

Call for Evidence on the Government's Review of the Balance of Competences between the United Kingdom and the European Union: Trade and Investment Report.

This is the response to the Call for Evidence on Trade and Investment from Forbury Investment Network on behalf of The Commonwealth Environmental Investment Platform (The CEIP).

The CEIP is a pan-Commonwealth network linking entrepreneurs and companies in the environmental sector to each other and to international investors. The platform is designed to facilitate trade and investment in sustainable technologies, to improve international awareness of developments in green technology and sustainability issues, and to support low carbon economic growth across the Commonwealth. The CEIP has been developed in alliance between The Royal Commonwealth Society and Forbury Investment Network.

***Chairman, Forbury Investment Network
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N.B.: The CEIP only recently became aware of the Call for Evidence on Trade and Investment. Due to time and resource constraints we have decided to answer question 1 only, as we feel this is a very sensible issue for us to focus on.

1. What are the advantages and disadvantages of the EU's competence over trade and investment, particularly in relation to international trade and investment negotiations?

Some advantages

- Trading as a block means that the EU has a lot more weight in trade negotiations (whether bilateral or multilateral) than if the individual Member States to negotiate terms for themselves. This has another advantage; by carrying such weight in trade negotiations the EU can be more demanding, for example by requiring trading partners to share commitments on labour and environmental standards.
- Countries cannot ignore the EU as a trading partner since it is the largest economy in the world. Having access to the EU market means access to the biggest world trade player. On their own, the biggest European economies would not be able to achieve such traction. The importance of access to the EU market has been highlighted by the response of the government of Japan to the Call for Evidence on the Single Market. In it, the Japanese government says that Japanese companies have invested in the UK as part of the single market of the EU. The Japanese government goes on to say that "this fact demonstrates that the advantage of the UK as a gateway to the European market has attracted Japanese investment. The Government of Japan expects the UK to maintain this favourable role."

Some disadvantages

- In its relationship with trade partners the EU cannot always reconcile the interest of the union as a whole with those of individual Member States. An example of Member States' interests at play can be seen in the recent friction between the EU and China over Chinese Solar PV. The EU was going to impose punishing duties against China's solar panels, but Germany (a major

exporter to China) led a majority of Member States to pressure the EU to settle rather than institute punitive measures.

- The EU as a trading block has become strong and powerful. It is entering into a variety of trade agreements, whether bilateral or multilateral. There is a risk that by continuing to operate in this way, multilateral talks being undertaken in the World Trade Organisation (WTO) context might be undermined. During the recent Trade Policy Review of the European Union carried out by the WTO many WTO members urged the EU to be mindful that these free trade agreements it has and is negotiating do not dilute its commitment to the multilateral trading system.
- The EU trades with a variety of countries. However, much more could be done to tap into the trade available to it through the promising growth that is starting to emerge in Commonwealth countries. Such countries also need to trade with and gain benefit from the EU as a whole.
- There is a risk that the UK's trade interests are not being adequately represented on the world stage due to having handed over trade and investment powers to the EU.

Future prospects

The UK can improve its role within the EU and create stronger connections between the EU and the Commonwealth. Some economists have predicted that the most exciting prospects for growth in the next decade will come from Commonwealth African nations, Ghana and Nigeria in particular. The need to look beyond the traditional emerging markets for growth is even further accentuated by the fact that while developed countries are starting to show signs of recovery, BRIC countries' growth seems to be slowing. The Commonwealth is a network that already exists, it just need invigorating. The UK is in a special position to use and benefit from its extraordinarily strong position as a bridge between the EU and the Commonwealth.

- 2. *What are the advantages and disadvantages of having trade and investment promotion largely at the national level? How well has this delivered on UK objectives?***
- 3. *What are the advantages and disadvantages of the current division of competence over export and import controls and export credits?***
- 4. *What are the likely advantages and disadvantages of moving from national to EU competence in relation to investment protection?***
- 5. *How well are UK objectives met and interests taken into account through a) EU trade defence investigations, and b) the EU representing the UK in trade defence cases against the EU and more generally in trade disputes with other WTO members?***
- 6. *What future challenges/opportunities might we face on trade and investment policy and what impact might these have on the UK national interest? When answering this question you may wish to consider the impact of:***
 - *the institutional changes introduced by the Treaty of Lisbon (e.g. the increased role for the European Parliament and the creation of the European External Action Service) on EU trade and investment policy;*
 - *any further internal developments in the EU (e.g. potential further integration of the Eurozone) on trade and investment policy;*



- *the increasing ambition of EU trade policies, and the implications that this might have for the UK's offensive and defensive interests;*
- *any further developments in EU law, including for example any effect of the EU's exercise of internal competence on its external competence and vice-versa.*

7. *Are there any general points you wish to make which are not captured above? We would welcome any specific examples and quantitative evidence where possible.*

Chairman
Forbury Investment Network