

Inside Global Europe

The European Union's¹ Global Europe trade strategy has been driven by the demands of corporate lobbyists in Brussels and is aimed at securing a number of regional trade deals designed to ratchet open markets in the developing world.

The World Development Movement (WDM) believes that these agreements will legally 'lock-in' a series of policies that will undermine the ability of these countries to provide basic needs, reduce poverty and develop.

Access to raw materials

Some countries put taxes, quotas or even bans on the export of raw materials or food out of their country. Europe wants these abolished so that European companies can access raw materials and food more easily and at a cheaper rate.

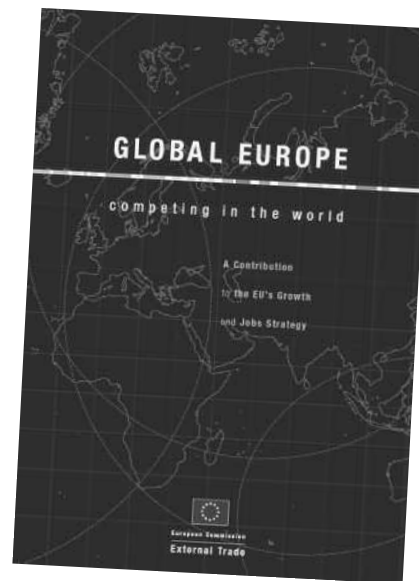
But countries use these taxes and quotas to encourage local processing of raw materials into higher value goods, to ensure that enough raw materials or food are available locally, or to keep the price lower for such goods in the country concerned.

Taxes, quotas or bans on food exports are also being used by some countries in response to higher world food prices driven by consumption of rich people around the world, the impacts of climate change and demand for biofuels in rich countries.

It is crucial that developing countries are able to manage their trade in raw materials as they see fit and prioritise the right to food for their people over the demands of western consumers.

Market access for European manufactured and agricultural products

Europe wants developing countries to remove import taxes (tariffs) on manufactured and agricultural goods. But many developing countries receive a high proportion of their revenue from taxes on trade and when these are cut, it is difficult to replace them with other forms of income. Evidence shows that import taxes have also been an essential policy tool that many countries have used to protect vulnerable farmers, help build-up local industries and, in the case of rich countries, to generate revenue during their own development process.



These trade deals will leave poor farmers vulnerable because they reduce import taxes but do nothing to tackle the problem of European subsidies. Any negotiation of agriculture in a trade deal with Europe is heavily biased from the outset because, unlike import taxes, agricultural subsidies cannot be changed on a country-by-country basis. Farmers in target countries face a future of more open markets whilst having to compete with subsidised European produce – a recipe for disaster.

Less regulation of European manufacturing companies

Europe wants to secure deals that prevent targeted developing countries from using a range of development-friendly regulations on investments by European multinational companies.

This could include the removal of a requirement that companies reinvest a certain level of profits back into the country where they were earned or the removal of regulations specifying that foreign companies must employ some local people.

The United Nations Conference on Trade and Development (UNCTAD) says that regulation of foreign investment is vital to ensure investments serve the development needs of the country. And most rich countries used some or all of these regulations during their own development process.

Little wonder then that previous attempts to weaken investment regulations through the World Trade Organisation have been opposed by many developing countries.

¹The European Union will be referred to as Europe from this point on

Less regulation of European service multinationals

As with the manufacturing sector, Europe wants to get rid of a range of regulations applying to its service companies. Key service sectors being targeted by Europe include tourism, financial services (e.g. banking), energy, transport and water.

Services are considered to be one of the 'big prizes' from these deals and could represent billions of euros of profit for European multinationals.

Again, Europe wants regulations to be removed such as requirements that its companies employ local people, work with local companies or keep profit in the country concerned. Most rich countries used some or all of these regulations during their own development process.

Access to government procurement contracts

Europe wants access to government contracts in the target countries to boost the amount of business its multinationals can get.

Governments often provide preferential access for local companies to these contracts in order to build-up domestic industries and create local jobs. UNCTAD

has argued that developing countries should not give up the right to award such contracts, as they are a vital tool to build-up local companies, keep money in the country and counter increases in unemployment.

Most rich countries used government procurement contracts to help build up local

industries during their

own development process. Again, it is no surprise that previous attempts to abolish these policies through the World Trade Organisation have been opposed by many developing countries.

"The EU will need to negotiate to liberalise trade in services with key trading partners, especially where market access is poor or our partners have made few WTO commitments."

Global Europe Strategy, 2006

What Europe wants

- ✦ *Unrestricted access to raw materials*
- ✦ *Market access for European manufactured and agricultural products*
- ✦ *Less regulation of European manufacturing companies*
- ✦ *Less regulation of European service multinationals*
- ✦ *Access to government procurement contracts*