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The new EU trade and investment strategy: The proof of the pudding is in the eating

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The Current Column

of 16 October 2015

The new EU trade and investment strategy: The proof of the pudding is in the eating

Maastricht, Bonn, London, 16 October 2015. On 14 October 2015 the European Commission has released the new EU trade and investment strategy. Its catchy title – “Trade for All” – is very auspicious as well as ambitious and the strategy contains promising elements for global development. But the proof of the pudding is in the eating: how will the strategy be put into practice?

From a development perspective, the following six issues are particularly important:

First, it is welcome that the Commission supports the World Trade Organization (WTO) as the prime driver of global trade liberalisation. The Commission also rightly underlines that there is a need to update the WTO system and highlights the effectiveness of plurilateral agreements in specific sectors – in contrast to the single undertaking principle that requires agreement to one big package. Plurilateral agreements are not an ideal solution, but they might open up new prospects for progress under the aegis of the WTO.

Second, with a view to the ongoing Doha Round, the Commission has reinforced its commitment to support a package for Least Developed Countries (LDCs) as well as “push in the G20, the WTO and other multilateral for close monitoring of the effect of third countries’ protectionist measures on LDCs.” These elements indicate an invitation to other countries like the rising powers to provide trade solutions for LDCs – which is also highly welcome from a development perspective.

Third, the Commission also highlights the link between trade policy instruments and values and underlines, for instance, the role of the GSP+ regime in providing incentives and support for human rights, sustainable development and good governance. The EU seeks to ensure that the provisions on trade and sustainable development are implemented effectively in the Free Trade Agreements (FTAs) entering into force as well as promote other core principles in all trade and investment agreements. While including such provisions has promising potential to foster sustainable development, there is also the risk that developing countries feel that they are abused for protectionist purposes. Moreover, developing countries might need support in implementing the required provisions.

Fourth, following the recent waiver for LDCs on services agreed at the WTO, the Commission is trying to create an adequate preference system for services for these countries. The Commission should assure that its preferences are in line with the real capabilities of LDCs, their strengths as well as their needs in the provision of services. In this sense, full and broad access in all modes of service provision would be ideal.

Fifth, the Commission emphasises the importance of the Economic Partnership Agreements (EPAs) and it is considering extending them to other areas such as services and investment, with partners that are willing to do so. The Commission should be careful in recognising the national interests of the African countries as well as their capabilities. It should also pay attention to regional integration dynamics if it does not want to repeat the tense EPA negotiations processes of the last decade. The strategy puts heavy emphasis on working with African partners to ensure effective implementation of the EPAs. This suggests a more realistic assessment of the difficulties of implementation is needed, which should be undertaken together with the implementation of regional integration agendas and better integration into regional and global value chains.

Sixth, it is highly welcome that the Commission addresses the perspective of third countries in the scope of the mushrooming of mega-regional trade negotiations. For example, the Commission shows readiness to open its FTAs to non-members once they are signed, including TTIP. Joining TTIP might work well for countries like Switzerland but membership requirements for developing countries should vary according to level of development. The Commission also seeks to ensure that trade and investment initiatives minimize any negative impact on countries in need, and it aims to propose regulatory approaches in the scope of the TTIP negotiations that have positive spillovers for third countries. At the same time, the Commission should go a step further and strive for simple and consistent Rules of Origin and coherence preferences for least developed countries, and include non-discrimination provisions for third parties in its rules on standards equivalence and mutual recognition.

Some key issues remain unresolved in the new strategy. For example, the current rise of mega regional trade deals like TPP, TTIP and RCEP is generating a fragmented global trade system. How does the Commission position itself on how we will escape this messy jigsaw? How does the EU view the option of multi-lateralizing TTIP preferences in the future?

While the new EU trade strategy does not address all of the trade challenges Europe is currently facing, the elements presented in the strategy are very welcome. Many of them are in line with developing countries’ concerns. Nevertheless, the Commission needs to demonstrate that the strategy is not just empty words but that there is real interest in making it work to deliver outcomes that generate beneficial “Trade for All.”