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Reforming EU trade policy: protection, not protectionism

This non-paper outlines thoughts and suggestions on reforming EU trade policy.

The primary aim of trade policy is more efficient international production of goods and services. Recently we have seen a shift in the focus of trade policy, from agreements on tariffs and quotas to comprehensive deals focused on non-tariff issues, including norms and standards that take a value-driven approach. This calls for a 'reset' of EU trade policy.

2015 was a very successful year for multilateral diplomacy, with several global agreements being signed. Several of these agreements have particular relevance for reforming EU trade policy:

- the Global Goals and 2030 Agenda ('leaving no one behind');
- the Paris Agreement on fighting climate change;
- the Nairobi Package adopted at the Tenth WTO Ministerial Conference (fighting protectionism while delivering protection).

These agreements call for inclusive, sustainable and climate-neutral economic growth while investing in a rules-based trading system that combats protectionism. They provide a basis for a universal agenda that is both national (all countries need to follow up, take action and report at national level) and international (countries need to take joint responsibility for global goals and frameworks and contribute to implementation). This applies, *mutatis mutandis*, to all WTO member states.

The EU and its member states are signatories to these global agreements. Trade policy is one of the policy tools that can and should contribute to the agenda of inclusive, sustainable and climate-neutral economic growth. The EU has always been a frontrunner on this agenda, and to maintain its leading position the EU must let the agenda guide the reform of its trade policy, thus setting a global standard.

EU Framework for reforming trade policy

It is both essential and feasible to design trade agreements so that as many people as possible reap their short- and long-term benefits. Trade agreements can be excellent instruments for setting social and environmental standards for international trade and investment, for providing opportunities for large and small businesses, and for facilitating the integration of people, sectors and countries into global value chains.

This calls for a three-pronged approach:

1. Trade agreements must foster inclusive growth, contribute to achieving the Global Goals, and help implement the climate agenda set out in the Paris Agreement.
2. Trade agreements should be more transparent, and the process needs to be more open to public debate.
3. Trade agreements need to promote dialogue on those whom they may harm and take suitable action.

1. Achieving the Global Goals and implementing the Paris Climate Agreement

The SDGs include several goals that are relevant to trade, such as sustainable inclusive growth (SDG 8), reducing inequality (SDG 10), fair trade (SDG 7) and sustainable production and consumption (SDG 12). The Paris Climate Agreement calls for keeping increases from pre-industrial levels in global average temperatures well below 2°C, for trying to limit increases to 1.5°C, for ensuring that global emissions peak as soon as possible, and for rapidly reducing emissions once they peak. EU trade policy should be geared towards attaining these goals at both national and international level, for example by taking account of trade agreements' impact on developing countries and on people who are left behind. Here are some preliminary suggestions for factors that need to be considered in shaping EU trade policy:

- We should bridge the gap between trade law and soft law on corporate social responsibility and sustainable value chains. The ILO conventions should be integrated into trade agreements in a way that leads partner countries to improve labour conditions, not by blocking access to EU markets. The OECD Guidelines for Multinational Enterprises should be integrated into all trade agreements in order to link economic activity to international corporate responsibility. The EU Anti-torture Regulation and Conflict Minerals Regulation are good examples of value-based trade policy that links trade law to broader goals.
- Much as we protect investors, we should explore ways of protecting citizens whose rights are violated or the environment when it is harmed as a result of increased trade.
- The energy provisions of trade agreements should be based on the (future) Environmental Goods Agreement, promoting sustainable energy for all and providing incentives for climate-smart solutions.
- Positive spill-over effects for low-income countries should be maximised. Globalisation should be geared towards promoting inclusive prosperity in emerging economies and developing countries as well as developed countries. The existing Sustainability Impact Assessment for trade agreements should be strengthened with a new test of policy coherence for development.

2. A more transparent and inclusive process

It is essential for negotiations on trade agreements to be as transparent and inclusive as possible, for national parliaments, interest groups and the general public. Here are some suggestions:

- Transparency has to be a feature of the process as early as possible. We need to step up our efforts to promote an informed debate and a deeper dialogue with society at large. Before formulating a negotiating mandate, political decisions should be taken at the level of national parliaments in all member states on the focus of the agreement. During the negotiations, all parties should be proactively informed about the progress made and the ways their concerns have been addressed.
- National advisory groups should be established. As part of the TTIP negotiations, an EU-level advisory group was set up with representatives from business, labour unions and civil society organisations. This advisory group, working on the basis of confidentiality, has access to all EU documents and provides feedback on all aspects of the trade agreement. Such advisory groups can also be established in EU member states.

3. Empowering and protecting people in a globalised world

Flanking policies are needed to properly manage the possible adverse effects of trade agreements, aimed at maximising the benefits for as many people as possible.

- Potential job losses should be and are a major concern. If EU workers are losing out, safety nets should be available. The European Globalisation Adjustment Fund (EGF) needs to be improved and put to good use.

It can provide support to communities faced with one-off, clearly defined job losses from trade agreements.

- There needs to be an explicit focus on the interests of consumers and industrial workers. Consumers' interests and rights must be guaranteed in cross-border internet purchases. There should be flexible, bilateral safeguards for vulnerable industries, and transition periods for sensitive products. Safeguards (such as tariffs and quotas) can temporarily shield vulnerable EU industries from an influx of products, and transition periods can give them time to adapt to the new reality by gradually introducing preferential tariffs.
 - This is partly a national agenda. As industrial structures differ greatly in different countries, outcomes will differ as well. This calls for adequate national policies to complement trade agreements, to make workers more employable. National educational policies and social models should be developed to meet the challenges of globalisation, so that trade and investment create jobs for all, including people like women who have fewer opportunities on the labour market.
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