

JM Module: EU Trade Strategy

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Introduction to the discussion

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The discussion framework

- **Discussion is part of Jean Monnet Module (JMM)** co-financed by the EU Life Long Learning Program.
- This JMM is focused on **studying specifics of the EU external trade strategy**. JMM is performed at the EFRI in connection with the subject „Strategy of International Trade!“.
- **The main objectives of the JMM activities** have been:
 - **enhancing the knowledge** on the EU trade issues, and
 - **sharing the information** on the EU Trade Strategy specifics and on its impacts for Croatia among the interested audience.
- **Today's discussion will include:**
 - students' presentations of the best EU trade strategy related papers,
 - expected presentations of selected business experiences,
 - and discussion on the activities and results of the JMM.

EU (new) strategic trade orientation

this and following pages are based on: http://trade.ec.europa.eu/doclib/docs/2015/october/tradoc_153846.pdf

- Following complex and painful recession impacts, the challenges for the EU are now to boost jobs, growth and investment.
- The EU is well placed to use trade and investment policy to contribute to this objective creating benefits to companies, consumers and workers alike.
- However, changes in the way how the world economy works today imply a different way of designing the EU trade strategy and policy.
- The EU's trade and investment policy must further embrace this new reality, looking at all the ways that EU companies interact with the rest of the world.

Trade importance for the EU is increasing

- Trade has never been more important for the EU economy as it is now. The recent crisis helped to realize that trade could be a stabilizing force in the tough times.
- Trade will be an even more important source of growth for the EU in the future.
- Approximately **90% of global economic growth** in the next 10 to 15 years is expected **to be generated outside Europe.**
- **Sales to the rest of the world** have become an increasingly significant source of jobs for Europeans. More than 30 million jobs are now supported by exports outside the EU — two thirds more than 15 years ago.

Trade positively affects the EU economy including SMSs

- **Exports** also support Europe's small- and medium-sized enterprises (SMEs). Over 600,000 SMEs, employing more than 6 million people, directly exported goods outside the EU, accounting for one third of EU exports.
- **Imports** are equally important. **Opening** up the EU economy **to trade and investment** is a major source of productivity gains and private investment, both of which the EU sorely needs.
- More generally, the development of **global value chains** underlines the interdependence between imports and exports.

Are there any problems with the new EU trade strategy?

- Yes, unfortunately there are certain **objective** and some **subjective** problems caused by the EU trade growth and strategy.
- Theory and practice show that **positive trade impacts are not equally distributed** among states and as well not among the citizens. This is objective „non avoidable“ part of the trade inequality impacts.
- **Objective inequalities** in trade benefits distribution **among states** are caused by the **state's economic size** and by national **market specifics** like price elasticities, size of domestic demand, etc..

Subjectively caused inequality in trade benefits distribution between states

- **The subjective part of the problem** in unequal trade benefits distribution between states is linked to:
 - The problems of **ineffective national governance**,
 - The limitations of the nation's (**starting**) **economic position in the EU**, especially related to the often limited adequacy in the **implementation of the national economic policy**,
 - The often evidenced national or individual **ignorance to the opportunities and threats** created by the strategic trade concept of the EU increasing openness.
- Unfortunately **most of the subjective problems** that create inequalities in the EU trade benefits distribution **could be often observed in the group of the EU members that joined the EU after 2004.**

Trade benefits distribution inequality within the states

- Objective inequalities in distributing trade benefits among citizens of the EU member state are based on the nature and specifics of the actual trade growth drivers.
- The **size** of production and **speed** of technological change in production and in all business activities are the key trade development drivers of today.
- Based on such trade growth drivers **the trade benefits goes to the owners of those production factors** that are vital to a modern type of trade growth; capital, knowledge, innovation.

The EU increasing openness and limits

- Objective and subjective factors causing inequalities of trade benefits distribution among member states of the EU and within each of them **are increasingly influential** in the present state of the EU trade strategy implementation.
- The present EU strategic orientation towards large and fast increase of the market openness, parallel with the foreign markets opening, in combination with extending openness from trade only to investments, **increase the size of the „normal“ inequality of the trade benefits distribution.**
- Nations and individuals affected by the objective and (or) subjective factors causing the differences in trade benefits distribution are increasingly exposed to potential negative impacts of trade growth similar to the concepts explained and **known on the bases of the immiserizing (trade) growth theory.**

What to do?

- Present orientation of the EU **new trade strategy could enhance the differences in trade benefits distribution** among the member states, companies and among individuals.
- Those member states of the EU who are exposed to stronger objective factors causing smaller sizes of trade benefits, in combination with their subjective factors lowering their trade benefits, **might face growth into the misery in the future.**
- Some aspects of the new EU trade strategy, included into the negotiations of TTIP or CETA, suggest that beside „classical“ economic impacts of unequal trade benefits distribution **the new strategic concept could bring around even negative impacts in the areas of food and environment safety.**

Two potential development options for the EU

- Mentioned expected negative impacts of the new EU trade strategy create two development options:
- - **First option** means creation of the new solidarity among „beneficiaries“ and „non-beneficiaries“ of the new EU trade strategy. It will be expressed in new instruments of economic support and solidarity within the EU. Such development could make EU functionally and economically stronger and more stable.
- - **Second option** means increasing economic and political differences among member states and within their societies. Such neoliberal approach of ignoring negative facts of the large unequal distribution of trade benefits could lead to the EU's functioning problems and to its future instability.

The suggestion

- Let us first listen to the presentations and open our discussion after that.
- The discussion will hopefully help to create better understanding of the EU new trade strategy and will lead to better assessments of its impacts including Croatia and its citizens.