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EU Seeks to Trim List of Tariff Beneficiaries

Trade Commissioner Takes Aim at Emerging Export Powers

By JOHN W. MILLER

BRUSSELS—The European Union will take steps Tuesday to eliminate trade concessions for wealthy emerging economies, part of a shift in global trade terms as the EU and U.S. adapt to the rise of Russia, Brazil and other new export powers.

The proposals are more evidence that the EU and U.S. are playing hardball with so-called developing countries, such as China, Brazil and India, which once received generous tariffs and quotas, but are now joining the global economic elite.

China is the world's largest exporter, and it, India and Brazil are key players at the World Trade Organization.

With the Doha round of global trade talks paralyzed, the EU and U.S. increasingly insist on giving trade concessions only through bilateral trade treaties and are filing more trade complaints at the WTO.

Reuters

EU Trade Commissioner Karel De Gucht would slash the number of countries getting special concessions.

Karel De Gucht, the EU's trade commissioner, is proposing new rules that would roughly cut in half the list of countries that receive special trade concessions for developing countries. The aim is to "focus the benefits on those that are really in need," he told the European Parliament last month.

Mr. De Gucht will present his plan to the EU's 26 other commissioners at a meeting in Strasbourg, France, Tuesday. The plan must then be approved by the European Council and European Parliament, and is set to enter into force in 2014, say EU officials.

Rules established by the WTO generally oblige its members to apply identical tariffs to imports from all its trading partners. But it allows exceptions for developing countries.

EU nations have since 1971 offered tariff cuts to a list that now constitutes 176 developing countries. In 2008, the concessions were worth some $2 billion, according to EU records. The biggest beneficiaries: India, Bangladesh, Thailand, Indonesia, Brazil and Russia. China has already been partially removed from the list for many tariff lines.

However, one class of countries prospered partly thanks to the rules, while another has struggled.

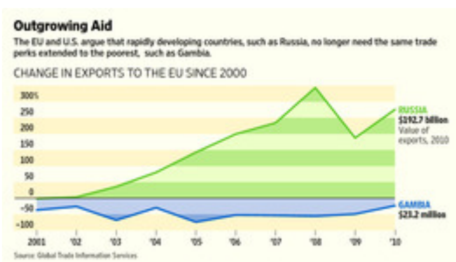
For example, Russian exports to the EU have grown to $192.7 billion in 2010 from $51.3 billion in 2000. By comparison, exports to the EU from the small African nation of Gambia have stagnated, not matching their 2000 total of $30.3 million. In 2010, they were $23.2 million.

Trade officials and theorists are frustrated by continuing weak exports by the world's poorest, or "least-developed", countries, known as LDCs, which still generate only 1% of global trade. They bet that making them the favorites, instead of successful emerging economies, will better fight poverty.

"The contribution of international trade to the development of the LDCs remains inadequate," said Pascal Lamy, the WTO's director-general, in a speech at a United Nations conference on the world's poorest countries in Istanbul. Mr. Lamy is negotiating to help a dozen poor countries, including Ethiopia, Laos, Liberia, Samoa and Yemen, join the WTO.

Trade analysts say they are skeptical poor countries will benefit. "You don't just take a factory in China and move it to Ghana for a moderate edge in tariffs," said Fredrik Erixon, director of the European Centre for International Political Economy, a Brussels free-market think tank. Instead, he said, the change in tariffs is likely to merely be an additional burden.

"Companies, including those in Europe, are concerned about cost," said Nikolay Mizulin, a Brussels-based trade lawyer with Hogan & Hartson LLP whose clients sometimes include developing countries. "It's a protectionist measure," he said of Mr. De Gucht's proposals.



In addition, EU officials in Brussels are increasingly debating whether trade should be used as a political tool. The EU currently has some form of sanctions in place on trade with Iran, Syria, Libya and Belarus.

"Trade lawyers are spending a lot of time on sanctions control," said Georg Berrisch, a trade lawyer with Covington & Burling LLP in Brussels. It is complicated, he said, "because rules are being interpreted differently from one member-state to another member-state."

At Tuesday's meeting in Strasbourg, commissioners are also going to debate whether to suspend an offer of trade concessions to Pakistan, following the discovery that Osama bin Laden was living in an Islamabad suburb, say EU officials.

"We hope the EU knows the limitations of Pakistan and would come forward to support Pakistan," said Saba Mohsin Raza, a spokeswoman for the Pakistani mission to the EU in Brussels.

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