

Trade Policy in a Changing EU and an Uncertain World

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Three events during 2016 – the UK's vote to leave the EU, the near failure to ratify the Comprehensive Economic and Trade Agreement (CETA) with Canada; and Donald Trump's election as president of the US – pose significant challenges to the EU's trade strategy. Brexit, by making the EU economically less valuable, will diminish the EU's bargaining power. The risk of ratification failure highlighted by CETA has arguably undermined the EU's credibility as a negotiator. The Trump administration's apparent disruption of US trade policy contains both challenges and opportunities for the EU. Its turn away from multilateralism means cooperation in the World Trade Organization is even less likely and raises the prospect of the US ignoring its multilateral obligations. The US's retreat from concluding new bilateral agreements, however, cedes the field to the EU. Early indications are that the Commission intends to carry on its established trajectory, if with even more vigour. It proposes more global rules built around a 'progressive' trade agenda. This paper argues that approach rests on a misdiagnosis of the sources of public opposition to trade; a misappreciation of the implications of the risk of ratification failure; and an over-estimation of the benefit the EU will incur as a result of the US ceding the field on bilateral trade deals. As a result, the Commission's proposed response to the new challenges will not realize its policy goals, let alone its underlying objective. In addition, it neglects the threat that the US might turn its back on multilateral trade rules.

Over the course of the past quarter century the EU steadily emerged as a dominant trade power. The alignment of member states trade policy preferences and institutional reforms gave its policy greater coherence and underpinned greater its activism. Enlargement and the single European market program enhanced its economic importance to the rest of the world. Three events during the latter half of 2016 have cast a shadow over the EU's global trade role.

In June, the people of the United Kingdom voted to leave the EU, which will reduce the size of the EU's market and thus diminish its bargaining leverage. In October, sub-national parliaments delayed, and nearly scuppered, the EU's Comprehensive Economic and Trade Agreement (CETA) with Canada, which both highlighted the political ramifications of public opposition to trade liberalisation and threatened to undermine the EU's negotiating credibility. In November, Donald Trump was elected president of the United States on a vigorously anti-trade agenda, which threatens to deprive the EU of its key multilateral trade interlocutor and to undermine multilateral trade rules, but holds out the prospect of unrivalled EU leadership. Thus both internal and external developments have roiled the previously (relatively) calm waters of the EU's trade policy. The Commission's initial response, however, is longer on continuity and change and thus, arguably, is not fit for purpose.

This paper begins by noting the centrality of trade policy to the EU's global role. It then describes the EU's trade policy strategy and the challenges posed by the events of 2016. It discusses the Commission's initial response to those challenges, which calls for continued or even greater EU leadership on trade policy. The rest of the paper assesses how realistic those aspirations are. It concludes by arguing that the continuity in the EU's trade strategy is not an appropriate response to the events of 2016.

Trade: Central to the EU's global role

The size of the EU's market is a crucial power resource underpinning its global role (see Bretherton and Vogler 2006; Hill and Smith 2005: 4; McCormick 2007: 8; Peterson 2012; White 2001: 28). In its white paper on the future of Europe, the Commission (2017a: 8) began its discussion of the EU's 'changing place in an evolving world' with the observation that 'Europe is home to the world's largest single market and second most used currency. It is the largest trade power and development and humanitarian aid donor.'

Trade policy, by mediating access to the EU's large market, is a vital component of the EU's external relations. The Union uses trade policy most actively as a tool to try to promote development and influence the political behaviour of other states (for a discussion, see Young and Peterson 2014: 188-99). Thus the Commission (2012: 2) contended that '[e]ffective trade policy is critical ... in projecting EU values and interests in the world.' The Commission's most recent trade strategy was even more explicit, stating: 'Trade and investment policy must equally take responsibility for supporting and promoting EU values and standards. The EU must engage with partners to promote human rights, labour rights and environmental, health and consumer protection, support development and play its part in stamping out corruption.' (Commission 2015: 26; see also Malmström 2017a: 4). The future of the EU's trade policy, therefore, has important implications for the EU's broader global role.

The challenge to the EU's trade policy status quo

The events of 2016 have shaken the EU's trade policy status quo. This section establishes the development of the EU's trade strategy through its most recent trade policy document, the 2015 'Trade for all'. It then outlines how the developments of 2016 have challenged that policy trajectory.

The emergence of EU trade strategy

As a result of increased acceptance of neo-liberal economic ideas among the EU member states, the 'completion' of the single European market, the 1995 enlargement and a 'secular trend' of centralizing trade authority at the EU level from the Treaty of Nice onward (Roederer-Rynning and Kallestrup forthcoming), since the mid-1990s the EU developed a broadly coherent trade strategy (for a discussion, see Young and Peterson 2014: 57-63).

Despite shifts in emphasis, there has been a remarkable consistency in this trade strategy, which has consistently emphasized a commitment to domestic liberalization and to opening foreign markets (see Young and Peterson 2014: 61-5 and Box 1). The EU's trade strategy has also consistently emphasized, at least rhetorically, exporting its rules through multilateral and bilateral negotiations (Commission 1993: 108-9; 1996: 16-18; Meunier 2007: 906; Young 2015). Certainly since the start of the 21st Century, therefore, the EU has championed an ambitious trade agenda.

Box 1 The broad consistency in the EU's trade strategy

1996 'Market access strategy' (Commission 1996: 3)

The EU 'must strive to achieve improved market access in third countries in parallel to the continued progressive opening of its own market, both by ensuring the full implementation by its partners of their Uruguay Round obligations and through other market access actions'.

2006 'Global Europe' (European Council 2007: 26)

The EU 'has always promoted free trade and openness as a means to foster growth, employment and development for itself and its trading partners and intends to continue taking the lead in this domain'.

2010 'Europe 2020' (Commission 2010a: 1)

'Trade raises EU growth by fostering our efficiency and innovation. It boosts foreign demand for our goods and services. Open trade also gives EU consumers access to a wider variety of goods at lower prices. Europe's openness to foreign direct investment (FDI) increases our competitiveness. Equally, the ability of our firms to invest abroad enables them to grow globally and create jobs both at home and abroad. In short, whilst remaining vigilant to adjustment costs, Europe must seize the triple benefit from more open trade and investment: more growth and jobs and lower consumer prices'.

2015 'Trade for all' (Commission 2015: 4)

'Sales to the rest of the world have become an increasingly significant source of jobs for Europeans.'

'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. They bring ideas and innovation, new technologies and the best research. They benefit consumers, lowering prices and broadening choice. Lower costs and greater choice of inputs directly contribute to the competitiveness of EU companies at home and abroad.'

While the EU's approach to trade has remained broadly consistent over two decades, the 2015 trade strategy for the first time explicitly addressed that trade policy has become more controversial within the EU. It observed that 'In recent years, the debate about trade has intensified. A much broader public is now interested in trade policy and many have concerns about issues like regulatory protection and the potential impact on jobs' (Commission 2015: 3). While the Commission contended that the EU has done a good job of concluding trade agreements that mitigate the adverse effects of trade, it conceded that 'for the people directly affected a change like this is not small' (Commission 2015: 11). It, therefore, stressed that '[a]ctively managing change is therefore essential to making sure the benefits of globalisation are fairly distributed and negative impacts are mitigated.' Thus even before the events of 2016 drew attention to the political ramifications of the distributional implications of globalization, the Commission was proposing action.

While the Commission's (2015) proposed responses went beyond trade policy, the key trade policy elements included: using free trade agreements to 'ensure a level playing field in market access' (6); 'ensuring[ing] that its partners play by the rules and respect their commitments (9); and using anti-dumping and anti-subsidy measures to 'stand firm against unfair trade practices' (10). To a significant extent this approach reflected a continuation of the more 'assertive' strategy that the Commission adopted in 2010, which also stressed levelling the playing field; putting greater emphasis on enforcing agreed rules and combatting unfair trade practices (Commission 2010c:7 see also Commission 2010b: 29; Council 2010: 5; Young and Peterson 2014: 64-5). The Commission's 2015 trade strategy, at least in terms of substance, was characterized more by continuity than by change.

The shocks of 2016

Three events in 2016 individually and collectively challenged the EU's established trade policy strategy: the June UK referendum vote to leave the EU; the October near failure to ratify CETA; and the November election of Donald Trump as president of the US. Each of these events presented a different set of challenges to the EU's trade policy.

The UK bows out

On 29 March 2017 the United Kingdom formally submitted its intention to leave the EU. The UK's departure will make the EU less economically important to other countries.¹ As Table 1 illustrates, Brexit will reduce the size of the EU's market and remove a significant portion of imports and inward investment from the scope of the EU's rules. It will also diminish the scale of the EU's exports and of its investments abroad. Access to the EU's market, therefore, will be less valuable to its trade partners. As a consequence, the EU's bargaining power in trade negotiations will be reduced.

¹ A second consequence of Brexit is that it will remove one of the EU's more committed free-traders (Jonathan Faull, 'The EU after Brexit,' Public Plenary to the European Union Studies Association's 15th Biennial International Conference, Miami, 4 May 2017). This will have the effect of disturbing the political balance that has underpinned the EU's trade strategy. That change, however, is unlikely to be very consequential. As EU trade negotiations are conducted on the basis of consensus (and for mixed agreements in the shadow of ratification by all member states), the more protectionist member states – those happier with the status quo – shape the EU's position more than do the more liberal member states (see Young and Peterson 2014: 32-4). Although voting is common on trade defense instruments – anti-dumping and countervailing duties – the simple majority decision rule to impose duties also means that the UK's departure will not profoundly affect the (already high) likelihood of imposing duties, although it will make it slightly easier to constitute a majority in favour. The more significant impact will be on unilateral trade legislation, where Brexit will make it harder to construct a qualified majority in favor of liberalizing measures. The apparent continuity in the EU's trade strategy in response to the challenges of 2016 (see below) supports the assessment that Brexit will affect the substance of EU trade policy only at the margins.

Table 1 The UK's place in the EU's global trade

UK's share of EU GDP (2015)	14%
UK's share of EU exports (2016)	11.1%
UK's share of EU imports (2016)	16.6%
UK's share of the EU's outward (extra-EU) stock of FDI (2012)	13.7%
UK's share of extra-EU stock of FDI in the EU (2012)	14.7%

Sources: own calculations based on Eurostat, 'GDP at current market prices, 2005 and 2013–2015.' Available at: http://ec.europa.eu/eurostat/statistics-explained/images/4/48/GDP_at_current_market_prices%2C_2005_and_2013%E2%80%932015_YB16.png. Accessed 21 April 2017. Eurostat, 'International Trade in Goods,' Available at: http://ec.europa.eu/eurostat/statistics-explained/index.php/International_trade_in_goods. Accessed 8 June 2017. Own calculations based on Eurostat, 'EU Direct Investments – Main Indicators,' updated 16 July 2015. Available at: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=bop_fdi_main&lang=en. Accessed 8 June 2017.

CETA and the fear of (ratification) failure

In October 2016 several sub-national parliaments in Belgium – most notably that of Wallonia – delayed the signing of CETA by initially rejecting the agreement. The parliaments' opposition to the agreement reflected the spill-over of public opposition from the Transatlantic Trade and Investment Partnership (TTIP) negotiations to CETA (Young forthcoming a). Beginning in 2013, but escalating from the spring of 2014, the TTIP negotiations, and by extension CETA, attracted unprecedented levels of popular opposition in Europe. A sustained campaign by civic interest groups depicted TTIP (and CETA) as a threat to the EU and member states' ability to regulate in the public interest. More specifically, they contended that regulatory cooperation would cause European environmental and public health regulations to be relaxed and that provisions for investor-state dispute settlement (ISDS) would empower transnational corporations to challenge national regulations. This public opposition swayed some European, national and sub-national legislators, particularly social democrats.

The Belgian sub-national parliaments' ability to block the agreement had its origins in the Commission's decision to treat CETA 'as if' it were a mixed-agreement, which required that it be ratified by every member state in addition to the Council and the European

Parliament (Commission 2016). Under Belgian law, all five sub-national parliaments must approve far-reaching trade agreements before the federal government can give its assent. In order to secure their eventual acceptance of the agreement, the EU, its member states and Canada adopted a joint text that ‘clarified’ CETA in ways that addressed their concerns.² The Walloon government subsequently secured further concessions from Belgium’s federal government.³ Thus the parliaments of sub-national governments had credibly threatened to veto a major trade agreement.

Many commentators (Demertzis, Sapri and Wolff 2017: 7; Münchau 2016; Robinson 2016; John Clancy cited in Beesley 2016) and the Commission (2017b: 14) have expressed concern that the risk of ratification failure illustrated by this episode will undermine the EU’s credibility as a trade negotiator. The EU’s trade partners, the commentators feared, will not be willing to make meaningful concessions if they cannot be confident that the EU will be able to ratify the agreements it concludes.

The Trump administration: Multilateral crisis and bilateral opportunities

Donald Trump’s election as president of the US suggests both challenges and opportunities for EU trade policy. It is important, however, to recognize that this discussion is particularly speculative because the Trump administration’s trade policy is still in flux.⁴ Assuming that the apparent trajectory of the administration’s trade policy continues, the EU is likely to confront a crisis in the multilateral trading system and experience opportunities in terms of its bilateral trading relationships.

² ‘Joint Interpretative Declaration on the Comprehensive Economic and Trade Agreement (CETA) between Canada and the European Union and its Member States,’ 5 October 2016. Available at: <http://data.consilium.europa.eu/doc/document/ST-13541-2016-INIT/en/pdf>. Accessed 27 April 2017.

³ C. Oliver and S. Marks, “‘White Smoke’ on EU-Canada Trade Deal Breakthrough,” *POLITICO*, 27 October 2016.

⁴ During the administration’s first 100 days there were dramatic shifts in trade policy – including denouncing China as a currency manipulator and then considering it not one and threatening to ‘cancel’ NAFTA and then renegotiating it. These reversals prompted the *New York Times* (26 April 2017) to editorialize that the administration’s trade policy was in ‘disarray.’

The transatlantic relationship has been central to the development of the multilateral trading system (for a discussion, see Young and Peterson 2014: Ch 4). The US was the original *demandeur* of the multilateral trade liberalization. Over time the EU developed into its key interlocutor. The Uruguay Round Agreement, which created the World Trade Organization (WTO) was largely a product of transatlantic cooperation. In the wake of the Uruguay Round the EU emerged as the principal advocate of an ambitious round of multilateral trade talks, what became the Doha Round. Although the Doha Round has foundered on deep differences between developed and emerging economies, transatlantic agreement remains necessary, if not sufficient for multilateral progress. The Trump administration has expressed a deep antipathy to multilateral trade talks, although no major talks are in prospect.

The real challenge for the EU, however, is the Trump administration's evident distaste for the existing multilateral trade rules. The President's 2017 Trade Policy Agenda depicted multilateral trade rules as merely a constraint on US sovereignty rather than as a means of opening markets (White House 2017: 4-5). One of its 10 'key objectives' is 'Resisting efforts by other countries – or Members of international bodies like the World Trade Organization (WTO) – to advance interpretations that would weaken the rights and benefits of, or increase the obligations under, the various trade agreements to which the United States is a party' (p. 4). More specifically, it stated:

In other words, even if a WTO dispute settlement panel – or the WTO Appellate Body – rules against the United States, such a ruling does not automatically lead to a change in U.S. law or practice. Consistent with these important protections and applicable U.S. law, the Trump Administration will aggressively defend American sovereignty over matters of trade policy. (White House 2017: 5)

This raises the prospect that the US might simply refuse to comply with an adverse WTO ruling, something that it has not done in the 20+ years of the WTO's existence, even if its compliance has sometimes been grudging and incomplete. In addition, the administration is

reported to be examining ways of tackling foreign trade barriers without resorting to the WTO's dispute-settlement system.⁵ Under the Trump administration, therefore, one of the key architects of the multilateral system is threatening to turn its back on it (see also Demertzis, Sapri and Wolff 2017: 2).

This is particularly problematic for the EU (see also Demertzis, Sapri and Wolff 2017: 4). In the Commission's (2015: 20) words, 'The multilateral system must remain the cornerstone of EU trade policy.' The Commission, therefore, states that the EU 'should seek to reinvigorate the WTO,' including 'by entrusting the WTO with a central role in developing and enforcing the rules of global trade.' The Trump administration's approach, therefore, is very much at odds with the EU's objectives in a key trade policy area.

The Trump administration's trade policy may, however, be a boon to the EU's bilateral trade agenda. Recognizing that the Doha negotiations have failed amid deep divisions between developed and emerging countries, the Commission (2015: 21-6) has advocated an ambitious bilateral trade agenda. The Trump administration has indicated that it is more interested in renegotiating existing agreements – most notably the North American Free Trade Agreement (NAFTA) – than negotiating new ones. Even more concretely, the US's withdrawal from the Transpacific Partnership (TPP) agreement 'represents an opportunity for the EU ... to advance its interests in the region' (EPRS 2017: 1). The US's turn away from new bilateral agreements has two positive effects for the EU. First, it reduces the risk that European firms will be put at a competitive disadvantage to American ones in third country markets where the US has negotiated better market access than has the EU (Dür 2010; Young forthcoming b). Second, the US's disinterest makes the EU the more attractive as an export destination, which will make countries more interested in concluding agreements

⁵ S. Donnan and D. Sevastopulo, 'Trump Team Looks to Bypass WTO Dispute System,' *Financial Times*, 27 February 2017.

with it (EPRS 2017: 6; Malmström 2017a: 2). Thus Donald Trump's election also potentially creates opportunities for the EU's trade policy to exploit.

The EU's response: Double or nothing

Clearly both the EU and the international context in which it operates changed dramatically in the two years since its 2015 trade policy strategy. The EU's initial reaction to the developments of 2016 appears to be to largely push past the challenges while trying to seize the opportunities.

The Commission contends that while Brexit will make the EU less economically important, it will still be the world's 'largest single market and largest trader' (Malmström 2017a: 4; Commission 2017b: 14). Thus while it might be smaller than it was, it is still bigger than all the rest, except actually the US.⁶ As a result, the Commission (2017b: 14) contends that 'Europe can shape the global rulebook.' European Council President Donald Tusk (2017: 2) argued that the EU 'should not abandon its role as a trade superpower.' In the Commission's eyes, therefore, Brexit will not diminish the EU's external effectiveness.

The Commission considers popular opposition to trade to be real, but largely misguided. It contends that unemployment, stagnant wages and rising inequality are caused by technological change and the 'legacy' of the global financial crisis, rather than by trade (Commission 2017a: 9; 12; Malmström 2017a: 2). Nonetheless, the Commission (2017b: 9) recognizes that

Many citizens consider that globalisation directly threatens their identities and traditions to the detriment of cultural diversity and their ways of living. Citizens are anxious about not being able to control their future and feel that their children's prospects will be worse than their own. This is due to the view that governments are no longer in control, not able or willing to shape globalisation and manage its impacts in a way that benefits all.

⁶ Even with the UK, the EU's nominal GDP was smaller than the US's in 2015. Own calculation based on World Bank GDP ranking for 2015. Available at: <http://data.worldbank.org/data-catalog/GDP-ranking-table>. Accessed 9 June 2017.

It considers that these ‘fears’ are ‘real and in some cases well-founded’ (Commission 2017b: 21). Nonetheless, Commissioner Malmström (2017a: 2) stated explicitly that treating trade as the problem and protectionism as the solution, would at best delay addressing the real problem and at worst make the situation worse. Thus, the Commission places much of the emphasis on domestic policy reforms by the member states – labor market and education reforms. In trade policy terms has advocated a renewed commitment to ensuring that trade is fair and to exporting EU rules through a ‘progressive’ trade agenda (Commission 2017b: 14-20). The Commission (2017b: 12) argues, ‘To better harness globalisation, we need more global governance and global rules.’ The Commission, therefore, is doubling down on its ambitious trade agenda of developing international disciplines.

In order to realise that agenda, the Commission and the leaders of the EU have emphasized the need for unity. With reference to the ‘challenge’ of ‘protectionism’ (among others), the Rome Declaration⁷ stated, ‘Taken individually, we would be side-lined by global dynamics. Standing together is our best chance to influence them, and to defend our common interests and values.’ In order to achieve its ambitious trade agenda, the Commission (2017b: 14) argues that the EU ‘will increasingly have to pull together and speak with a single voice.’ Calls for closer integration in trade policy – to ‘speak with a single voice’ – has been a recurring Commission theme since at least the Treaty of Maastricht (Young 2002: 30-2). In the wake of the near failure to ratify CETA, however, that familiar call has a new note: ‘The EU must be able not only to negotiate broad agreements to tackle a wide range of global issues but also to ensure these agreements can be ratified and implemented’ (Commission 2017b: 14). In advance of the Court of Justice’s Opinion 2/15 on the extent of EU competence in the EU-Singapore Free Trade Agreement, the Commission (2017b: 14)

⁷ Declaration of the Leaders of 27 Member States and of the European Council, the European Parliament and the European Commission, Rome 25 March 2017

questioned ‘whether the EU’s institutional set-up is fully adapted to this challenge.’ Although the Court gave a broad interpretation of the EU’s exclusive competence, it concluded that provisions concerning portfolio investment and investor protection fall with the competence of both the EU and the member states (CJEU 2017). Consequently, all agreements that include such provision will still need to be ratified by all member states in addition to the Council and the European Parliament. The Commission, therefore, has raised the prospect of further integration in trade policy.

In response to the US turning away from the multilateral trading system, the Commission has called for the EU to step up and assume the mantle of leadership (Malmström 2017a: 4). The Commission (2017a: 9) acknowledges that ‘standing up for free and progressive trade and shaping globalisation so it benefits all will be a growing challenge.’ Nonetheless, the EU aspires to lead.

The Commission has not, however, addressed directly how to respond if the US follows through on its signalling and does not feel constrained by existing multilateral trade rules. The closest the Commission (2017b: 12) came in its reflection paper was, when alluding to the US turning away from free trade, to asserted that:

To avoid this downward [protectionist] spiral, multilateral institutions and rules are needed to enable countries to jointly promote common solutions in a globalised world. They are essential to tackle issues which require collective action, such as the global economy, climate change or tax avoidance. Without them, the more powerful and less scrupulous countries and companies could impose their rules and interests on weaker ones.

Thus the Commission’s solution to the US rejecting international disciplines is to propose more global rules.

The EU, however, is eager to seize the opportunity presented by the US turning away from pursuing new bilateral trade agreements. European Council President Donald Tusk (2017: 2) urged the EU to ‘use the change in the trade strategy of the US to the EU’s advantage by intensifying our talks with interested partners, while defending our interests at

the same time.’ Thus the EU is pursuing its ‘progressive’ trade agenda through ‘over 20’ trade negotiations (Malmström 2017b: 1). The Commission, thus, sees bilateral negotiations as an alternative and supporting track to multilateral talks for advancing its ‘progressive’ agenda and thinks that the change in US trade strategy will make this easier to pursue.

The EU’s response to the trade policy challenges of 2016 (see Table 2), therefore, seems to be double-down on its existing policy. Rather than curbing its ambition, the Commission sees popular opposition to trade liberalization as a further reason for seeking to export the EU’s rules. It does not consider that Brexit will interfere with this objective and the US’s turn away from new bilateral agreements might even make it easier. The Commission is concerned only that the prospect of ratification failure might undermine the EU’s negotiating credibility.

Table 2 Challenge and response

<i>Challenge</i>	<i>Proposed response</i>
Brexit: reduces EU’s economic weight	Not a problem. EU still major trade actor.
Popular opposition to globalization	Globalisation not the real issue, but need to address public concerns. Ensure trade is fair through trade defense instruments and exporting EU rules.
CETA near ratification failure	Institutional reform may be required.
US turning away from multilateral talks	Take up leadership.
US turning away from multilateral rules	More multilateral rules

Assessment and prospects

I now turn to assess the Commission’s responses to the challenges posed by the events of 2016 and to consider their prospects. The central concerns motivating the EU’s emerging trade strategy are, first and foremost, public opposition to globalisation and, second, the US’s unilateralist turn. The other challenges – Brexit and the risk of ratification failure – affect the EU’s ability to deliver on its strategy. I discussed the US’s unilateralist turn at length above,

but it is worth first considering whether the Commission has correctly understood the popular opposition to globalisation.

Questioning the diagnosis and the prescription

The Commission has focused on public concerns about high unemployment, stagnant wages and greater inequality as the root causes of public opposition to trade. This depiction, however, resonates much more strongly with the anti-trade debate in the US (see, for example, Trump 2016), than in Europe. European opposition to TTIP focused very much on concerns about the agreement itself (see Young forthcoming a). A survey for the Bertelsmann Stiftung (2016), for instance, found that a majority of Germans favored increased trade with the US, even though a plurality considered TTIP to be bad for Germany. In specific questioning about their reasons for opposition, many more respondents expressed concern about TTIP's implications for consumer and environmental protection and for labor rights than for jobs. The Leave Campaign in the UK argued that leaving the EU would enable the UK to pursue a more liberal trade policy, the populist appeal focused rather on the challenge of immigration and resentment against supranational rules.⁸ Only Marine Le Pen's (2017) unsuccessful campaign to become president of France emphasized trade's role in undermining employment and equality. Even so, the campaign also expressed concerns about 'savage globalization' curtailing domestic autonomy. It thus seems as though fears about the domestic policy implications of the external constraint associated with deep trade agreements are a key component of European public concern about trade.

The Commission's response to public concern about trade – its 'progressive' trade agenda – is about strengthening global rules in order to curb unfair competition that hurts

⁸ See the Leave Campaign website (http://www.voteleavetakecontrol.org/why_vote_leave.html). Accessed 7 January 2017.

European workers. Arguably, therefore, the Commission is advocating strengthening what Europeans are more concerned about in order to address what they are less concerned about. The Commission (2017b: 14) seeks to square this circle by contending that ‘all agreements must uphold the EU and Member States' ability to achieve legitimate public policy objectives and maintain the existing EU high standards in those fields in order to both protect our citizens and safeguard EU industry from unfair competition.’ European publics, however, were notably not reassured by such assurances during the TTIP and CETA negotiations (Young forthcoming a). Thus the proposed remedy may do more harm than good.

Moreover, the EU is essentially seeking to increase the international constraints on other countries in order to reassure Europeans. The bilateral agreements that the EU is pursuing, therefore, imply considerable sovereignty costs for its trade partners. That makes reaching an agreement harder. It is worth noting that, beyond countries with particularly strong economic ties to the EU, the EU has struggled to export its rules through bilateral trade agreements (Young 2015).

External effectiveness: Delivering on objectives

Brexit; CETA’s highlighting of the risk of ratification failure; and Donald Trump’s disruption of US trade strategy have cross-cutting implications for the EU’s ability to secure agreement on its ‘progressive’ trade agenda (see Table 3). Although their impacts are impossible to predict with any precision, it is possible that the EU’s ability to realize its ‘progressive’ trade agenda has been enhanced by the events of 2016, but that increase is unlikely to be sufficient to deliver its ambitious agenda.

Table 3 Implications for realizing the EU's 'progressive' agenda

<i>Events</i>	<i>Implications for the 'progressive' agenda</i>
Brexit	Reduces EU bargaining leverage – Makes realising agenda harder
CETA near ratification failure	Increases EU bargaining leverage – Makes realising agenda easier
US turn away from multilateral talks	Makes impossible situation worse – No effect
US turn away from new PTAs	Increases EU bargaining leverage – Makes realising agenda easier

Although the Commission and others have emphasized that even without the UK, the EU will remain a dominant trading power, it will also be a less valuable trading partner than it has been. Because the EU is a large market, countries will continue to want to conclude trade agreements with it. What matters for the realization of the EU's 'progressive' trade agenda, however, is what domestic constraints its trade partners are willing to accept in exchange for improved access to the EU's market. Brexit, by making that improved access less valuable suggests that it will be harder for the EU to secure significant concessions.

The Commission's concern about the implications of ratification failure for the EU's negotiating credibility is wrong-headed. As Thomas Schelling (1954) observed, a credible threat of ratification failure is a source of negotiating strength, not weakness. The idea is that a negotiator who is credibly constrained by domestic actors is in a stronger position to demand concessions from its partners. This is precisely what the Commission did with respect to Canada once the scope of the domestic challenge to CETA became clear. During the process of 'legal scrubbing,' it got Canada to accept the investor court system, changing what had already been agreed. The EU was also able to get Vietnam to accept its new investor court system at the last minute. Thus the incompleteness of the EU's exclusive competence enhances the EU's position in trade negotiations.

The US turning away from multilateralism, while potentially damaging in other ways, will not affect the EU's ability to advance its 'progressive' trade agenda through the WTO. The simple reason is that it had no chance of doing so even with the full-throated support of the US. The EU had singularly failed to persuade developing and emerging countries of the merits of agreeing more multilateral disciplines on domestic policies early in the Doha Round (Baldwin 2006). Moreover, although the WTO would be the Commission's preferred venue for promoting its 'progressive' trade agenda, it recognizes that this is a no go for the foreseeable future given fundamental disagreements between developed and emerging countries about the appropriate 'balance' of their 'contributions' to the global trading system (Commission 2017b: 13). The Commission, therefore, proposes pursuing its 'progressive' trade agenda with smaller groups of countries and through bilateral negotiations.

The Trump administration's disinclination to pursue new bilateral agreements may help to the EU to advance its agenda. With the Doha Round stalled and the US not in the game, the EU becomes an even more attractive partner for countries seeking to expand their exports. The absence of a US-option off-sets, at least partially, the adverse implications of Brexit for the EU's bargaining leverage. Even so, the EU's bargaining leverage may well be insufficient to get other countries, particularly the more economically important ones, to agree to make domestic policy changes associated with the Commission's 'progressive' trade agenda that the otherwise would not.

Conclusion

The internal and external events of 2016 present a significant challenge to the EU's trade strategy. The initial reaction seems to be to double-down on the existing trade strategy. The Commission and the EU more broadly have renewed their commitments to trade

liberalization, multilateralism and the expansion of international rules, as part of a 'progressive' trade agenda.

This paper argues that approach rests on a misdiagnosis of the sources of public opposition to trade; a mis-appreciation of the implications of the risk of ratification failure; an over-estimation of the benefit the EU will realise from the US abandoning new bilateral trade deals; and a neglect of the threat that the US might turn its back on multilateral trade rules.

The 'progressive' trade agenda is intended to reassure Europeans that international trade will be fair by exporting the EU's rules. This paper has argued that Europeans seem less concerned about the impact of trade on jobs than they are about the constraints international trade agreements impose on domestic policy autonomy. The Commission's proposal means that more trade negotiations will be about such issues. Whether the EU's citizens accept the Commission's assurances that no EU rules will be made less stringent, depends on whether they trust it to deliver. Such trust was largely absent during the TTIP and CETA negotiations. Those agreements were admittedly highly atypical, at least in part because of the power of the US (Young forthcoming a). The EU will be negotiating with partners considerably less powerful than itself, so there should be less concern about it making painful concessions.

Nonetheless, rather than assuaging EU's citizens' real concerns, the Commission is risking inflaming them.

In addition, the EU's 'progressive' trade agenda will reduce unfair competition only if the EU's trade partners are willing to incur considerable sovereignty costs. Evidence to date is that the more substantial economic actors have not been. The EU's partners' willingness to adopt inconvenient domestic policy changes, will likely be reduced by Brexit, which will make access to the EU's market less valuable in absolute terms. The US turning away from bilateral trade agreements will help to increase the EU's attractiveness as a trade partner in

relative terms, but will be significantly off-set by Brexit. There is thus good reason to doubt that the EU will be able to realize its 'progressive' trade agenda by getting others to adopt its rules.

The Commission's consideration of further integration in trade policy would actually diminish, rather than enhance the EU's ability to deliver on its agenda. The Commission's focus on the risk of ratification failure as undermining negotiating credibility misses its positive impact on bargaining leverage. Further streamlining the ratification of trade agreements, therefore, is arguably not in the EU's interests.

The Commission's trade strategy, therefore, arguably addresses the wrong problem using a tool that will likely be ineffective even on its own terms, and the Commission is considering further reducing its negotiating leverage through further institutional reform. The EU's response to the events of 2016, therefore, could be characterized as 'steady as she goes. Full steam ahead.' Moreover, the EU's initial response to the events of 2016 does not appear to consider how to respond to arguably the most serious challenge: the prospect of the US rejecting exiting multilateral trade disciplines. There is, therefore, potentially a very large iceberg over the horizon.

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