

European issues

n°502

12th February 2019

New challenges for the European Union's trade policy

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The European Union's trade policy owes its efficacy to its federal structure and to a common policy concept shared by the 28 Member States. The EU is a major player in world trade and the leading world exporter of services. It pursues an ambitious, strategy of market openness governed by rules. The most recent free-trade agreement with Japan entered into force on 1st February last. But the world trade context has changed due to harsh competition by the emerging countries and mistrust on the part of public opinion in the developed economies that suffer from the negative effects of globalisation. However the latter, has pulled over one billion people out of poverty. The collapse of multilateralism affects the EU especially, since it is committed to a rules-based approach to international relations. Although the EU proved successful in terms of its trade policy, this will not be enough to convince its citizens in the upcoming European elections in May next. A social policy will have to be added to this to balance trade openness, together with an industrial policy to help the EU retain its place on the markets.

1. A FEDERAL EUROPEAN POLICY

The EU's trade policy is one of the most elaborate elements of European integration. It owes its efficacy to its federal structure: a single negotiator for the 28 Member States and 512 million economic actors[1]. Its strength also lies in the fact that the concept is shared. Despite their diversity, notably between the more and less liberal, the Member States succeeded quite early in finding a shared concept of the trade policy vis-à-vis the outside world: this was defined by Pascal Lamy, the then European Commissioner for Trade in the 2000's: "trade opening with rules, in view of harnessing globalisation". This position lies within a triangle, the components of which are: openness, rules and competition.

We might note the distinction from the simple idea of free-trade: the Union is not driven by an ideological vision of free-trade. It seeks reasoned opening of markets to the benefit of Europe's economies, together with rules that are deemed vital to sustainable trade. The rationale that aims to harness globalisation was new, when we recall that globalisation was then often considered a political option open to questioning, rather than a reality to be addressed; moreover, most economists and decision makers ignored the social downsides of globalisation, except, indeed, for a few famous names such as Krugman[2], Stiglitz, Rodrik and Summers in the USA.

The European approach to trade policy has changed little since then, as illustrated by the position of the current Commissioner for Trade, Cecilia Malmström, expressed during her 2014 hearing before the European Parliament: 'Open markets are not an end in themselves. They are just a means to achieve an end'[3].

This policy includes a notable commitment towards the multilateral framework and concern to support developing countries in their opening to trade. As the years have passed, via these trade agreements, effective commitments to the implementation of the EU's values have been added: human rights, environment, consumer protection, food safety etc ...Since the trade policy is one of the Union's main levers of "hard power" it is quite normal for trade to have become an instrument used to promote goals in other areas, notably in external relations. It is the spirit of the Lisbon Treaty that lays down that "the common trade policy shall be conducted in the context of the principles and objectives of the Union's external action." (art. 207)

2. THE EU THE TRADE POLICY' PERFORMANCE

The European Union is an open economy[4], which cannot do without world trade. It is also a major player

1. Note that the Commission negotiates on behalf of the EU on the mandate adopted by the Member States, taking into account everyone's interests and red-lines. It is then up to the Member States to adopt the results of the negotiations.

2. Amongst many others, "Trade and Wages, Reconsidered", *Brookings Papers*, spring 2008 ;

http://www.brookings.edu/~media/projects/bpea/spring%202008/2008a_bpea_krugman

3. Commission "Reflection paper on harnessing globalization", May 2017 : https://ec.europa.eu/commission/sites/beta-political/files/reflection-paper-globalisation_en.pdf

4. Opening (total imports and exports/GDP) is much greater in the EU: 43.8% of the European GDP, than in China (22.1%) or in the USA (12.6%). Demertzis, Sapir, Wolff: "Europe in a new world order", *Wirtschaftsdienst* 2018

in world trade[5]: it is the leading trade region covering 16.72% of the world's trade in goods and services in 2017.[6] It is a major exporter of manufactured goods and services: 2nd exporter of manufactured goods covering 15.2% of world exports in 2017; and the leading exporter of services, covering 22.2% of world exports in 2017.

The latter achievement is vital, given the place of services in the overall industrial output and the sector's potential. A major share of exports of manufactured goods embeds services such as R&D, design, legal services, marketing and distribution, i.e. overall 21% of world exports and 28.3% of the Union's exports. If we include here the added value of services, around 50% of all international trade comprises the exchange of services.

However, Britain's secession is likely to cause a setback to this bright attainment, which is already declining; the European Union has lost 2.5% of its world market share between 2005 and 2015 and this trend is due to continue: from 19% to 12% by 2035, according to the WTO. The EU's weight in the world economy is also due to decrease by 28% over the period 2012-2018 to 25% in 2035. This trend shows the harsh nature of competition in hyper-globalisation, notably marked by a rise in new emerging players, mainly China.

European positions are still strong in high tech and middle of the range products (64% of the Union's exports) with moderate erosion in low-end products and services[7]. This reassuring situation should however not hide the strategy of a rapid upmarket move adopted by our emerging and emerged competitors. China sees itself as the world's leading economic power by 2049 and is providing itself with the financial means via an investment fund of 150 billion \$.

Another reassuring – although rarely mentioned – fact: the effect of external trade in terms of job creation in Europe represents around 36 million jobs, i.e. 1 worker in 7 works for the export industry[8]. One should acknowledge though that trade also destroys jobs, although few exact figures are available; the opening up to Chinese imports caused a major economic shock

on developed economies notably in Europe and the USA, even though the Chinese market is a source of trade opportunities, and therefore of growth for developed economies. However, trade is far from being the main origin of job losses: technological progress is, to an 80% degree, also to blame.

Since 2006, the European Union has developed an offensive approach to globalisation via bilateral trade agreement negotiations with its main partners. These agreements have a dual goal: the opening of markets, notably via the removal of customs duties and non-tariff barriers, to the benefit of European companies; the second goal is the adoption of rules designed to render trade secure and protect economic operators, for example the rules governing intellectual property or consumer protection. To these goals we might add a normative agenda that becomes manifest in each agreement in the shape of a "sustainable development chapter" notably comprising common commitments regarding workers' rights and the environment. A great many agreements have been concluded with some 180 countries and territories. The share of preferential trade agreements in the Union's commercial transactions rose by 25% prior to 2006 to 40% at present.

These are so-called "deep and comprehensive" free-trade agreements, that aim to achieve a high degree of trade opening, including in the area of services, as well as an in-depth regulatory rapprochement with European legislation in areas linked to trade. The main consequence of this development in trade negotiations towards sophisticated rules and commitments has been an increasingly intrusive trade policy in the economy and domestic issues, and even in our societal choices[9]. Hence trade issues, which did not really interest many people in the 1990's, have become an integral part of domestic political debates, arousing high interest in public opinion. This invasive aspect of trade policy is not due to Europe, but to hyper-globalisation, as emphasized by Dani Rodrik in several works[10]: with hyper-globalisation since the 1990's blurring the limits between domestic and world economies, "Domestic economic management was to become subservient to international trade and finance rather than the other way round".

5. We should note that in the case of the EU, international trade means trade outside the EU, since trade between Member States is considered domestic trade.

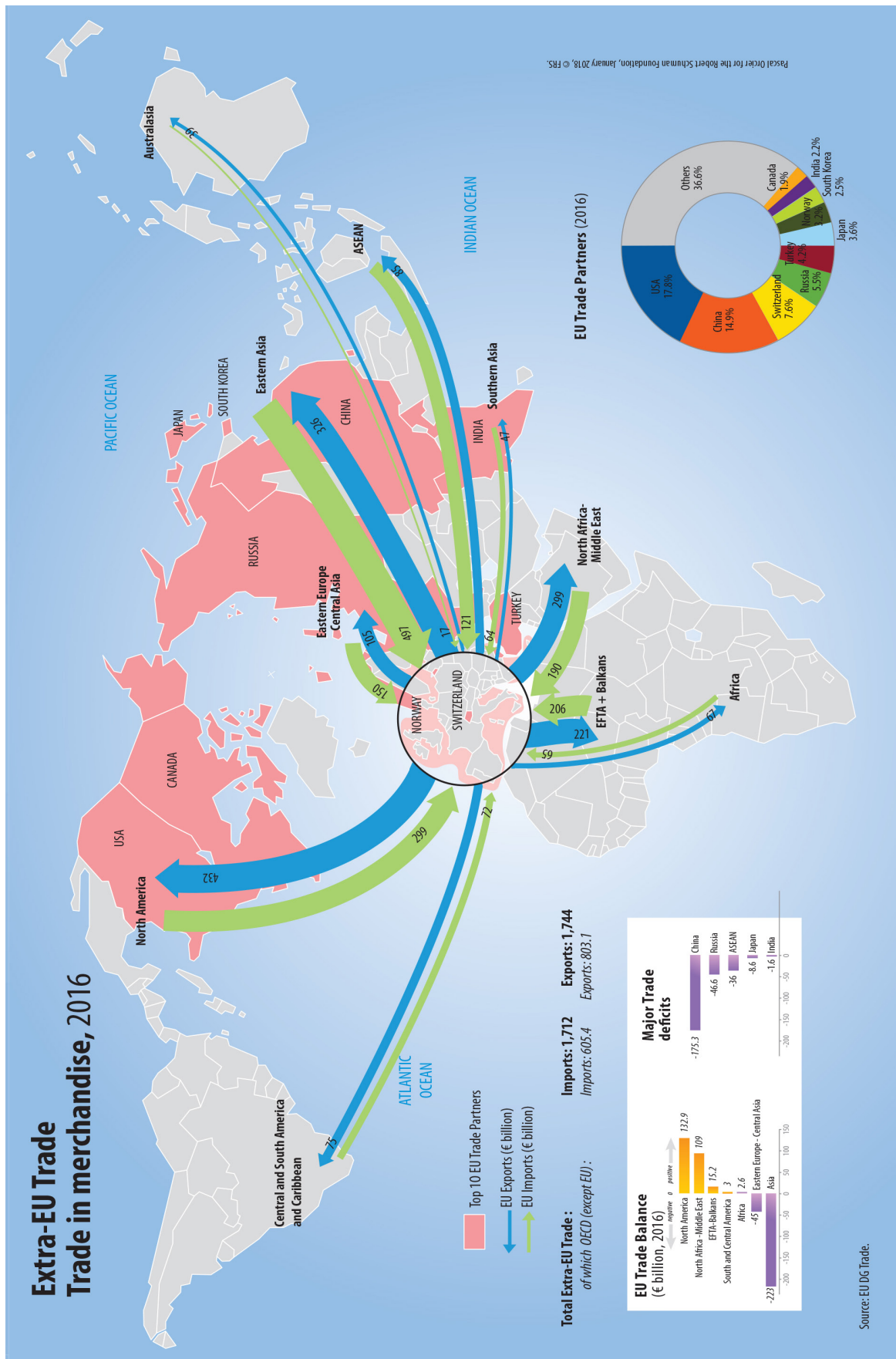
6. WTO statistics: https://www.wto.org/english/res_e/statistics_e/wts2017_e/wts2017_e.pdf and EU trade statistics guide: http://trade.ec.europa.eu/doclib/docs/2013/may/tradoc_151348.pdf

7. CEPII-CIREM: "The evolution of EU and its Member States' competitiveness in international Trade", 2009, updated March 2014. <http://www.cepii.fr/CEPII/fr/publications/wp/abstract.asp?NoDoc=6620>

8. A Commission Study, December 2018 : http://trade.ec.europa.eu/doclib/docs/2018/november/tradoc_157516.pdf

9. Pascal Lamy: "L'émergence des préférences collectives dans le champ de l'échange international, quelles implications pour la régulation de la mondialisation?" In *En Temps Réel*, 2005; <http://www.entempsreel.com>

10. "La mondialisation sur la sellette" ("Straight talk on trade") day, DeBoeck, 2018



3. LACK OF UNDERSTANDING AND DEMOCRATIC DEFICIT

Little explanation is required to understand that this spectacular development, which also entails States losing control, is the cause of multiple, and sometimes robust contestation. How should we manage economic globalisation, as the economic and political borders no longer match? Europe's experience in this regard is of interest on two counts: its preference for the multilateral approach and its experience of regional integration.

Very early on the EU trade policy gave preference to the multilateral approach, (the latter involving the establishment of rules via international organisations, based on the fundamental principle of non-discrimination between the participants). The European Union has been at the forefront in devising approaches to enlarged governance, which materialized in its preferential commitment to the WTO. It was only in 2006, after the WTO stalemate that the EU turned to bilateral negotiations, without however forsaking the multilateral approach^[11]. It should be recalled that the European Treaties express a preference for collaborative and collective governance: article 21 TEU, notably suggests that the Union "promote multilateral solutions to common problems." The current collapse of multilateralism, notably under the influence of the USA, sets a specific challenge for Europe as "multilateralism is in the EU's DNA" (Z.Laïdi)

Moreover the European Union involves an in-depth – albeit incomplete – regional integration which is an example of the potential and limits of world governance. Pascal Lamy provided a convincing explanation: "The EU is the most innovative approach to governance that we can find in today's world. It is in fact a laboratory of global governance: It combines market opening with the necessary regulation in the economic, social and environmental field, it seeks to establish a balance between competition and co-operation and it has the necessary institutional arrangements to allow for the development, adoption, implementation and control of rules".

One has to admit the well-known limits of this integration model: the incomplete internal market (insufficient harmonisation of services, a lack of industrial, political and social coordination), weaknesses in the design of the euro and the incomplete European Monetary Union, the absence of a common energy policy, the lack of any external policy and the lack of a migration policy.

This leads us to the growing mistrust of citizens regarding the European institutions, notably to the recurrent complaint about a "democratic deficit". The latter naturally affects the trade policy, as the passionate controversies around the recent free-trade negotiations with the USA (TTIP, abandoned by President Trump), and the CETA concluded with Canada illustrate.

Some specific causes can be attributed to the trade policy: the negative impact of trade openness on those losing out on globalisation is certainly a critical aspect, as the negative impact of open trade in developed economies has not been compensated for adequately by social policies. We might also note the feeling that the trade policies lack "legitimacy", since they affect regulatory issues, for which public opinion does not recognise the necessary legitimacy of the trade negotiators, and concerns linked to the protection of European standards and public services.

But this contestation goes beyond trade policy in that the negative effects of globalisation and the related identity crisis have barely been addressed. A relatively well-known process is leading to increasing scepticism regarding the ability of democracies to rise to these challenges and a mistrust of political leaders and experts, especially if they work for supranational bodies. Withdrawal is often the ultimate response by citizens confronted with a world they perceive as a threat, because they no longer feel protected either economically or culturally.

Paradoxically for the European Union: its credibility to manage globalisation is under challenge, though it seemed well placed to harness it. Its failings notably relate to its perceived inability to provide a clear identity in a globalised world, the uncertainty associated with

¹¹. European Commission
Communication "Global Europe",
2006, http://trade.ec.europa.eu/doclib/docs/2006/october/tradoc_130376.pdf

its approach to world affairs, its perceived inability to protect its citizens against the negative impact of globalisation and to manage the migratory crisis (a by-product of globalisation).

4. NEW CHALLENGES

Beyond the contestation of economic globalisation, the EU trade policy faces a series of challenges to which it will have to adapt.

The multilateral order in crisis

Let us look at the weakening of the multilateral order, which has been the foundation of world governance since the Second World War. Beyond the harsh reaction to globalisation, opposition to the multilateral approach has emerged, including within the Union. And the post-WWII order is progressively unravelling, notably in trade exchanges where the WTO is threatened by stalemate. This development affects Europe in particular, since it has been built on the rule of law and has always supported rules-based international relations. In response to this development the EU has reasserted its commitment to a multilateral approach. This position has become manifest in trade via an active policy (alongside Japan and the USA) for the reform of the WTO.

America First and the trade war

The "America First" approach adopted by the current American administration is a crucial challenge especially as the USA was a founding member of the post-war world governance system. The Trump administration's approach rests on a preference for bilateral action, in which it hopes to achieve the best results by exercising pressure on its partners. In Zaki Laïdi's view "one of the key goals of the Trump administration is to replace the rules-based system with one solely based on results. In Trump's eyes rules and principles are irrelevant; what counts are results (or at least good marks). The ends always justify the means...

The American President's decision to implement a protectionist policy and to engage in trade wars

challenges open trade, as well as multilateralism. Europe's approach consists in a firm yet measured response to defend its interests, in view of containing protectionist initiatives. It is committed to reject any kind of confrontation and to avoid a trade war with unpredictable consequences. In this conflict the EU sticks to the rule of law and responding pragmatically, whilst strengthening its trade defence mechanisms, within the WTO's rules.

Europe's response is threefold: launch judicial procedures against the USA at the WTO; target a list of US products with additional customs duties; launch an investigation into the possible implementation of safeguard measures to support European steel and aluminium markets from the damage caused by additional imports that now enter the Union following the closing of the American market. Forgoing stronghanded measures is not as spectacular and possibly less effective in the short-term, but remaining within the rules is a guarantee of longer-term security. However, Economic operators are depending on a short-term agenda, Therefore this situation calls for a reform of the WTO, to address the lack of emergency litigation procedures. In the WTO Dispute Settlement Mechanism.

The Chinese challenge and the place of emerging economies

One of the EU trade policy's goals is the integration of emerging/emerged markets in the world trade system. The opening of China in the 1980's, of the former USSR and India to international trade in the 90's added around one billion players to the world's economy. This opening dramatically changed the context of world trade. The developing and emerging economies amount to 42% of the world flows in merchandise trade, which nearly tripled their share since 1990. China, Brazil, India now feature amongst the 25 biggest world export countries and the "following 11" started to emerge: Mexico, Indonesia, Vietnam, Nigeria, Bangladesh, Pakistan[12].

Emerging countries are increasingly making their voice heard in world affairs, although they hardly have

12. L. Daziano, "La nouvelle vague des émergents : Bangladesh, Éthiopie, Nigeria, Indonésie, Vietnam, Mexique", 2013

a common strategy and show no desire to assume multilateral responsibilities beyond the defence of their own interests. One of the challenges to the EU's bilateral agenda is to define its relations with the advanced emerging economies, the main source of world growth. Their economic rise has intensified competition in terms of price and quality, as well as access to energy and raw materials. This also created development opportunities in these countries and a wealthy group of middle-class consumers, who are potential buyers of European products.

Emerging countries do not necessarily share Europe's approach to the trade policy. They tend to follow more interventionist industrial models, with a relatively low degree of opening. They tend to consider trade and investments from a more political point of view, and shape their policies according to their own domestic requirements and priorities.

China is naturally the heavy-weight in this group (which is not a group at all). As a result, its position is vital to the future development of the world order. At the World Economic Forum in 2017 Chinese President Xi Jinping showed China's greater confidence in international affairs, taking up – in the face of the USA that had become a protectionist power – the defence of open markets, globalisation, multilateral institutions.

However, China does not intend to replace the USA, as the champions of world free-trade, nor do they want to assume the responsibilities of world order. This is mainly for two reasons: on the one hand China's approach to the world order and the multilateral system is to "choose" what interests it, and to leave out the rest; on the other hand, China is at odds with most of the liberal values that form the bulwark of an open trade world order, or a liberal order associating democracy, free-market and the rule of law in international relations.^[13] Moreover, the under-representation of the emerging/emerged in international bodies (the G7 represents 48% of the world's GDP, but only 10.2% of its population), induced them to set up their own organisations ... again under the aegis of China.

5. A SECURE TRADE OPENING STRATEGY

The European trade policy pursues its deployment in its two traditional directions: continued bilateral open trade negotiations and reform the WTO to defend the multilateral approach.

Continued bilateral negotiations

Europe's trade negotiation agenda covers more than trade, and it is indeed an exercise in "economic diplomacy" on two counts: it addresses trade and economic policy issues and uses economic resources as an incentive to fulfil its foreign policy goals. In other words trade negotiations focus on technical trade issues (customs duties and customs regulations, market access rules, standards...), as well as on governance processes and commitments regarding the functioning of the decision-making bodies in question, as well as on values, together with implementation incentives.

Europe's trade priorities are established according to set economic criteria, sometimes complemented by foreign policy considerations (stabilisation of neighbouring countries or development goals for example):

- One criterion is the market's potential growth: here China dominates with an average annual growth of 1,500 billion \$, ahead of India, Japan and the USA (around 300 billion \$ each). A second group (Russia, Africa, South-East Asia and Korea) experiences market growth totalling 100 to 200 billion \$.
- The volume of trade barriers to European exports that have to be eliminated is another criterion in the launch of the trade negotiations: they are quite low in the USA, high in India and Mercosur. They were high and particularly complex in South Korea and Japan, which illustrates the added value of both free-trade agreements for the European economy.

The most recent free trade agreements have been concluded with Canada and Japan. Advanced negotiations are ongoing with Mercosur, Vietnam, others were launched with Australia and New Zealand.

13. "Expanded ambitions, shrinking achievements: how China sees the global order", the European Council on Foreign Relations, 2017. <http://www.ecfr.eu/page/-/ECFR204-EXPANDED-AMBITIONS-SHRINKING-ACHIEVEMENTS-HOW-CHINA-SEES-THE-GLOBAL-ORDER.pdf>
et B. Eichengreen, "Globalization with Chinese Characteristics", Project Syndicate, 2018 <https://www.project-syndicate.org/commentary/globalization-chinese-characteristics-by-barry-eichengreen-2018-08>

The Free Trade Agreement with Japan (JEFTA) [14].

This agreement, which entered into force on 1st February 2019 provides significant economic benefits. It is a deep, comprehensive agreement covering tariff reductions and ambitious commitments in terms of standards and rules and one of the first with an economy of this size. Japan will lift most of its customs duties on European food products (wine, cheese, pork), whilst European customs duties on Japanese cars will be progressively eliminated. Both sides agreed to the full liberalisation of industrial products, which represent the removal of nearly one billion euros in customs duties.

The EU-Japan agreement naturally includes a full chapter on trade and sustainable development. One issue requires consideration in the case of Japan, which has just started hunting whales again despite a moratorium. Since whaling and the trade of whale meat is prohibited in the EU this is not a trade policy issue. The European trade agreements cannot refer to activities that are banned in the Union and the latter does not negotiate commercial concessions for these products. The European Union therefore addresses whaling in coordination with its partners, who defend the same position under the International Whaling Committee, the most effective body to counter whaling, that initially campaigned for the moratorium.

The conclusion of the agreement with Japan clearly sent out a message of trade opening in response to American protectionism. Likewise, Japan took the lead of the regional partnership with 11 other countries following the departure of the USA from the Trans-Pacific Partnership.

The Agreement with Canada (CETA)[15]

This bilateral agreement which entered into force in September 2017 is one of the most ambitious ever negotiated to date. What was agreed: the abolition of 99% of customs duties, the opening of public procurement, greater access to the services market (important for the European economy) and cooperation

between European and Canadian standardization agencies. As with every trade agreement, the EU achieved the protection of Geographical Indications (important for the European agri-food industry). A product that refers to a geographical indication (Champagne, Parma Ham etc ...) must exclusively originate in the regional production of reference. This rule is law in the Union, but not in the international context (it is different in the domains in which there is a multilateral rule, notably of the WTO). Therefore, the protection of Geographic Indications has to be negotiated with partner countries in each trade agreement. Hence, Parma Ham, of which Canada is a major producer, will have to modify its labelling to respect the brand of original ham, which is imported from Parma in Italy. Amongst the 143 protected geographic indications by the CETA, France was not neglected, with Reblochon, the Agen prunes and many other products.

Free Trade Agreements and Fake News

We should note that many misgivings – not all of them of course – expressed during the trade negotiations are fed by fake news which very few people bother to check. These feed joyfully relayed controversies and campaigns by certain NGO's or are taken up by some political leaders. An example: the agreement with Canada (to be replaced by Mercosur or any other country at a particular moment) obliges us, according to this fake news, to import hormone treated meat or GMO products, which the Europeans do not want. This is false, because European standards hold sway over what enters the European market whatever the country of origin. As a result, Canada will have to develop a specific branch of production to export its meat to Europe. Another example of "fake news": these trade agreements will entail the liberalisation/privatisation of certain public services in Europe. This is false because the Union introduces a horizontal reservation ruling out public services into all of its trade negotiations. [16]

With a little hindsight we might recall the agreement with South Korea of 2011, which aroused high levels of fear and revealed itself to be extremely beneficial to the European economy: it experienced its first trade surplus with Korea in many years.

14. <http://ec.europa.eu/trade/policy/in-focus/eu-japan-economic-partnership-agreement/>

15. <http://ec.europa.eu/trade/policy/in-focus/ceta/>

16. A superb piece of fake news that we cannot resist; a successful novel was just published, explaining that the agreement with Mercosur will herald the end of the production of apricots in Spain... whilst no apricot is produced in Mercosur.

Trade agreements have become increasingly complex, given normative requirements and references to specific non-trade issues, such as: human rights, development, social standards, climate. A question rarely considered in an overall context of normative pressure, is the following: are trade agreements overburdened with normative requirements at the risk of making the European trade policy illegible? A former courageous EU trade commissioner replied to this that trade agreements are foremost... trade agreements. They indeed aim to promoting the offensive interests of the European economy and businesses.

These goals are addressed in all the deep, comprehensive free-trade agreements with ambitious measures regarding non-tariff barriers on trade in goods and services, the opening of public procurement, (often closed and of great interest to European businesses), commitments beyond the WTO's standards regarding intellectual property (critical for the export of high technology products and services) and ambitious commitments in terms of access to services markets (where the Union is performing well), investment and the protection of investments, as well as on sustainable development.

Towards a reform of the WTO

The WTO is the key element in the world trade system with three main roles: the opening of trade via negotiation, the drafting of regulations that are binding to all members, the supervision of their implementation/the settlement of disputes. The WTO is indeed the world's most advanced type of governance (a set of common rules and applicability via the Dispute Settlement Mechanism). However, the first two roles have been somewhat blocked for some years. The third, a rare delegation of legal authority in international relations, to an international tribunal for the respect of legal standards, may very well soon be brought to a standstill, due to obstruction by the USA. The EU concurs with the rationale of the WTO, i.e. economic opening based on rules between States.

World trade is fundamentally different from what is was when the Doha Round was launched in 2001. The rapid

growth of the emerging economies, the expansion of South-South trade and the low growth of developed economies have modified the balance of interests and influences. This trend is not formally reflected in the WTO, where a uniform approach to flexibilities and special treatment for developing countries continues to apply. The stalemate in negotiations led to increased interest for other approaches to the liberalisation of trade exchanges, particularly via bilateral agreements and so-called plurilateral initiatives, i.e. in which each country commits on a voluntary basis.

For the European Union, although the Doha stalemate has led to a redirection towards more bilateral initiatives, the WTO is still the best means to spread the idea of open trade on the basis of a set of common rules: non-discrimination, the most favoured nation clause, the consolidation of tariff commitments, national treatment for goods, transparency, the support to the rule of law.

This rationale explicitly concurs with the principles of the Union's external action (article 21.1h TEU) whereby the Union "promotes an international system based on stronger multilateral cooperation and good global governance."

Despite the existing current stumbling blocks, Europe deems that the WTO's legitimacy and added value remain indisputable in the long-term. It is the only tool that guarantees non-discrimination in world trade, inclusion, world scope and which can settle systemic problems. The multi-lateral agreements concluded at the WTO apply to nearly all countries – for the EU it is the best advantage it can get in exchange for its own opening to trade.

This is why the EU, Japan and the USA agreed to put forward reforms of the WTO in view of "new rules on industrial subsidies and state-owned businesses to promote fairer conditions of competition"[17]. The aim is to improve the transparency of state subsidies and rules regarding state-owned companies. This evidently applies to China, a WTO member since 2001, that plays according to its own rules, for which the WTO was not well prepared: how to handle major businesses, which are in principle private, but remain

17. Commission proposals
published on 18th September
2018: http://trade.ec.europa.eu/doclib/docs/2018/september/tradoc_157331.pdf

steered by the State, when they respond to injunctions by the central power and benefit from the exorbitant advantages?

The European Union, Japan and the USA are also working on new rules regarding forced transfers of technology, the definition of a market economy, as well as the settlement of disputes. 13 countries which took part in the most recent WTO ministerial meeting unequivocally expressed their support to the multilateral trade system and agreed to work together to strengthen the WTO's three functions.

6. WHICH TRADE POLICY MODEL?

The EU's trade policy, drafted in the 90's needs updating to better respond to citizens' expectations and to the challenges of globalisation. Although the offensive approach resulting in many free-trade negotiations is still useful, its impact on global growth is limited (+0.5% of the European GNP was expected from a free-trade agreement between the EU and USA) and citizens' confidence, both in terms of content and process, is lacking.

The EU has set greater transparency in motion in terms of how the trade policy is managed. However, it is highly unlikely that this will be enough. It might now orientate its trade policy towards:

- better implementation of partners' commitments, whether this is under the WTO framework (such as China's commitments to WTO membership) or in bilateral agreements,
- an effective defence of its own interests, which the Member States can no longer guarantee at national level. It is true that the European trade defence policy was substantially strengthened in 2017 and 2018,
- policies that aim to mitigate the negative social impact of trade opening (many of which are indeed out of its trade competence). A paradox of the trade policy is that there is no European social policy to compensate for the social costs of trade openness. This gap has indeed fed criticism of a Europe prone to be too reliant on free-markets.
- the completion of the internal market, i.e. services, taxation and energy, as priorities over the

rapprochement of regulations at world level;

- a more coordinated approach to the industrial policy. We can identify, in the absence of any European industrial policy, the same paradox as with the social policy: a common trade policy for asymmetric economies.

Several of these orientations go beyond the trade policy and require development towards a closer economic and political union, therefore shared political will.

Towards a more protective trade policy?

The European approach was never one of "free trade" but one of "open trade with rules" in view of harnessing globalisation. However, this approach is being challenged by the dynamism of emerging/emerged economies, the rise of protectionist initiatives and a perception on the part of the public opinion that the trade policy is not sufficiently protective[18].

An internal debate was launched in 2017, notably by France, on three topics covering both the internal market and external trade:

1. A revision of the seconded workers' statute in the EU, dating back to 1996 (which is not a question of external trade). France insisted on stricter conditions, notably equal pay and local conditions to be established after 12 months. Following a robust debate between the Member States a compromise was found in October 2017 to revise the directive 96/71;
2. Reciprocity in public procurement (a proposal blocked for several years in the Council due to a lack of agreement between the Member States, now demanded by German employers[19]);
3. Greater control of foreign investments/acquisition of strategic assets, in particular by State-owned businesses (notably Chinese).

Whilst the UK, one of the main supporters of free-trade wants to leave the EU, and German industry, traditionally against defensive measures, is feeling the pressure of Chinese manufacturers, things are starting to change. Several initiatives suggest already a more defensive trade policy: the reform of anti-dumping instruments, greater focus on the application

18. According to a June 2017 survey, 21% of the French felt that the EU's trade policy protected them effectively in globalisation (Ipsos)

19. German Federation for Industry (Bundesverband der Deutschen Industrie): https://g8fip1kplyr33r3krz5b97d1-wpengine.netdna-ssl.com/wp-content/uploads/2019/01/BDI-Grundsatzpapier_China.pdf

of bilateral trade agreements, development towards to greater control of foreign investments. The industries of 18 Member States have called on the next Commission to strengthen the means of the trade policy and to provide an assertive industrial policy in support of European competitiveness[20]

In his speech on the State of the Union in September 2017[21], the Commission's President, Jean-Claude Juncker, pointed to two approaches:

- Continuing negotiations for trade openness with greater vigilance: I want to strengthen our European trade agenda. Yes, Europe is open for business. But there must be reciprocity. We have to get what we give. Trade is not something abstract. Trade is about jobs, creating new opportunities for Europe's businesses big and small. Every additional €1 billion in exports supports 14,000 extra jobs in Europe. Trade is about exporting our standards, be they social or environmental standards, data protection or food safety requirements....Open trade must go hand in hand with an open policy."

- Control over foreign investments.

Again, some Chinese purchases of European businesses (such as a jewel of German industry, Kuka) have changed the way people think. A common framework for filtering direct foreign investments was concluded in

November 2018[22]. However, this is just a beginning, as it is limited to an exchange of information, leaving the Member States free to decide whether a specific operation should be allowed or not within their borders.

The EU's trade policy needs redesigning. To be understood by the citizens it has to be supported by European-scale social measures to balance trade openness in an adequate manner. Trade openness has to be supported by a European industrial strategy, so that it has the means to retain its place on bitterly disputed world markets. Whereas the EU trade policy attained positive results that will not suffice to convey the support of citizens during the next European elections. Next May, the EU is due for an appointment with its citizens.

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