

# Review of the Balance of Competences – Trade and Investment report

## Record of views expressed by stakeholders at consultation events held in London on 28 June, 5 July and 12 July 2013

### 1. Trade and investment negotiations

- Many argued that it was beneficial to negotiate bilateral, plurilateral and multilateral trade and investment agreements as part of a bloc – it was felt that the UK would not get such good results, or the attention of negotiating partners, if it were to negotiate alone. This negotiating strength was useful in achieving good results in many areas, for example in using trade to support developing countries and promote human rights.
- Others stressed the downsides of being part of a bloc, arguing that UK interests (in terms of the content of agreements, the speed of negotiations and in terms of negotiating partners) were not prioritised by the EU. However, several sectors and interest groups were happier with the EU's negotiating positions than they felt they would be with the UK's.
- Several participants were not convinced that the UK, if negotiating alone, would take significantly different positions to those of the EU – they believed that some protectionist positions, for example on agriculture, that are often blamed on the EU might emerge in UK trade and investment policy.
- Some blamed the EU for the length of trade and investment negotiations, but others suggested that long negotiations were necessary in order to achieve a good deal.
- It was also argued that partners were more defensive when negotiating with a market the size of the EU than they would be with a comparatively less threatening partner like the UK.
- Some made the point that the UK and the EU do not always succeed in factoring the interests of all stakeholders into their positions, stressing that small and medium sized businesses, in particular, were often ignored.
- Some made the point that the UK's liberal trade stance had a strong impact on EU trade policy, and that the EU would become considerably more protectionist without the UK.
- There was recognition of the fact that there was no prospect of an independent trade policy without leaving the Single Market, and losing the benefits derived from it.

### 2. Trade and investment promotion

- There was broad consensus that the current balance of competences, with promotion activities left to Member States, was about right, and that a stronger EU role would lead to problems, particularly when the

EU had to prioritise one Member State's interests/businesses over another's.

- However, some attendees suggested that there were some circumstances in which EU involvement could be beneficial, for example in support of Europe-wide projects/businesses.
3. Trade defence and trade disputes
- Some suggested that the Lisbon Treaty had given too much power over trade defence to the Commission.
  - Some participants expressed concern that the Commission's approach to trade defence was not always in the interests of the UK or of the EU as a whole. Several attendees argued that the Commission's trade defence policy towards China in particular was aggressive and harming the EU, partly because of increased costs for EU consumers and importers resulting from high duties, and partly because the EU's approach risked being copied by others.
  - However, others argued that the EU was effective in trade disputes, particularly because its size made the threat of any EU action very powerful. They suggested that an independent UK would struggle to hold its own in trade disputes in the World Trade Organisation (WTO) and that strong EU competence in this area is advantageous.
  - Views on the balance of competences over trade defence varied by sector. Attendees had had a range of experiences in the way the process had run, with some more critical of it than others, including the extent to which they felt they were kept informed by the European Commission and the UK Government.
4. Export and import controls and export credits
- It was argued that a uniform approach across the EU was beneficial, ensuring that no Member State was unfairly advantaged. Most of those who commented believed the balance of competence was about right.
  - Some attendees argued that the UK applied EU regulations on controls more rigorously than other Member States, and that this disadvantaged UK businesses.
  - Many suggested that increased EU competence in the field of export controls for arms was neither feasible nor desirable.
  - Those who expressed a view on the division of competence over export credits generally believed it was in the right place, though it was suggested that there was an economic argument for greater EU coordination in this area, since export credits distorted trade.
5. Future challenges and opportunities
- There was some concern that the EU lacked experience in and understanding of issues relating to investment protection, and that the EU's would push the UK into investment agreements with OECD

countries with which the UK would never independently choose to have investment protection agreements.

- The opportunity for the EU and US to set global standards through the Transatlantic Trade and Investment Partnership was considered positive by some, but others were concerned by the potential threat of importing weaker US standards, for example labour standards.
- Some suggested that the European Parliament's increased involvement in decision-making on trade agreements would make it harder for the UK to achieve its trade and investment objectives, because they tended to take a different view to the UK authorities.
- Some participants expressed concern that the EU was trying to get increasingly involved in negotiations on the defence trade. This was undesirable partly because EU negotiations would not address UK interests, and partly because the Commission did not have expertise in this area.
- It was suggested that the low number of UK nationals in the EU institutions might make it harder for the UK to retain influence over the direction of EU trade and investment policy.
- The strength of economic growth and growing trade in Asia was felt by some to pose serious challenges to the global trading system that the EU would have to react to.

## 6. General points

- A common view was that the EU needed to be more transparent and clear in its processes to allow for better engagement with stakeholders. However, some argued that Member States were equally bad (or worse) than the Commission at encouraging engagement.