Trade and Investment Barriers
Report 2011

ENGAGING OUR STRATEGIC ECONOMIC PARTNERS ON IMPROVED MARKET ACCESS:
PRIORITIES FOR ACTION ON BREAKING DOWN BARRIERS TO TRADE

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Engaging our strategic economic partners on improved market access: Priorities for action on breaking down barriers to trade

1. INTRODUCTION

As the world's largest trading bloc and as the most important source and destination of foreign direct investment, the EU has an inherent interest in ensuring an open and fair global trading system. This interest can only grow in the years to come – by 2015, 90% of world growth will be generated outside Europe. The European economy needs to seize the opportunity of higher levels of growth abroad, in particular in Asia.

A key message of the new EU trade strategy[1] is that in parallel to the negotiating agenda, our renewed trade policy must take a more assertive approach, not least to ensure that European companies are not deprived of legitimate market access opportunities and that our rights are properly enforced to ensure a level–playing field. The Commission will be focused and tough in pursuing this agenda. The Commission is also determined to continue the fight against protectionism. Indeed, it is precisely because the EU believes in the benefits of open markets at home and abroad that the EU needs to engage its partners on matching its efforts, in a spirit of reciprocity and mutual benefit[2].

Helping European companies gain access to third country markets has been and continues to be an essential element of the EU's trade policy, but the EU needs to step up its efforts. It is well established that today's main trade policy challenge does not primarily lay in cutting tariffs for goods, but in overcoming regulatory barriers, gaining better market access for services and investment, opening public procurement markets, better protecting and enforcing Intellectual Property Rights (IPR), and tackling unjustified barriers hampering the sustainable supply of raw materials. More generally it needs to be ensured that trade contributes to sustainable development, taking into account the social impacts of barriers to trade. Studies show that the EU's Gross Domestic Product (GDP) could be boosted by more than half of one per cent if we complete our bilateral and multilateral negotiating agenda.[3] Yet, this figure can be doubled if the EU makes real progress on non-tariff barriers (NTBs) and regulatory issues with its major trade partners such as the US and China.[4] Trade policy can and must make a major contribution to jobs and growth.

The Market Access Strategy[5] forms a key element of our enforcement activities in ensuring that trade agreements are effectively translated into real trade benefits. Particular attention is

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[1] *Trade, Growth and World Affairs*, COM (2010) 612, 9.11.2010.

[2] European Council Conclusions, 16 September 2010.

[3] Commission Staff Working document "*Trade as a Driver of Prosperity*" accompanying the Commission's Communication on "*Trade, Growth and World Affairs*"; http://trade.ec.europa.eu/doclib/docs/2010/november/tradoc_146940.pdf

[4] Commission Staff Working document "*Trade as a Driver of Prosperity*" see footnote 3, pg. 9. http://trade.ec.europa.eu/doclib/docs/2010/november/tradoc_146940.pdf

[5] COM (2007) 803, 11.12.200.

being paid to preventive actions, including through the use of early warning notification mechanisms as provided in WTO agreements on Technical Barriers to Trade and Sanitary and Phytosanitary Measures. The Commission is determined to continue developing its new and collaborative way of working with Member States and business to tackle barriers in third country markets, and to make barrier removal a corner-stone of our relationships with third countries, including at the highest level. In the Commission's view, market access issues should form an important part of the ongoing discussions in the European Council on enhancing our strategic economic partnerships by setting priorities, streamlining the different instruments and coordinating our messages to more effectively promote the EU's interests abroad. It is also useful to reflect on priorities just as the European External Action Service becomes operational.

This is the first annual report to the European Council on trade and investment barriers in third countries, as first announced in the Europe 2020 Strategy[6]. It provides an opportunity to focus attention on the common efforts needed on a selected set of market access barriers including 'beyond the borders' measures and industrial policy practices[7]. Indeed, there has been a significant reawakening of interest in industrial policy in EU major trading partners. This sometimes includes practices such as active promotion of 'national champions' that might be detrimental to EU interests.

The barriers selected are those of major economic and/or systemic importance for European business in the markets of certain strategic partners. This includes also export restrictions for raw materials which are strictly speaking not "market access" barriers, but which are equally harmful for European companies, in particular European downstream producers incorporating the raw materials in the finished products they export. This Report will help focus discussions in the European Council on shared market access priorities, to reap the full potential of the EU's combined strength, and bring direct benefits in terms of growth and jobs in the European Union.

2. SIGNIFICANT BARRIERS IN OUR RELATIONS WITH STRATEGIC PARTNERS

This report focuses on barriers that are of major economic and/or systemic importance for European business in the markets of certain of our strategic partners - China, India, Japan, Brazil/Argentina (the latter grouping due to the Mercosur dimension), Russia and the US. In 2009, trade with these partners represented 45% of our trade in goods and commercial services (with the US accounting for 19% and China 10%) and 41% of our foreign direct investment (FDI) flows[8] (with the US alone accounting for 35%). As the EU has currently no bilateral FTA negotiations with four out of the six partners, a reinforced common approach towards these countries is all the more important.

The focus of the report on these strategic partners does of course not mean that the Commission is downgrading the importance of barriers in other important and often emerging markets, such as the ASEAN countries, the Gulf Cooperation Council countries, the Southern or Eastern Neighbourhood countries, or other strategic partners such as Mexico and South Africa for example. The annexed Staff Working paper complements this report by giving

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[6] COM(2010) 2020, 03.03.2010.

[7] For more information on industrial policy practices see "*An Integrated Industrial Policy for the Globalisation Era"*, COM(2010)614, 28.10.2010.

[8] In 2009 the European Union had a small disinvestment in Japan.

more details on the efforts made and actions foreseen in order to address the barriers identified in the wider context of 32 priority export markets.

The choice of specific barriers is based on recent joint assessments of the situation in the seven countries concerned, such as the key barrier exercise carried out in 2009/2010 at the request of the Council[9], which led to prioritising 203 barriers for 32 markets, and the continuous monitoring of protectionist measures introduced following the recent economic and financial crisis.[10]

2.1. China

China is the EU’s second largest trading partner while the EU is China’s largest trading partner. China is not only a source of low price consumer goods but also of key inputs for our manufacturing industries. Notwithstanding our important bilateral trade deficit, China has become the fastest growing market for our exports of goods and services and an important destination for EU investment. The EU exported €82 billion worth of goods to China in 2009 - despite the crisis, still up by 4% compared to 2008, and by the end of October 2010, our exports were up by 38% on a year-on-year basis. Overall, exports from the EU to China have more than doubled (121%) between 2005 (first 11 months) and 2010 (11 first months). However, this level of EU exports still remains below potential, and better market access would allow EU exporters and investors to contribute to, and take full part in, China's phenomenal economic growth.

Ten years after WTO accession, China still has to improve its record on implementation of key WTO principles of non-discrimination, transparency and national treatment. Important market access barriers persist in standardisation and technical regulations as well as in services, investment and public procurement. Insufficient enforcement of IPR and burdensome certification procedures continue to raise enormous concerns. An underlying and growing concern is that China appears to have developed interventionist industrial policy measures aimed at import substitution, forced transfer of technology and the granting of preferential access to raw materials to local producers. This includes industrial subsidies such as preferential loans from state banks, land grants, preferential prices for inputs (energy) and export credits.

The following barriers have been identified as priority issues for EU operators:

1) In the area of **raw materials** China is now systematically resorting to market-restricting measures such as export duties and quotas. In 2009, these restrictions affected EU imports of raw materials from China worth around €1.2 billion, accounting for 6% of EU's total import of these goods. 59% of the Chinese import affected by these measures was industrial raw materials. These trade barriers are particularly problematic in a global environment where no alternative source of supply or no substitute raw material is readily available. The recent issues relating to trade in **rare earths** are a striking illustration of the problem. The barriers in place in China concerning rare earths affected 62% of the EU's total import of these types of rare earths in 2009.[11] The decrease in China's rare earth export quotas has resulted in significant market shortages and steep price increases, with considerable impact on

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9 Council Conclusions (GAERC) of 8 December 2008, Doc. 16198/08.

10 See, for example, DG Trade, "*Seventh Report on potentially trade restrictive measures*", November 2010; http://trade.ec.europa.eu/doclib/docs/2010/october/tradoc_146796.pdf

11 Defining rare earths as rare earth metals, scandium and yttrium (HS 280530), cerium compounds (HS 284610), and compounds of rare-earth metals (HS 284690).

production costs of rare earth-based applications. Prices of rare earths have increased by up to 500% and are foreseen to increase even further as a result of the latest reduction in export quotas. EU industry uses rare earths in an increasingly wide range of downstream applications, the main uses being catalytic converters for cars, in the ICT sector (e.g. in printed circuit boards, for optical fibres and semi-conductors), phosphorus-based lamps, strong permanent magnets (used e.g. in electric cars or wind turbines), high-tech glass and ceramics. The stakes for the current and especially future development of the European economy are therefore high.

2) A key concern with regard to **public procurement** as well as **intellectual property** is the **"indigenous innovation**" policy aimed at supporting Chinese firms moving up the value chain. This is a serious concern for European companies wanting to export from the EU or already operating in China. In the past, this policy has severely hampered access to Chinese procurement in a wide number of innovative sectors from green technology to telecommunications with the requirement that foreign companies register their IPR in China. Draft rules also require applicants to disclose commercially sensitive information related to innovation and IPR.

At the latest High Level Economic and Trade Dialogue, however, the Chinese government has given reassurances that it will not treat products and services differently based on where patents are registered, or adopt or maintain measures that make the origin of development or ownership of intellectual property a condition for government procurement preferences. The Commission welcomed this announcement but will closely monitor the implementation of the measures, including at provincial level, in order to establish a level-playing field between domestic, foreign-invested companies established in China, and foreign companies.

More generally, the Chinese procurement framework remains incomplete and not transparent. Major reforms are needed to ensure compliance with international standards and a predictable environment for bidders. China's accession to the GPA is instrumental to reach these goals.

In the broader area of IPR, access to the Chinese IPR enforcement system remains difficult for foreign businesses, in particular those operating in creative and innovative sectors. They are disadvantaged with stricter formality requirements applying to them. In particular, the legalisation and notarisation requirements for Power of Attorney and evidence coming from abroad are burdensome and costly, and they prevent foreign operators from defending their rights before the courts and administrative authorities in an effective manner. Moreover, interim injunctions are difficult to obtain in practice and the damages awarded by the courts often remain too low.

3) China is increasingly imposing requirements for compliance with **specific Chinese standards and related burdensome third-party testing and certification procedures.** Such requirements often collide with international standards and practices, putting foreign businesses at a disadvantage. A significant example is the **information and communication technology** (ICT) sector, where the overall complexity and lack of transparency of China's regulatory and conformity assessment practices contribute to an increasingly unpredictable business environment and serious market access problems for foreign and foreign-invested companies.

4) Regarding **investment**, current flows show a vast untapped potential. Although European companies invested more than €5 billion in China in 2009, this is less than 3% of total investment outflow. The current investment climate in China is hampered by a lack of transparency and predictability. Furthermore, Chinese regulations in particular in the power

sector (on qualification requirement, restricted access to concession projects and assembling requirements) prevent EU energy companies from full access to the Chinese market, especially in the renewable energy sector.

In addition, as evidenced by the so-called "investment catalogue", a number of important sectors remain closed to foreign investment in China, or access is limited through joint ventures, equity caps, limits on the number of establishments etc. Through the combined impact of different measures, China uses its investment regime as a tool to steer its economic development, in particular by favouring local companies through technology and "know-how" transfer. This is a serious concern for European companies wishing to invest in China. The upcoming revision of the investment catalogue provides a good opportunity to deliver a clear message to the Chinese authorities on the need for a truly open and non-discriminatory investment climate in China.

2.2. India

India is an important trade partner for the EU and a growing economic power. With a growth rate of between 8 and 10% per year it is one of the fastest growing economies in the world. Per capita income more than doubled during the period 1990-2005. In parallel, in just four years, EU-India trade has increased by 31% to over €53 billion in 2009 and EU investment to India has more than quadrupled since 2003 to €3.1 billion in 2009.

However, India's trade regime and regulatory environment still remain comparatively restrictive.[12] In addition to high tariff barriers, India also imposes a number of non-tariff barriers in the form of quantitative restrictions, import licensing, burdensome mandatory testing (such as for tyres for example) and certification for a large number of products as well as complicated and lengthy customs procedures. With regard to intellectual property, some improvement in the IPR enforcement infrastructure has been reported, however there are still significant concerns about India's response to counterfeiting and piracy. Furthermore, in the area of procurement, the Indian legislative framework remains incomplete. Major reforms are needed to ensure compliance with international standards and a predictable environment for bidders.

The current trade performance between the EU and India falls therefore far short of its potential. The comprehensive and ambitious free trade agreement with India currently under negotiation could constitute one of the most significant deals concluded by the EU. A trade deal of this magnitude would generate sizeable benefits to both economies which conservative estimates put in the range of €9 - €19 billion.

The following barriers are significant trade irritants with India which need to be resolved:

1) **Burdensome licensing requirements** related to new security provisions have been proposed which would affect, if fully implemented, the access of European operators to the commercial procurement of **telecommunications**. The provisions stipulate prior security clearance and technology transfer requirements, as well as an obligation to substitute foreign engineers with Indian ones. Such requirements are unprecedented internationally, and would damage investment in India. In 2009 the EU exported telecommunications equipment worth €1 billion to India.

[12] In 2008 the World Bank ranked India 120 (out of 178) in terms of "ease of doing business".

2) Another topical trade issue concerns India's recent measures **restricting exports of cotton.** From 2004 to 2009 the EU's imports of cotton have increased by 17%. Several cotton products are facing export restrictions in India.[13] Although EU total imports of these cotton products have experienced a decline of 48% over the five year period, recent measures on these goods are important since 23% of EU imports of these types of cotton products came from India in 2009. Furthermore, as the second largest cotton producer in the world (20% of global production) and the only global net exporter of cotton, India's policy has a significant impact on global cotton supply and hence on prices, aggravating the global upward price spiral. European industry is therefore facing very high prices and a shortage in supply, as India is the EU's main import source for cotton products.

3) Furthermore, India’s **investment** policy continues to hinder foreign investments. Many important economic sectors such as multi-brand retail remain closed to foreign investment and a series of measures has been adopted to control foreign capital flows and ensure maximum benefit for local companies through technology and know-how transfers.

4) Finally, **Sanitary and Phytosanitary (SPS) import requirements** going beyond international standards without scientific justification hinder various EU exports, mainly poultry, pig meat, vegetables, fruits and timber.

2.3. Japan

As a highly developed economy and major global trader and investor, Japan is already an important partner for the EU while still offering further high potential trade opportunities. With a share of almost 4% of EU exports of goods and services in 2009, Japan is the EU's seventh largest export market. However, over the period 2005-2009, EU exports in goods to Japan declined by almost 6% on average by year. The fact that the Japanese trade surplus has remained high is partly a reflection of continuing market access problems for foreign firms in Japan.

While tariffs in Japan are generally low, regulatory obstacles to trade in goods and services, as well as barriers to investment and public procurement, remain high and are perceived by EU industry as one of the main reasons why the Japanese market is often considered as more difficult than other markets.[14] However, 2010 has brought about a renewed commitment for closer economic ties between the EU and Japan in the context of discussions in the so-called High Level Group established by the EU-Japan Summit of April 2010. The EU has made it clear that Japan’s capacity to demonstrate that regulatory obstacles can be removed is the single most important condition for closer economic integration between the EU and Japan.

The following three important barriers are therefore good test-cases for Japan’s ambition to improve market access to the mutual benefit of both the EU and Japan.

1) A first example relates to the major barriers EU business is facing on the Japanese **procurement market** - despite the fact that Japan is a party to the WTO Government Procurement Agreement (GPA). Japan has committed to open to GPA partners (and therefore EU businesses) the public procurement market worth some €22 billion. In 2007 this represented only 4% of Japan's total public procurement markets and 0.5% of its GDP. In

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[13] HS codes 5201, 5202, 5203, 5205, 5206 and 5207.

[14] Assessment of barriers to trade and investment between the EU and Japan, report from Copenhagen Economics, November 2010”; http://trade.ec.europa.eu/doclib/docs/2010/february/tradoc_145772.pdf

contrast, Japanese companies had access to EU public procurement markets that were worth €312 billion (or 2.5% of the EU GDP). Underlying this problem are, inter alia, restrictions to access contracts awarded by railway and urban transport operators, excessive thresholds for public contracts for construction works, and lack of exhaustive coverage of local contracting authorities.

2) Second, the introduction of new **medical devices** in the Japanese market remains difficult as Japan's regulatory framework provides insufficient recognition of international standards and lengthy approval procedures. Only half of the medical devices used in the EU and US markets are available in Japan.

3) Regarding the **financial services** sector, the European insurance industry has continuously voiced major concerns over the preferential treatment of Japan Post by the Japanese regulator. The new legislation prepared by the government would discriminate even further against foreign insurance companies instead of levelling the playing field vis-à-vis private Japanese and foreign operators.

2.4. Mercosur: Brazil and Argentina

Brazil is the EU's 10th trading partner (2009 figures) with exports in goods from the EU amounting to more than €21 billion, while the EU is Brazil's biggest trading partner, accounting for almost a quarter of its total trade. Brazil is also the single biggest exporter of agricultural products to the EU, accounting for one in eight of total EU agricultural imports. The EU is the biggest foreign investor in Brazil. However, the Brazilian market is relatively highly protected with an applied customs tariff averaging 12% and significant non-tariff barriers hampering the activities of traders and investors.

Argentina is also an important trading partner for the EU, and the EU is also the biggest foreign investor in Argentina, accounting for about half of the FDI in Argentina. As highlighted by various monitoring reports produced by international organisations as well as by the Commission[15] , Argentina's trade policy responses throughout the economic crisis have been particularly problematic with a significant number of new protectionist measures being introduced since 2008.

As part of **Mercosur**, Brazil and Argentina are currently negotiating an association agreement with the EU which will include a free trade agreement.

Against this background, the following important trade barriers need to be addressed in order to facilitate market access to both countries:

1) In **Brazil**, fair access of foreign companies to the growing **procurement market,** which is already limited, is becoming even more difficult – a recent law introduced a 25% **preference margin for local goods and services** and restricted to national suppliers the procurement of goods and services considered of national strategic interest. This has already been affecting European suppliers in the ICT field. The size (in 2007 it was estimated to be worth around €133 billion) and high potential of the Brazilian public procurement market makes this a significant barrier – even more so as the rationale of the measure seems to be as part of a wider industrial policy.

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15 See, for example, DG Trade, "*Seventh Report on potentially trade restrictive measures*", November 2010; http://trade.ec.europa.eu/doclib/docs/2010/october/tradoc_146796.pdf.

2) Regarding **both Brazil and Argentina,** there are restrictions in **maritime transportation** that are of direct concern to EU business. Cargo sharing agreements between Brazil and Argentina limit the opportunities for EU shipping companies in engaging in international trade between the two countries. The size and growth of intra Mercosur and EU-Mercosur trade flows, and the likely growth in those flows as a consequence of a possible FTA between Mercosur and the EU, makes this issue particularly relevant for EU companies.

3) **Brazil and Argentina** are also hampering trade through different measures restricting the **export of raw materials.** Products affected include **agricultural products** and also raw hides, skins and "wet-blue". As regards agricultural products, for some products such as soya beans, export taxes in Argentina are as high as 35%. Coupled with burdensome export procedures like "export registries" e.g. for beef and grains, these measures have a considerable negative effect on European downstream producers and, ultimately, consumers. Raw hides, skins and wet blue, for which Brazil and Argentina are very important global producers, constitute a case in point. The EU leather industry is heavily dependent on supplies from Brazil and Argentina; in 2009 the EU's imports from Brazil of bovine raw hides, skins and wet-blue on which there were restrictions were worth €87 million (12% of the EU's total imports) and for Argentina the import on those facing restrictions was worth €81.2 million (10% of EU's total import). The use of export taxes on hides and skins leads to important competitive disadvantages for the EU leather industry as these duties account for a very significant part of leather production costs. It should be noted that in parallel to the introduction of export restrictions, Brazil and Argentina are developing their industries of finished leather goods. Thanks to easy access to the cheap raw materials not available to their foreign competitors, these industries have by now become very competitive internationally.

4) Finally, a significant trade restriction that **Argentina** has imposed as a response to the economic and financial crisis is the extension of its system of **non-automatic licences** to a wide range of products. Initially focusing on textiles, footwear and toys, the system is being applied more and more to other products such as tyres, iron pipes, machinery and mechanical appliances (e.g. elevators, harvesting machinery), base metal and articles of base metal and auto parts. Estimates are of potential losses of at least € 45 millions to European exporters. Furthermore, there are indications that the scope of the non-automatic licensing system could be extended even further. A salient feature of these measures are very often "voluntary" restraints of importers to level their imports with domestic production. Following the same logic, the Argentinean government also took measures to **restrict imports of certain food products**, i.a. by informally encouraging supermarkets not to sell such products any more and by delaying the issuance of so-called "certificates of free circulation".

2.5. Russia

Russia is one of the EU's key trading partners and bilateral trade flows saw steep growth rates until mid 2008 when Russia adopted unilateral trade restrictive measures in response to the economic and financial crisis to protect their domestic industry. These protectionist measures have seriously affected EU/Russia commercial relations. In 2009, EU goods exports to Russia accounted for €65.6 billion (down from €89.1 billion in 2007) while imports from Russia amounted to €115 billion (€144.5 billion in 2007). For commercial services, EU exports amounted to €18.3 billion (2009) and EU FDI outflows amounted to €26.3 billion (2008). State-owned enterprises continue to play an important role in the Russian economy.

The negative impact on EU exports of a number of recent protectionist policies pursued by Russia has been perpetuated through the consolidation of the temporary Russian tariff increases in the context of the Common External Tariff of Customs Union with Kazakhstan and Belarus which entered into force on 1 January 2010.[16] Russia has recently accelerated its WTO accession process and intends to complete it during this year which would result in such increased duties falling back to the lower levels negotiated with WTO members.

In recent years, Russia has implemented high export duties on a number of commodities that are important for EU importers, such as wood, ferrous and non-ferrous metal scraps. Given the weight of the Russian supplies, such policies have a significant impact on EU industries. EU imports of those industrial raw materials from Russia that are facing barriers were worth almost €3 billion in 2009. In the framework of Russia's WTO accession, which would ensure more stable conditions for business in and with Russia, a bilateral agreement was recently reached to resolve outstanding issues such as export duties on wood and discriminatory railway fees.

The following commercial barriers stand out as being of crucial importance for EU business interests:

1) One key concern for EU exporters, in particular small enterprises, continues to be **costly and burdensome customs procedures**, including arbitrary valuation and resort to minimum prices. The implementation of the Customs Union between Russia, Kazakhstan and Belarus has exacerbated the problems in this area.

2) **IPR enforcement concerns** also remain high on the agenda with Russia. There is still a high level of piracy in Russia. The sale and use of counterfeited goods are widespread both on street markets and in mainstream retail. Furthermore, systematic infringements of patents, commercial secrets and know-how in innovative sectors jeopardise the EU's competitiveness. The establishment of the Customs Union between Russia, Kazakhstan and Belarus on 1 January 2010 brought a considerable risk of further weakening the enforcement of protection of trademarks. The risk is linked to the weak IPR regime in Kazakhstan, whose porous borders allow for the entry of counterfeited goods and for illegitimate parallel imports from Asian countries, China notably.

3) Russia's **investment policy,** which aims at protecting and fostering domestic industries, remains another source of significant concern. Trade related investment measures include requirements of local content, domestic sales, export performance and technology transfer. The recent “localisation initiative”, which is intended to provide incentives for foreign companies to set up production in Russia in a number of sectors, including automobiles, electronics and pharmaceuticals, is the latest illustration of this policy. Furthermore, the Russian law on foreign investment in strategic sectors imposes very low thresholds for ex-ante approval of foreign energy investments in Russia, making EU investment in the upstream Russian energy market very cumbersome.

4) Last, but not least, there are issues related to **SPS** that continue to significantly hinder EU exports to Russia. Most of Russia's SPS measures are not consistent with international standards and are not backed by any scientific justification. The economic value of exports potentially affected by these barriers is significant: In 2009, exports of agricultural products to

[16] The Commission estimates that total costs in increased duties, introduced by Russia in the course of the economic crisis, and consolidated in the Common External Tariff of the Customs Union between Russia, Kazakhstan and Belarus, are estimated for 540 million per year (some 860 million per year in the Customs Union as a whole). See also: DG Trade, *Fifth report on potentially trade restrictive measures*, November 2009; DG Trade, *Sixth report on potentially trade restrictive measures*, May 2010.

Russia constituted around 10% of total EU exports to Russia, amounting to almost €7 billion. Russia is thus a primary export market for agricultural goods, and restrictions in this area present a direct risk for companies operating in this sector.

2.6. United States of America

The US is by far the EU's largest trade and investment partner. In 2009, exports of EU goods and commercial services to the US amounted to €322 billion (20.6% of total EU exports), while imports of goods and services from the US amounted to € 281.9 billion (17.6% of total EU imports). The EU and the US enjoy the most integrated economic relationship in the world, illustrated by unrivalled levels of mutual investment stocks reaching €1,044.1 billion of US investment into the EU and €1,134 billion of EU investment into the US in 2009, and flows reaching in 2009 €75.1 billion from the EU to the US and €97.8 billion from the US to the EU.

However, the enormous potential of the transatlantic relationship is far from being fully exploited. Given the low average tariffs (under 3%), the key to unlocking this potential lies in tackling non-tariff barriers. The biggest obstacles lie in the divergence of standards and regulations across the Atlantic. The stakes involved are high: A recent study suggests that eliminating only half of existing non-tariff barriers and regulatory divergences between the EU and the US would boost the EU's GDP by €122 billion a year.[17]

Against the background of such a large and deeply rooted relationship, the following barriers maintained by the US should be addressed as a matter of priority.

1) It is striking to note the low level of openness of US **government procurement** markets to EU bidders. This results partly from the limited scope of the GPA commitments made by the US, which cover only 3.2% of the US public procurement market (worth a total of €34 billion). In contrast, the EU has committed to open around 15% of its public procurement markets to the other GPA parties. The **Buy American** initiative has limited even more the effective access to US public procurement markets in areas not covered by US GPA commitments through new discriminatory provisions included in the American Economic Recovery and Reinvestment Act and similar legislation. These provisions created additional uncertainty for foreign operators in the US market and effectively excluded them from certain tenders, mainly in the construction sector and have had a very unfortunate knock on effect for similar measures in other countries. Another example of harming practices is the prohibition of U.S. government purchases from so-called inverted companies, which are originally U.S. companies that have changed tax jurisdiction and inverted to another country's tax system.

2) Another horizontal barrier, potentially having a significant economic and practical impact on EU exports to the US are the **'100% scanning'** provisions. This US legislation that aims to enhance security by countering potential terrorist threats to the international maritime container trade system, foresees the 100% scanning (pre-scanning of containers before arrival in US ports) of all US-bound containers by 1 July 2012. Its repercussions are so far reaching that it would act as a serious hindrance to EU-US trade. While progress has recently been achieved in the context of discussions in the Transatlantic Economic Council towards the recognition by the US of the concept of "authorized economic operator", the EU will have to continue to monitor very closely further developments on this barrier.

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[17] *"Non-Tariff Measures in EU-US Trade and Investment – An Economic Analysis*"; by Ecorys; released on the web on 16 December 2009, http://trade.ec.europa.eu/doclib/docs/2009/december/tradoc_145613.pdf

3. MOST SIGNIFICANT BARRIERS: A HORIZONTAL ANALYSIS ON COMMON TRENDS AND PRIORITIES

The barriers listed in section 2 are a selection of the most important problems European companies face when they want to get access to the markets of our strategic partners. Certain types of barrier are recurrent. The following analysis of such common features may be useful for identifying best ways of addressing the issues, including possibilities for further leverage and for defining an enhanced (and more assertive) removal strategy for the future.

3.1. Government Procurement

Public procurement markets remain significantly closed to foreign participants as clearly illustrated by the problems highlighted in the US, China, Japan and Brazil. However, these markets are far from being negligible from a commercial point of view. The untapped potential is considerable. In 2007, public procurement spending amounted to some 16% of GDP in the EU, 11% in the US and 18% in Japan. For emerging and developing economies, data are scarce. In 2007, these government procurement markets were estimated to amount to around €212 billion in India and the Mercosur (Brazil and Argentina) put together. This may still be relatively small in absolute terms, but these markets are expected to increase significantly and are likely to become important future business opportunities in sectors where EU industry is highly competitive.

However, public procurement is arguably the largest segment of trade that continues to be relatively sheltered from international commitments. Only 14 countries are parties to the Government Procurement Agreement (GPA). Only the US and Japan among the six strategic partners identified in this report are currently GPA members while China is in the process of negotiating its accession. Moreover, even those countries that have signed up to the GPA have negotiated important limits to their market opening commitments in the form of minimum thresholds or exclusions of sectors or entities (such as sub-federal). It is therefore no surprise that when the financial and economic crisis hit in 2008/09, a proliferation of protectionist measures in the area of public procurement was noted.[18]

Furthermore, the GPA is also characterised by an important asymmetry between what the different parties offer in terms of market access commitments, with the EU being much more open than the other parties. Clearly our trading partners have fallen short of reciprocity in this domain. For example, in 2007, the value of US procurement offered to foreign bidders in the GPA is just €34 billion and, for Japan it was €22 billion. This stands in sharp contrast to €312 billion worth of the public procurement markets that the EU has committed to open. Thus, there is a strong case to push for more market access in public procurement, in particular with regard to our strategic partners that have not made reciprocal commitments. Efforts will need to be reinforced in order to increase international commitments – be it through the ongoing GPA negotiations and the extension of its membership, through the FTAs negotiated by the EU or through targeted bilateral actions.

However, given the EU's relative openness to foreign bidders, its leverage in trade negotiations on access to foreign public procurement markets is reduced.[19] In order to

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[18] See for example DG Trade, "*Seventh Report on potentially trade restrictive measures*", November 2010.

[19] See Commission Staff Working document "*Trade as a Driver of Prosperity*" accompanying the Commission's Communication on "*Trade, Growth and World Affairs*"; pages 52ff. and "Towards a. Single Market Act- for a highly competitive social market economy", see proposal n° 24, p.18

enhance leverage and secure improved symmetry in access to public procurement markets, the Commission argued in its recent trade policy communication and in the Single Market Act that a specific initiative was necessary and intends to make a proposal in this respect this year. The primary purposes of the new legal instrument would be to clarify the rules governing access to the EU's public procurement market of third country goods, services and companies, thereby ensuring a level playing field on the EU's public procurement market and to strengthen the position of the EU when negotiating EU companies' access to public procurement markets of third countries, in order to obtain the (further) opening of our trading partners' public procurement markets.

In addition, high level engagement will be necessary to ensure that European companies can access a legitimate share of foreign government procurement markets.

3.2. Effective protection of Intellectual Property Rights (IPR)

Difficulties highlighted above with regard to the Chinese and Russian markets are symptomatic of the major problems European businesses encounter when exporting IP-protected goods and services. In the globalised economy, the comparative advantage of the EU economy lies increasingly in high-value added and IP intensive goods and services. As a consequence, growth, jobs and innovation in the EU are severely hampered when our ideas, brands and products are pirated and counterfeited. Lack of legal protection and effective enforcement of IPR, including insufficient protection of geographical indications, hinders European business from reaping the benefits of important export opportunities. To give a (narrow) example, in 2007 *Protected Designations of Origin* (PDOs) and *Protected Geographical Indications* (PGIs) agricultural products had an estimated wholesale value of €14.2 billion and it is estimated that about 30% of the PDOs and PGIs is exported outside the EU. Enhancing IPR protection for our companies is therefore a crucial element to ensure the EU's ability to compete in the global economy.

Some progress regarding IPR protection has been made, notably through the enhanced implementation of the Commission's Enforcement Strategy[20]. Strong IPR provisions have been negotiated in bilateral agreements. The Anti-Counterfeiting Trade Agreement (ACTA) has been concluded with a number of like-minded countries[21]. Specific 'IPR dialogues' have been reinforced with certain key partners, such as China and Russia. The newly created China IPR SME Helpdesk has also been highly effective in helping European SMEs protect and defend their IPR s in the country[22], in addition to the "IPR2" project[23], a partnership project between the EU and Chinese authorities which aims to improve the effectiveness of IPR enforcement in China.

The recent evaluation of the Commission’s Enforcement Strategy[24] concluded that this strategy is relevant and led to several successes, but requires some adjustments after having been in place for 6 years. Accordingly, the Commission is now reviewing its strategy, which should be upgraded through a more comprehensive approach (considering in particular a broader range of stakeholders interests, such as development-related issues), on the basis of

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[20] Strategy for the Enforcement of Intellectual Property Rights in Third Countries, 2004.

[21] Australia, Canada, Japan, Korea, Mexico, Morocco, New Zealand, Singapore, Switzerland, the United States and the EU.

[22] http://www.china-iprhelpdesk.eu

[23] http://www.ipr2.org

[24] Evaluation of the IPR Enforcement Strategy in Third Countries, ADE, November 2010 – http://trade.ec.europa.eu/doclib/docs/2010/november/tradoc_147053.pdf

the above-mentioned evaluation and of other sources of input, including broad stakeholder consultations.

3.3. Sustainable supply of raw materials

The growth in global demand and the upward price pressure driven by the rapid industrialisation of emerging economies has triggered concerns with regard to the sound functioning of global markets of raw materials.[25] Imports of raw materials represent approximately one third of EU imports. For the production and export of many high-tech and greener products, the EU industry is highly dependent on imports of specific raw materials.

Trade restrictions on these goods can therefore potentially affect the competitiveness of EU industry. Where the production of a given raw material is concentrated in a limited number of countries, export restrictions have a significant impact on the global market for the given raw material and can constitute a very serious concern for EU industry,[26] Moreover, the use of export restrictions by a producing country puts pressure on other exporters to follow suit so as to shield their domestic downstream industry unleashing a chain reaction that exacerbates the distortions in global markets and pushes up prices. In addition, as domestic prices in the countries applying restrictions will tend to fall this may discourage further investment in the production/extraction and therefore further endanger the long-term supply of these raw materials.

Of the countries selected in this report, Argentina, Brazil, China, India and Russia currently impose restrictions on export of raw materials. These measures affected EU imports of raw materials worth almost €6 billion in 2009. A recent study by the OECD showed that 65 WTO members were applying export duties during the period 2003-2009[27]. Data collected by the Commission[28] showed that, as of September 2009, export restrictions faced by EU operators related to more than 1200 tariff lines.[29] The countries imposing the largest number of measures included China, Russia, Argentina and Ukraine. The most affected sectors were agricultural products, minerals, chemicals, raw hides and skins, wood and wood products, and metals.

However, tackling this kind of trade distortive measures is particularly challenging given that they are not fully ruled out by the current WTO disciplines. While quantitative restrictions (notably export quotas and export licences) are subject to GATT rules, export taxes are

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25 For more detailed information see Commission Staff Working document "*Trade as a Driver of Prosperity"* accompanying the Commission's Communication on "*Trade, Growth and World Affairs*"; page 65 and figure 15.

26 The supply risk is due to the fact that a high share of the worldwide production (i.e. the processing capacity turning the raw materials into commercial industrial products) mainly comes from a single or a handful of countries: this is the case with regard to China (antimony, fluorspar, gallium, germanium, graphite, indium, magnesium, rare earths, and tungsten), Russia (PGM), the Democratic Republic of Congo (cobalt, tantalum) and Brazil (niobium and tantalum). This production concentration, in many cases, is compounded by low substitutability and low recycling rates.

27 This represented a marked increase relative to the period 1997-2002 when 39 WTO Members were using such instruments; see J. Kim, "Recent trends in export restrictions", OECD Trade Policy Working papers, 101, 2010.

28 The database covers 19 countries including Algeria, Argentina, Brazil, China, Egypt, India, Indonesia, Kazakhstan, Russia, South Africa, Thailand and Ukraine.

29 A measure is defined as a tariff line at HS4 level being subject to a quantitative restriction (export quota or export ban), an export tax, or a non-automatic export licensing process; see DG Trade, Raw materials 2009 Annual Report, http://trade.ec.europa.eu/doclib/docs/2010/june/tradoc_146207.pdf

generally not covered by multilateral disciplines[30]. In the framework of its general approach to raw materials, the Commission has therefore developed a specific trade strategy on raw materials based on three pillars: negotiations on relevant disciplines at multilateral and bilateral level, enforcement of existing rights by challenging illegitimate export restrictions, including through dispute settlement procedures at the WTO where possible, and outreach activities to third countries, convincing them of the global nature of the raw materials issue and of their own benefits from clear trade rules in this area.

The EU has implemented this strategy including by conducting a number of trade negotiations, by launching a WTO case against a number of export restriction measures applied by China, where the Commission is currently examining the most appropriate next steps that could be taken including a possible follow-up WTO case, and by fostering discussions on the issue in bilateral contacts and in various fora such as the OECD. It will continue to be necessary to raise the raw materials topic with relevant partners at the highest level and to use the channels of dispute settlement and FTA negotiations, where available, to their fullest potential.

3.4. Services

The rapidly expanding services sector is contributing more to economic growth and job creation worldwide than any other sector. In the EU, the services sector accounts for some three-quarters of GDP, over 70 % of EU jobs[31] and for about 30% of EU exports. Yet, trade in services only accounts for 20% of world trade. The EU is the world's "market leader" in global services trade, accounting for 27% of global exports and 25% of global imports in 2009. Services are thus an area of international trade where EU industry is highly competitive, but where trade barriers – as reflected by the barriers listed in section 2 for Japan and Mercosur - continue to prevent it from reaping the full benefits of its strong competitiveness. Restrictions in trade in services take the form of either market-entry-barriers, direct discrimination between domestic and foreign service providers or regulatory barriers that apply to all providers but create de facto additional hurdles for foreign providers.

As approximately 75% of trade in services concerns the supply of infrastructure services, increased opening of trade in services could also enhance the competitiveness of manufacturing firms, leading to overall welfare gains. Our efforts to open services markets abroad need to be strengthened. The EU is currently negotiating the liberalisation of trade of services within the multilateral framework of the GATS and through bilateral Free Trade Agreements. The latter avenue has already delivered a significant liberalisation package in the context of the EU/Korea FTA. Building on this important precedent, the EU should prioritise services with a view to achieving highly ambitious results in future agreements, in the short term notably with India and Canada.

3.5. Investment

The current phase of globalisation with the surge of integrated supply chains has seen a dramatic increase in Foreign Direct Investment (FDI). FDI is recognised as one of the key factors in fostering economic growth, also for developing countries. FDI represents an important source of productivity gains and plays a crucial role in establishing businesses

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30 Except when provisions were negotiated in WTO accession protocols as is the case for China and Russia for a number of raw materials.

31 According to the "Employment in Europe 2010" report (p. 165), in 2009 employment in services sectors in the EU equalled 70.4%.

abroad and building the global supply chains as part of the modern international economy. Recent research has also shown that an open investment climate plays an important role in securing jobs in the EU.[32] As the largest source of FDI in the global economy, the EU has a key interest in improving access to foreign markets and to free the full potential of the EU's internal strength in services and establishment.

Barriers to foreign investment take the form of regulatory restrictions, classified by the OECD into three broad categories: (i) restrictions on foreign ownership of equity capital; (ii) mandatory screening and approval procedures increasing the cost of entry and (iii) operational restrictions like limits on foreign nationals working in affiliates, or nationality and residence requirements for the members of the board of directors, input restrictions and discriminatory government regulations, or restrictions on repatriation of profits. The bulk of restrictions are found in the services sectors, with, transport, telecoms, finance and electricity being some of the most restricted industries. Although FDI restrictiveness per country is not easy to measure, the high level of barriers to investment in India, China and Russia, as set out in section 2 does stand out.

Given the benefits of foreign investment, the EU strives to create an attractive and stable climate for European investors abroad as well as to preserve and promote an open investment regime at home in a spirit of reciprocity and mutual benefit. This is pursued through a combination of negotiations and dialogues with key partners like the US, China and Russia and the active participation in work conducted in international fora, like the OECD, UNCTAD, and the G8/G20. With the entry into force of the Lisbon Treaty and the extension of the EU competence to FDI, investment policy is being more comprehensively developed and managed at the European level, giving the EU a strengthened negotiating hand not only to contribute to the progressive abolition of restrictions on foreign direct investment in third countries but also to deliver better investment protection for all European businesses – and in the meantime safeguarding the protection levels negotiated prior to the Lisbon Treaty by Member States individually with third countries. The Commission has already published a Communication[33] on an international investment policy that increases EU competitiveness and thus contributes to the objectives of smart, sustainable and inclusive growth, as set out in the Europe 2020 Strategy. The renewed trade strategy also commits the EU to address the needs of EU investors outside the EU, negotiating comprehensive market access and investment protection provisions with key trading partners, most urgently with India, Canada and Singapore, where trade negotiations are already well advanced. The EU will also consider stand-alone investment agreements with other major trade partners such as China and Russia.

In addition to this very substantial and evolving agenda of negotiations, the existence of specific investment barriers will require engagement on a case-by-case basis at a senior political level to ensure that European investors are not discriminated against.

3.6. Regulatory issues – Technical regulations and standards (Technical Barriers to Trade and Sanitary and Phytosanitary issues)

Technical regulations and standards related barriers figure prominently on the lists of market access concerns of many EU exporters. Examples mentioned in section 2 include problems in the information technology sector in China and India or medical devices in Japan. Such

32 See report from Copenhagen Economics, "*Impacts of EU outward FDI*", 20 May 2010, http://trade.ec.europa.eu/doclib/docs/2010/june/tradoc_146270.pdf.

33 COM (2010) 343 final, 07.07.2010; http://trade.ec.europa.eu/doclib/docs/2010/july/tradoc_146307.pdf

barriers can have an important economic impact for manufacturers since, at the very least, they require the adjustment of products and production facilities to comply with differing requirements. As EU companies increasingly become part of global supply chains, differences in regulations and standards increase the cost of participation in the global economy and reduce the competitiveness of local companies in the global market.

With respect to the regulatory issues mentioned with regard to China, India, Japan and Russia earlier in this report, these could potentially affect EU exports worth of around €13.7 billion in 2009. Regulatory barriers are also very significant obstacles to transatlantic trade. They range across many sectors, such as cars, where US safety standards entail 42 standards to which manufacturers of cars and equipment sold in the US must conform and which differ from international standards or textiles with far reaching requirements foreseen by the Consumer Product Safety Improvement Act.

Some regulatory obstacles are simply due to differences in the regulatory approach. These differences may be perfectly legitimate and simply reflect historical evolutions in regulatory approaches, differences in income levels, consumer preferences and risk perceptions. However, in many cases, the differences – such as double-testing requirements and excessive documentation needs - are used in a more systematic way with a view to favouring or protecting domestic production. While the latter will need a strong, focused and assertive response from the EU, the former needs to be addressed through more systemic, long-term cooperation and dialogue, enhancing in particular transparency and predictability of regulatory regimes.

The example of the Chinese measures in the information and technology sector mentioned in section 2 illustrates problems associated with regulatory standards. In defining security concerns, the Chinese measures go well beyond common practice in other countries and relevant international standards[34]. The need to comply with Chinese home-grown standards imposes considerable costs on European companies. While high level interventions have led to some adjustments of the Chinese policy, the basic problem of non-recognition of international standards still remains. The EU engages with the Chinese authorities through a number of regulatory dialogues with the objective of making the case for using international standards and further engaging China in international standardisation organizations. Clearly the stakes are very important and regular high level discussions, including at the High Level Economic and Trade Dialogue but also at Summits, will be needed to achieve tangible progress.

As it is usual in regulatory issues, preventive action before measures are adopted is much more promising than attempting to lift measures which have already gone through the legislative process. This needs to be factored into the EU's strategy to cope with regulatory issues.

In the same sense, the use of trade barriers in the form of food safety, animal and plant health rules, as shown by the important obstacles described in section 2 for Russia and India has increased considerably during the last years, creating serious problems for EU exporters. The Russian and Indian examples show that governments frequently go beyond what is required for protecting the health of their consumers and use SPS restrictions to shield domestic producers of agricultural products from fair competition. As tariff barriers for agricultural

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[34] The relevant standard would be ISO/IEC 15408 which is complemented by a Common Criteria Recognition Agreement to regulate mutual recognition of IT security certificates.

products will be progressively reduced over the years to come, the risk that such problems become even more wide-spread in the future is real.

3.7. Customs-related barriers

As demonstrated in section 2 by the Russian customs measures and the Argentinean import licensing system, traditional customs barriers continue to exist alongside more sophisticated new forms of measures. Measures in both countries have increasingly given rise to concern for European exporters since the onset of the financial and economic crisis in 2008. A detailed analysis of the implementation of the measures reveals a consistent pattern of lack of transparency, administrative discrimination in the form of burdensome procedures and often arbitrary interpretation of existing rules, e.g. on customs valuation.

The EU has vigorously acted such measures, in particular where there are good reasons to believe that the measures are not WTO-compatible, such as in the case of Argentina's import licensing system. However, in the latter case, even concerted action in the WTO with other partners equally affected by the measures did not yield major results. Consideration will therefore have to be given as to whether other means, such as formal WTO dispute settlement procedures or more political intervention is warranted.

4. THE WAY FORWARD: HOW CAN IMPORTANT MARKET ACCESS BARRIERS BE ADRESSED MORE EFFICIENTLY?

Although the exact economic impact of the barriers mentioned in this report cannot be quantified in detail, European exports potentially affected by such measures are in the range of €96 to 130 billion (9 to 12 % of EU's total exports in 2009) and EU imports of raw materials worth around €6 billion[35]. These estimates of "potentially affected trade" should not be interpreted as an indication of EU "lost trade". Lost trade is implicitly only a fraction of "affected trade" and should be considerably lower, but - given the available information and complex nature of trade barriers - cannot be quantified accurately.[36] The figures nevertheless give a notion of the trade volumes potentially affected by the various measures. Solving these barriers would thus have a significant impact on EU exports and would provide additional access to important government procurement markets. In addition to the economic gains to be derived from the EU's negotiating agenda, this would be a very important contribution to the external dimension of the Europe 2020 objectives of smart, sustainable and inclusive growth.

However, to achieve these gains, it is imperative that all players involved, notably the - the Commission, as representative of the EU in trade matters, assisted by the EU delegations, now

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35 This number only covers export restrictions on agricultural and industrial raw material imports which account for only one-third of the EU's total raw material imports (11% of total EU imports). The other two-thirds of the EU's raw material imports concern energy raw materials (23% of total EU imports). Whilst detailed statistics with respect to export restrictions on energy raw materials are still being compiled, it is clear that such restrictions prevail in a number of key energy producing countries. A significant example in this respect is Russia where there is a 30% export duty on gas affecting €13.1 billion of EU gas imports (28 % of total EU imports of gas).

36 These estimates based on existing trade flows are also affected by other factors that tend to underestimate the real value of "potentially affected trade". For instance, the bigger the trade barrier in question the lower the observed "affected" trade flows will be. At the extreme, in the case of an export or import ban, there will be no observed trade and that will provide no effect for the "potentially affected trade" metric, while in reality the economic impact of such a barrier is very significant. This measure may therefore tend to give more weight to lower barriers and underestimate the importance of more stringent barriers.

integrated in the European External Action Service on the one hand, and the competent authorities of the Member States on the other hand – engage proactively. What is needed are joint efforts <u>at all levels</u> to convey concerted messages to our strategic partners underlining the importance for our bilateral relationship of solving the barriers listed in this report. Speaking with a single voice is crucial in this respect. If the EU can act in a concerted and determined manner, deploying the different facets of our external relations tools in a calibrated way, our strategic partners will be more likely to address our concerns constructively.

In this regard, the European Council in its sessions of September and December 2010 set out the need to define the EU's interest vis-à-vis its strategic partners. It mandated the High Representative of the Union for Foreign Affairs and Security Policy/Vice-President of the Commission, in cooperation with the Commission and the Foreign Affairs Council, to "*set out common European interests and identify all possible leverages to achieve them"*. This report under the enforcement agenda of the EU's renewed trade policy – can be seen as a contribution to that mandate. The barriers listed in this report and the accompanying horizontal analysis constitute a selection of market access issues which should be addressed with the EU's strategic partners as a matter of priority.

A number of specific high level fora already exist with some of the EU's strategic partners, such as the Transatlantic Economic Council with the US, the High Level Economic and Trade Dialogue with China or the High Level Group with Japan. Market access and notably regulatory barriers play an important role in these fora. Yet, for the EU's interests to be pursued more vigorously, the EU will also have to be ready, where appropriate, to raise market access barriers at Summits and other top level meetings.

Obviously, offensive and defensive interests are linked and reciprocity and mutual benefits are important concepts in international relations and trade policy in particular. It will therefore have to be seen whether leverage can be gained by linking the EU's concerns about market access barriers on its strategic partners' markets to their respective interests in increased access to the EU market. In this respect, for government procurement, as set out in section 3 of this report, a specific initiative will be proposed. In all other fields the existing toolbox needs to be used to its fullest potential in order to convince the EU's partners to match its opening efforts.

The EU Delegations will play an important role in pursuing European market access interests. Delegations are our antennae for analysing the situation in the domestic systems of our strategic partners, including economic and political interests and industrial policy practices. It will be important to use these antennae so that high level political interventions on market access barriers are well prepared and based on all available political and economic information and are followed-up appropriately and timely on the ground.

This reports sets out an ambitious agenda. Its objective is to elevate and calibrate the level of EU intervention on specific concerns with access barriers in the markets of our strategic partners. Concerted action at the highest political level can make the difference to the benefit of export and investment interests of European companies and ultimately growth and jobs in Europe. The Commission will regularly monitor progress on this agenda, and report on an annual basis to the European Council.

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