Putting Principles into Practice: Multilateralism and Other Values in EU Trade Policy

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Cecilia Malmström, Commissioner for Trade

Graduate Institute, Geneva

Ladies and gentlemen,

Thank you, Professor Baldwin, for inviting me to speak this afternoon. Your centre is one of the world’s foremost centres for studying international trade, so I’m delighted to be here.

I’m also delighted to be here at the Graduate Institute. Not just because it's so highly regarded, but also because of its mission and history.

It was founded with a moral goal: training the staff of the new League of Nations. It was a mission to support peace and stability, to strengthen the international rule of law by strengthening a multilateral institution.

It attracted staff and students who shared this principled vision, many fleeing the new dictatorships in Italy and Germany. William Rappard, the Institute's founder, apparently joked that the two men to whom the institute owed it's greatest debt were Mussolini and Hitler.

Tragically of course, even the high quality education of this institute wasn't enough for the League of Nations to succeed in its mission.

But the moral imperative in international affairs remains essential today.

However, we also know that success in any international endeavour also requires a deep understanding of the world as it is, not just as we might wish it was. Successful practical action requires it.

And in that too this institution has excelled- looking to understand the world in the broadest way possible. You count seven Nobel Prize winners among your former faculty and students, not just for peace but also for economics, so you must be understanding something!

That commitment to understanding the practical reality in the broadest terms - combined with a clear sense of right and wrong - is essential to anyone seeking to act in international affairs.

It is also the approach that the European Union takes to trade policy.

- The fundamental role of EU trade policy must be to create economic opportunity for people, starting with people in Europe.
- But trade must also be about values and principles as much as it’s about economic interest.
- That broad conception of our objectives is at the heart of the European Union’s strategy on trade, Trade for All, which we released in 2015.
It’s based on a critical assessment of the current realities of global trade policy.

That starts with economic realities.

Trade is more vital than ever for prosperity.

Global value chains are now a central part of the European and world economies.

That’s why over 30 million jobs in the European Union – one of every seven jobs in our whole economy – depend on our exports to the rest of the world.

It’s also why we depend on imports too. 80% of what the European Union imports is either energy, raw materials, or intermediate goods or services. We need to import to compete on our own market and internationally.

And these benefits are not confined to the developed world alone. Trade has been one of the most important contributors to success of the poverty-related Millennium Development Goals.

Beyond these consistent facts, trade is also changing. Services are growing in importance for international trade. When measured in value added terms, they account for over half of Europe's exports. And increasing proportions of international trade is digital trade today. That’s only going to increase in the future.

These realities are the underpinning of our approach to trade.

But there are other realities too. Trade policy makers need to understand and engage with the intense debates on trade that we are now seeing in different parts of the world.

In Europe, the debate has been focused on the Transatlantic Trade and Investment Partnership, or TTIP, our trade negotiations with the United States.

People are concerned about a range of issues.

Some of them are the traditional issues associated with trade, like the potential impact of increased competition on workers in weaker firms. Others say the benefits are shared too narrowly, that consumers, workers and small business do not get enough out of trade, while larger companies make dramatic profits.

But other issues are newer. One of the reasons TTIP is significant is that we have high ambitions for the kinds of issues we want it to cover - issues like regulatory cooperation for example. We are proposing this because we believe it’s possible to work with other countries on regulation in a way that both protects people and the planet and avoids unnecessary non-tariff barriers. But some in Europe have doubts. They fear that regulatory cooperation will lower standards.

And beyond the TTIP debate, we are also seeing rising concern among consumers about the broader social and environmental context in which trade takes place. They are aware of poor working conditions in garment factories in Bangladesh and trafficking in endangered species. And they want to be sure that the impact of our trade policy around the world is consistent with their values.

With the Trade for all strategy, we aim to address all of these issues.

On the economic side we want people in Europe and around the world to continue to benefit from the positive effects of open markets.
But we also want to make trade policy economically more relevant as well as more inclusive:

- It should be relevant to today's economy, focusing on today's trade issues - like digital trade and services for example.
- And it should also benefit as many people as possible. We are therefore working more closely with consumer organisations and making sure EU trade agreements focus on the unique challenges smaller firms face in international trade.

But *Trade for All* also makes clear that the EU's trade policy goes beyond economics and is also driven by and consistent with core European and universal values.

The first of these is democracy. The EU's trade policy is under the clear democratic control of the European Parliament and Member States. But democracy is also about transparency. So we have now pledged to make all EU trade negotiations as open as possible - with negotiating documents available online and intensified contacts with stakeholders.

The second values aspect we have put at the centre of EU trade policy is a high level of regulatory and social protection. Europeans expect strong rules on issues from consumer protection to the environment, and financial stability to food safety. They also want good quality public services in areas like health, education and water. We have made clear in *Trade for All* that nothing in trade deals will lower levels of protection or limit the EU's right to make policy in the public interest.

The third element is about using trade policy as a lever to increase respect for human rights, labour rights and the protection of the environment around the world. *Trade for All* outlines several ways we can do this, including through preference schemes like the Generalised System of Preferences (GSP). It also pledges that we will in future introduce anti-corruption provisions in our trade deals.

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The question of course is how to put this into practice. Partly that will continue to be through bilateral and regional trade agreements.

But we also want to draw inspiration from *Trade for All* for our approach to the World Trade Organization.

And that brings me to a final European value that has always been at the heart of EU trade policy: multilateralism.

For us, multilateralism is not just a way of cooperating with many partners.

For the EU, multilateralism is about using the rule of law to limit the strong and protect smaller actors. The EU itself is a regional embodiment of multilateralism; in fact we have gone even further by taking the path of supranationalism.

In trade, multilateralism has the added advantage of making economic sense. If 164 countries are prepared to open their markets on the same terms to each other and to follow the same rules, that's good for everyone.

So that's why *Trade for All* again makes clear that the multilateral trading system remains at the core of the European Union's trade strategy.

And it argues that bilateral and regional deals like TTIP can support the multilateral system by acting as policy laboratories of sorts.

However, when we released *Trade for All* last October we could only be hopeful for what the Nairobi Ministerial Conference of last December might achieve.

The results surpassed our expectations - on export competition in agriculture and information technology, but also by giving us the first chance in 15 years to adapt the WTO's agenda of negotiations.
That means we need to think about how to apply the principles of our trade strategy to the post-Nairobi work that has begun here in Geneva.

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Since the start of the year many new ideas have been suggested for potential areas for the WTO to now work until the next Ministerial conference and beyond. The EU is still considering its position on many of these but it's interesting already to assess how they might fit into the *Trade for All* framework.

Let's start with relevance.

Several of the issues being suggested could help bring WTO rules in line with 21\textsuperscript{st} century realities of global trade.

One is digital trade. The whole sector barely existed when the Doha Round was launched. And the Doha work programme on e-commerce has moved far more slowly than the incredible changes we have seen to the online world in the last fifteen years.

The same goes for investment, where the WTO has hardly any rules. So much of international trade is now supported by foreign direct investment. At the same time, investment rules - in particular investment protection rules - have become extremely politically contentious in many countries, not least in Europe.

A third area of work could be on state involvement in the economy. The need to tackle subsidies is even more economically important today than when Doha was launched, since the rise of emerging countries means larger volumes of state support for the economy. We see interest from several members to look at domestic support in agriculture and fisheries subsidies as well as subsidies to manufactured goods. In addition, over the last decade level playing field issues like the role of state-owned enterprises and local content requirements have increased in prominence and impact.

A final area for increased policy relevance is energy and raw materials. This is an issue of interest to many WTO members since no economy is completely self-sufficient. There are currently no multilateral rules, though some accession protocols do cover it, as do our bilateral trade agreements.

We also need to make trade policy inclusive, so that as many people as possible benefit from trade. Smaller firms for instance, are disproportionately affected by non-tariff or regulatory barriers to trade.

Two potential areas of work could help with that:

- Filling in the gaps on domestic regulation of services, which would also do something generally for a sector that's only going to become more important in international trade over time.
- And regulatory and technical barriers that apply to manufactured goods. We have quite advanced rules here, but some have suggested that more could be done.

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What about the question of values?

Well, as mentioned, the starting point is the fact that multilateralism in itself is a value. In practical terms, that means that as we approach any new ideas here in Geneva, we need to think of multilateral solutions as our first best option. The Trade Facilitation Agreement shows that we can bring all WTO members on board on certain issues, while providing the necessary degree of flexibility and differentiation.
If the multilateral path doesn't work then we can look at other approaches. And logically, that starts with plurilateral agreements, based on the most favoured nation principle, open to all, and subject to the WTO dispute settlement system.

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Ladies and gentlemen,

I've mentioned a range of WTO issues that could be taken up in the coming months as part of efforts to revitalise the WTO.

For our part in Europe we are still reflecting on our approach to these questions. We can see the merit of many of these topics, especially where they fit in with our broader trade strategy as set out in Trade for All.

We will also be awaiting with interest the positions of other WTO members on the topics that they would like to be pursued.

As we do so, we will be reminded both of the idealism and the economic pragmatism that are at the historical roots both of this school and the WTO itself.

Thank you very much for your attention. I look forward to your discussion.