with **New Zealand** have since the adoption of Joint Declaration in 1999 led to agreements on mutual recognition of conformity assessment procedures as well as veterinary matters. A wine-agreement is currently under negotiation.

80. The EC has stepped up its co-operation with **China** since her accession to the WTO in December 2001. As of 2004 the EC and China launched a formal "Trade Policy Dialogue", covering multilateral as well as bilateral areas, backed up by an extensive set of co-operation programmes in many trade areas. The EC has also continued to support China's implementation of the WTO agreements and her economic and trade reforms. As for **Chinese Taipei**, the EC attaches importance to this economic and commercial partner, with whom it has solid relations in areas, such as economic relations, science, education and culture. The trade dialogue with **Chinese Taipei** will be deepened and broadened in future.

81. The EC's trade relationship with Asia continues also to be fostered by the Economic Pillar of the **Asia-Europe meeting (ASEM)** which was established in 1996, creating closer links between the

EC, Japan, China, Korea, Thailand, Malaysia, the Philippines, Singapore, Indonesia, Vietnam, and Brunei. On the trade side, ASEM provides a non-negotiating framework for dialogue and practical co-operation on measures to facilitate trade and investment. In January 2004 a roadmap and a work-plan was agreed between the EC and ASEAN Ministers for the establishment of a "Trans-regional EC-ASEAN Trade Initiative" (TREATI) which is aimed at expanding the trade and investment flows between the two regions, including by addressing more closely technical barriers to trade and sanitary and phytosanitary (SPS) measures, trade and investment facilitation and promotion, trade and environmental issues, IPR, trade in forestry products and tourism.

V. CONCLUSION

82. During the period under review, the EC's number one trade policy priority has been to move the Doha Development Agenda forward. In the aftermath of the WTO Ministerial meeting in Cancun, the EC reconfirmed its commitment to further multilateral market-opening and stronger international trade rules, and strongly welcomes the agreement in Geneva which revives the DDA.

83. The EC thus remains strongly committed to the Round, and looks forward to concluding an ambitious and balanced package representing the right policy mix between further improvement of rules and progressive Liberalization, and encouraging sustainable development.

84. In parallel, the EC has continued, and will continue, to foster its regional- bi-regional and bilateral relations, notably with the aim of integrating developing countries in the global economy. However, this has not been pursued at the expense of multilateralism: MFN-based trade continues to account for approximately three-quarters of all the EC's trade with third countries.

85. The key plank of the EC's trade policy in the coming year will thus continue to be the Doha Round. EU enlargement, further consolidation of the single market, a renewed emphasis on strengthening social and economic structures, and continued economic and institutional reform, have all underpinned the EC's international trade policy agenda during the period covered by this review, and have laid the ground for sustainable economic growth and increasing trade openness in the years to come.
