



***10<sup>th</sup> Anniversary of the Information Technology Agreement (ITA)***

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*World Trade Organization, Geneva*

**Speech of Mark MacGann, Director General, EICTA  
Spokesperson of the digital technology industry in Europe**

It is a pleasure to be here on this important tenth anniversary, of what was at the time, and remains so today, a ground-breaking achievement in the history of multilateral trade facilitation and market access. As many of the speakers have reminded you today, the world and the technology industry have both changed so substantially in the past decade that it is all too easy to forget the fact that concluding the ITA was an enormous challenge which many, including on the industry side, believed would not be successfully met.

The ITA was instrumental in increasing global flows of information and communications technology in the signatory countries, driving down prices, boosting deployment and user take-up, and indeed triggering a wave of technological innovation that may not have come as fast as it did, and led to the ubiquitous Information Society that we experience today.

So in terms of celebrating this achievement, our congratulations and appreciation should be directed at those women and men who worked late into the night over many months, in a spirit of compromise and common purpose, to produce the ten-year old whose birthday we are celebrating today.

As you probably know, we in Europe are celebrating another anniversary that of the Treaty of Rome, which created what subsequently evolved into today's European Union. It's natural for us to look back at the last fifty years and to celebrate what we have achieved in the European Union. We have drawn the continent together in a peaceful common pursuit of stability through shared economic prosperity. As someone once said, we have traded battlefields for meeting rooms (although I'm sure that in the current DDA negotiations, the meeting rooms sometimes feel more like battlefields).

We have safer consumers, cheaper goods, stronger companies and the largest single market in the world as a result of our European Union. Most of all, we have over 60 years of uninterrupted peace, which was hardly a foregone conclusion after the two World Wars of the last century, both of which began in what is now the EU.

For many in Europe, however, we are having change too fast. Globalisation is pushing us down the road too quickly. They would rather the EU act as a prophylactic against globalization. That is apparently not the response of China, India, Brazil and others, where industry and governments are seizing change with both hands and shifting the economic center of gravity with hundreds of millions lifted out of poverty.

But perhaps the problem is not that Europe is changing too fast: it is that we are not responding fast enough. We have become defensive. We fear that change will obliterate the things we value most. Our politicians for the most part fail to point out that globalization is enlarging the economic cake. We are the world's biggest exporter and we attract more inward investment than any other market.

For every job the EU has lost to economic change in recent decades we have created a new one.

Do we want the EU to be our wall and gate we close against globalization? Or the instrument we use to engage with and harness globalisation? As individual nation states we have little hope of shaping the global debate with the US, Russia or China. Whereas with a Union of 550 million people and the biggest economy in the world we have a horse in the race.

The European industry I represent thinks globalization is good for Europe and I think Europe has the capacity to harness the opportunities of globalization while acting to limit the costs, and fairly distribute the benefits. This case falls down to three basic arguments.

The first argument is this: a hundred million new jobs in the developing world is not bad for Europe - it is in fact good for Europe. The rise of a genuinely global economy and powerful, highly competitive, manufacturing economies in Asia and the emerging world has made us more competitive. They have lowered our input costs and they've reduced prices for our consumers. That has depressed interest rates and lowered inflation. We are better off. And so are they - the last two decades have seen the biggest ever shift of a portion of humanity out of poverty.

And here's the point - they are not stealing our jobs. We have not traded away our prosperity for theirs. In fact, for every job that Europe has lost to economic change in the last two decades it has created a new one in more competitive parts of the economy.

In Europe we are still the world's biggest exporter - especially of high-value goods. We have maintained our global market share in the last few years while that of the US and Japan has declined. We shouldn't be complacent, but neither should we imagine that Europe is somehow going out of business.

The second argument is that the macroeconomics are not the whole story. Some industries in Europe, especially labour-intensive ones like textiles have been - are being - reshaped by globalization. This is often painful and traumatic for individuals and for their communities. The need for economic reform in Europe is urgent, but governments have to be ready to help with adjustment and to equip people for change. Preserving the huge aggregate benefits of globalization in Europe will only be possible if we act to address the localized human costs and need for adjustment.

The third argument says that the European Union is the most important means Europe has to respond to globalization.

The EU is how we get the weight as Europeans to shape the global debate on issues like climate change and energy security. Through the EU we can show leadership and project our values.

This week the European Commission sent to Council vehicle emissions rules tougher than any equivalent in Japan or the US; rules that would make European cars the cleanest in the world and push our competitors to clean up their own standards.

Adopting these rules will be a test of Member States' commitment to ambitious action to reduce green house gasses. We need measurable and monitorable standards. And we need to look past the arguments about the immediate costs to the bigger advantage of leading the market in a direction it will inevitably go - and to the urgent need to lead the global debate by example. That's what I meant earlier by openness to new ways of thinking. Collective European action encourages our own industry to have the confidence to change. It will compel those outside Europe to do the same.

In the global trading environment, the EU is the only way Europe can ensure that the markets of our larger trading partners remain as open to our trade as ours are to theirs.

The EU is how we drive and free up the single market, which not only gives European companies the biggest borderless customer base in the world but creates the competitive pressures that make European companies world beaters when they compete outside it. By enlarging the European Union we can keep building on those economies of scale and keep adding the human resources to our ageing society that will enable us to remain internationally competitive.

So: there is no effective European response to globalization without the European Union. The EU is how we assert Europe's collective interests in a globalised world, and how we equip Europeans for the economic and social challenges that it brings.

### **Lessons for Trade Policy in Europe**

If that is the basic case for a positive politics of globalization, and the case for a European Union that helps to shape that politics, what does it imply for EU Trade policy?

Up until a few decades ago we made things in our economy and we traded them over the border in another economy - and the tariff was the tax that got in the way. Now what I buy in my economy is probably produced in more than one economy along a global supply chain. We still talk about - for example - "Chinese exports" coming to Europe. But more than half of China's exports are from factories capitalised by non-Chinese companies - many of them European - and

whose creative content originate outside Europe. So globalisation has changed what it means to be a European business or produce a European product.

Sweden is almost a textbook example of this: for a relatively small country it has produced a large number of global companies, almost all of which trade down long global supply lines.

Travel around the world and you will meet Swedish business people in Cairo, Manila, Beijing, Kuala Lumpur and Mumbai. About 1 in every six Swedes in Sweden works for a foreign company, and Swedish companies employ almost a quarter of a million Americans - in America.

Part of what Sweden does very well is working out what to do here in Europe, where management skills, or capital intensive research is at its strongest, and what to do in the workshops of the emerging world. Companies like Ericsson, IKEA or H&M are not just profitable because they outsource - they exist because they can outsource.

The Global Europe trade policy strategy that was adopted by the European Commission in 2006 is based on this picture of our economic world and what it takes to be competitive in it.

It argues that the line between the local and the global has been blurred by globalisation. That internal and external policies both need to pursue the same goal: adaptable and globally competitive European companies and workers, in dynamic and growing economies that support strong and prosperous European societies. It is the right approach to globalisation: one that recognises our strengths, and accepts the competitive challenge of others.

In addition to pushing for successful conclusion of the Doha round and highlighting the need for Europe to start work on a fresh set of bilateral trade agreements, particularly in services trade and investment, the Global Europe strategy also argues that free trade is about more than tariffs. Tariffs for most goods have fallen steeply in the last 50 years - at least in developed countries - and the real barriers to trade are increasingly found behind the border in the form of rules or regulations or administrative loopholes, transparent or otherwise that discriminate against foreign trade.

The Commission, at the request of industry, is also looking for ways to widen access for European companies to public procurement markets where ours are open to others. The EU is taking new steps, including cooperating much more closely with the US, China and Russia to ensure that international rules regarding international property rights are enforced by all our partners, which is vital for Europe's knowledge-based industries. An Ericsson patent in Stockholm is worth next to nothing if the ideas it protects aren't

It is clear that we Europeans cannot demand trade openness from others from behind barriers of our own. We need to make sure that Europe's own market stays open. In a global economy where European companies operate global supply chains, Europe needs to import to export. So, Europe should be activist in opening markets abroad while rejecting protectionism at home.

## **Conclusion**

I've talked a lot about the economics of globalization today, but it is vital to remember that however central economic change is to what is happening around us, globalization is a deeply political and controversial phenomenon.

The politics of globalization are the politics of the environment, climate change, migration, energy security and poverty alleviation. Our trade policy in its wide and modern sense will contribute in all these areas, because trade is about creating prosperity, but also a secure and stable world.

The Member States of the European Union are open, outward looking countries, or are learning to be: they want to be part of an open, outward-looking European Union. These are politics that we have every opportunity to shape - if we chose to do so. Making sense of such a world, and Europe's place in it, has never been more important. Will we chose open or will we chose closed? It's up to us. But only one way will secure of future.

We in industry believe, as most of you in government believe, that negotiation is a far more desirable mechanism to disputes resolution than litigation. In a democracy, no matter what the issue, litigation is the worst possible tool to develop and implement policy. It is up to governments to propose, and legislators to decide on behalf of the people they represent. So too it stands in the international trade arena – litigation, or in this case, triggering a WTO panel to resolve a dispute between members, should only be a mechanism of absolute last resort.

I believe that there is strong and growing consensus in the WTO membership for a broadening of both geographical and product scope. Despite the fact that previous attempts to do so were stillborn, European industry strongly favours the collective trading parenthood producing a second child, which hopefully we could call something more original than ITA2. This agreement would tackle the shortcomings of the current agreement, namely (i) its failure to adequately address non-tariff barriers, (ii) the lack of an effective procedure to ensure that the agreement keeps step with product convergence and evolution, while remaining faithful to the original intentions of the signatories and (iii) is limited geographical scope. We recognize that it would only be possible to initiate such

negotiations after the conclusion of the Doha round, and also once it becomes clearer as to whether there is sufficient support in the Member countries for a sectoral in electronics. Nonetheless, it is clear that the best way to build on the success of the ITA and resolve its shortcomings, is to emulate the spirit of compromise and shared purpose that was so strong ten years ago.

It is disappointing, therefore, that one ITA signatory is pondering a different route, that of requesting a WTO panel against the EU with regard to customs classification decisions and alleged breach of Europe's undertakings in the ITA. The US Ambassador who kindly took the time in a side meeting earlier today to brief some of us on the progress and remaining bottlenecks in the Doha round stated that the US has very strong feelings on this issue, and that in his belief there is a fundamental difference in perspective on ITA product coverage between the US administration and the European Union. While reassuring us that the US also prefers to negotiate, rather than litigate, he stated that since the US feels so strongly about certain EC classification decisions, a panel is possible in the next few months, and that we should certainly not rule out such an eventuality.

European industry would strongly encourage all parties to keep such disagreements in the framework of multilateral negotiations, since litigation would effectively undo the achievements of the past ten years, and mortgage the future to the present. In a multilateral trading environment, it is disingenuous to expect that one party to the ITA should unilaterally broaden the product scope through domestic classification decisions, while receiving no concessions in return from its trading partners. To the question: should the ITA be broadened to include the products of today and tomorrow, rather than those of ten years ago, industry overwhelmingly answers "yes". To the question: should we pursue this goal through negotiation and compromise, or litigation and divisiveness, industry overwhelmingly answers: the former. Do not think for a second that we necessarily agree with every decision of the European Commission, we do not, and that is part and parcel of the democratic formula and the healthy atmosphere of cooperation that we enjoy with our administration. But when it comes to defending the interests of our industry in an increasingly competitive and cut-throat global technology market place, we recognize the excellent work that the Commission is doing on behalf of the European Union, to open markets and create opportunities for European industry to flourish and grow.

To conclude by returning to trade and globalization, we desperately need a positive politics of globalization. The European Union, we believe, has to be at the heart of that politics, because it is the EU that gives us the power and collective weight to shape globalization – to harness the forces that are changing our lives, rather than suffer change we cannot influence.

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