



Kommerskollegium

National Board of Trade

The contribution of trade to a new EU growth strategy

Ideas for a more open European economy

Summary

By
Henrik Isakson

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1. Background

1.1 The Lisbon strategy and its sequel

In the year 2000 the EU set up a bold target for itself at the Lisbon summit. By 2010 it would become "the most dynamic and competitive knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion, and respect for the environment by 2010". This grand objective was to be achieved through a process of co-ordinated national reforms inspired by the best practices in the Community. Good examples in education, R&D policies, labour market regulations, business taxation and other areas of importance for growth and employment would be highlighted as a model for others. Over time, policies would converge towards the best practices and make the Community at large more competitive; indeed, the most competitive economy in the world. To this end, since 2005 the Community institutions are also involved in the Lisbon process.

Our aim in this report is to look beyond the Lisbon strategy, towards a new strategy in a "post-Lisbon Europe". We will assume a new strategy will have the same broad and ambitious, but uncontroversial socio-economic aims. Concerning the means to reach these aims a new strategy will probably contain several inter-connected policies in various areas. The areas covered in the present strategy, like R&D, are no less important today than they were in 2000. Doing our "homework" in the sense of implementing growth enhancing reforms in the Member States will still be the main venue for progress. However, policies at the EU-level can contribute and it is their contribution this paper is about. To be more precise, our focus is on the contribution of external commercial policy to the new strategy.

1.2 The assignment

We have been asked by the Ministry for Foreign Affairs to produce ideas for the contents of an "external dimension of a new growth strategy". Furthermore, the ministry stated that "focus should lie on how the EU concretely can form a long term strategy where the internal and the external dimensions work together to achieve higher competitiveness, growth and employment." We were asked to come up with "a broad inventory of ideas" and not avoid suggestions that were deemed to be controversial, but advocate a best case free trade scenario. Emphasis should be on those issues that were deemed to be of the greatest economic importance.

1.3 Openness as a contribution to increased growth

Our point of departure is the pursuit of higher growth. To achieve this a country needs either to increase the production factors (factor accumulation) or to increase the productivity of those factors. In other words, either more capital and/or labour is needed or the capital and labour must be more efficiently used. A combination of the above is naturally preferable, but is hard to achieve. Here, we discuss *how economic openness can enhance productivity and thus contribute to growth*.

Other markets must be open for our exports. Exports enable exploitation of comparative advantages through specialization and economies of scale. Parallel to the ongoing Doha-negotiations in the WTO, the EU can act unilaterally, bilaterally or plurilaterally to pursue the objective of market access in third countries. The potential for increased exports to third countries are discussed here and there in the paper, but it does not constitute the main topic.

What matters even more for productivity is *our own economic openness*. According to economic theory a country's openness to the world economy is important for productivity growth. Numerous studies also provide empirical evidence on the relation between openness and productivity. What is clear is that national borders complicate trade and thus diminish trade volumes. Estimates vary on the effect, and also on how much of the effect that is attributable to policies and not markets, but it is clear that borders do matter considerably. Consequently, if one is interested in enhanced productivity, then barriers to cross-border commercial relations should be addressed.

Policies to "make borders less important", i.e. to open up economies and integrate markets, increase productivity through several different channels. The more economies are integrated, i.e. the deeper integration gets, the better. Market integration enhances productivity due to an increase in the degree of competition. Increased competitive pressure creates incentives for innovation and facilitates structural adjustment, which leads to resources and production factors being more efficiently allocated. Also, imports of capital goods with high content of technological knowledge contribute to domestic productivity through knowledge or R&D spillovers from one trading partner to the other. Knowledge spillovers are particularly important as technological change is a major source of growth. Foreign direct investment (FDI) is also considered a major contributor to productivity growth.

In the Commission's own words:

Like the Single Market, the EU's ever greater openness to trade and investment has been a major "catalyst of growth" over the last two decades. Alone, it explains a quarter of the productivity gains witnessed across Europe, owing to greater competition, better specialisation based on comparative advantage, innovations generated by greater competition, the technological content of foreign imports and investments, and increased economies of scale.¹

Trade Commissioner Mandelson talks about an "openness boom" that has benefited Europeans². Looking to the future the Commission therefore states that:

European economic openness is vital for creating jobs and growth in Europe and for our international competitiveness. Openness to global trade and investment increases our ability to exploit the benefits of an effective single market. It exposes the domestic economy to creative competitive pressures, spurring and rewarding innovation, providing access to new technologies and increasing incentives for investment.³

We take it as a given that our own openness indirectly contributes, via various channels, to increased productivity, which in turn is the key to success in a new growth strategy.

Internally, although there still remains substantial market fragmentation within the EU, trade and investments between Member States of the EU is arguably the most unrestricted in the world. Externally, the case is less clear cut but the idea of a "fortress Europe" bears little truth to it. Anyway, regardless of how open other countries are the EU should, in its own self interest, continue to pursue a policy of further opening up to the world.

If openness is what we want we need policies to open up the economies even more, both internally within the community and externally towards the rest of the world. Such policies should be mutually supporting, i.e. we should pursue a strategy of simultaneous internal and external opening up of the economy. Europeanization and globalization should go hand in hand. This is important as, from an economic point of view, it should not matter whether the competition comes from within the Community or not. Basically, all competition is healthy. Therefore, we should strive to increasingly merge the internal market with the global economy.

1 Commission communication *Trade and competitiveness* (2004)

2 *Europe's openness and the politics of globalisation*, The Alcuin lecture (2008)

3 Commission Communication *Global Europe* (2006)

1.4 Global Europe and the external dimension of the single market

The *Global Europe*⁴ strategy contains a number of ideas for a new external trade policy. Some of it is concrete proposals for action, whereas in other areas there is a more general discussion. It spans areas such as non-tariff barriers, intellectual property rights (IPRs), public procurement, the EU's Market Access Strategy, trade defence review, a new China strategy and more. Above all, it signalled the end of the moratorium for new FTA-negotiations. The most important result of the communication is the ongoing bilateral negotiations with, primarily, South Korea and India.

The Global Europe strategy is supposed to build upon Doha, and go beyond the openings achieved at the WTO. We naturally support Global Europe, but our aim is to go even further and build upon that strategy. .

In the *External dimension of the single market review*⁵ the Commission shows how external openness can help the single market function better. However, one can just as well turn this way of thinking around and say that we need single market policies than can help external openness. Hence, the internal market and external commercial policies should support each other. Out of the Commission paper's three overall aims, one is interesting in this context, namely to *expand the regulatory space of the single market*. The single market is a success in many ways, so why not expand it? Probably the most common way of thinking about this is the idea that the EU should "export" its rules and regulations to other markets. The idea is to use the internal market regulation as a template for the regulatory provisions in new trade agreements, giving the export industry the advantage of operating under "Community rules" also in foreign markets.

As long as these other countries want to and can implement our regulations this is fine, as it will facilitate not only increased exports but also increased imports to the EU. But it is also possible to think about this in another way, namely that we can unilaterally use instruments devised for the single market in our relation with third countries. That is, sometimes we can apply successful single market instruments externally, without having a common legal ground. Several of our proposals in this paper have such a line of thinking and perhaps they constitute this paper's real novel way of thinking.

4 The Global Europe Strategy was launched by the Commission in October 2006 and endorsed by the Council on 13 November 2006 and by the European Parliament in May 2007.

5 Commission staff working document (December 2007)

2. Our proposals

2.1 A strategy with the EU economic interests in focus

The WTO has been tremendously successful in cutting tariffs and reducing other trade barriers over the last decades. Clearly, we have come far along the path of an open world economy. However, even assuming that the Doha round comes to a successful conclusion, there will still be tariffs left. Nevertheless, they are only the tip of the iceberg today and we should rather look below the surface, where most of today's barriers are to be found. Put simply, we should focus our efforts at the areas where we can reap the largest benefits, both in the short and long term. This should be a natural guiding principle for a new strategy.

In this paper we set out a number of ideas, some of which can be carried through unilaterally and others that must be bilateral, to facilitate deep integration with the rest of the world, just like we have already achieved within Europe. That means to not merely eliminate evident protectionism at the borders (the visible part of the iceberg), but to go further and eliminate various behind-the-border measures to enable many more and stronger commercial ties to be developed between the EU and the rest of the world.

Here we summarise eight reports written by the National Board of Trade in the spring of 2008. They cover various areas but they all contain one or more proposals for action. Admittedly, the reports can seem to constitute a number of ideas and proposals, ranging from small to big, from vague to fairly precise and from short term to long term. However, they are all held together by a common aim: practical solutions that bring openness. The thread that hold the proposals together can be summarised as *making external trade increasingly become as smooth as internal trade, using a combination of policies that simplify trade, reduce formal trade barriers and, most ambitiously, sometimes use instruments/regulations devised for the internal market towards external trading partners.*

We have proposals in eight areas, namely

- Investments
- Services
- Technical rules
- Antitrust / antidumping
- Help desk for trade and investments in the EU
- Trade and innovation
- Trade facilitation (border procedures)
- Evaluation of the external dimension of the new strategy

The eight areas have all been chosen with an eye to their potential economic benefits. *Foreign direct investments* are complements to trade and as such they are vital in creating new commercial contacts. At the same time FDI receives much less attention in the debate, which is why we want to highlight it. *Services* trade has a greater potential than goods trade and is also more restricted. To include it in any analysis of future trade policy is only natural. Furthermore, it is linked to investments. Thirdly, *technical barriers* are probably the hardest of the non-tariff-barriers to solve and also an area repeatedly mentioned in business surveys as an obstacle. The *replacement of anti-dumping with antitrust* is an interesting venue for killing two birds with one stone when it comes to competition. The *Help desk proposal* contains a new idea aimed specifically at enhancing transparency of internal regulations externally. *Innovation* is a key to future growth in Europe and trade policy can facilitate an innovation-friendly business climate (this does not revolve around the traditional IPR-issues). *Trade facilitation*, in the meaning of border procedures, has been shown to promise great economic benefits. Finally, *evaluation of the external dimension of a new strategy* is critical if we want to be able to judge our success/failure.

Focusing on these areas does of course not mean that we automatically disregard the importance of other areas. We are not proposing a fully fledged new trade policy, just some ideas for the future. Below we present the ideas. Note that this is a short summary of the eight reports and anyone looking for more details is referred to the respective report, which can be found at www.kommers.se/trade&growth

2.2 A common investment policy for the EU

Between 1980 and 2005 global stocks of foreign direct investments increased 18 times. In the same period merchandise trade increased only 6 times. This in itself is a reason for why commercial policy should not only be about trade policy. Inward FDI brings capital and technology transfers and contributes to higher productivity and a more competitive business climate. Outward FDI helps the home country firms to source knowledge, fragment their production chains more efficiently in international supply chains and reach new customers abroad (i.e. increase market access). For an EU seeking to climb the value chain it is paramount to be able to move some parts of the production out of Europe and at the same time ensure that the EU attracts high value investments in its growing sectors. The link between a competitive EU and openness for investments, globally, is obvious.

The current regulation of investments in the EU is heterogeneous and contains several discrepancies that have arisen because of a division of competence between the EU Member States and the Community. This generates distortions. The regulation of FDI inflows and the incentives to attract FDI vary from member state to member state. Firms from EU Member States also have different levels of protection, legal as well as financial, when they invest. Most importantly, the current regulation is preventing the EU from negotiating broad and meaningful investment agreements with its trading partners.

With the entry into force of the Lisbon Treaty, FDI will be included in the Common Commercial Policy for which the EU will have exclusive competence. It is not yet clear how far-reaching the EU's competence on FDI will be, but we support a wide interpretation. Consequently, **we propose a common investment policy for the EU, encompassing all forms of capital movements – including direct investments, investments in real estate and portfolio investments.** Such a policy would increase policy coherence and improve the attractiveness of the EU as a location for FDI. It would also strengthen the EU on the global arena, as it would increase the EU's possibility to negotiate broad and in-depth international investment agreements. The existing EU Member States' bilateral investment treaties (BITs) should gradually be replaced by EU BITs. This would thus reduce distortions both for investments flowing into and out of the EU. Furthermore, the policy should harmonise (at a lower level) the EU Member States' remaining restrictions on investments. It might also be used to discipline the use of financial investment incentives and investment guarantees.

In the long run, once a common EU investment regime is in place, and when the political conditions allow for it, a global investment agreement would be desirable. The present situation, with a patchwork of BITs and multilateral and regional agreements create overlaps, gaps and inconsistencies which bring about uncertainty and non-transparent arbitrations between investors and states. It hinders an efficient worldwide allocation of investments. Naturally, this is a problem for the entire world, but the EU – being one of the largest sources and recipients of (extra EU) FDI – is affected more than most other economies. Ideally, a global investment agreement should, in the long run, replace the large number of existing bilateral and regional investment agreements.

2.3 Liberalising services trade

In 2006, external (cross-border) service trade represented 27% of total EU exports and 22% of imports. As services represent around three quarters of GDP and employment in the EU, there appears to be a great unexploited potential for international trade in services. To some extent this can be explained: certain services are not very "tradable" for technical reasons and there are cultural and linguistic barriers to others. Nevertheless, it is likely that a substantial part of the potential for increased trade, internally within the EU as well as externally, is services trade. However, the multitude of national regulations hampering trade is not easily dealt with and the negotiations in the WTO promise few new market openings.

Several barriers to trade still remain within the EU, resulting in less than full competition on the Internal Market. Higher barriers are often erected towards third countries and the EU's own external service exports encounter even higher barriers in most third country markets.

We have several proposals on how to enhance trade and competition in services. They build on suggestions made previously or on measures that have been developed for the Internal Market that we think can be applied towards third countries as well. Further cooperation between the EU and third countries can be implemented through bilateral trade agreements or regulatory dialogues with important trading partners. Some measures can be taken unilaterally by the EU. Though not a precondition for unilateral action by the EU, such measures should preferably be met by similar commitments, at least by the EU's major trading partners.

In part 2.6 of this paper we propose a help desk for trade and investments in the EU. **The help desk should, among other things, supply information on rules and regulations governing delivery of services in the EU Member States.** The help desk could also aid third country companies to complete procedures and formalities necessary to obtain authorisations needed for market access. That should include information regarding temporary movement of natural persons (GATS mode 4), as this is a vital need for the EU.

Another reform the EU could carry out unilaterally is to introduce **automatic granting of market access authorizations in cases where a competent authority fails to respond or take decisions on applications for authorisations.** This idea is part of the Services Directive but should be expanded to firms from third countries.

A system to pre-empt the creation of technical barriers to external service trade should be established. Notification of national proposals for *new* technical requirements on service providers as well as requirements on the content of the services themselves could be introduced between the EU and third countries, modelled after the procedure in the Services Directive. It could be applied unilaterally by the EU or as part of a bilateral, or in the longer run, multilateral deal through the General Agreement on Trade in Services (GATS) agreement.

Some proposals can not be carried through unilaterally. One idea that demands deeper cooperation between the EU and third countries is to **introduce, on a best endeavour basis, a requirement on administrative cooperation before national authorities take action to restrict the free movement of services.** This is also from the Services Directive and means that authorities would not be allowed to restrict market access for service providers from third countries unless they have first consulted firms' own national authorities and attempted to solve the problem with them.

Standardisation in services has so far received much less attention than in goods and this might constitute a problem as services trade grows. The issue is addressed in the Services Directive, which calls for more standards and/or codes of conduct for service provision to be developed. **The services industry should be provided with more information about the benefits of standards and encouraged to participate more actively in the standardisation process**

What is politically more complicated, but possible as a part of bilateral agreements, is for **third countries to adopt Community law in services**. That way their service regulations are harmonised with the EU, just like in the EEA. The proposal means that a third country would adopt the relevant parts of “*Acquis Communautaire*”, including the existing and future jurisprudence of the European Court of Justice. This would facilitate trade both for service providers trying to access the Internal Market and for EU companies trying to access third country markets.

Finally, looking beyond the Doha round, **the EU should take the lead in a discussion on new ways to negotiate** further and deeper multilateral services liberalisation post-DDA. Negotiations could be sectoral and focus on market access or regulatory principles to strengthen competition in prioritized sectors. They could be initiated either by ministers or use the yet untried negotiation method developed in the “modalities for autonomous liberalization” in the GATS-council, where a country can get “credit” for unilateral liberalization and use the credit to ask for openings by others.

2.4 Avoiding technical barriers to trade

Different national technical rules, such as national technical regulations, conformity assessment procedures and standards (which include e.g. requirements on how a product shall be produced, which substances may be used and product labelling) may result in unnecessary barriers to trade (TBTs). When countries do not align or recognise each others’ technical rules, this will result in TBTs since they imply costly and time-consuming processes for companies operating in the markets of those countries. On the other hand international standards can make important contribution and facilitate the conduct of international trade.

Rules should preferably be transparent, predictable and non-discriminatory both in objectives and in application. To avoid conflicts between national rules, trading partners increasingly co-operate. The TBT Agreement in the WTO is an example of this, and the Single Market in the EU another.

In order to better inform third countries about the national technical rules in the EU member states (i.e. within the EU non-harmonized area) the Commission should develop a guide on how the member states shall interpret the TBT Agreement’s notification obligation. Basically, **more of the new technical regulations notified to the Commission according to the Directive 98/34/EC could be notified according to the WTO TBT Agreement as well**, thus giving third countries better information and also opportunities to react before new regulations are adopted.

Furthermore, **regarding both the harmonised and non-harmonised area, the EU and its Member States could inform the TBT Committee about planned measures at an earlier stage than today.** Third parties could be informed much earlier in the decision making process regarding regulations in sectors where the EU and its Member States see a need for protection of the health and safety of humans, animals, plants or the environment. That could include sectors such as chemicals, food stuff and animal protection, where new EU/Member State legislation risk causing costly obstacles to trade.

The legislative technique within the “old style” harmonised area potentially affects trade negatively as too much detail in the legislation may exclude some innovative solutions and hamper technical development. In order to simplify and modernise the harmonised legislation **the EU should initiate a screening project in the harmonised area in order to identify previously harmonised legislation to be transformed to legislation according to the “New Approach” regulatory technique.** The “New Approach” is an example of “good regulatory practice” and provides legislation that is a less restrictive than the “old approach”. The “New Approach” allows both the public interest (i.e. protecting public health and safety, consumer and environmental protection) and the interest of private business to produce standards according to the relevant state of the art.

Also, new EU-harmonisation projects should be considered in areas with high amounts of TBT or in areas with new national technical legislation in the member states. Third countries would benefit from such measures because their products only have to comply with one set of rules instead of 27+.

The identity between European and international standards can be improved. Concerning ISO and IEC-standards this can be accomplished by entrusting European standard organisations CEN and CENELEC to **make a screening of their existing standards with the aim of finding ways to increase the identity between European standards and ISO and IEC standards.** Furthermore, **an evaluation and a possible revision of the Vienna Agreement could be envisaged.**

Multilateral recognition agreements (MRAs) lay down the conditions under which the EU and the third countries accept certificates of conformity issued by competent conformity assessment bodies (CABs) in the exporting party. However, negotiating MRAs is costly. An EU evaluation of the MRAs with Australia and New Zealand revealed no quality or quantity net benefits. Consequently the EU has not planned to negotiate any new MRAs of this kind. As a complement to existing MRAs **the EU should further explore the possibility to unilaterally recognise competent CABs from third countries.**

The lacking benefits from existing MRAs call for more effective strategies for market access like mechanisms for international technical harmonisation. We propose that the UNECE “**International Model**” **should be used for initiating plurilateral arrangements between the EU/its member states and trading partners in all existing “New Approach” areas** in order to achieve full market access.

The double effect of technical rules, both serving as facilitating trade and as potential barriers to trade, calls for caution. Particularly trade with developing countries is potentially affected negatively by new technical rules in developed countries. With the aim of reducing TBTs also in third markets, and thus enhancing our ability both to export to and import from those markets, **the EU should further provide technical assistance to developing countries.**

2.5 Replacing antidumping with antitrust

Competition is a thread that holds our proposals together. But competition does not always function automatically in an unregulated market. There is a case for antitrust laws to prevent the rise of monopolies. The EU has developed well-functioning and strictly enforced such laws for the internal market. Sometimes, for example when a foreign merger affects competition in the internal EU market, the Commission applies its powers also extra-territorially. However, this is not always easy as a lack of administrative cooperation with the competition authorities in the third country is often encountered. This in turn leads to a situation where anti-dumping duties are used instead of antitrust as a means of protecting the EU from unfair competition.

This is clearly unsatisfactory as it can create a situation where normal competition is limited by anti-dumping at the same time as anticompetitive behaviour is unrestrained. Therefore we suggest to **replace anti-dumping with antitrust in the Community’s bilateral trade agreements.** This would “kill two birds with one stone” as normal competition is allowed to operate freely and real anticompetitive behaviour is restrained.

Since anti-dumping only addresses one particular form of anticompetitive behaviour (predatory pricing) our proposal would expand the range of anticompetitive practices that would be actionable, including export cartels, price-fixing arrangements, refusal to deliver, state aid and merges that lead to a dominant position. However, since the legal standards are stricter in antitrust than in antidumping, it would become more difficult for the import-competing industries to gain protection in cases when there is no apparent abuse of a dominant market position. This would be a small “price” to pay in our view, considering the benefits to the Community’s exporters that would enjoy the same protection against abusive dumping allegations abroad. In a world where ever more countries are getting antidumping laws that could serve as a useful insurance.

2.6 Help desk for trade and investments in the EU

The gathering of information related to trade policy represents one of the largest transaction costs facing exporters and importers, especially so for small and medium sized traders. In advanced market economies, such as the Member States of the EU, obtaining the information necessary, for example on SPS and technical regulations, to enter a market can be immense. It does not become easier if you need to communicate with a large number of government authorities in several different languages. If the EU truly wants to model itself as the most open economy in the world, then this situation can be improved upon.

We propose the establishment of an EU Helpdesk for Trade and Investments. It should be aimed at exporters and investors in all third countries as well as importers in the EU.

The helpdesk would provide information related to the importing of goods and services as well as investment rules and it should cover both Community legislation and national laws and regulations. Queries the helpdesk can not answer should be signposted to relevant national authorities in the Member States. The helpdesk could also be complemented with a complaint registration function for the notification of trade barriers in the EU.

2.7 Trade policies in support of innovation

Most of the economic growth and rise in living-standards over time has been due to advances in technology and increased innovation. Naturally, innovation is an important part of the Lisbon Strategy and will remain so in the next strategy. By strengthening its innovation capacity, the EU can become more competitive in the high value added sectors where its comparative advantages mainly lie. Not least is innovation necessary when dealing with the threat posed by climate change.

Economic openness contributes to creating conditions that are beneficial for innovation. The free flow of goods, services and investments spurs innovation and creates rewards for innovative production. To facilitate this further we propose that, on top of the ongoing multilateral liberalization in the WTO and the free trade agreements, the EU should consider sectoral agreements for goods and services aiming at further liberalization in key areas. We argue that Information and Communication Technology (ICT) and the environmental sectors are two crucial areas. The ICT-sector is crucial due to its role as a vehicle for spreading innovation in all other sectors. The environmental sector can be motivated by the need to speed up and spread innovations in order to combat climate change with market mechanisms.

Therefore we suggest an overview of the Information Technology Agreement (ITA) in order to greatly increase the scope of those products treated to duty free market access. This should be complemented with a new sectoral ICT-services agreement. Such a “twin agreement” covering both services and goods is natural the distinction between ICT-goods and ICT-services is often hard to make.

We also suggest that a **new multilateral agreement for climate friendly goods and services be negotiated**. Also in this area, the inclusion of services is crucial if one wants the strongest possible impact.

We have also underlined that standards can have a beneficial effect on innovation and work as a channel for transfer of technology and know-how. The *New Approach* should be EU's preferred method for harmonisation of technical regulations since it is more supportive of innovation than the methods previously used. Open investment policies should also be pursued as FDI is an important vehicle for technology transfer between countries spurring innovation.

2.8 More efficient border procedures

European companies have much to gain in ability to compete on today's global markets if they can rely on efficient, uniform and inexpensive border controls based on electronic communication. More efficient border procedures have been shown in several studies to produce impressive economic gains. Most gains of the reforms are effects of an individual country's own reduction of cumbersome procedures. This makes a strong case for the EU to look into the Union's and the Member States' procedures and see what facilitation measures can be achieved.

Already much is happening in this area, but we argue that this can be speeded up and deepened considerably. We argue that it should be **possible for European business to make Customs declarations electronically, at one time, to the customs administration of the company's choice, independent of where the goods are entering or leaving the European Union or what member state the company is based in.**

This would however not be enough. **The planning for a European Single Window (a one stop shop for all border procedures, not only customs) should start immediately** with a view to implementation at the earliest possible moment.

Furthermore, **the advantages of the Authorised Economic Operator-programme (AEO) should be enhanced, providing more benefits for firms. The AEO should also be better marketed** in those countries lagging behind in implementation.

To speed up the processes a clearer division of competence between the Commission and the Member States is needed. It should be the responsibility of the Commission to **issue the technical specifications of the necessary IT infrastructure systems** in order to streamline and expedite procedures. It is the responsibility of the Member States to **assume a larger responsibility for financing the IT infrastructure for customs** that is required.

The largest gains for trade facilitation reforms can naturally be found in those countries where the situation is the most dire today, i.e. in developing countries. It is therefore appropriate that the EU supports trade facilitation in developing countries, something that will increase market access over time. The EU should therefore continue to support the World Customs Organisation's (WCO's) Columbus programme. **Measures must be**

taken to better coordinate Aid for Trade efforts with the activities of the WCO in order to avoid overlaps in activities and information gathering.

2.9 Evaluation of the external dimension of a new strategy

The Lisbon strategy is annually evaluated with a set of quantitative indicators. The progress of the individual member countries is also qualitatively discussed with reports, contributing to peer pressure for change. Furthermore, the action of the Community institutions regarding the Lisbon strategy is annually assessed. The way all of this is done leaves room for improvement, but there is an ongoing process that is working to find the best ways to follow up progress. If a new growth strategy includes an external dimension of trade and investments, then it is natural that also this part of the strategy should be continuously evaluated.

Therefore, we suggest that an **annual evaluation of the external dimension of the strategy should be published**. The report could be released either alongside the annual strategic report on the Community Lisbon Programme or as a part of it. The report should have revolving themes so that every second year it is a *business structure and survey* paper and every second year an *econometric* evaluation (using gravity models and price gap data). The task should be carried out by independent researchers or consultants.

3. Conclusion

On page 18 we present all our proposals in a matrix. Above we have presented the proposals under the headings of their respective policy area but in the matrix we have made an attempt to classify them according to which way they contribute to the strategy of opening up the European economy. We have made three classifications and they are not mutually exclusive, as one proposal might entail more than one method.

The first one we call “Simplification”, policies that either contribute to increased administrative efficiency and/or increased transparency. Simplification means that obstacles to trade can be addressed without changing the actual trade policy. We argue that it is possible to facilitate trade more or less within the current formal policy frames. As can be seen, a majority of our proposals use this method. For example, all of the ideas within the border procedures area fall under this category (administrative efficiency) as does the proposals for a help desk and the annual evaluation (transparency).

The second category we call “Market access”, in the sense of not only increased but also undistorted openness of the EU-market. The distortion reducing impact is most clear in the investment proposal. Unlike “Simplification”, these methods require a change in the formal trade policy, for example a bilateral agreement or a unilateral measure by the EU. An example of the latter is the proposal to automatically grant market access for service providers under certain circumstances, an idea that does not require third country cooperation. Also unilateral action *within* the EU, such as the proposal for further harmonisation in some sectors, fall under this category as it leads to increased market access for third countries too.

The third category is labelled “Internal market going external” (or in Commission terminology “expand regulatory space”). This is where we reach for really deep integration. It is those policies where we either harmonise so that the internal market expands into other countries or, which is the novelty of this paper, take instruments used internally in the EU and apply them externally without a common legal ground. Such proposals are mainly, but not only, found in the areas of services and technical rules.

It can also be noted that several of the proposals, for example the innovation proposals and the increased use of the international model, would directly lead to increased market access and thus opportunities for more EU exports, in third country markets. Most of the rest of the proposals can also increase third country market access, assuming either a bilateral/multilateral deal is negotiated or a unilateral measure by the third country is adopted. Hence, the proposals are not only applicable in the EU. As underlined before, many of the proposals need bilateral cooperation to work, even if we are only catering for our own openness. For example, aid to developing countries need active recipients.

We can use this classifications to return to the original aim of the paper. We are proposing policies that will serve to *making external trade increasingly become as smooth as internal trade, using a combination of policies that simplify trade, reduce formal trade barriers and, most ambitiously, sometimes use instruments/regulations devised for the internal market towards external trading partners.*

The distinction between the three categories is not always clear cut, but that does not really matter. The matrix serves only to make our point clearer. By grouping our proposals like this we try to show the logic holding the proposals together: practical proposals for a more open Europe as a contribution to a new growth strategy. The new strategy naturally needs much more than this, but it would be beneficial for the strategy to clearly include an external dimension at the beginning. With our eight reports, summarised in this paper, we hope to have contributed to the debate on the contents of such a dimension.

	Simplification	Market access	Internal market going external
Investments			
A common EU investment policy	X	X	
Services			
Automatic granting of market access	X	X	X
Notification to third countries of proposals for new technical service requirements	X		X
Requirement on administrative cooperation before market access is denied			X
Encourage the service industry to participate more in the standardisation process	X		
Harmonisation with third countries in selected sectors		X	X
New ways to negotiate services		X	
Technical rules			
Increased notification of technical rules to the TBT-committee	X		X
Early warning system to the TBT-committee	X		X
New harmonisation projects in prioritised sectors within the EU	X		
Transformation of "old approach"-directives to the "new approach"	X		
Unilateral recognition of CABs from third countries		X	X
Increase the identity between European and international standards	X		X
New initiatives on plurilateral arrangements for technical harmonisation		X	X
Further technical assistance to developing countries	X		
Antitrust / antidumping			
Replace antidumping with antitrust in our bilateral agreements		X	X
Help desk for trade and investments in the EU			
Establish a help desk for improved transparency of the EU market	X		X
Trade policies supporting innovation			
Overview of the ITA-agreement and expansion also to IT-services		X	
New multilateral agreement for trade in environmental goods and services		X	
More efficient border procedures			
Electronic customs declaration in country of choice	X		
Single window for all border procedures	X		
Enhance and better market the AEO-programme	X		
Develop necessary technical specifications for IT-infrastructure	X		
EU member states increase financing of customs reforms	X		
Better coordinate aid for trade in trade facilitation	X		
Evaluation of the external dimension of the strategy			
Publish an annual evaluation of the developments in the external dimension	X		X