

The Transformation of EU Trade Policy

By **Prof. Dr Jacques Pelkmans***, EIPA 1982-1989 and **Rita Beuter****, EIPA 1986-present



The Union's trade policy has gone through a drastic overhaul in the 25 years of EIPA's existence. In 1981 the EEC-10 had successfully negotiated three GATT Rounds (Dillon, Kennedy and Tokyo), following the emergence of the Community in 1958, and this led to significant tariff reductions over a wide front of industrial goods. Also, the EEC-EFTA industrial free trade area (1973) functioned well and helped Western Europe to minimize the costs of the original failure in the mid-1950s to conclude an overall regional agreement. Nevertheless, the early 1980s are remembered more for its "neo-protectionism" in the world, the EEC included, than for the previous achievements. If we zoom in on the EEC, EIPA began in an era of Europessimism, stagflation and eurosclerosis, resulting in defensive trade policy responses both at the Member States' and at the EEC levels of policy. In those days, trade policy was not yet fully centralized at EEC level and grey-area protection had not yet been explicitly outlawed by the GATT. This meant that there was scope for defensive impulses, ranging from "voluntary export restraints" (both national and EEC) all the way to the infamous Poitiers incident (VCRs, mostly from Japan, having to be re-routed to a tiny customs office in Poitiers, before getting into France), not to speak of a greater emphasis on anti-dumping cases with problematic methodologies.

In 2006 EU trade policy is radically different. Industrial tariff protection is largely gone, remaining tariffs only have nuisance value. Moreover, only a few OECD countries outside Europe and a few countries not yet having become WTO members actually pay these tariffs. Following the Uruguay Round (1994), grey area protection is gone. The Union has 25, soon to be 27, countries and far over 100 bilateral trading agreements in one form or another. Its agricultural protection is still very strong in temperate zone products, but its tariff protection has been reduced somewhat (however, often still prohibitive, though), quotas have gone (except some seasonal ones), erosion of protection is taking place for selected goods (such as sugar) and bilateral agreements increasingly allow at least some agricultural trade to be built up. Current EU offers on agricultural market access in the Doha Round may be disappointing to some developing countries and exporters such as Australia, New Zealand and (partly) the U.S. but, based on a third wave of agricultural reforms inside the Union, they are drastic, when viewed in the light of 25 years of trade policy history. The Union has now complete market access for the 50 poorest countries in the world (the Everything-but-Arms initiative). The EU has been very active in services liberalisation in the WTO, as well as with respect to a host of regulatory issues in the Doha Round. Even where the Union did react protectively – as was the case with the safeguards vis-à-vis Chinese clothing exports in 2005 – it relied on GATT-based mechanisms (a maximum of 3 years) and left room for quite some import growth. In 1981 the response would undoubtedly have been much more bluntly protectionist. Indeed, in the 25 years of EIPA we have witnessed nothing less than a transformation of EU trade policy.



Training Programme for Developing Countries' Trade Negotiators and Administrators, organised for the European Commission and held in Maastricht, Paris and Brussels between 30 January and 26 February 2005.

EIPA training and analyses on EU trade policy

Wisely, EIPA first concentrated on the many aspects of the internal market, in particular for national civil servants, rather than the specialistic domain of trade policy. Gradually, however, EIPA staff members have become active contributors to the trade policy literature and eventually this spilled over to training and advisory activities of the Institute. We shall limit ourselves to illustrations in four sub-domains of EU trade policy. The four topics are: multilateralism, economic regionalism, capacity building for trade and development negotiations and anti-dumping. EIPA activities consisted in training activities under awarded contracts, conferences and publications by staff members. Sometimes, activities were invisible, informal and purposely kept out of any publicity. Indeed, the very first trade policy activity (in 1984) was an informal closed seminar solely for the 113 Committee (the DGs for trade policy of the Member States, meanwhile the 133 Committee) on how to devise strategies for multilateral negotiations on services in a future Round, on the suggestion of deputy DG Paul Luyten of the European Commission.

Multilateralism

Since the conclusion of the Uruguay Round (1986-1994) and the initiation of the new Doha Round, progress has been faltering (as evidenced by the Seattle, Cancun and Geneva meetings). Moreover, the WTO was created (and thereby, a long-standing desire of the EU of subjecting all trading partners, big or small, under a world legal trade regime with judicial review, based on a hard treaty, was fulfilled). The WTO and the underlying GATT agreements as well as the new GATS (on services), generated a demand in the public administration for proper understanding of world trade law and its domestic repercussions, with all the many complications implied. A lot of this type of training is nowadays provided by the WTO itself as well as by the World Bank, although the EU has also become increasingly active in trade-related assistance (see below, under negotiations). EIPA staff have also published on multilateralism.

Economic regionalism

Perhaps the most conspicuous change in trade policies all over the world, since the early 1980s, is the unstoppable rise of economic regionalism. A host of reasons explain this trend, such as the economic attractiveness of so-called North-South type of regional agreements (like NAFTA and the EU-Turkey customs union, which tend to support domestic reforms in emerging economies and render them more robust via so-called "lock-in"), the U-turn of the US in the 1980s when beginning to practice a strategy of bilaterals or genuine regional trade agreements as a complement to multilateralism, the so-called "domino theory" of economic regionalism which focuses on the incentives for market access to large economies for any second trade partner once the "first" one has managed to obtain preferential access and, finally, the failure of APEC to deliver on its "open regionalism" which prompted East Asian countries as well as Australia to begin weaving a web of bilaterals and even agreements between groups. With around 300 instances of economic regionalism notified to the WTO, there are no WTO members anymore without some involvement of regionalism. Thus far, this trend has not yet been damaging to multilateralism (acting more as building-blocks than stumbling blocks), but the current policy trap of the Doha Round is precisely that many players hold regionalism cards as an alternative to the multilateral cards. The problem is not so great for the large players such as the EU, the US and Japan, increasingly China too, but it is bound to be inimical to e.g. the cotton producers in West Africa or many small trading partners which cannot offer attractive market access themselves.

The EU has always been and still is the champion of regionalism. Although historical legacies and political sensitivities put a limit on the Union's influence, the drawbacks of "you-too" regional agreements (as seen in different origin rules and little or no "cumulation", as well as the lack of systematic solutions to the

removal of technical barriers) can be contained by a strategy of consistency. The problem in East Asian agreements is precisely the lack of any discipline, of guidance from APEC or of leadership, causing APEC business to complain loudly about “spaghetti bowls” of unmanageable rules on market access. Thus, quite apart from the possible menace to multilateralism, “wild” regionalism amounts to shooting oneself in the foot.

The EU can look back on three decades of promoting or assisting with GATT-compatible regionalism outside the Union’s orbit via trade and foreign policy. EIPA has frequently been a centre of expertise for these Community efforts. The Institute has long been prominent in the external dimension of internal EU policies, as well as in assisting other regions in the world when setting up and improving their economic regionalism. Bilateral agreements between the EU and other regions (or third countries) usually contain clauses committing the Union to support capacity building in terms of training, advice, conferences, publications and exchanges. EIPA has been a major provider of such services in several parts of the world. Already in 1986 EIPA began an EU-ASEAN programme with the ASEAN Standing Committee (the national DGs for ASEAN of the ASEAN member states) coming to Maastricht. Apart from training, this collaboration led to the co-organisation of two large conferences in Kuala Lumpur at high level, one in 1987 (a three days conference, supplementing an internal ASEAN conference, all papers being published (and one in 1989, on ASEAN & EC-1992, stimulated by the personal efforts of trade minister Rafidah Aziz of Malaysia who co-chaired the conference). In the context of this Special Programme for ASEAN (1986-1989), the Commission of the EC requested EIPA to put the papers of the seminar Experiences in Regional Cooperation in one volume and to have the publication finalised by December 1987 for the ASEAN summit meeting in Manila. The Special Programme for ASEAN was followed between 1992 and 1994 by a Training Programme to increase the awareness of EU developments in the ASEAN region, to promote a better understanding between the two regions and to offer an input into the discussion on closer ASEAN cooperation/integration.

A second major initiative was EIPA’s contribution in carrying out various programmes for the European Commission in support of regional integration in Latin America. Between 1988 and 1991 a series of seminars on regional cooperation and integration were held in Maastricht, based on a comparison between Central American and European experiences, as well as a regional programme in support of public management modernization carried out in Central America. This was followed between 1992 and 1999 by a training programme in the framework of cooperation between the EU and the countries of the Rio Group, implemented through a Training Centre for Regional Integration (CEFIR) set up in Montevideo, Uruguay. These activities were carried out in the member countries of Mercosur and of the Andean Community, as well as Chile and Mexico.

The third activity EIPA undertook, under the TACIS programme, related to the web of countries formerly being part of the Soviet Union (the so-called Newly Independent States). From 1992 to 1996 EIPA organized 35 seminars on the evolution of the external policies of the EU and on economic regionalism. It also resulted in two books published by the Institute, one on explaining the EC trade instruments and the factors influencing the commercial relations of the Community and the other, providing a survey on free trade agreements and customs unions.

The most recent initiative has been the EuroMed Market Programme which was launched in June 2002. Please see the contribution from EIPA’s Antenna in Barcelona.

Multilateral trade negotiations

The EU’s negotiation position in 1999 was to call for a broader round, which would allow more trade-offs than if negotiations would only concentrate on agriculture and services. The broad objectives of the forthcoming round were to strengthen the WTO rules-based system, to promote the liberalisation of trade, improve the integration of developing countries into the multilateral trading



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system and to address the interface between trade and trade related issues and policies. At its own initiative, EIPA organised several seminars on the European agenda for a future round, by involving different players from various parts of the world. One of the seminars addressed the issue of agricultural negotiations and policy developments in agricultural trade.

From the Doha Ministerial onwards up to 2004, the European Commission has allocated a total of around €3.3 billion to trade related assistance. In this context, EIPA for three consecutive years (2003-2005) won a contract from the European Commission, DG Trade, for the organisation of a four-week Training Programme for Developing Countries' Trade Negotiators and Administrators. This Programme formed part of the Communities' commitments under the 4th Ministerial Conference of the WTO, to provide Trade Related Technical Assistance and Capacity Building (TRTA/CB). The overall objective of the training was, therefore, to strengthen the developing countries' ability to effectively participate in future trade negotiations. This entailed the improvement of negotiation skills, the increase of knowledge on the issues part of the ongoing negotiations and the enhancement of the implementation of current agreements. In total, 107 participants from 52 countries and various regional organisations took part in this training programme.

Anti-dumping

EIPA staff have contributed to the debate about more technical aspects of trade policy. One interesting example is the analysis of anti-dumping cases, both with respect to the GATT-based rules (and its flaws or loopholes) of the EU and to the trade-off between special interests exploiting the mechanism and the EU's general interest. Research at EIPA showed that although in principle there was a legitimate concern at preventing subsidised imports from undermining the viability of European firms that might have been more efficient than their foreign competitors, in actuality more than 90% of all cases posed no significant threat to European industry. Foreign firms were too small to acquire a dominant position that would enable them to exploit European consumers by charging excessively high prices.

Conclusions

EU trade policy is and remains an important competence of the EU level, both for the Commission and for the 133 committee directed by the Council. The core applications are (1) the external implications of the significant deepening, widening and enlargement of the EU, (2) the design and development of stimulating trade, investment and economic cooperation packages in the new Neighbourhood policy in the wider Europe (3) the promotion of and assistance with GATT-compatible regionalism elsewhere in the world, (4) the unfailing support of multilateralism, its legal and financial resources and further Rounds for the benefit of developing countries (with the acceptance of sufficient adjustment at home).

EIPA's record over the last 25 years shows that it is capable to provide training and expertise in the Union, the wider Europe and in other continents in a variety of ways, whilst also contributing to the policy debate in the published literature. ::

Select publications of EIPA staff on EU Trade Policy

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- Sanoussi Bilal and Pavlos Pazaros (eds), *Negotiating the Future of Agricultural Policies: Agricultural Trade and the Millennium WTO Round*, (The Hague: Kluwer Law International in association with European Institute of Public Administration, 2000).

Notes

- * Prof. Dr Jacques Pelkmans, former Professor of Economics at EIPA, is the Jan Tinbergen Chair at the College of Europe in Bruges and Council Member at the Scientific Council for Government Policy (*Wetenschappelijke Raad voor het Regeringsbeleid – WRR*), The Hague.
- ** Rita Beuter, Senior Expert, Head of Unit "European Policies", EIPA.