

“Trade for all” - Up-dating EU trade policy

A note on the European Commission’s proposal for a responsible trade and investment policy

On 14 October 2015, the European Commission adopted a new general trade and investment strategy.¹ Since, the European Parliament has organised on 13 November a public hearing to get a better understanding of the new approach² and the Council of the European Union under the presidency of Luxembourg adopted its conclusions on the communication of the Commission on 27 November³. This note presents the main orientations of the new trade and investment strategy of the Commission and the first reactions of other European institutions. It supports the principle of open markets without conceding on values, human rights and the concept of sustainable development in the context of a renewed nationalistic and protectionist trend.

The report starts by setting out how important trade has become for the European economy. 30 million jobs - one out of seven, two thirds more than in 2000 and spread across all EU, are directly and indirectly linked to exports outside the European Union. 6 million people work in small and medium-sized enterprises. Despite the rise of China, the EU’s share of trade in goods has remained stable at 15% while the US share has declined since 2000 from 16% to 11%. The share of Japan more than halved over the same period. These numbers show the importance of trade for the European economy and its relative strength.

According to the European Commission, a modernised EU trade policy agenda needs to adapt to the emergence of global value chains where the different stages of the production process are located across different countries and continents. Hence, applying protectionist recipes and raising the cost of imports through higher tariffs and safeguard measures would reduce companies’ abilities to sell on global markets because of the artificial increase imposed on their production costs. In such an environment, an effective EU trade policy should support the full range of economic activities, including manufacturing, in Europe. Furthermore and in taking a holistic approach, it should tackle all kinds of trade barriers like - for instance - obstacles in public procurement rules and promote trade in service, facilitate digital trade and support mobility of professionals.

Trade policy has more than ever become a subject of public debate. Negotiations on TTIP have been perceived as a threat to the European social model. With the Lisbon Treaty, the EU has gained a new responsibility for investment protection, which has also raised public concern about the ability of member states to regulate. In its new strategy, the European Commission therefore engages in working more closely with member states, the European Parliament and civil society and maintains that more transparency leads to better regulation.

Finally, the executive branch of the EU promises greater consistency of its trade policy with European values, which includes better information for European consumers about what they are buying. They should know under which conditions goods were produced. EU trade policy should “reinforce corporate social responsibility initiatives and due diligence across the production chain with a focus on the respect of human rights and the social – including labour rights – and environmental aspect of value chains”. The Commission will review its Generalised

¹ cf. <https://polcms.secure.europarl.europa.eu/cmsdata/upload/6bb7c767-7bce-48e4-9da6-131c7e882cea/Commission%20Communication.pdf>

² cf. <http://www.europarl.europa.eu/committees/fr/events.html?id=20151112CHE00051>

³ cf. <http://www.consilium.europa.eu/en/meetings/fac/2015/11/27/>

Scheme of Preferences (GSP) for developing countries in 2018 and “focus on the implementation of the sustainable development dimensions of Free Trade Agreements (FTA)”. The responsible management of supply chains shall be strengthened through several measures, among them a co-operation with ILO and OECD in order to “develop a global approach to improving working conditions in the garment sector”. Special attention shall be paid to the promotion of fair and ethical trade schemes. The EU policy on export controls of dual use goods will be modernised as part of a stronger focus on defending human rights through trade policy. Starting with TTIP the Commission finally proposes to negotiate “ambitious provisions on anti-corruption in all future trade agreements”. The protection and promotion of investment is currently organised by 3200 bilateral investment treaties worldwide. More than one third involve EU countries. The European Commission engages in its new strategy to lead the reform of this system. In its bilateral agreements it will seek to transform “the old investor – state dispute settlement into a public Investment Court System”.

In the last part of its new strategy, the Commission renews its preference for a multilateral system not least because the poorest countries have the most to gain from it. “The WTO rulebook is the foundation of the world trading order.” The 10th ministerial conference of WTO from 15 – 18 December 2015 in Nairobi should reduce the complex approach of the Doha Development Round (single-undertaking approach) and focus on specific issues. Emerging economies and developing countries are invited to contribute more effectively to the multilateral system. Beyond that the EU should move forward its approach to modernise global trade policy through bilateral and regional agreements.

The Foreign Affairs ministers of the European Union met on 27 November. Discussing trade issues they “broadly welcomed the Communication from the Commission”. Agreeing with the general approach of the new trade and investment strategy some critical remarks have been made. Admitting the need for a high level of transparency and a better involvement of all stakeholders they stressed that “this should respect the existing institutional balance and applicable rules regarding classified information, and not prejudice the EU’s negotiating positions or international relations”. The European Parliament has not yet come up with a draft report on the new strategy. A first public hearing, which included a presentation of trade commissioner Cecilia Malmström, took place on 13 November.

Ahead of the G20 summit in Antalya on 15 November last, the Centre for Economic Policy Research published its latest Global Trade Alert, which notes a net decline in the global trade of goods.⁴ In one year imports of the 20 largest importing countries has receded 4.5%. Half of it can be attributed to the resurgence of protectionist measures. A WTO agreement on trade facilitation from 2013 - hailed as a major instrument to cut red tape and reduce trade costs- has been ratified by one third of its member states only, among them the EU member states and sixteen African countries. States like Canada, Brazil, Turkey and Russia did not even sign the document. It would seem that closing frontiers in order to keep out refugees and migrants and to combat terrorism is mirrored in a new restrictive and protectionist approach in trade. Political freedom and open trade regimes are globally threatened. In Europe nationalistic and populist parties gain votes by promising to close borders and protectionism. In this context, the European Commission’s new trade strategy “Trade for all” deserves critical support.

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⁴ cf. www.globaltradealert.org