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The European Trade Policy: Moving Towards Less Naivety

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ABSTRACT

The European trade policy is formative on a world scale: the European Union is the world's leading power in trade; this is one of the domains which is best covered within the scope of the community. Although the EU is playing a major role in the liberalisation of the world's markets, especially since many European companies are multinationals, the crisis and new power struggles with the emerging countries, are leading to an approach that is not exclusively liberal. At the same time debate over "de-globalisation" is reviving interest about the European trade policy.

In a context like this, an open position, in which Europe has an interest, only makes sense if reciprocity and balance can be guaranteed. Moreover the trade policy only makes sense – i.e. in growth and employment – if it is hinged on internal competitiveness policies, internal market, CAP etc. The best kind of protection is our ability to produce competitively in Europe.

The European trade policy is formative on a world scale: this one of the domains which is best covered within the scope of the community and the strong personalities of several Trade Commissioners have guaranteed it high profile and credibility; the choice to open European borders – with its particular features in the agricultural sector – was one of the milestones in the EU's economic policy and an extension of the single market.

On all of these accounts the EU is playing a major role in the liberalisation of the world's markets, especially since many European companies are multinationals. The EU, which is open, has always played a major role in the liberalisation of other markets notably via the WTO's multilateralism; in this the Commission and many Member States see a systemic interest that reaches far beyond the effects it might have on European industry or agriculture.

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1. THE FALSE DEBATE OVER DE-GLOBALISATION

In this difficult time there is an increasing need for protection; but the paradox is that protectionism does not protect. Indeed it is said not only to affect the consumers of imported goods but also producers, since their prosperity depends both on exports and imports.

The overlapping in the world's industrial value chains is such that closure in trade would have a twofold effect: the first – traditional consequence – would be retaliation measures against our exports; the second, less known effect would be that our companies, which need to import low value added materials in order to then export finished, highly technological products, would be penalised. This is why the idea of deglobalisation is, quite rightly, opposite from the ideas held by most of the other Member States, notably Germany; not only is the latter the champion export country which we all know, but it also imports a great deal of industrial components, that go to manufacture products "made in Germany", and which help towards the country's competitiveness.

In addition to this the globalisation of trade is one of the most powerful means for development of the emerging and less developed countries; hence the contrast between the hope this gives rise to in these countries, and the fear which is spreading in Europe and the US: Pascal Lamy is right to believe that deglobalisation is a "reactionary" concept, years away from international generosity, one of Europe's values. It is in this capacity, for example, that the European Union has provided its total support to the WTO's work tending to better associate trade and development, after having taken a remarkable initiative in the "anything but arms" programme that opens European markets free of duties and quotas to products from developing countries

Finally we should be aware of a type of deglobalisation that is potentially dangerous for Europe: the kind that is emerging in the shape of regional agreements that may lead to trade preferences excluding Europe – for example, the free-trade agreement between China and ASEAN, formally in force since 2010, or the agreement announced between the US and other powers in the Pacific, apart from China. We have no interest in this kind of trade segmentation, but rather in its opening in a multi-lateral context.

The lack of adequate financial regulations and an international monetary system that is ill adapted to our epoch and even the loss of competitiveness by many of our industries, should not be used as pretext to challenge the role of trade as a driving force for growth and employment.

2. THE IMPACT OF THE CRISIS: TOWARDS LESS NAIVETY IN TERMS OF THE TRADE POLICY

Taking better account of European Interests

The crisis has led to shifts in policy as expressed by the November 2010 Communication by European Trade Commissioner Karel de Gucht. Reflecting the French positions on the matter, these changes explicitly aim to take on board our own European interests more distinctly so that we consider our external trade relations, notably with emerging countries, from a less naive point of view.

Four structuring elements are leading to new ideas about the trade policy.

The first of these, which became increasingly clear during the crisis, is the importance of the openness of external markets for our goods and services companies, as well as for our agricultural and agro-food companies: since growth is stagnating in Europe, we have to go and find it where it is the most dynamic. Fortunately with this in mind the Commission has re-initiated bilateral trade negotiations (South Korea, India, MERCOSUR, ASEAN etc ...).

The second element is the new structure of trade and the balance of power: in 2009 China took the lead over Germany as the world's top export country; the European trade deficit vis-à-vis China has multiplied tenfold in ten years; Asia, and more generally the so-called emerging countries, have matured and they are now leading world trade and growth. Three things should be learnt from this:

- firstly geographical redeployment is necessary – we have to go and seek out growth where it is situated – in the knowledge that at present intra-community trade represents around 60% of the Member States' foreign trade. Community measures in support of SME's to access the emerging markets are being drawn up to this end;
- secondly realism obliges us to refine our approach: during trade negotiations or in the European generalised system of preferences (GSP) it no longer makes sense to treat developing countries in the same way as the so-called emerging countries, such as China, India or Brazil, since these have in fact already emerged;
- finally the EU's bilateral economic dialogue with the USA must focus more on the common positions of industrialised countries in the face of these major new players.

Moreover the question of investment has become vital, whether this involves European companies abroad – that have to be protected – notably from the point of intellectual property – or funding from other sources that we would like to have in Europe – without relinquishing the protection of our industrial heritage and our lead in terms of technology.

Finally we should also mention the importance of access to energy and raw materials, in the face of further export restrictions that are related to tension on the markets, which themselves result from a sharp rise in demand on the part of the emerging countries.

The politicisation of the trade policy

From an institutional point of view the Lisbon Treaty has provided greater political force to implementing a common trade policy. Community competence has been extended to several major areas that are of extreme importance vis-à-vis European interests: apart from services, this includes investment protection agreements (IPA) and the trade aspects of intellectual property protection. The qualified majority has now become the decision making rule in almost all areas.

It is also probable that the trade policy will be co-decided *de facto* with Parliament whether this concerns formative rules like that relating to anti-dumping or to the follow-up on bilateral negotiations such as the agreement with Korea. It is notable to observe that the idea of mutual trade – so dear to France – was recorded officially for the very first time at the European Council on 16th September 2010.

Finally the links between trade and foreign policy – together with their institutional effects (respective roles of the Council and Commission and within this the relations between the High Representative and the Trade Commissioner) still have to be defined in practice. For example taking on board issues relative to Human Rights may clash with goals set to liberalise trade.

Across the board an increasingly stronger link has to be made between trade policy, in the strict sense of the term, and the different areas of industrial and competitiveness policies. Incidentally this applies everywhere in the world, notably in the USA and in China.

3. THE NEW EUROPEAN TRADE POLICY: WHICH NEW CHALLENGES DOES IT FACE?

The assertion of new approaches: a test for the European Trade Policy

In the near future several issues will reveal the EU's effective determination and ability to defend these new approaches.

Firstly from a political standpoint: we have to see what the idea of reciprocity really means, notably with regard to access to the procurement markets of India and Canada, not to mention China, or to funding granted to export companies, notably those in China.

Similarly the ability to sustain the anti-dumping procedures and other export subsidies or restrictions and also to use them judiciously will be a vital test. It should be stressed that China's access to "market economy" status would reduce significantly the possibility of using these measures. The effectiveness of a common policy approved by the qualified majority is clear since the danger of various types of retaliation is so high.

In the negotiations on free trade agreements other major issues will imply the fair assessment of European interests, both offensive and defensive; the Commission will have to assess the general, common balance between the various service sectors, industry and agriculture and between the national interests of the Member States. Winning their political approval is a complicated task, as witnessed during the discussions with South Korea, MERCOSUR and India!

As for the successful – but increasingly unlikely – completion of the Doha Round the EU will not contribute to this by making further agricultural concessions but hopes however to improve matters in terms of industrial markets and services in the emerging countries.

The trade policy's new frontiers

Europe's political energy will have to be extended to other areas beyond the mutual opening of markets, the respect of investment and intellectual property, access to public procurement, raw materials and energy.

New frontiers came to light, notably during the French Presidency of the G20; it would be in the EU's honour to be able to promote the following points in keeping with its global political mission:

- the need to interlink trade and social rules – the first step being to set in place a shared body of observers between the WTO and the ILO; from this standpoint the converging declarations made by the "B20" and the "L20" on the sidelines of the G20 Summit in Cannes in November are encouraging;
- establish links between trade and environment, notably to find the key to countering environmental dumping;
- and also between trade and development, via the Economic Partnership Agreements (EPA) with the ACP countries which unfortunately are at a standstill,
- the need for regulations and the fight to counter speculation, whether these are monetary or whether they focus on raw materials, starting with agricultural products.

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CONCLUSION

In a context like this, an open position in which Europe has an interest only makes sense if reciprocity and balance can be guaranteed. Moreover the trade policy only makes sense – i.e. in growth and employment – if it is hinged on internal competitiveness policies, internal market, CAP, etc. The best kind of protection is our ability to produce competitively in Europe.



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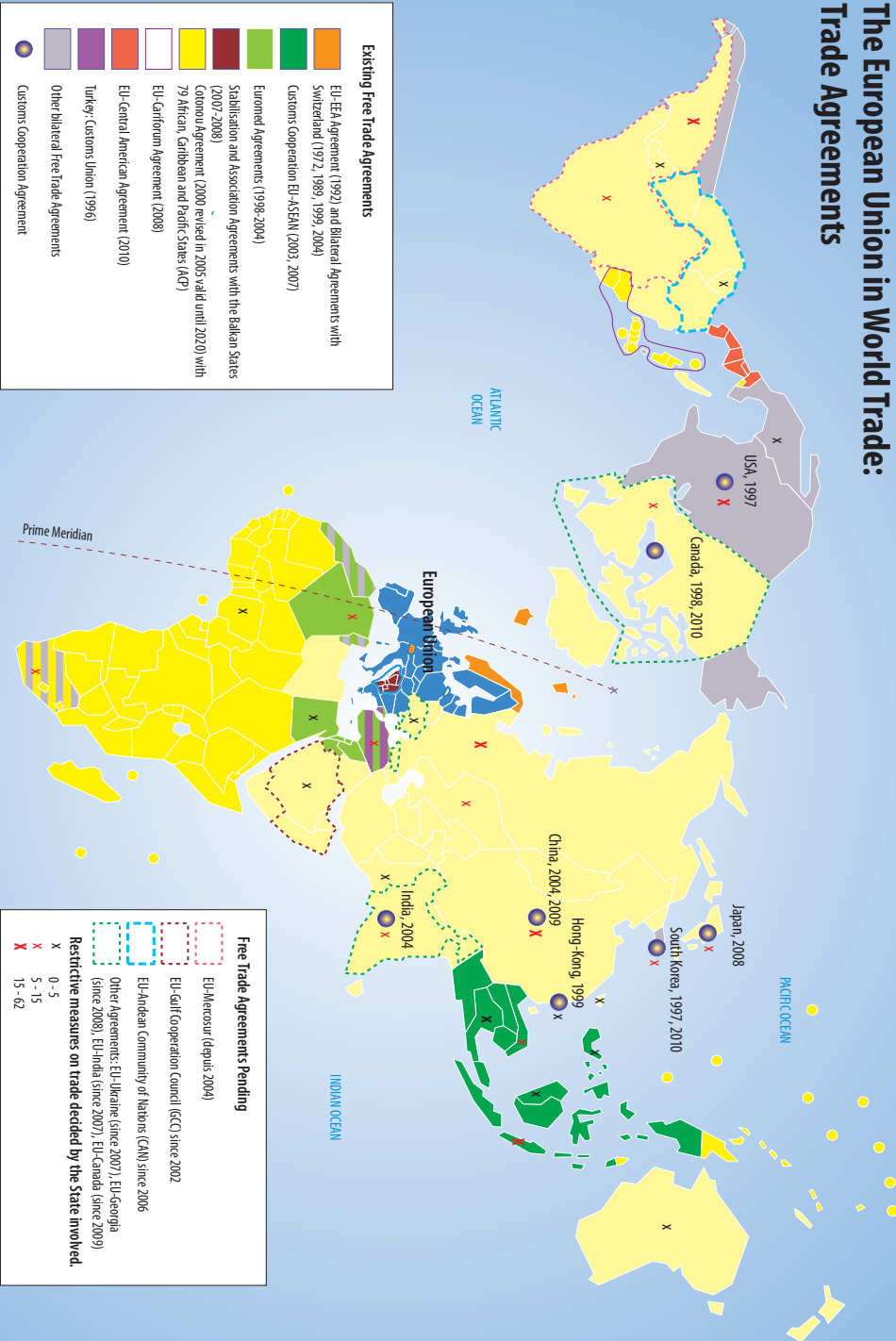
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The European Union in World Trade: Trade Agreements



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