

EU TRADE POLICY – PROSPECTS, CHALLENGES, ALTERNATIVES

International trade, and in particular TTIP, the Transatlantic Trade and Partnership Agreement between the EU and the US, has recently become a hotly debated policy field in the EU, juxtaposing a coalition of EU institutions and the corporate sector against a large coalition of civil society organizations. TTIP stands out as the prime example of new generation free trade agreements aiming at deep economic integration. Besides tariff elimination, its primary aim is to focus on a very comprehensive set of regulatory issues and rules, with a view to dismantling and harmonizing these in areas such as agriculture, food safety, product and technical standards, sectoral regulations in services, the protection of intellectual property rights, and government procurement. In addition, investment liberalization and protection are central issues, with the proposed investor-to-state-dispute-settlement mechanism (ISDS) being particularly controversial.

The debate on TTIP has also triggered a renewed academic interest on trade issues. The academic discourse is characterized by a dual challenge: firstly, there is a lack of knowledge about the likely impacts of the new trade agreements upon the well-being of EU societies. Many of the impacts of regulatory change on e.g. food safety, consumer protection, the natural environment or working conditions are not well-known. Secondly, there is no alternative vision of what the role and contribution of international trade to social welfare in the current environment of multiple crises would possibly entail, and what kind of changes to the politics of EU trade would be needed.

The international conference “EU Trade Policy at the Crossroads: between Economic Liberalism and Democratic Challenges” was held on 4-6 February 2016 at the C3-Centre for International Development in Vienna, Austria. The conference aimed at contributing to the trade policy debate by promoting a trans- and interdisciplinary analysis of the current trade regime and policies in the EU and its likely economic, social and political impacts. Contributions from a variety of academic disciplines, such as e.g. economics, political science, law and sociology were presented. Similarly, the conference was open to a variety of theoretical and normative positions in the social sciences. In addition, the conference managed to bring together researchers from academic as well as other research organizations with policy-makers and political activists from political organizations, NGOs and social movements.

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The conference combined three formats to facilitate a multi-stakeholder debate on alternative conceptualizations of trade and trade policy in the EU, promoting discussions between academics and practitioners and activists and raising the awareness of the general public on the contemporary issues of EU trade policy. An

opening public event featuring prominent speakers was held on the evening before the conference. Three plenary sessions with invited speakers on topics of more general interest were held, as well as ten thematic workshops that were organized in three parallel workshop sessions and were dedicated to particular issues, which were based on presentations of accepted papers. The format of all sessions allowed ample room for in-depth discussion between the participants – 14 invited speakers and panelists, 34 presenting authors and some 40 other participants.¹

The public opening event on the general topic of the conference itself was directed towards the general public and representatives of the media. After the opening remarks of *ÖFSE Director Werner Raza*, the keynote speaker *Stephen Gill* from York University Toronto gave a presentation on “EU Trade Policy as a case of New Constitutionalism”. In his presentation Prof. Gill addressed how the new trade agreements are related to wider changes in the global political economy. Specifically, he elaborated the link between trade agreements and the concepts of “new constitutionalism” and “disciplinary neoliberalism”, and to questions including the conceptual underpinnings of European Union integration over the past 30 years. By way of concluding, he identified the key proponents of this process and their projects and addressed the current potentials for counter-hegemonic forces and its relationship to the strong resistance movement to trade policy projects like the TTIP.

The presentation was followed by a panel discussion on the topic “EU Trade Policy – what is the current state of affairs of EU Trade Policy, what issues, problems and challenges are at stake?”, facilitated by the journalist *Petra Pinzler*, featuring as panelists *Prof. Gill*, *Penny Clarke* (European Public Service Union), *John Hilary* (War on Want) and *Ferdi De Ville* (Ghent University).

The first plenary “The economic effects of new Generation FTAs: alternative approaches to impact assessment” was chaired by *ÖFSE Director Werner Raza* and featured as keynote speakers *Rudi von Arnim* (University of Utah), *Frank Ackerman* (Synapse Energy Economics) and *Sabine Stephan* (IMK/Hans Böckler Foundation).

Rudi von Arnim started the discussion by pondering on the nature and purposes of economic models, such as in particular Computable General Equilibrium (CGE) – models, which have become the standard methodology for trade impact assessment. Originally elaborated as instruments for economic planning, since the late 1970s CGE models have changed in purpose and theoretical underpinnings, as the CGE community became increasingly institutionalized and linked to the World Bank. A marked shift towards emphasizing price adjustments to produce full employment outcomes occurred. To many economists outside the CGE community the full employment assumption is highly problematic, while the epistemic community supporting CGE modelling routinely discards models that do not deliver results congruent with their theoretical beliefs. However, competing models are gaining momentum. Therefore it is essential to think thoroughly about developing alternative

¹ Further information, in particular plenary presentations, workshop papers, video coverage of plenaries as well as interviews with key-note speakers are available at <http://www.oefse.at/en/events/eu-trade-policy-conference/>.

models that focus on issues of relevance to workers and society at large, i.e. employment and distribution of income. Von Arnim reported on-going work to develop a large, multi-sector and multi-country model focusing on employment and distribution. Not surprisingly, distributive effects of trade liberalization can vary greatly, with negative effects affecting in particular low-skilled workers.

In his presentation “Evaluation of Trade Treaties - Lessons from TTIP”, *Frank Ackerman* focused on the benefits of regulation. As a matter of fact, the benefits of regulations, i.e. their contribution to protect public health and safety, the natural environment and social welfare, are completely disregarded by the prevailing trade assessment techniques. The annual benefits of TTIP to the EU of 70-120 billion projected by studies such as the CEPR-report are e.g. based on the assumption of full employment and mere prediction of the impacts of non-tariff barriers. Against this, it has been estimated that regulations such as the chemicals regulation “REACH” and EU renewable energy policies' total annual benefits almost equal to those projected by TTIP. Ackerman concluded by emphasizing that regulations are not arbitrary bureaucratic obstacles to trade, but democratically adopted limits on what can be sold and how it can be produced.

In her presentation “What does civil society expect from TSIA?” *Dr. Sabine Stephan* discussed why the EU Commission started Sustainability Impact Assessments (SIA) in the first place, the role of SIA as a part of the evaluation process of EU trade initiatives, the empirical evidence from TTIP negotiations and presented some comments and suggestions from policy makers and activists, from trade unions and civil society in Germany on SIA. In general impact assessments are prepared for Commission initiatives expected to have significant economic, social or environmental impacts (such as free trade agreements). SIA process runs parallel to the trade negotiation process and is often delayed. Thus, it is unlikely that SIA recommendations feed on time into the negotiation process. According to Dr. Stephan SIA does not take into account that the scope of FTAs changed considerably, thus potential economic, social, human rights, and environmental consequences of investor protection and regulatory cooperation have to be taken into account. There is no point in having consultations and impact assessments once the policy line has already been decided. Thus Dr. Stephan concluded with a recommendation on an open and unbiased discussion, including the option not to start negotiations – otherwise, SIA is just a cosmetic exercise to defend EU trade policies rather than a real attempt to formulate sustainable trade policies.

The panel concluded with an open discussion.

The second plenary session was chaired by *Éva Dessewffy* from the Arbeiterkammer Wien on the topic “The regulatory agenda of new generation FTAs – Regulatory Convergence or De-Regulation?”

Sheila Jasanoff (Kennedy School of Government, Harvard University) opened with a keynote speech on the epistemic and ontological underpinnings behind policy-making, in particular regarding the regulation of technologies and risk. According to her, the prevailing approach to regulation is guided by a “Linear Model of

Depoliticization”: Science delivers facts based on research, in the science/police-interface judgments are being made based on a presumably scientific risk assessment, whereas only thereafter social values enter the judgements made within risk-management. Jasanoff contrasted this approach with the analytic-deliberative model, which confers upon politicians, scientists and the public the same weight in risk analysis and decision-making. In political reality, distinct epistemic cultures exist that interpret data and facts differently and reach diverging regulatory decisions. She illustrated this with hazard categories that are seen as salient in one nation while considered irrelevant or even “bad policy” in others (e.g. carcinogens, GMOs). These differences reflect institutionalized, different cultural ways of knowing (civic epistemologies); they are rooted in different ontologies and ways of knowing, which result in specific institutional cultures and outcomes in different countries. Thus a political commitment to particular policy styles reflects complex judgments, which should not be superseded by homogenized procedural routines founded on mistaken beliefs about scientific purity. Although different models of epistemic subsidiarity, e.g. co-existence, cosmopolitanism and constitutionalism, can be designed, Jasanoff ended by highlighting the basic epistemic premise that knowledge is not self-validating but always political.

Marija Bartl (University of Amsterdam) talked about the chapter on regulatory cooperation under TTIP, in particular the proposed regulatory cooperation body. The latter will foreseeably consist of trade officials and other senior representatives of regulatory institutions. They share certain epistemic and ideological biases, upon which they will create a common set of programmatic understandings. In such an environment it will be difficult to raise other normative concerns related to e.g. environmental and social issues. Within TTIP, a type of impact assessment based on Cost-Benefit-Analysis might eventually be adopted that is very unfriendly to social regulation, as seen in the USA. Europe has so far employed a different, more pluralistic approach to regulatory impact assessment (e.g. multi-criteria analysis), which will eventually come under pressure as a consequence of the conclusion of the agreement. According to Bartl, regulatory cooperation under TTIP will thus not lead to new regulations, but to non-action on many issues of social relevance, such as labor, environmental and health standards. Thus a regulatory “race to the bottom” might be fostered by regulatory cooperation under TTIP.

Jean-Christophe Graz (University of Lausanne) talked about the role of stakeholder participation in international standardization, based on the results of a research project (INTERNORM) he recently concluded. His research pointed to a democratic deficit in international standardization organizations based on the over-representation of corporations and business associations and the under-representation of civil society organization (CSOs). To reinforce CSO participation, it is necessary to learn more about why and how this deficit exists and to support the direct involvement of civil society actors in the drafting of international standards. INTERNORM, a research action project brought together scientists, activists and organisations such as consumer and environmental protection associations. It

succeeded in bridging society and knowledge in the co-production of standards, effectively turning standard users into standard setters. However, according to Graz, there are still several pending issues with regard to the participation of CSO in standard setting, such as high procedural and technical entry costs as well as issues of monitoring.

The concluding plenary session of the third day of the conference focused on “Alternatives and proposals for a more democratic EU Trade Policy”. It was chaired by *Claus Dieter König* from Rosa Luxemburg Stiftung, Brussels and featured Manuel Pérez-Rocha from the Institute for Policy Studies (Washington), Christoph Scherrer from University of Kassel and Alexandra Strickner from ATTAC Austria.

Manuel Pérez-Rocha opened the discussion by stressing that resistance against trade policy and development of alternatives has to be firmly rooted in the struggles of social movements. He recalled the experience of NAFTA and emphasized that economic policy must be designed in such a way that not just one economic model but many alternative models and political orders are considered. Broad social networks like Hemispheric Alliance of the Americas have proved to be important for paving the way to progressive political governments, like those that emerged in Latin America in the early 2000s. He pointed out that the Hemispheric Alliance within the document “Alternatives for the Americas” has already developed arguments against FTAs and proposed alternative trade policies more than 10 years ago.

Alexandra Strickner also highlighted that the current resistance against TTIP has its roots in the struggles against WTO Doha Round and GATS agreement in the early 2000s. Then first networks were formed, particularly the Seattle to Brussels network and “Our World is not for sale”. There are many alternatives already available. EU civil society elaborated the “Alternative Trade Mandate (ATM)”, presented in 2012. The latter contains an important critique of prevailing EU trade policy approach. The ATM departs from basic principles, in particular human rights and the rights of nature. The programmatic approach is built on the basic insight that in order to implement an alternative trade policy we need to reorganize the entire economy, based on the principles of subsidiarity and complementarity, the localization of production and the principle of food sovereignty. In addition, it is important to establish links between trade and other important issues like climate change. The ATM also entails radically different process of trade negotiations, in particular a reevaluation of the role parliaments, the strong involvement of civil society, and the possibility of regular revisions of trade agreements.

Christoph Scherrer in his opening statement pointed out the challenge of how to mobilize people behind the visions laid out by the previous speakers. Since the visions imply fundamental change of production and consumption patterns, many members of the middle classes perceive this as a threat to their lifestyles, particularly in times of crisis where people fear to lose out. The EU crisis has shown a reduction of solidarity amongst people within the EU. Social struggles unfortunately have remained local in scope, a tendency that was even fostered during the crisis. Thus, the need for strategies to mobilize people across borders in the short term is of

immediate concern. An important starting point for this would be the deconstruction of export paradigm pioneered by Germany as a solution to the EU crisis and the establishment of compensation mechanisms within the EU.

To sum up, the plenary session centered around the discussion on FTAs as signifying not merely changes in the politics of trade, but changes which reflect deeper structural shifts in the global political economy. Alternatives must therefore be based on a systematic critique of the global economic order. Thus, the panelists coincided in emphasizing that any discussion on alternatives must start with calling into question prevailing production and consumption patterns. Secondly, human rights, rights to nature, the right to food and water should guide the design of economic systems, with e.g. trade in food products thus being organized upon the principles of subsidiarity and complementarity. Within trade policy, democratic prerogatives must be strengthened. Trade negotiations must not be negotiated in secret, parliaments should in the first place decide whether there should be negotiations or not. Current global trade rules unduly restrict the policy autonomy of governments and privilege corporate interests over those of other social actors. Investor privileges under ISDS to sue governments should be abandoned. Instead, possibilities to sue corporations over human rights violations before an international human rights court need to be strengthened.

The panelists agreed that alternative visions and concepts already abound and need to be continually build-upon. Similarly, strong and wide networks need to be established and expanded, where civil society organizations and social movements need to unite their efforts not only to resist prevailing policies but to advance an agenda for alternative economic, social and environmental policies, including trade policies.

Between the plenaries three parallel workshop sessions with ten workshops in total were held. Their topics evolved around five thematic axes:

1. Economic and regulatory impact assessment of trade agreements

•workshop “Economic Models for Trade Impact Assessment”, featuring presentations:

- *Werner Raza* (ÖFSE), *Rudi von Arnim* (University of Utah) and *Bernhard Tröster* (ÖFSE) “Assessing the claimed benefits of the Transatlantic Trade & Partnership Agreement (TTIP)”;

- *Jeronim Capaldo* (Tufts University) “The Trans-Atlantic Trade and Investment Partnership: European Disintegration, Unemployment and Instability”;

- *Christoph Scherrer* (University of Kassel) “Understanding Standard-Setting in Academia: The Economics of International Trade”.

•workshop “Economic Assessment of TTIP’s Impacts”, featuring presentations:

- *Andrea Hossó* (Independent researcher) “One-size-fits-all trade liberalization: the further disintegration of Europe”;

- *Edith Laget* (University of Maryland) “Trade and Welfare Cost of Double Standards”;

- *Simon Theurl* (Vienna University of Economics and Business), and *Jan Grumiller* (ÖFSE) “Expected Consequences of TTIP on SMEs or “Why do SMEs take a stance against TTIP?”

2. Regulatory agenda of new generation trade agreements

- workshop “Trade and Liberalization of Services”, featuring presentations:
 - *Nicole Lindstrom* (University of York) “TTIP and Service Liberalization: Bolkestein returns?”;
 - *Oliver Prausmüller* (Chamber of Labour; Vienna) “The Marketisation of Public Services reloaded?: From GATS to TISA and TTIP”;
 - *Yuliya Yurchenko* (University of Greenwich) “From GATS to TISA and TTIP: neoliberal offensive on public services, finances, and social security”.
- workshop “Labour & Environmental Rights in EU Trade Agreements”, featuring presentations:
 - *Axel Marx, Lein Brech and Nicolas Brando* (University of Leuven) “The protection of labour rights in EU Bilateral Trade Agreements. A Case Study of the EU-Colombia Agreement”;
 - *Maria Garcia* (University of Bath) “Trade and Social Impacts “Are the EU’s new Trade and Sustainability Chapters fit for purpose?”;
 - *Axel Berger, Clara Brandi and Dominique Bruhn* (German Development Institute) “Environmental provisions in preferential trade agreements: Comparing the European and Emerging Markets’ Approach”.
- workshop “Trade and Domestic Regulation”, featuring presentations:
 - *Florian Ramel, Axel Mangelsdorf and Knut Blind* (Technische Universität Berlin) “The Effects of Standards on Value Chains and Trade in Europe”;
 - *Ronan O’Brien* (Independent researcher) “How international trade agreements affect domestic regulation: The TTIP regulatory activities in their wider context and the likely consequences”;
 - *Werner Raza* (ÖFSE) “Shifting the Social Costs of Trade: Non-Tariff Measures as the New Focus of Trade Policy”.

3. Alternatives to prevailing EU trade policy

- workshop “Alternative Approaches to Trade Policy”, featuring presentations:
 - *Julia Eder* (Johannes Kepler University, Linz) “The Bolivarian Alliance of the Peoples’ of Our America - People’s Trade Treaty (ALBA-TCP) as a Model for an Alternative EU Trade Agenda?”;
 - *Deborah Martens* (Ghent University) “An EU Fair Trade policy? Conceptual analysis and mapping the field”;
 - *Giulia Gortanutti* (Ruhr-University Bochum) “The influence of trade unions and social movements on EU trade policy”.

4. Political economy of EU trade policy

- workshop “Political Economy of EU Trade Politics”, featuring presentations:
 - *Yelter Bollen* (Ghent University) “Unpacking Member State Preferences in Trade Policy – A Research Agenda”;
 - *Edward Yencken* (University of Melbourne) “Lessons from CETA: Its implications for future EU Free Trade Agreements”;

- *Balazs Horvathy* (Hungarian Academy of Sciences) "The Values-Driven Trade Policy of the European Union";

- *Jan Orbie, Deborah Martens, and Lore Van den Putte* (Ghent University) "Civil Society Meetings in European Union trade agreements: Purposes, features and evaluation".

•workshop "Transparency, Accountability and Legitimacy of EU Trade Politics", featuring presentations:

- *Otto Holman* (University of Amsterdam) "European Trade Policy, Commercial Internationalism and the Political Economy of Interest Mediation: the case of TTIP";

- *Niels Gheyle* (Ghent University) "Trade Policy with the Lights on - Linking trade and politization";

- *Bernhard Zeillinger* (University of Applied Sciences BFI Vienna) "Paternalistic constitutionalisation of EU's Trade Politics".

5. External implications of EU trade policy, in particular on the Global South

•workshop "The Geopolitics of Trade", featuring presentations:

- *Marko Juutinen and Jyrki Kähkönen* (University of Tampere) "Battle for Globalizations? BRICS and US Mega-Regional Trade Agreements in a changing world order";

- *Liviu Damsa and Panayotis Protopsaltis* (Birmingham University) "TTIP: Another Chapter in the U.S. Multilateral Trade Agreement?".

- *Daniel Schade* (London School of Economics) "Coercion through graduation: Explaining the EU-Ecuador Free Trade Agreement".

•workshop "Effects of EU Trade Policy on the Global South", featuring presentations:

- *Eduard Marinov* (Economic Research Institute at BAS) "Economic Partnership Agreements and the Complex Framework of Regional Integration in Africa";

- *Samuel Kasirye* (Rosa Luxemburg Foundation) "The geopolitics of EU trade policy and implications for East Africa";

- *Africa Kiiza* (Pan African University) "Fattened for the kill? The geopolitics of EU trade policy and its impact on the Global South with projections on EU-USA TTIP Negotiations";

- *Sanchir Jargalsaikhan* (Sustainable Development Strategy Institute, Ulanbaatar) "Investment Treaties Between Mongolia and EU states: Implications for Mongolia's Development Prospects".

Werner Raza, in his concluding remarks during the closing ceremony of the conference, underlined the importance of fostering critical scholarship on international trade and the need to continue building up transdisciplinary networks including researchers, policy-makers and representatives of civil society that promote a trade policy agenda that contributes positively to both the EU social model and an international economic order based on mutual respect and cooperation.

Dr. Werner Raza, Dr. Eduard Marinov