University of Ljubljana

FACULTY OF ECONOMICS

International Trade Strategies, JM module

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EU trade policy after Lisbon

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EFMD EQUIS ACCREDITED

Content

EU trade strategy

- EU trade story
- Objectives
  - **Stimulating growth and creating jobs in Europe**
  - **Development and neighbourhood objective**
  - **Human and labour rights, environmental protection**
- Dimensions
  1. **Multilateral (WTO)**
  2. **Regional**
     - New generation of RTA in the EU
       - **Motivation: Export orientation towards fast -growing markets as crisis exit strategy**
  3. **Unilateral: New GSP scheme**
- Network of RTAs and assessing their impacts

EU Trade and Investment Story

- World's **largest exporter** of goods&services (€2,415 bn in 2013) and importer (€2,188 bn)
- World's **biggest investor** (€477 bn world FDI outflows in 2013) and recipient of foreign direct investment (€523 bn FDI inflows)
- Over **30 mio jobs**, approx. 14% of EU labour force are supported by EU exports around the world
- Long-term evidence from EU countries shows that a 1 % increase in the openness of the economy is associated with an increase of 0.6 % in labour productivity (EC, 2007)

EU Trade Policy – Objectives I

1. **Stimulating growth and creating jobs in Europe:**

→ Trade based crisis exit strategy

→ Each additional €1 bn of trade generates approx. 15.000 new jobs

→ 90% of the world's growth is expected to happen outside of Europe (IMF) over the next fifteen years (1/3 of it in China alone), these are the jobs of the future

EU Trade Policy – Objectives II

2. Development and neighbourhood objectives

→ to help LDCs and other countries most in need draw the benefits of trade for inclusive growth and sustainable development.
→ Preferential access to 500 mio-consumer market
→ GSP, Everything but arms
→ FTAs: ACP,S Mediterranean, Latin America, 27 countries in Africa (2014), ...
→ Largest importer of products from the developing world

3. Use trade policy to support human&labour rights and the environmental protection around the world

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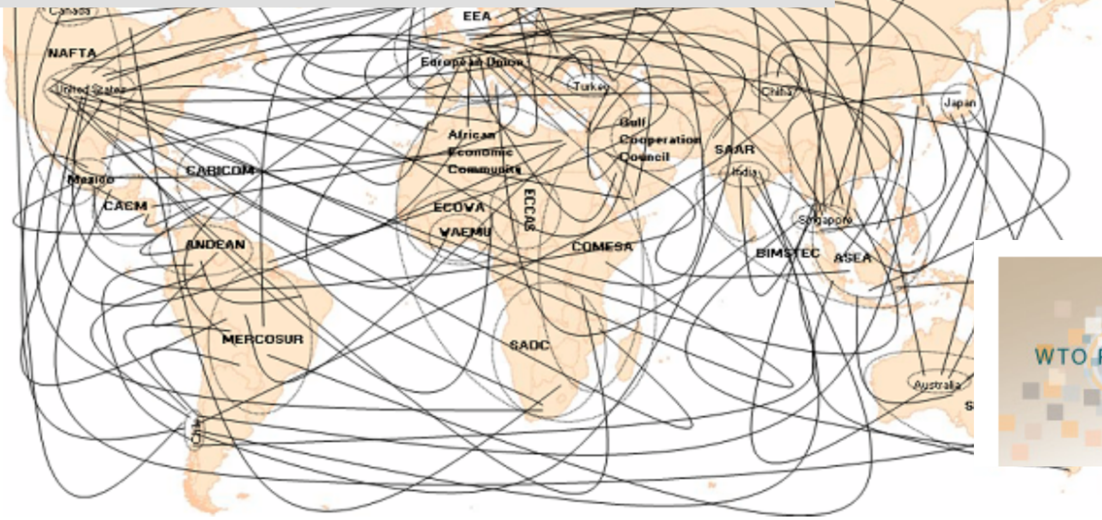
Globalisation

Regionalism (RTAs)

Multilateralism (WTO)

A global race for RTAs

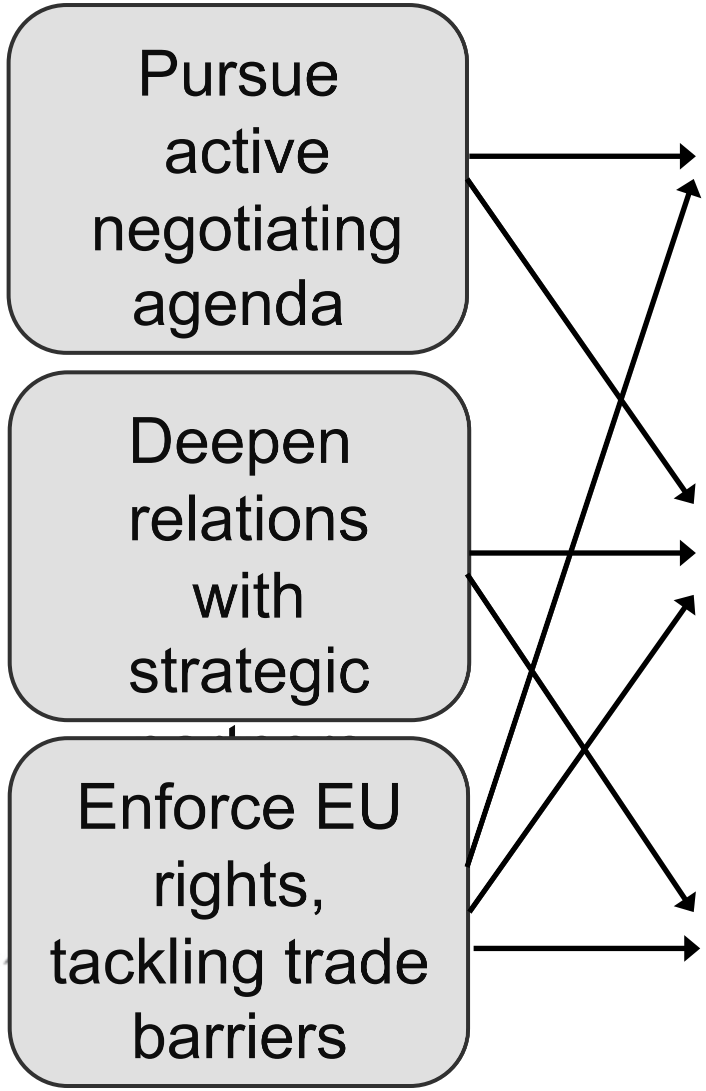


WTO PUBLIC FORUM

WTO PUBLIC FORUM 2012
“Is Multilateralism in Crisis?”
24-26 September 2012
Geneva, WTO headquarters

Three dimensions of EU trade strategy

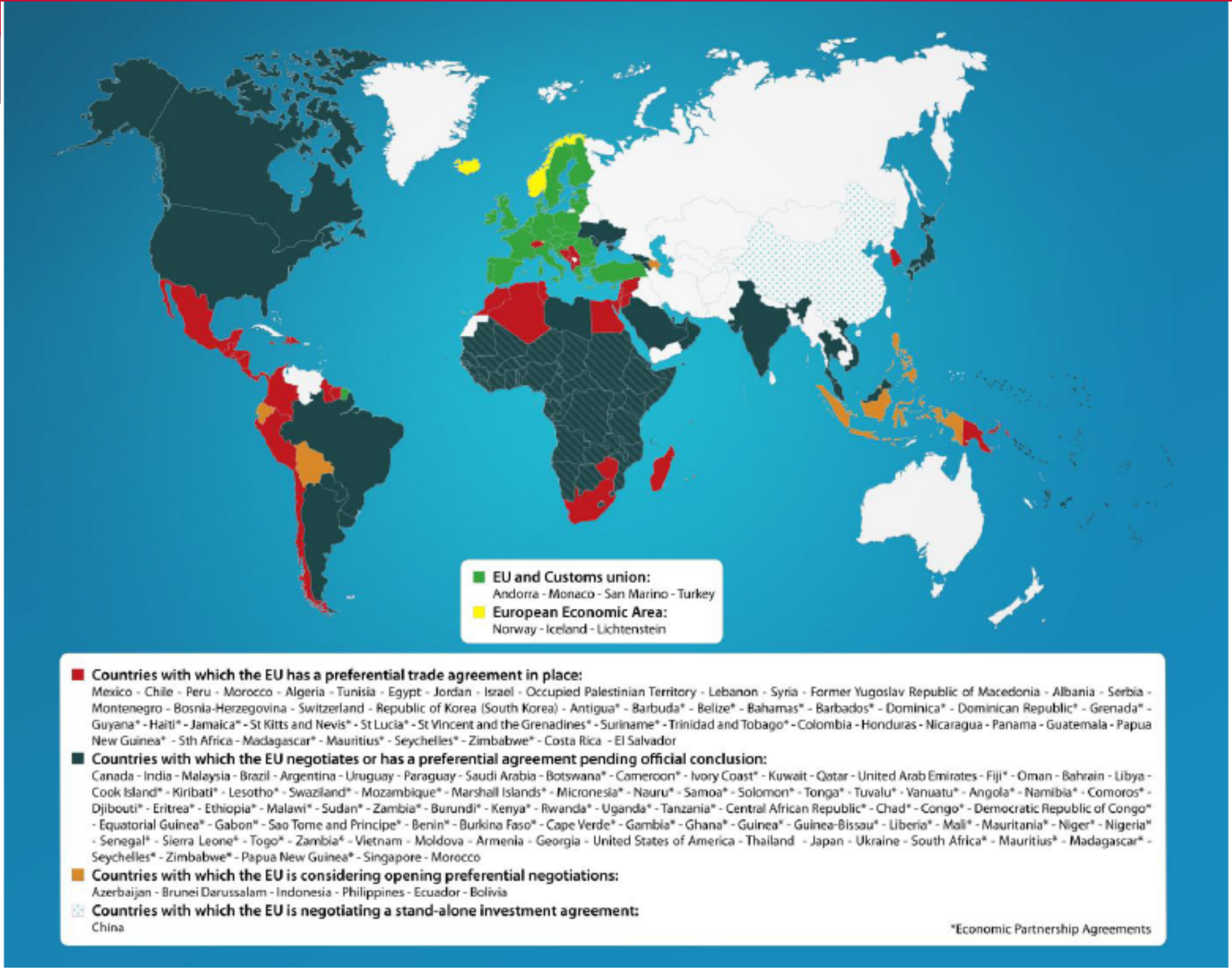
GOALS



LEVEL

- **Multilateral**
  - **WTO →Doha Development Agenda (Bali 2013 progress)**
  - **TISA (23 countries)**
- **Bilateral/Regional**
  - **Network of FTAs and investment agreements - New generation of FTA in the EU**
- **Unilateral**
  - **GSP, Asymm. Preferences**
  - **Trade Defence Instruments**

Overview of EU preferential agreements



http://trade.ec.europa.eu/doclib/docs/2012/november/tradoc_150129.pdf

Non-regional FTAs

- Mexico, Chile, South Africa, Colombia and Peru done.
- Most recent (2013): Central America (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama)
- Mercosur:
  - **negotiations were launched in 1999 but were, however, suspended in October 2004.**
  - **Negotiations with Mercosur were officially relaunched in 2010.**
- the Gulf Cooperation Council (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates):
  - **Negotiations were suspended by the Gulf Cooperation Council in 2008. Informal contacts between negotiators continue to take place.**

Today‘s context of EU trade policy

- Globalisation

  Including fragmentation of value chains

- Emergence of new economic powers

  China, India, Brazil (15% of global trade flows)

- Economic downturn

  Trade is part of the solution

Trade as crisis exit strategy? New generation of FTAs

A 2006 landmark communication from the Commission known as **Global Europe**: it identified

New regional priorities

- ASEAN, Korea, India, Russia and Mercosur as priority partners for new FTAs.

Deeper agreements

- Since trade barriers mainly lie behind borders, DCFTA (besides lower tariffs) must aim to open markets for **services, public procurement, competition**, ensure **IPR** enforcement and **regulatory convergence** issues (all outside WTO scope).
- **Treaty on the functioning of the EU, Art. 207** (Lisbon, Dec.1, 2009)**: TP exclusive power of EU**

A new generation of FTAs

- **S Korea:** launched in May 2007, signed on 6 October 2010.
- **India**: launched in the end of June 2007; so far, several negotiating rounds have been held.
- **ASEAN:** launched in May 2007;
  - **EU MS in December 2009 gave the green light for FTA negotiations with individual ASEAN countries:**
  - **Negotiations with Singapore concluded successfully in December 2012.**
  - **Negotiations with Malaysia were launched in 2010, with Vietnam in June 2012 and with Thailand in March 2013.**
  - **Additionally, on-going talks on investment protection.**

CETA with CANADA

Comprehensive trade and economic agreement. Concluded negotiations in 2014

Provisions:

- Ending customs duties.
- Letting EU businesses bid for Canadian public contracts (single e -procurement website)
- Stepping-up regulatory cooperation
- Protecting European innovations & traditional products (145 EU GIs reserved in Canada: Grana Padano, Prosciutto di Parma, Roquefort)
- Streamlining trade in services
- Promoting and protecting investment
- Ensuring good cooperation in the future
- Protecting democracy, consumers and environment

EU RTA network

Radical expansion of the coverage of EU trade by FTAs:

- before 2006: 25%
- 2015: 35%
- once all on-going negotiations are concluded: 67%

If concluded successfully, these bilateral negotiations could boost EU GDP by than 2% and increase of more than 2 million jobs related to trade across the EU

BUT: Does the strategy work?? Reality check!!

Experiences from 3 years of EU-Korea FTA

- Strong rise in EU exports to Korea by 35% by 2014.
  - **the biggest boost in EU exports of North Sea oil, machinery and motor vehicles and parts.**
    - EU car exports to Korea are up 90% in 2014;
    - in April 2012, the French automaker Citroen resumed sales on the Korean market after a decade-long hiatus;
    - recently, Italy's Fiat also returned to Korea for the first time since 1997.

In the first quarter of 2013 EU had a trade surplus with Korea for the first time in 15 years.

- Korea's FDI in Europe is at an all-time high.

Source: DG Trade, 2015

http://trade.ec.europa.eu/doclib/docs/2015/march/tradoc_153270.pdf

On-going negotiations with major trade powers (1)

Japan: Free trade agreement

- Japan is the EU's second biggest trading partner in Asia, after China.
- negotiations launched in April 2013.
- EU's major concern: non-tariff barriers in Japan.

China: EU-China Investment Agreement

- Just 2.1% of overall EU FDI is in China.
- November 2013: the launch of negotiations.
- Aim: progressive liberalisation of investment, the elimination of restrictions for investors and stronger protection to investors.

On-going negotiations with major trade powers (2) TTIP with USA

Talks on a TTIP started in July 2013

Potentially the largest free trade area in history, covering 46% of world GDP and accounting for large shares of world trade and FDI

Contents:

- Better access to US market (incl. win gov't contracts)
- Cutting red tape and costs (regulatory cooperation: technical details, procedures)
- New rules (help SMEs; access to energy, IPR protection, sustainable dev't, …)

Concerns

- Transparency of the negotiations
- TTIP and EU regulation (lower our levels of protection – GMOs)
- Investment protection (proper int'l I court)
- Public services (healthcare, education)

Potential impacts

Ecorys (2009), CEPR (2013), CEPII (2013), Bartelsmann/Ifo (2013):

TTIP will have positive but marginal effects on the economies of EU and USA in 10 – 20 yrs: cummulative effects btw 0% and 1.31% higher economic growth in the EU (0.05 p.p. higher average yearly growth), btw 0% and 4.82% for USA

Capaldo (2014), based on UN Gloal Policy Model: positive effects only for USA (increase in net EX, GDP, employment, GDP pc). Negative impacts for all EU countries (through trade diversion → decrease in EX-IM, AD, GDP, employment (600.000 jobs lost), real wages, share of w/GDP, Tx. Negligible impacts except for loss in jobs