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# New geopolitical challenges for EU's trade policy

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# New geopolitical challenges for EU's trade policy

## □ Politicization of trade

- Different understandings of trade related to foreign policy
- EU trade policy approaches
- Renaissance of protectionism?

## □ Challenges

- Loss of public trust and the “populist” debate
- Increased awareness of trade's comprehensiveness

## Different understandings of trade

- Trade policy as basic and founding policy of the EU
- Always followed mixed objectives beyond pure economics
  - Internal cohesion
  - Enlargement
  - Development
  - **Security**

## Different understandings of trade related to foreign policy

### □ Peace-increasing understanding of trade

- Welfare by trade increases good governance, democracy and thereby peace
  - Conflicts would lead to prohibitive trade losses (Li and Sacko 2002)
- *EU: conditionalising trade regimes, e.g. GSP+ (e.g. Human Rights): Kirgyz Republic*

### □ Conflict-increasing understanding of trade

- Dependency theory/ Marxism: trade relations between “core” and “periphery” define political dependency
  - “Greed” theory/ paradox of the plenty/conflict resources: trade revenues finance conflicts (Collier and Hoeffler 1999)
- *EU: ruling conflict minerals’ trade*

## EU trade approaches

### □ Development over time towards FTAs' complexity

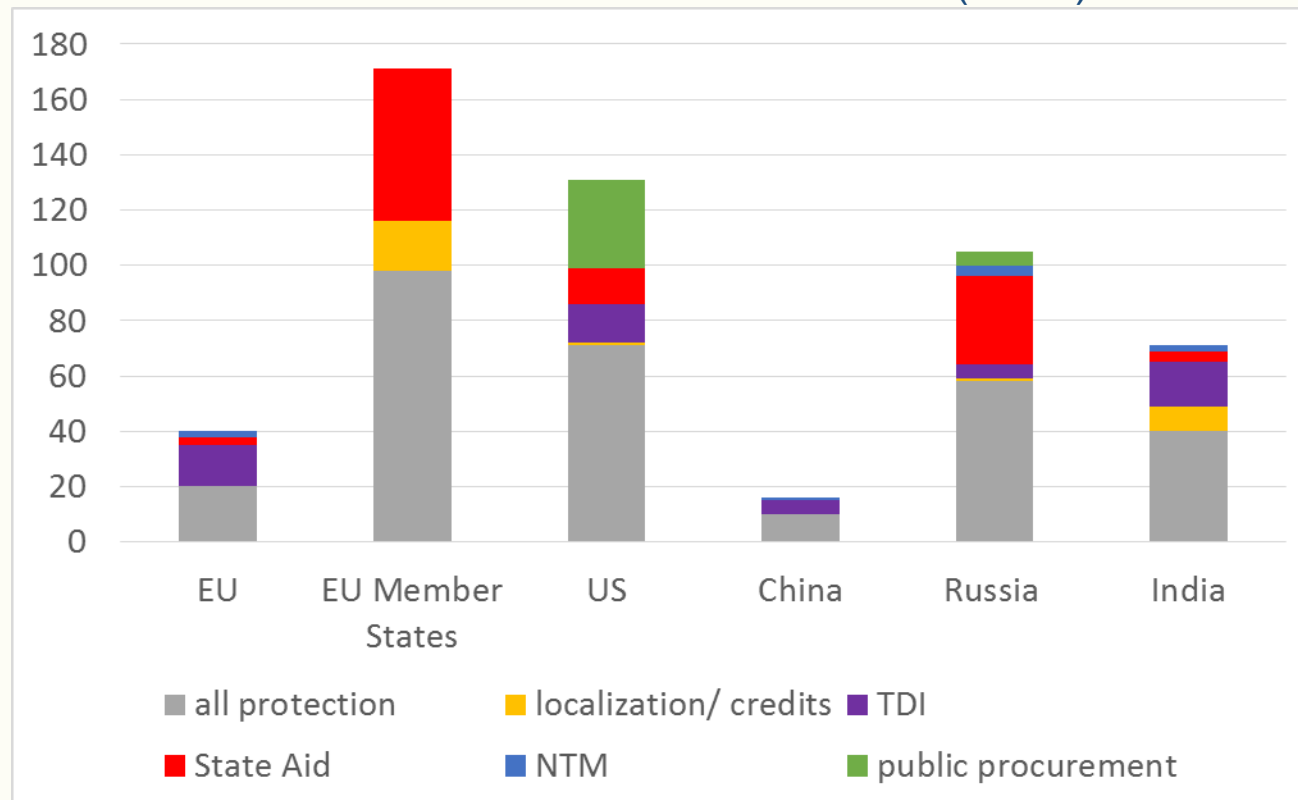
- Increasing scope of issues covered, but individually defined
  - increasingly NTMs causing specific fears in the public
  - increasing tension between EU and MS competence (e.g. CETA)

	EEA	CH	Turkey	Ukraine	CETA
Free trade with access to EU common market	√ full member, exceptional sectors (fish, agri)	√, exceptional sectors	√, exceptional sectors	- Only equivalence for some sectors in living agreement	- Only equivalence for some sectors in living agreement
• Financial services („passporting“)	√	-	-	√	-
Investment protection and settlement procedure	-	-	-	-	√
Migration control	-, but protection clause	-	√	√	√
Foreign and security policy	-	-	-	√	-

## Renaissance of protectionism?

- ❑ Always border protection (even before Trump...)
- ❑ But: Increase in the course of the economic crisis in 2007: Dominance in trade defense instruments

Numbers of new measures after 2007 (2016)



## □ **New explicit wording of merkantilism (or as such perceived by others?)**

- US: “economic nationalism” (Bannon), stopping TPP and TTIP, sanctions against the Russian energy sector probably affecting German companies
- EU/Germany:
  - “Marshall plan” and EU African initiatives using trade and economic means to support security and avoid migration

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## □ Unspecified general loss of trust in trade policy

- EU- and policy-criticism: specifically sensible on food safety issues (regulatory cooperation) → especially in Germany, Austria, Luxemburg



## Loss of trust and the “populist debate”

### ❑ Civil societies’ power increased, e.g. on TTIP

- European Civil Initiative “Stop TTIP” with 3 Mio. signatures (2015) after European Court decision to be accepted by Commission
- Negotiations’ documents leaked by Greenpeace (2016)

### ❑ Deficits in political answers and positioning

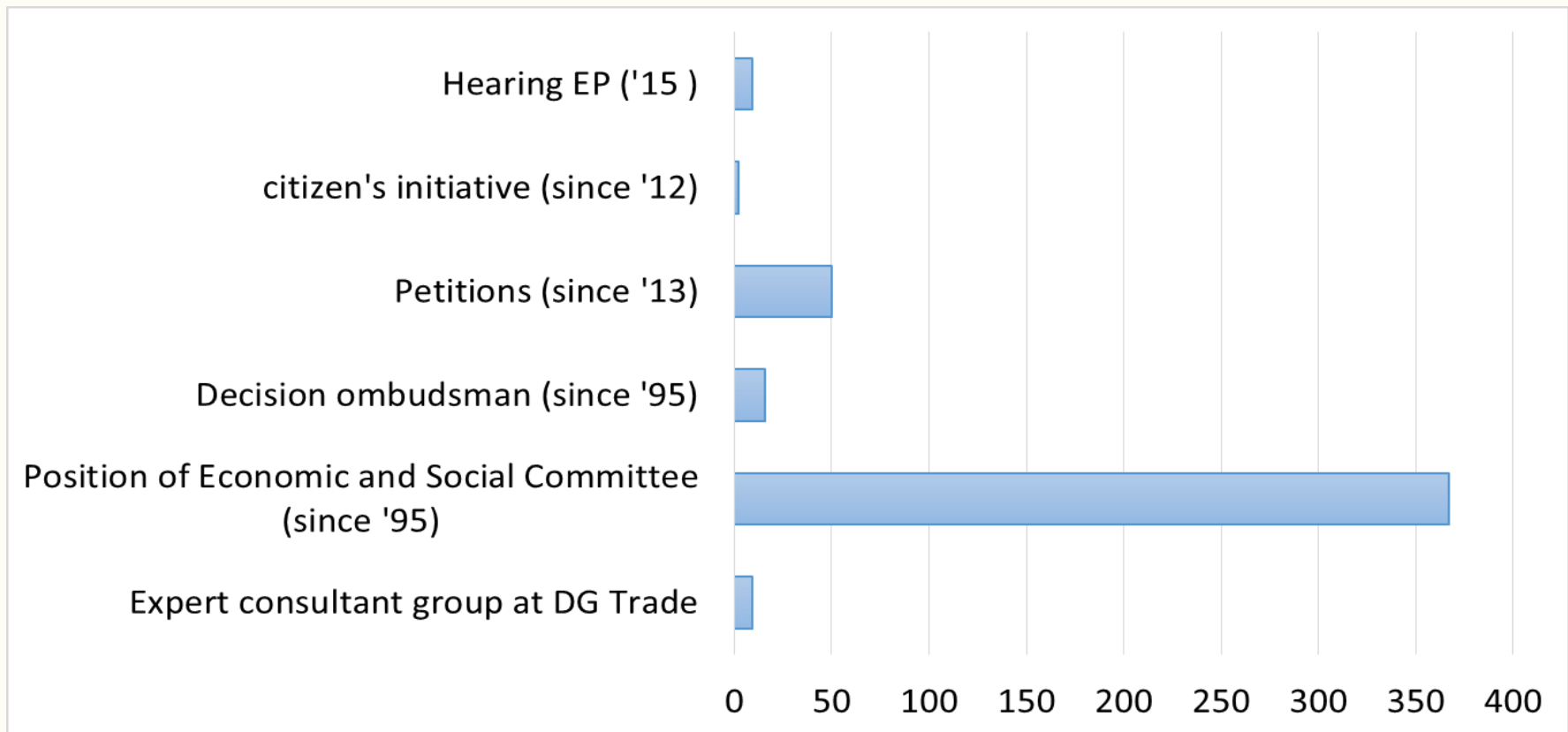
- Weak and delayed increase in transparency on CETA and TTIP, for Japan-FTA still limited
- Only quantitative reasoning of benefits of trade
- Not addressing negative trade’s effects (distribution)

→ **Challenge: Regain trust as challenge for new trade agreements**

## ☐ Reactions

- Supporting participation modes

### Participation activities at EU level related to trade, different years



Rudloff, forthcoming, *EU trade policy*

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## Increasing awareness of comprehensiveness of policies

### □ International signs

- G20/B20 priorities outside classical trade issues: social inequalities, health
- WEF Davos major threats to global economy: migration, health, income inequalities

### □ First Reactions

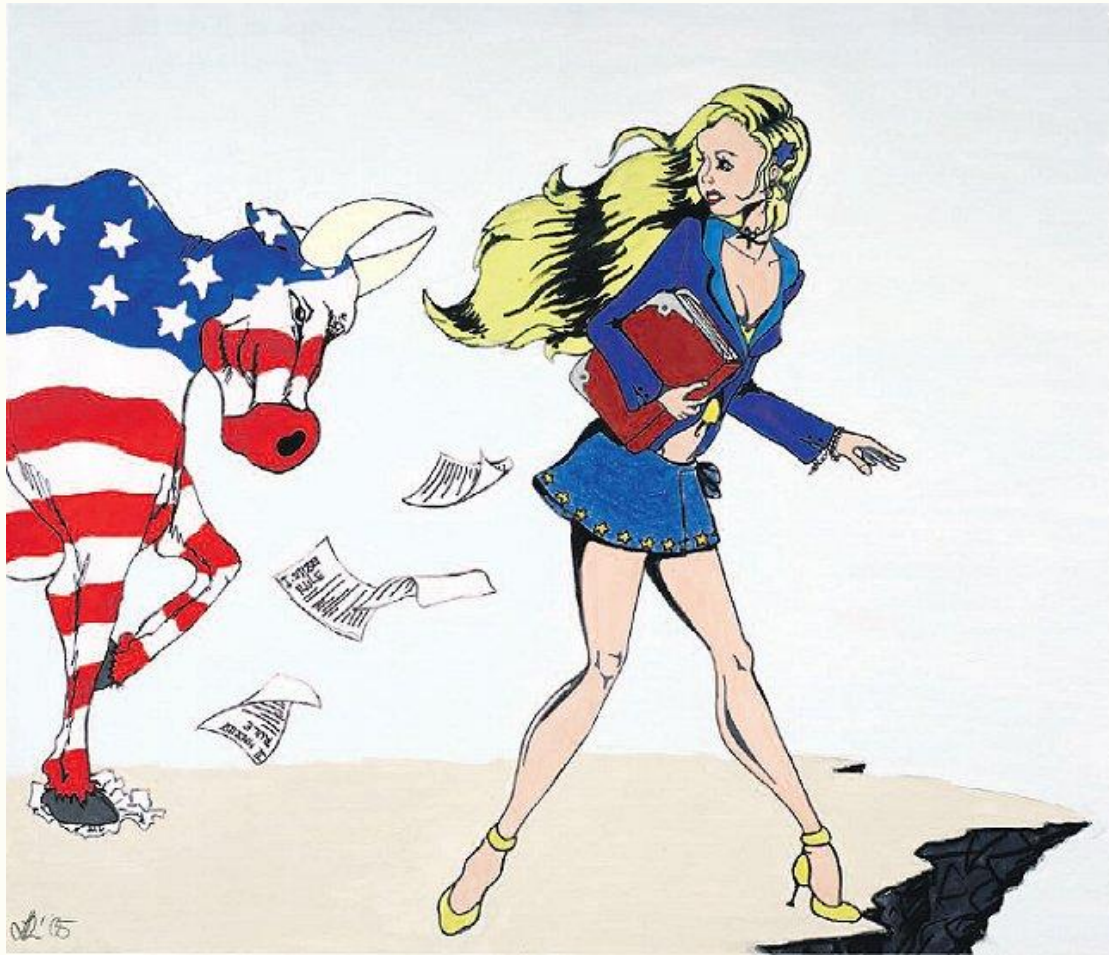
- SDG concept of the UN envisaged as general framework for any policy
- German Marshall Plan with Africa
- EU and German Migration Partnership Frameworks and Compacts

→ **Challenge: Addressing comprehensiveness what makes FTAS vulnerable**

**... to societies' fears and populist misuse**

**... to Member States veto as related issues often determine mixed agreements**

So: some challenges remain to be addressed by the EU ...



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## References

*Li, Quan, and David Sacko, 2002. The (ir)relevance of militarized interstate disputes for international trade. International Studies Quarterly 46 (1): 11-43.*

*Collier, Paul and Anke Hoeffler, 1999. Greed and Grievances in Civil War, The World Bank.*