

## INTRODUCTION

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Since the creation of the World Trade Organization (WTO) in 1995, European trade policy objectives have in practice remained very much the same, while the strategy of achieving them has varied. Regarding the objectives, economic as well as neighbourhood and development interests should be pursued. Access to third-country markets should be provided so as to foster economic growth and jobs in the European Union (EU). To that end, third-country tariff and non-tariff barriers should be reduced including obstacles to foreign investment, fair competition and public procurement. This trade liberalisation should moreover meet the legitimate concerns of European citizens in the sense that EU regulations as well as labour and environmental norms should be preserved when dealing with third countries.

As to the strategy, under the steering of Trade Commissioners Leon Brittan (1993-1999) and Pascal Lamy (1999-2004), EU trade policy favoured the multilateral approach as the best way to pursue economic interests and normative concerns while political and geostrategic interests were pursued through bilateral and/or regional agreements (economic partnership agreements (EPAs) with African, Caribbean and Pacific countries, neighbours' trade agreements with Mediterranean and eastern European countries). EU bilateral agreements justified purely by economic interests are a trademark of the 21<sup>st</sup> century.

The change was officially acknowledged in *Global Europe*, the 2006 communiqué outlining the trade strategy promoted by Commissioner Peter Mandelson, and sustained in the 2010 *Trade, Growth and World Affairs* strategy under Trade Commissioner Karel de Gucht. Both include an explicit recognition of the need for the EU to sign preferential agreements with key markets in order to promote its own trade interests. The difference between the two strategies is the target of the bilateral agreements. While the strategy outlined in *Global Europe* focused on major emerging economies, the 2010 *Trade,*

*Growth and World Affairs* communiqué advocated a stronger focus on agreements with developed countries. As a result, the EU has concentrated its attention on bilateral negotiations with its traditional trade partners – the US, Japan and Canada.

Despite enhancing its bilateral approach, the EU insists that it has not left its multilateral track. Both the 2006 and the 2010 trade strategies emphasise the need to complete multilateral agreements and claim that deep and comprehensive bilateral agreements could help reinforce the rules-based multilateral system and fuel multilateralism. Following this logic, the EU does not have to choose between bilateral and multilateral approaches as they can reinforce each other.

In October 2015, Cecilia Malmström, European Union Trade Commissioner, presented *Trade for All*, the trade strategy of the European Commission over the next years. While preserving the European social and regulatory model at home, bilateral and multilateral trade agreements will be pursued so as to improve market access in third countries and contribute to boosting jobs, growth and investment in the EU.

This monograph analyses and discusses *Trade for All* from different perspectives based on key current debates on international trade. The book is structured around these debates. The first part corresponds to the multilateralism versus bilateralism debate, the second to the debate about the limits of trade liberalisation and the last focuses on the EU's relations with developing and emerging economies.

## **Part 1: *Trade for All* and the multilateralism versus bilateralism debate**

Since the end of the Second World War the international community has aimed to build a multilateral trade system. The first step was the General Agreement on Trade and Tariffs (GATT) in which 23 countries agreed to reduce trade barriers between them following the principle of non-discrimination and on reciprocity bases. This emerging multilateral system coexisted from the beginning with the more traditional bilateral and regional trade agreements leading to international debate on whether they were compatible.

Nowadays, the multilateral system has been institutionalised under the WTO and engages more than 160 countries around the world. Multilateral negotiations no longer refer to goods and agriculture but also to services and intellectual property. Agreements on tariffs and quotas have been complemented by common rules on technical and sanitary and phytosanitary issues. Nevertheless, since the 1990s there has been an increasing surge in bilateral, regional and plurilateral trade agreements. Recently, so-called mega-regionals (trade agreements that include at least two of the four key trade players: the EU, the United States, Japan and China) are also being negotiated. In this context, the debate about the compatibility between the multilateral and the bilateral or regional approaches to trade has been stimulated.

In *Trade for All*, the European Commission argues that the two approaches are still compatible and presents an ambitious agenda

for both bilateral and multilateral agreements. But does *Trade for All* guarantee multilateralism? Is multilateralism to play second fiddle in EU trade policy?

In chapter one, Alejandro JARA, former Deputy Director-General of the WTO, identifies the main challenges for the international trade system and the position of the EU as a major player. The emergence of the so-called BRICS (Brazil, Russia, India, China and South Africa) as trade players has altered the balance of the Doha Development Round negotiations since a one-size-fits all special and differential treatment is no longer possible. Moreover, global value chains have blurred the distinction between trade in goods and services as well as creating the need for regulatory convergence and liberalisation of trade in services. As the Doha Round has faltered, the US strategy of competitive liberalisation through deep free trade agreements has led the EU to end its moratorium on new bilateral agreements that had been in place since 1999. Nevertheless, the author considers that the EU is playing an increasingly proactive role at the multilateral level thanks to its domestic reforms in the agricultural policy field.

In chapter two, Patricia GARCIA-DURAN, senior lecturer at the University of Barcelona, looks at EU trade strategy from a more critical perspective, claiming that the EU's new bilateralism may be endangering multilateralism. While acknowledging that bilateral and multilateral approaches may be compatible, the author argues that multilateralisation cannot be expected to automatically follow from bilateral agreements even in cases where such multilateralisation is technically achievable. Their complementarity may also be influenced by what is happening at the multilateral level. While new bilateral or regional agreements may be a strategy to force an accord at the multilateral level, they may also become a way to substitute for the multilateral agreement and ensure new market access when difficulties in the multilateral negotiations become too severe.

## **Part 2. *Trade for All* and the limits of trade liberalisation**

In the old world of trade, where the main issue was protection of producers, consumers tended to support trade liberalisation because it provided cheaper prices. The main resistance came from import competing companies. In the new world of trade, where cross-border value chains are being developed, the main issue becomes precaution for consumers. In such a world, producers are in favour of levelling the playing field in terms of standards, but consumers develop the "syndrome of precaution dumping" even if regulatory convergence tends to lead to higher standards (see chapter one).<sup>1</sup> The limits of trade liberalisation seem to be undergoing redefinition and, as the world's most ambitious trade agreement in terms of non-tariff barrier reduction, the Transatlantic Trade and Investment Partnership (TTIP) is paradigmatic of this debate. How should we interpret the debates that have arisen within the EU on the TTIP? Does *Trade for All* answer those concerns?

In chapter three, through an array of indicators (such as Google and YouTube web searches), Leif Johan ELIASSON, Professor at East

1. This expression was used by Pascal Lamy in 2015 in a conference on "The New Global Trade Agenda" at the Peterson Institute for International Economics (Washington DC).

Stroudsburg University (United States), shows how the changes in EU public opinion towards the TTIP can be correlated with anti-TTIP groups' activities. Acknowledging that TTIP negotiations have garnered significant and unexpected opposition from civil society organisations (CSOs), the author shows how these opposition groups have chosen certain issues and key words to raise salience. CSOs, helped by market tests done through private organisations such as Campact, have successfully tapped into European's socio-cultural relationship with food, arguing that accepting American standards threatens higher EU standards (think of chlorinated chicken or genetically modified organisms). The other main issue of contention has been the investor-state dispute settlement system because it can be linked to another precious European achievement: the welfare state.

In chapter four, Ricard BELLERA, Secretary for International Affairs of a large Spanish trade union, argues that *Trade for All* proves that CSOs' resistance to the TTIP has been successful. The European Commission's communication on trade learns from the TTIP debate and advocates transparency and public consultation as well as coherence with the European model and values. Moreover, it tries to tackle new and old economic realities such as tax avoidance strategies and the social consequences of market openings in both EU and third countries. Despite that, the author cannot preclude the suspicion that *Trade for All* may have at least a partially instrumental character because the change in perspective is too pronounced and has not yet affected the essence of current trade negotiations. In his view, the communication implies too complete a turnaround in relation to the previous positions of DG Trade.

Alvaro SCHWEINFURTH's contribution in chapter five reflects the views of the companies grouped in the Confederation of Employers and Industries of Spain and BusinessEurope on *Trade for All* in general and the TTIP in particular. The author states that companies are in favour of trade liberalisation in general and TTIP in particular for three reasons. First, they associate such agreements with growth in the EU both in terms of GDP and employment. Second, all trade agreements must respond to the new parameters of international trade (i.e. value chains) and address non-tariff barriers. Third, the EU should reach an agreement on the TTIP to remain a major player in international trade.

In chapter six, Javier PÉREZ's contribution focuses on one of the most contentious issues raised by the negotiation of the TTIP: the investor-state dispute settlement (ISDS) arbitration system included in most existing investment agreements in the world. The ISDS is used to resolve disputes between investors and host states when the former may be adversely affected by legislative changes that alter the preconditions for investment. In other words, such arbitration systems allow foreign corporations to sue governments over democratically adopted public policy and in doing so limit governments' autonomy to regulate in the public interest. To prevent that from happening the EU Commission proposed a reformed ISDS system in 2015. The author, the Director of the Madrid Centre for Research and Studies on Trade and Development, analyses the pros and cons of that proposal and acknowledges that is an important step in addressing the weaknesses of the old system.

### Part 3. *Trade for All* and emerging and developing countries

The EU provides developing countries with special and differential trade treatment through various instruments. Since the European Community's inception, the so-called ACP countries (former colonies from Africa, the Caribbean and the Pacific) have benefited from positive trade discrimination. Special tariff reductions have also been granted to other developing members of the GATT/WTO through the General System of Preferences (GSP) since 1971 and the EU offers tariff and quota-free access to almost all exports of the so-called least developed countries through the Everything But Arms (EBA) initiative introduced in 2001. But it is increasingly clear that developing countries are not a homogenous group. One of the key debates in international trade nowadays is whether the so-called emerging economies should still be treated as developing countries (see chapter one). China, in particular, is already among the four major trading powers in the world. What is EU trade policy towards emerging and developing countries? Does *Trade for All* have the potential to change anything (for better or worse)?

In chapter seven, Jan ORBIE and Deborah MARTENS from Ghent University identify three evolutions in the EU's trade relations with developing countries over the past decade. First, poorer developing countries have lost their central position in the EU's "pyramid of preferences". Second, EU trade policy towards developing countries has been embedded within a logic of liberalisation. Third, there has been a discursive evolution towards putting more emphasis on values, of which *Trade for All* is the culmination. The principle of differentiation between developing countries supports this apparently impossible triangle. The authors conclude with a note of caution that the ethical side of the triangle may not be able to counterbalance the neoliberal one.

The monograph closes with the contribution of Mario ESTEBAN, Analyst at the Real Instituto Elcano and Professor at the Autonomous University of Madrid. In chapter eight, he argues that *Trade for All* shows that the EU has rethought and restated its relations with China. The EU considers that China can no longer be treated as a developing country because of its strength as an economic and commercial power. Relations with the country should be based on reciprocal treatment in both commercial relations and investment. Achieving this goal would advance bilateral relations, allowing for the consideration of a China-EU free trade area. The author then identifies and analyses the problems that continue to inhibit the achievement of this goal: China's issues in operating as a market economy, the problems of overcapacity in the steel industry and its impact on the European market, and finally China's problems accepting European standards on labour and the environment to the extent necessary to deepen bilateral relations through a free trade agreement.

The eight chapters of this monograph improve our understanding of *Trade for All* and therefore of the EU's responses to complex debates in relation to international trade. *Trade for All* is cautious on China and explicit not only on promoting values through trade but also on the benefits of trade liberalisation and the need for differentiation between developing countries. *Trade for All* has (at least ostensibly) learned from the TTIP debates and is perhaps over-optimistic regarding the compatibility of EU bilateral and multilateral approaches to trade policy.

