



The EU in the global trading system

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+ Summary

- 1. The EU: a global trade power?
- 2. What tools does the EU have to develop its role as a global commercial player?
- 3. Policy-process: which EU institution is the most powerful?
- 4. Is the EU a major actor in the multilateral trading system (WTO)?

+ 1. The EU in the global trading system

- Can we consider the EU as a power?
- EU = 'political dwarf'
- EU in 'low politics' → trade = major power
- Why?

+ 3 reasons

- i. 'Hard core' of EU external policies
- ii. Economic and trading strengths of the EU
- iii. The importance of trade in EU foreign policy

+ i. 'Hard core' of EU external policies

■ Trade = exclusive competence

■ MS:

- able to present a united front to the world
- act as one in contracting the terms of trade agreements

■ What are main foundations of united front?

■ → Common External Tariff (CET)

■ → Common Commercial Policy (CCP)

} oblige the MS to act in common

} in the field of trade

■ EU conducts trade negotiations in many forums:

■ Bilateralism:

■ Interregionalism:

■ Multilateral frameworks:

+ ii. Economic and trading strengths of the EU

■ GDP (2014):

- EU-28 = 14.001 billion €;
- USA = 12.771 billion €

■ In percentage terms (2014):

- EU-28 = 23.8 % of global wealth;
- USA = 22.2 %;
- Japan = 5.9 %

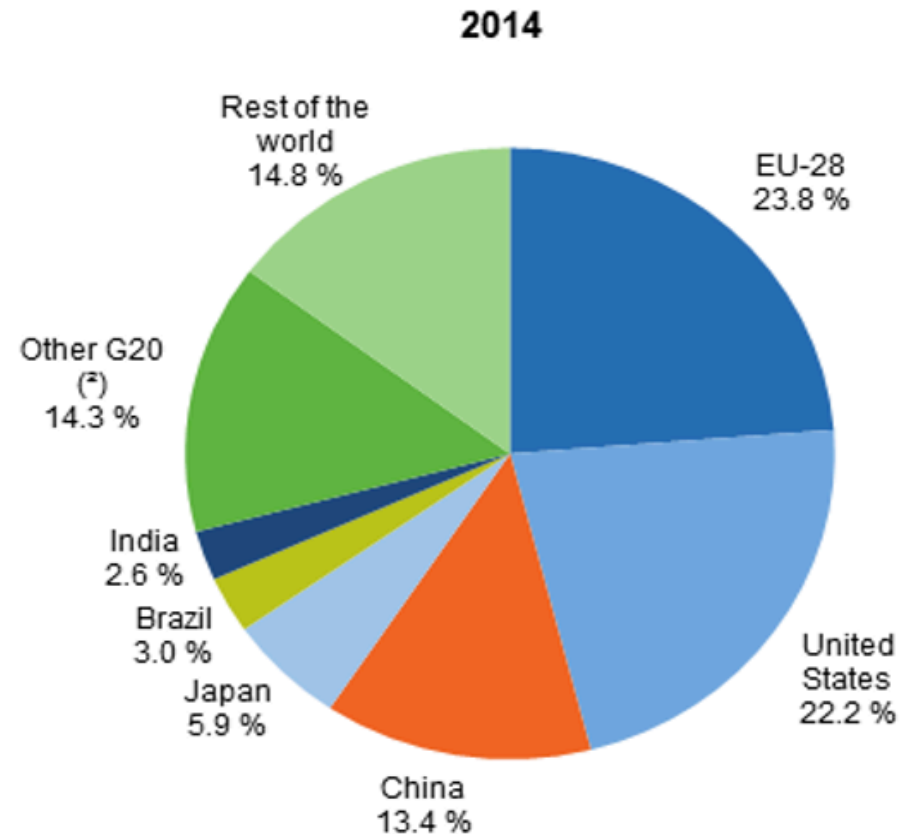
■ (re)Emerging powers (2014):

- China = 13.4 %;
- Brazil = 3.0 %;
- India = 2.6 %

■ Other G20 (2014):

- Indonesia, Russia, Turkey, Saudi Arabia ... = 14.3 %

Share of world GDP (Eurostat)



+ Economic and trading strengths of the EU



■ GDP (2016):

■ EU-28 = 14.825 billion €:

■ without United Kingdom = 2.046 billion €

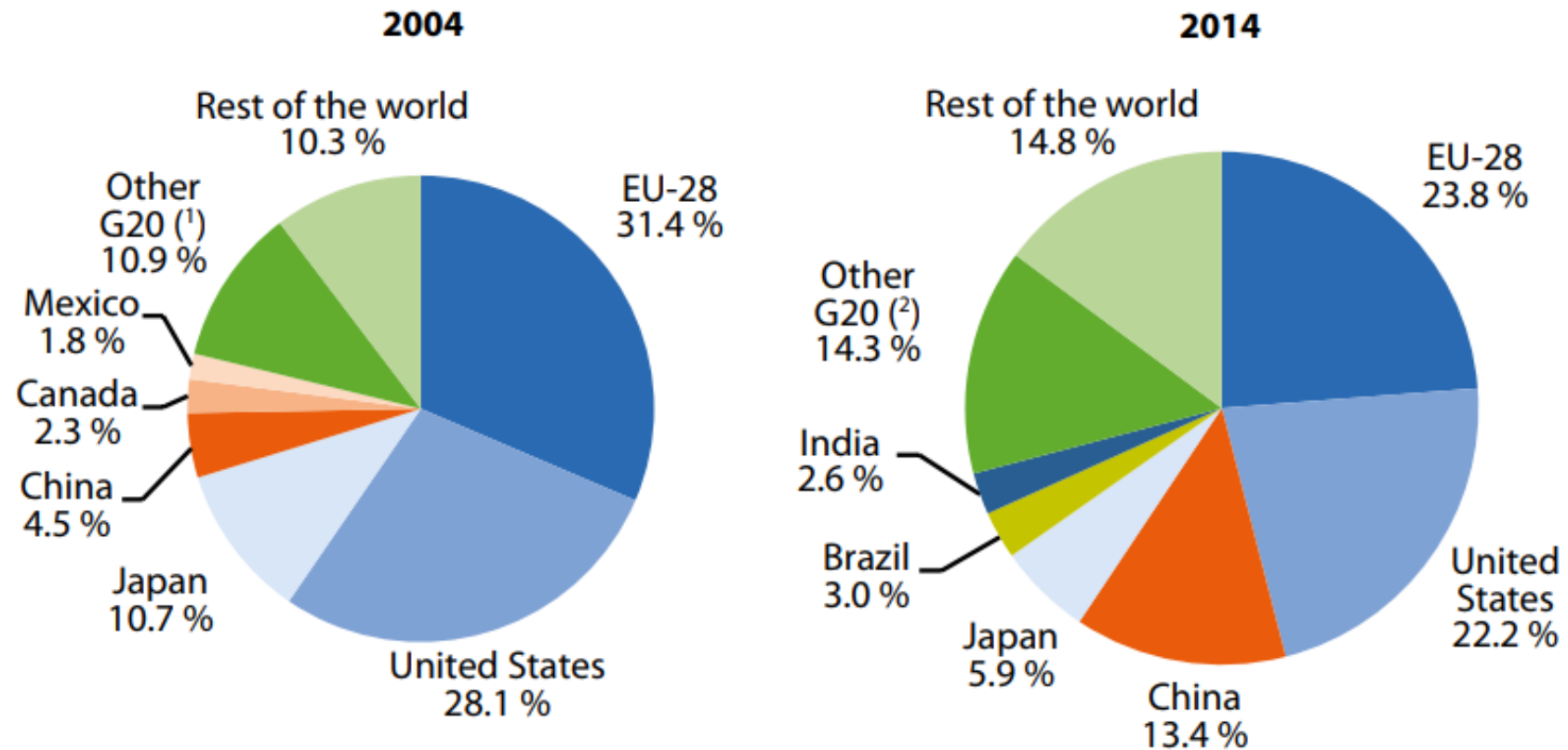
⇒ EU-27 = $(14.825 - 2.046) =$

12.779 billion €

■ behind the USA = 13.533 billion €

■ in front of China = 11.199 billion €

+ Comparison between 2004 and 2014: industrial economies are shrinking



(¹) Argentina, Australia, Brazil, India, Indonesia, Russia, Saudi Arabia, South Africa, South Korea and Turkey.

(²) Argentina, Australia, Canada, Indonesia, Mexico, Russia, Saudi Arabia, South Africa, South Korea and Turkey.

Source: Eurostat (online data code: [nama_10_gdp](#)) and the United Nations Statistics Division (National Accounts Main Aggregates Database)

Exports and imports shares for the main trading actors



■ Some figures (2017):

- EU \pm 15.5% of world exports & imports
- China \pm 15 %
- USA \pm 14.5 %
- Japan \pm 5 %

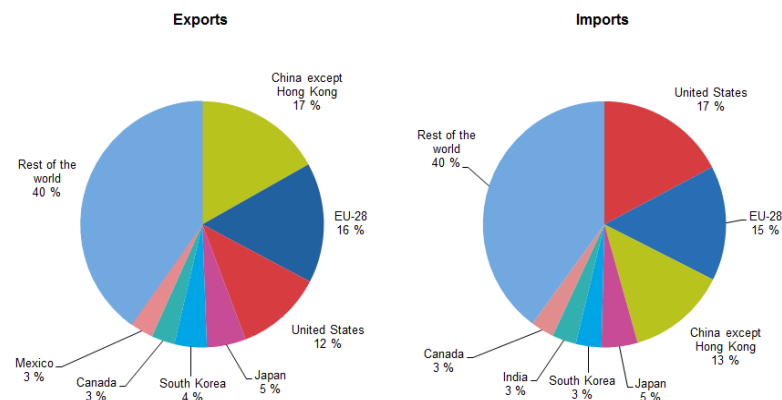
■ EU:

- the largest trading block in the world
- an important market for the rest of the world:
 - with 500 m. p. = 1/14 of the world population (7 billion)
 - with one of the most important middle class in the world (high purchasing power)
- one of the largest trading partner for about 100 countries around the world

■ **BUT:**

- the EU is loosing ground with respect to other trade actors → China

Import and export shares for main trading countries, 2017 (%)

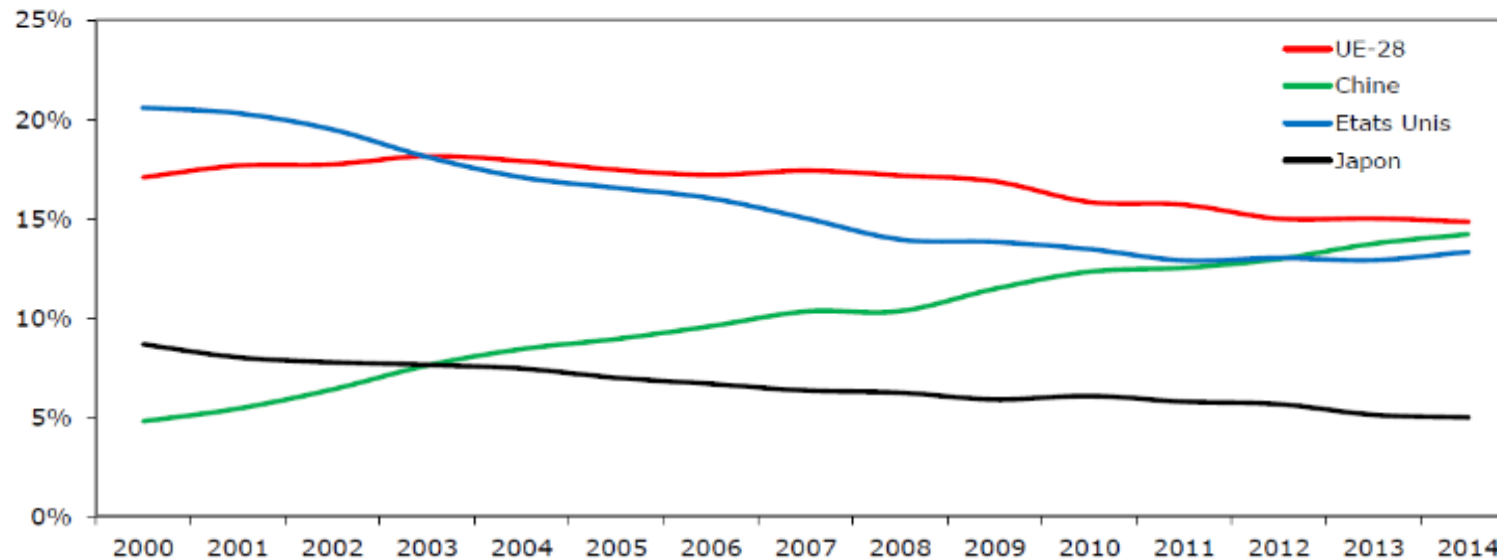


Source: Eurostat (online data code: ext_it_intrle)

+ EU: losing ground to other trade actors

The EU in world trade

Share of EU28*, USA, Japan and China in World Trade in Goods (%)



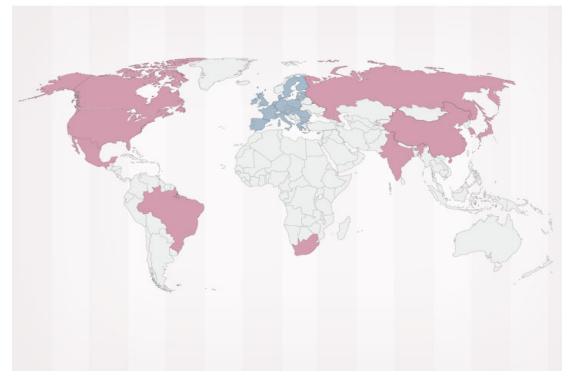
Coverage: shares in world trade excluding intra-EU trade.
Sources: Eurostat (Comext, Statistical regime 4), WTO

- EU → losing market share in the global economy
- 2019: → total level of trade in goods recorded for the EU-28, China & the US = identical (Eurostat)

+ iii. Trade policy is almost in every external policy

■ Examples:

- Neighbourhood policy;
- Enlargement policy;
- Transatlantic relationship;
- Development cooperation policy;
- Emerging powers;
- Sanctions;
- ...

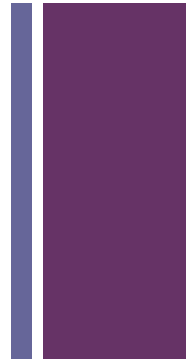


+ 2. What tools does the EU have to develop its role as a global commercial player?

- Trade agreements with third actors take \neq forms both:
 - in terms of the extend to which they remove barriers to market access, and
 - the number and range of non-trade matters that are covered
- In 'ascending' order :
 - trade agreements
 - trade and economic cooperation agreements
 - association agreements

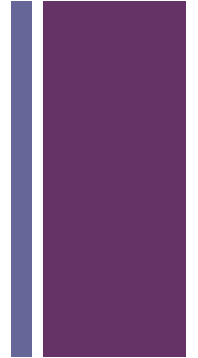
+ 2.1. Trade Agreements

- Negotiation 'trade agreement' -) article 207 (ToL)
- Agreements cover different trade issues
- Exclusive competence of the EU:
 - formal basis for D-making → qualified majority voting
- Unanimity -) cultural and audio-visual services



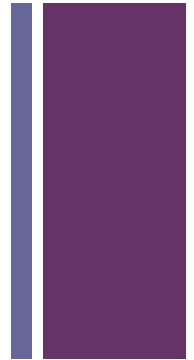
+ 2.2. Trade and economic cooperation agreement

- Cooperation agreements:
 - based on article 218 (ToL)
- Number of trade and cooperation agreements:
 - increased over the years
 - scope steadily expanded
- At their core:
 - trade preferences and
 - EU assistance:
 - → technical and institutional assistance
- Political conditions



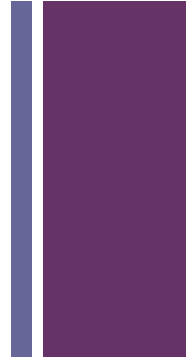
+ 2.3. Association agreements

- Based on article 217 of the ToL
- The most comprehensive agreements
- Association agreements include:
 - free trade area
 - economic and technical cooperation
 - financial aid → from the EU
 - political dialogue
 - democratic conditionality clause: parties must comply with democratic principles and human rights
 - evolutionary clause:
 - allows parties to negotiate in the future new issues
 - in some cases prospect becoming member of the EU
- Three categories of states



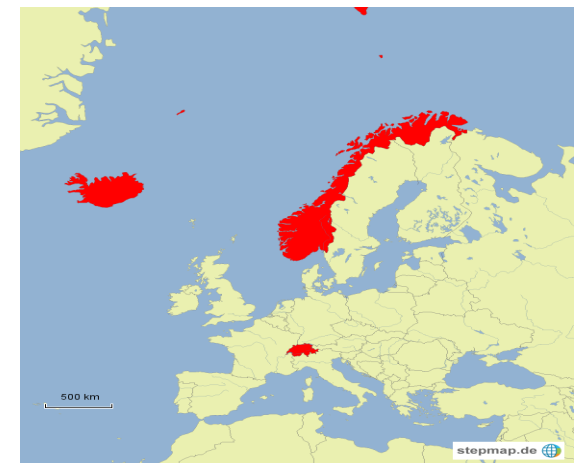
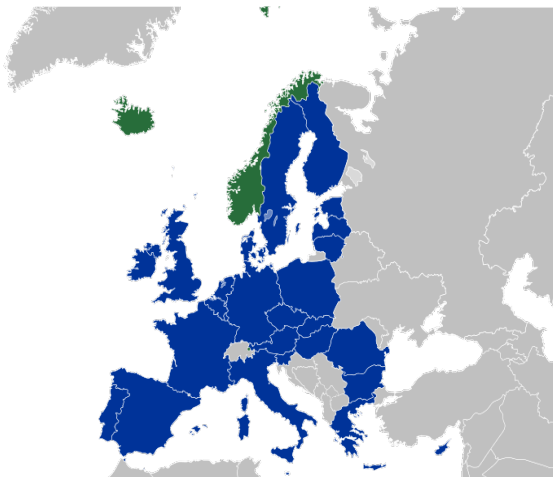
+ First category

- Association agreements with future EU members:
 - Turkey (status: candidate country):
 - → accession negotiations started in 2005
 - Iceland (status: candidate country):
 - 2010 → 2015 : Island withdrawn the application
 - Balkan states → candidate countries:
 - Albania, Macedonia, Montenegro & Serbia
 - Balkan states → ‘potential candidates’:
 - Bosnia-Herzegovina,
 - Kosovo:
 - Balkan States part of: ‘*EU’s Stability Programme for South-East Europe*’:
 - → part of a pre-accession strategy



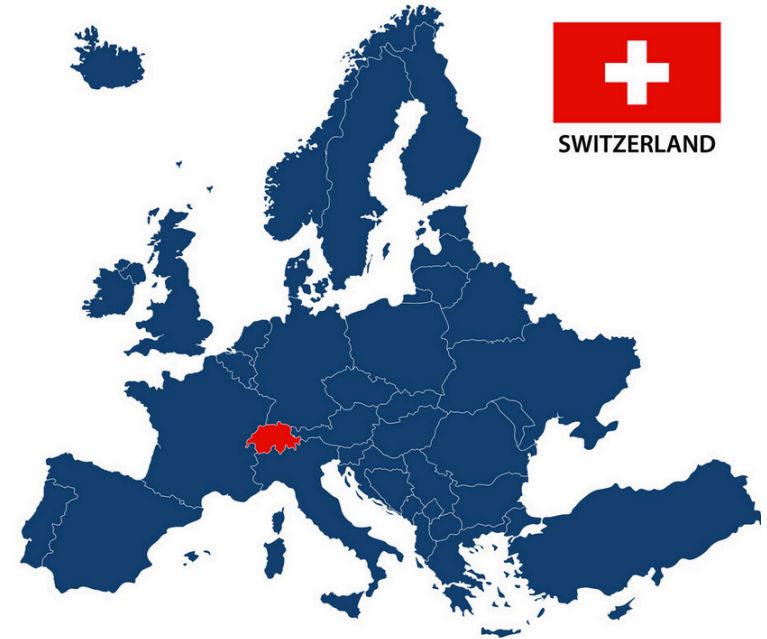
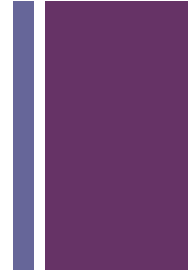
+ Second category

- Association agreement with non-EU members of the EEA (1992):
 - Iceland, Norway, Liechtenstein =
 - Members of EFTA (1960)
 - → goods, services, capital and people (= common market)
- European Economic Area / European Free Trade Association



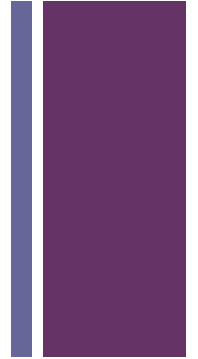
+ What about Switzerland?

- Rejection of the EFTA/EU association agreement
- Bilateral agreements with the EU:
 - Bilateral agreement I:
 - 1999
 - Bilateral agreement II:
 - 2004
- Agreements cover different issues:
 - goods, services, capital,
 - free movement of people,
 - agriculture, research, environment, education, etc.
- Tensions:
 - 2014: referendum 'against mass immigration'
 - 2016: Swiss Parliament → solved the problem
 - Still many obstacle: 'Euroscepticism'

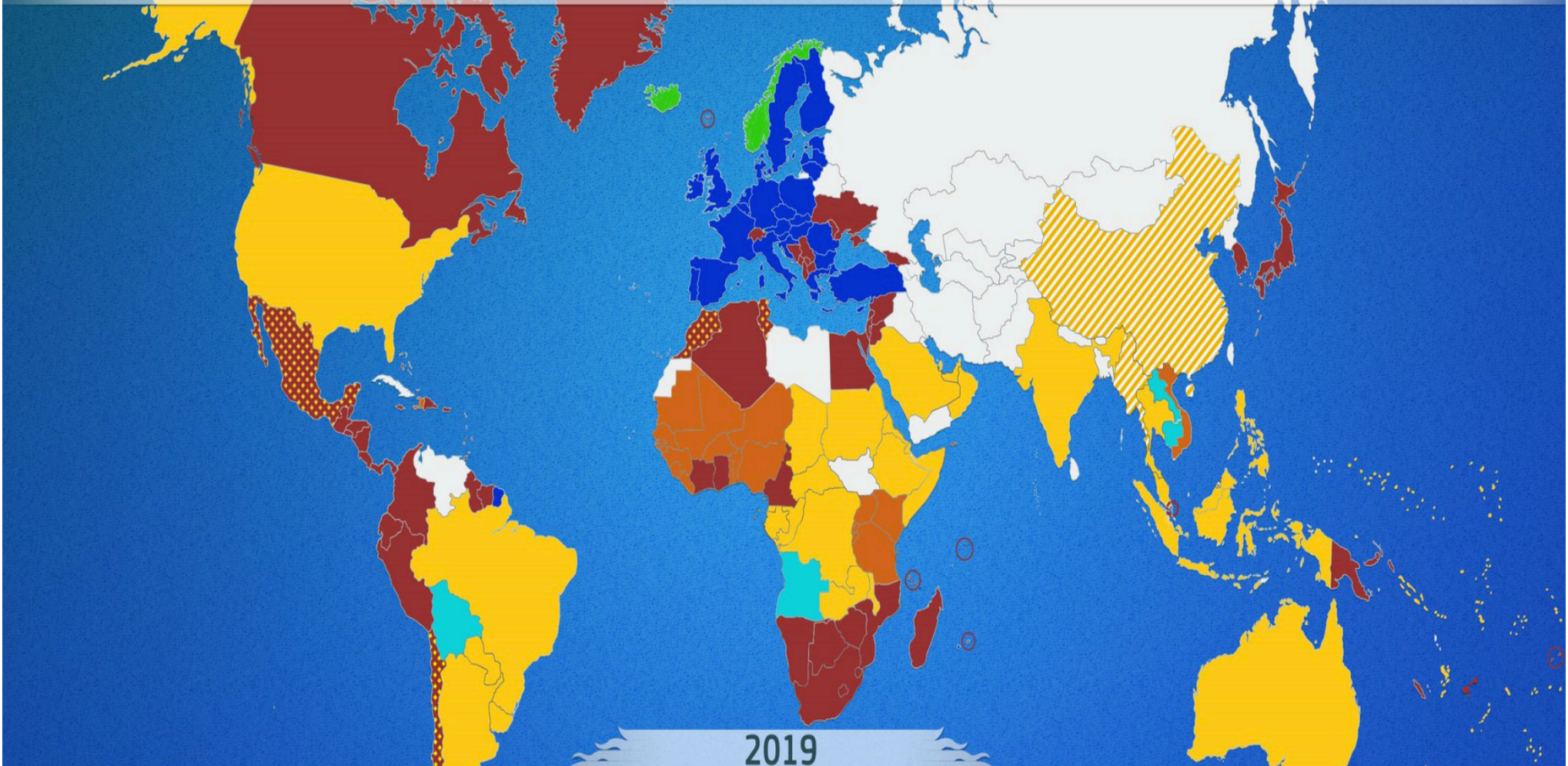


+ Third category

- Association agreement with states or regional organisations from:
 - Mediterranean,
 - ACP,
 - Latin America and
 - Asia
- → no prospect to be part of the EU



THE STATE OF EU TRADE



2019



- EU & Customs union (Andorra, Monaco, San Marino, Turkey)
- European Economic Area (Norway, Iceland, Liechtenstein)
- Potential preferential trade partners

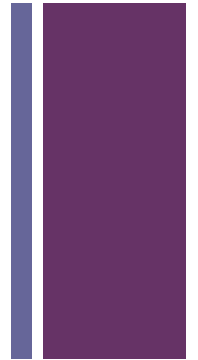
- Preferential trade agreement in place (FTA, EPA, DCFTA, OCT AA)
- Preferential trade agreement under adoption/ ratification
- Preferential trade agreement being negotiated

- ⊗ Existing preferential agreement being modernised
- ▨ Stand-alone investment agreement being negotiated

@Trade_EU
#EUtrade

+ 3. Policy-process: which EU institution is the most powerful?

- Which institutions matter in the decision-making process?
 - European Commission
 - Council
 - European Parliament



+ a. What is the **role** of the European **Commission**?

- Since 1957 the Community/Union is responsible for trade:
 - The commission makes a recommendation to conclude trade agreements:
 - it asks a mandate to the Council
 - It negotiates in the name of the MS

+ European Commissioner for Trade

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■ Cecilia Malmstrom



■ Phil Hogan



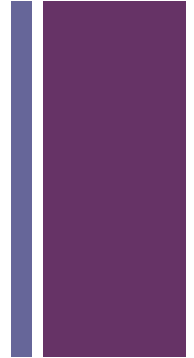
+ b. What is the role of the MS?

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- Council -) decisions by Qualified Majority & gives mandate Commission
- However:
 - Council keeps Commission under control
 - Commission must report regularly Council
- But, Commission:
 - defends MS trade interests
 - in charge of the day-to-day running

+ c. The role of the EP

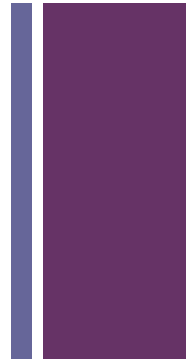
- EP's power increased -) ToL
- EU position enhanced in 3 ways:
 - **i.** In its relations with the Council
 - **ii.** In its relations with the Commission
 - **iii.** In the process of ratification



+ 4. The EU in the multilateral trading system: the case of the WTO

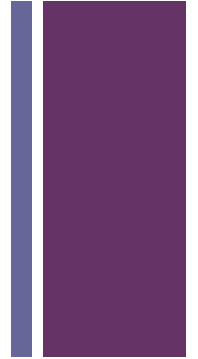
■ 4.1. From a reactive to a proactive stand

- Between the 1960 and 1980:
 - EU focused on the development of its internal market
- The EU started to play a more active role in the 1990
- It supported:
 - conclusion Uruguay Round
 - creation of the WTO
- EU -) WTO place where it can exercise a significant influence:



+ 4.2. The European influence in the WTO

- European financial contribution (MS)
- EU supports the adhesion of new members:
- EU: role of initiator in the multilateral trade negotiations:
- Using the legal instruments of the WTO:



+ From 1995 to 2017

- US & EU = biggest users of the system
- They succeed to win most of the dispute settlement procedures

WTO Members Most Involved in Disputes, 1995-2017

