



# The Soft Power of EU Trade Policy: EU FTAs, EPAs and Africa

Dr. San Bilal

DG Trade, Brussels 7 January 2019

This presentation draws on work in progress supported by EU Horizon 2020 research and innovation grant no. 770680



*ecdpm*

Horizon 2020



project

**RESPECT = Realizing Europe's Soft Power in External Cooperation and Trade: Trade Policy and Nontrade Objectives**

Website: <http://respect.eui.eu/>

**Partners:**

**EUROPEAN UNIVERSITY INSTITUTE** (EUI, Bernard Hoekman ) = lead

UNIVERSITE LIBRE DE BRUXELLES (ULB)

UNIVERSITAT BERN (WTI)

UNIVERSITY OF SUSSEX

CENTRAL EUROPEAN UNIVERSITY (CEU)

CENTRE FOR EUROPEAN POLICY STUDIES (CEPS)

EUROPEAN CENTRE FOR DEVELOPMENT POLICY MANAGEMENT (ECDPM)

CENTRE FOR ECONOMIC POLICY RESEARCH (CEPR)

+ University of International Business and Economics (UIBE, China)

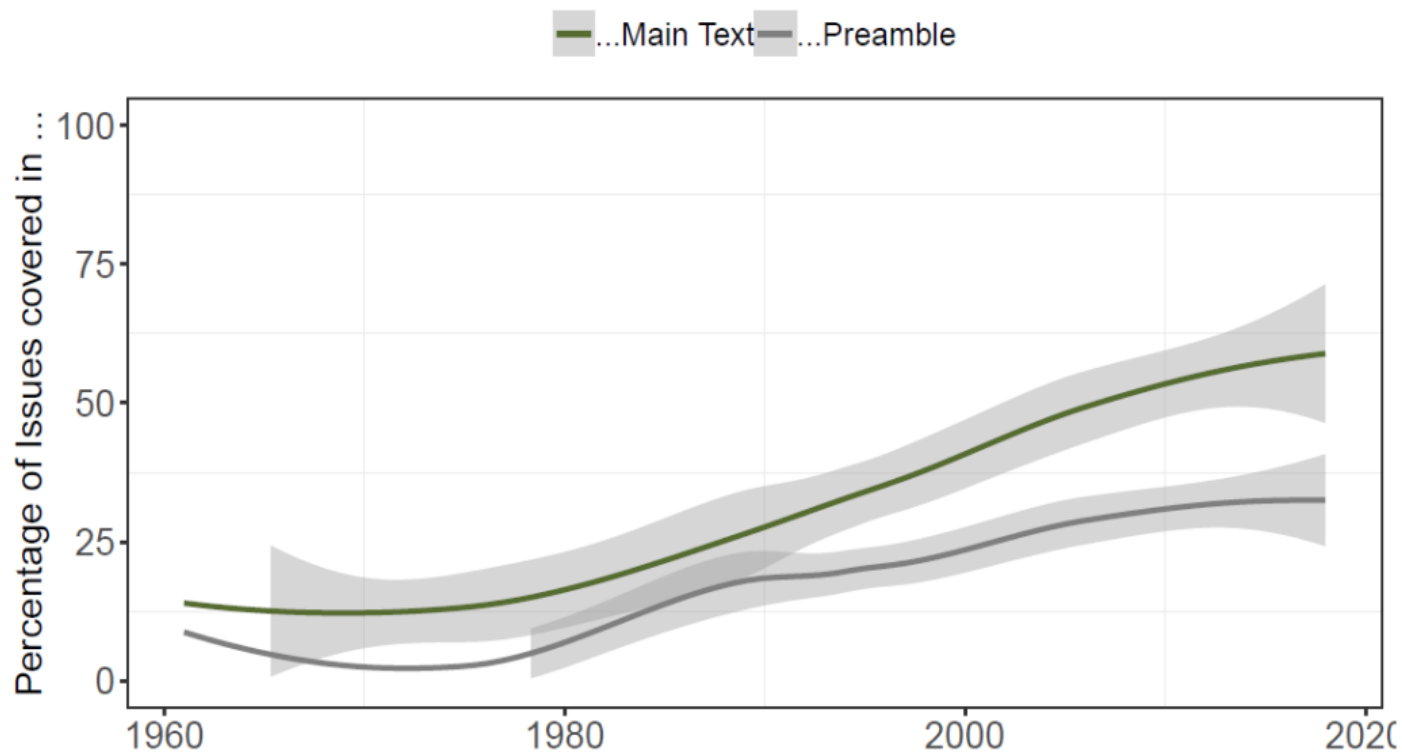
+ School of International and Public Affairs at Columbia University (SIPA, US)

The logo for the 'Respect project' features the word 'Respect' in a bold, blue, sans-serif font, centered within a yellow, arrow-shaped banner pointing to the right. This banner is superimposed over a circular blue background containing several yellow stars, reminiscent of the European Union flag. To the right of the banner, the word 'project' is written in a blue, sans-serif font.

# Respect project

- **Research question:** does EU (including member states) effectively use their soft power to realize external goals?
- Assess factors that support or inhibit the realisation of the **EU's non-trade policy objectives (NTPOs)**
- Focus on EU common external commercial policies & instruments of economic diplomacy implemented at both the EU and Member State levels
- Identify options on how to realize better the NTPOs in the formulation of trade and investment-related policies
  - Note: NTPOs include sustainable development, human rights, labour standards and environmental protection in partner countries
  - More broadly, project uses SDGs as focal points

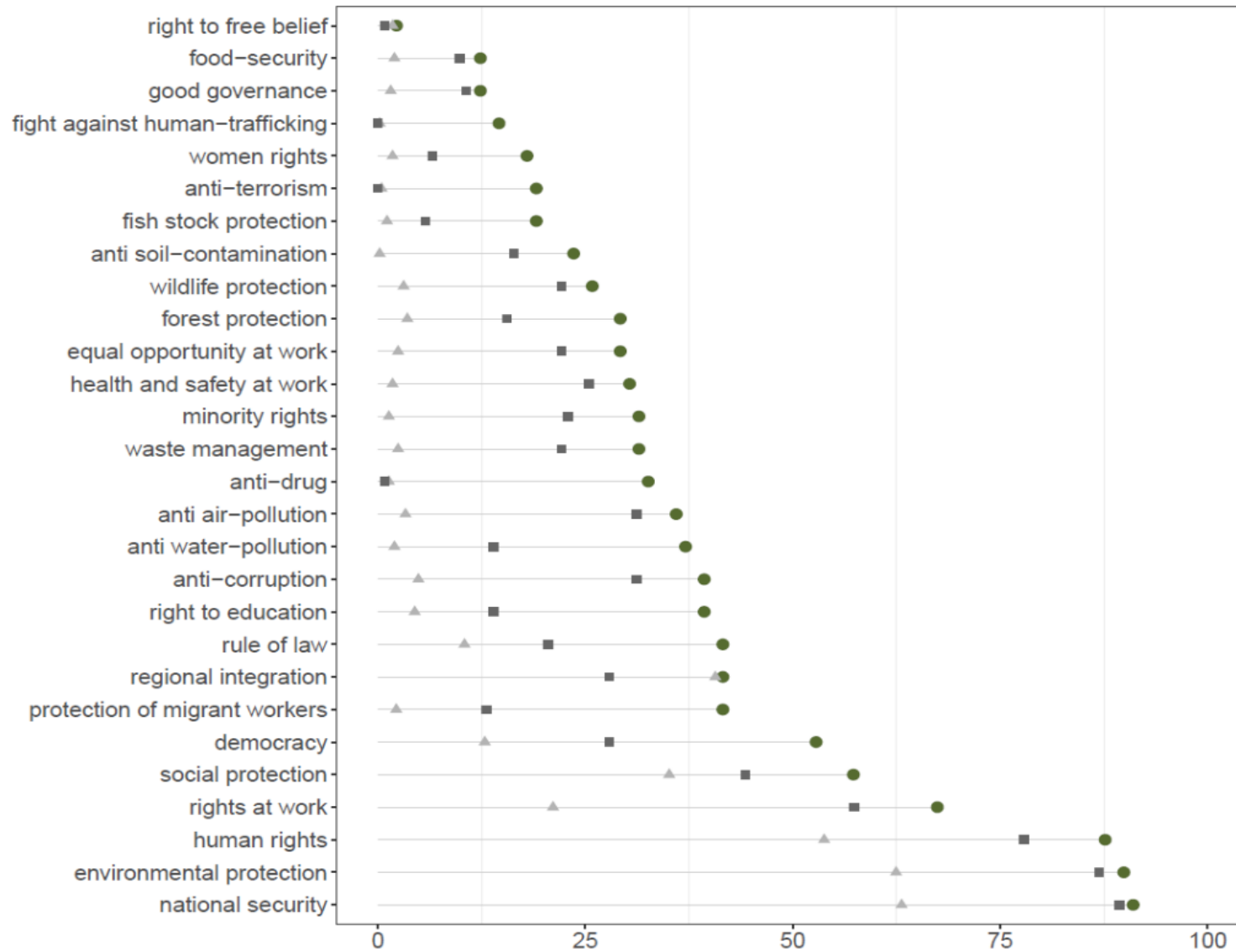
# Trend in coverage of nontrade issues in EU trade agreements



Source: Lisa Lechner, RESPECT dataset

# Issue areas covered in PTAs

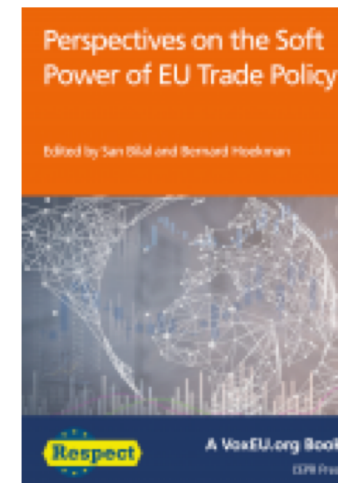
● EU PTAs ▲ non EU PTA with developing countries ■ non EU PTA with industrialized count



Source: Lisa Lechner, RESPECT dataset

# Perspectives on the Soft Power of EU Trade Policy

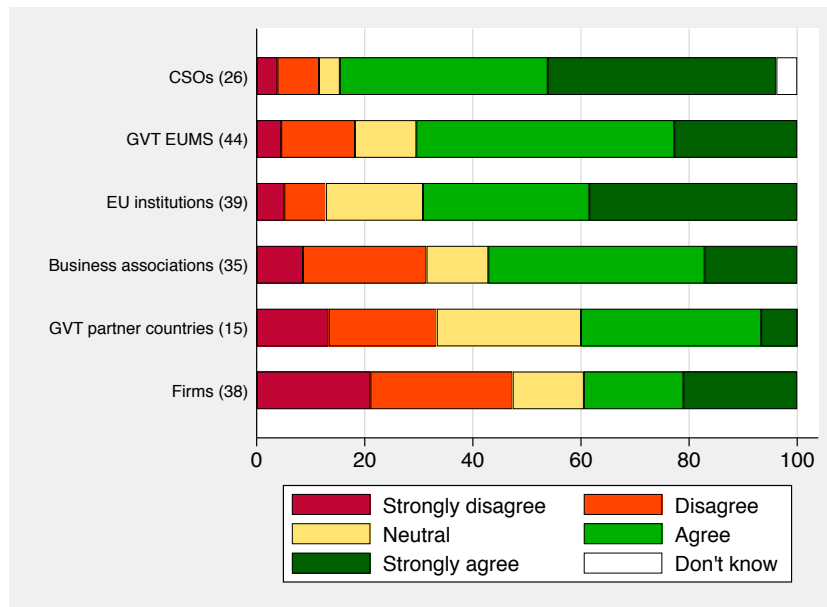
- **E-book of 20 essays** and comprehensive survey of views on trade-NTPO linkages
- **Survey** addresses **practitioners** and **expert** stakeholders
  - EU institutions, EU member state officials, NGOs, business associations, firms, non-EU government officials, think tanks, academics, trade unions
  - Based on an initial contact list and subsequent snowballing
- **400 +/- full responses**
  - Respondents from 40+ countries in addition to EU28
  - Of which about half span academics, international organization staff and think tanks
  - Around 200 responses from EU, governments (EU & non-EU), business and CSOs



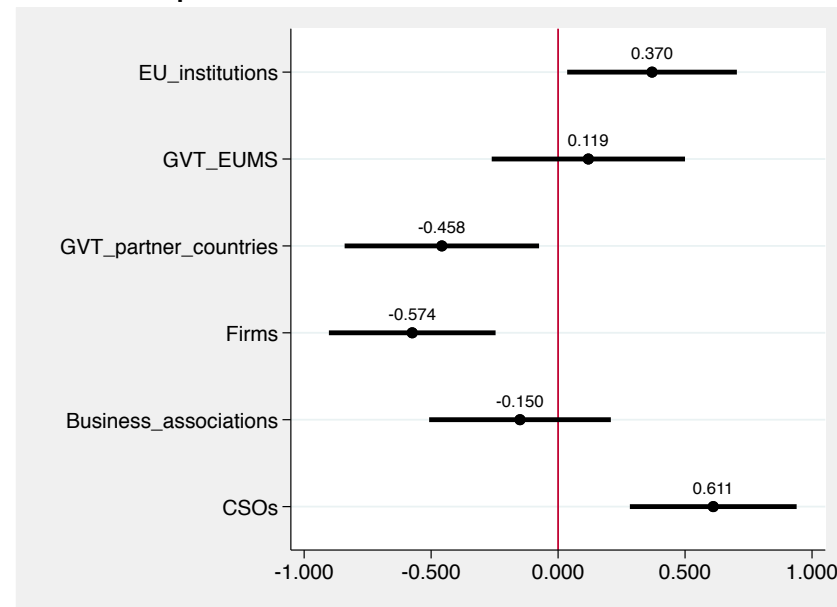
<https://voxeu.org/article/perspectives-soft-power-eu-trade-policy-new-ebook>

# The EU should make access to its markets by other countries conditional on non-trade outcomes (labor standards, environmental protection, etc.)

Note: data exclude academics & IO staff

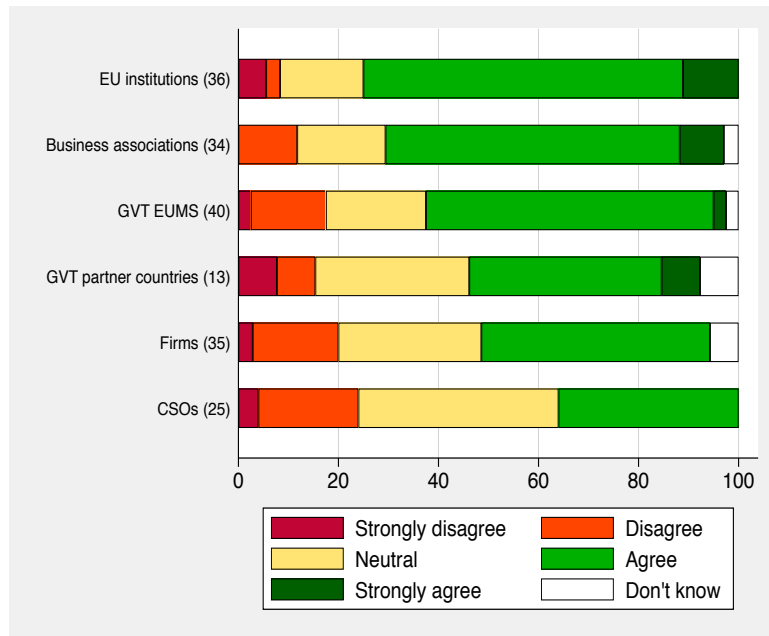


Point estimates and 95% confidence intervals from ordered probit models

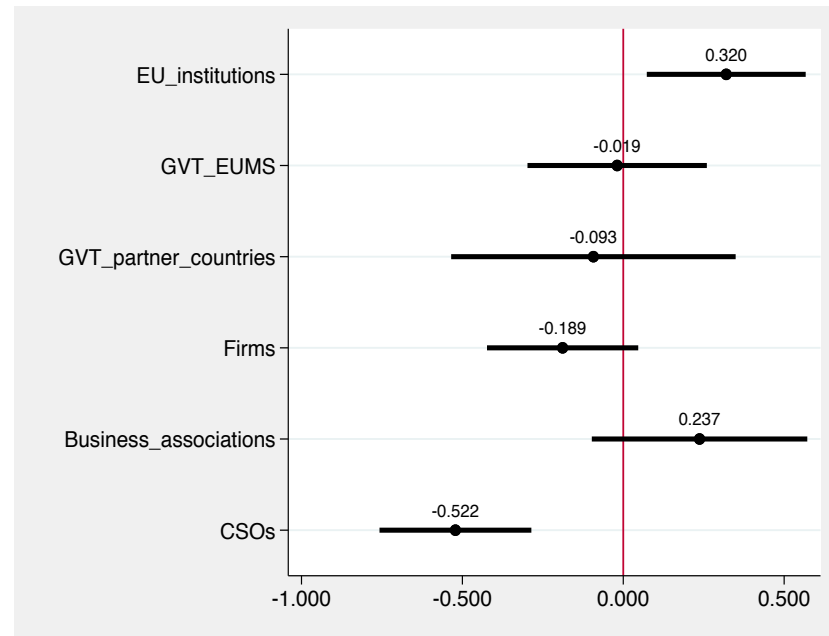


Ordered probit:  $y^* = \beta_j D_j + e$ , where D are dummies for affiliation and  $y^*$  is the conditional expectation of a latent variable measuring strength of support (using 5-point Likert scale)

# EU trade policy supports the realization of EU non-trade objectives



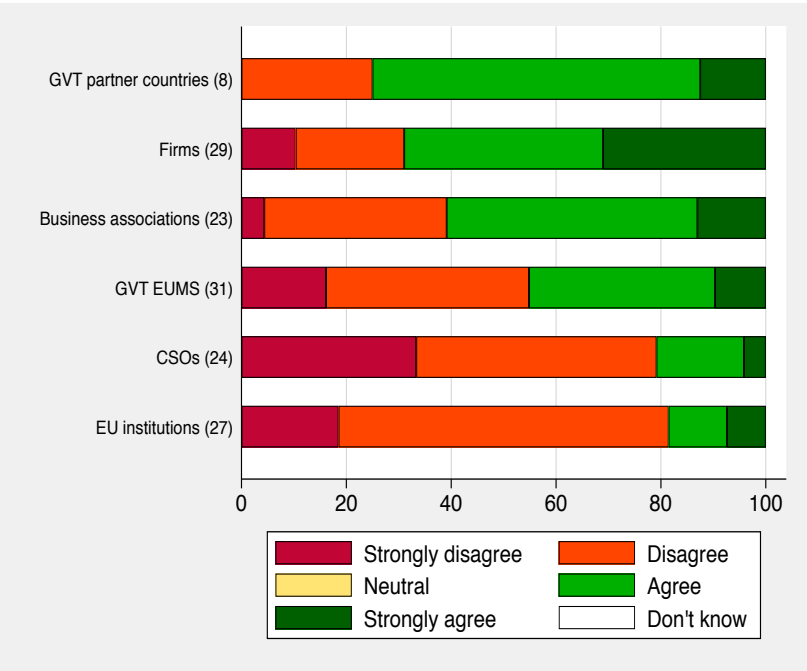
Note: data exclude academics & IO staff



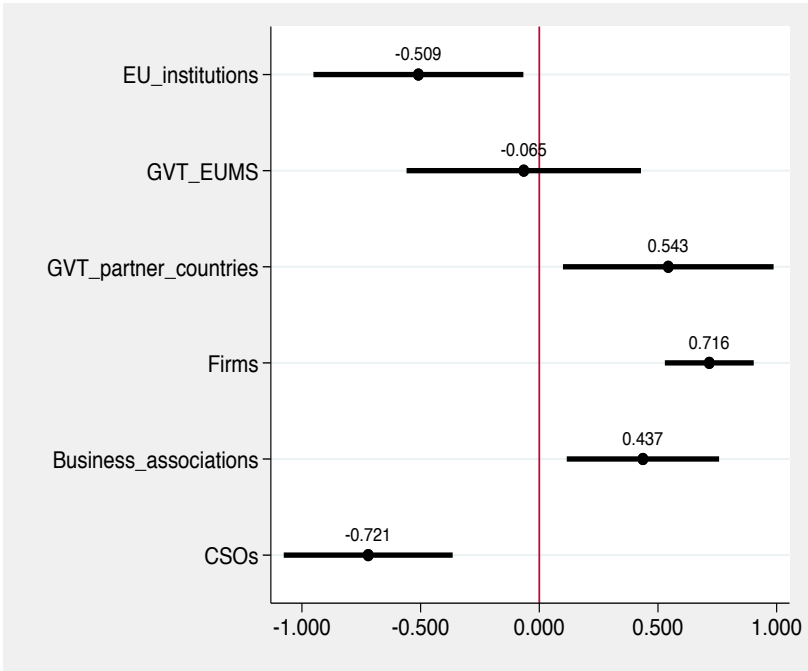
point estimates and 95% confidence intervals from ordered probit model



# Including non-trade objectives reduces effectiveness of EU trade policy

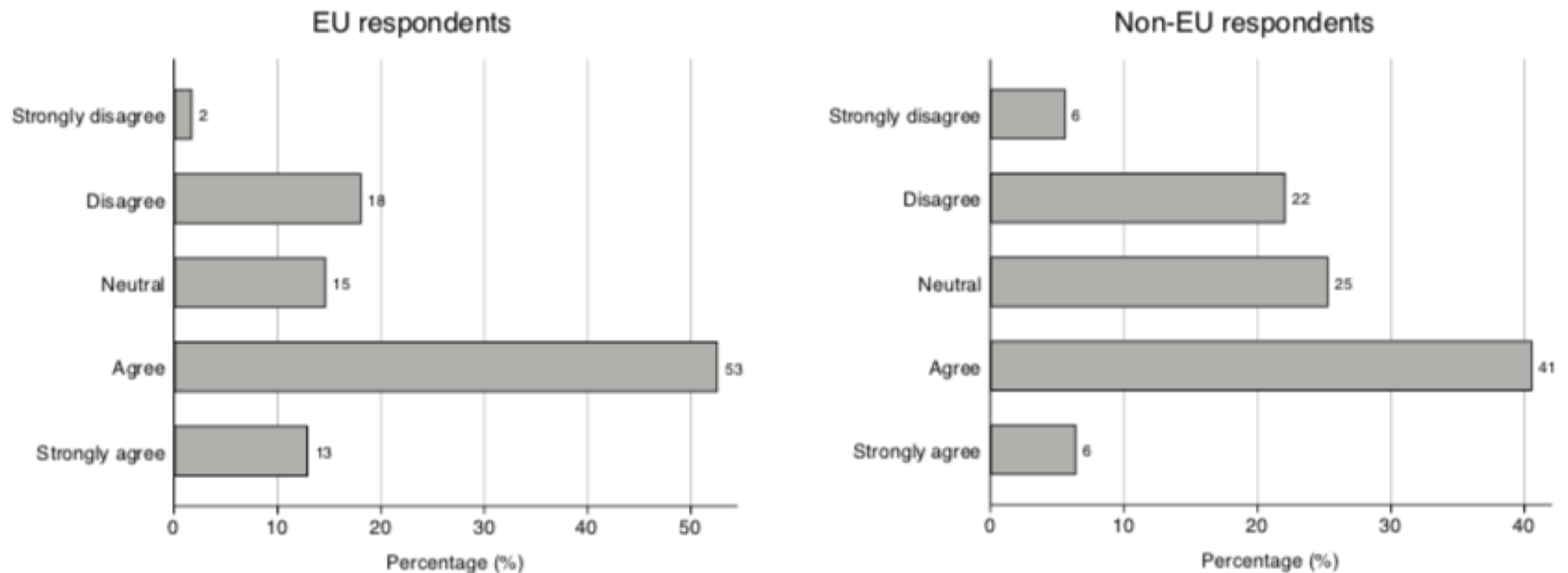


Note: data exclude academics & IO staff

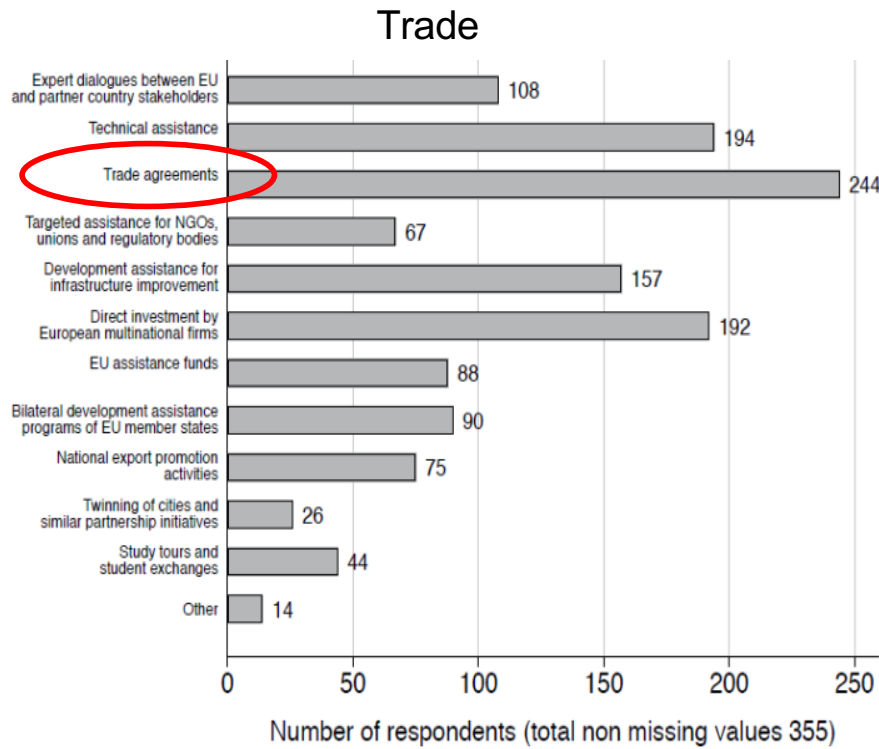


(point estimates and 95% confidence intervals from ordered probit model)

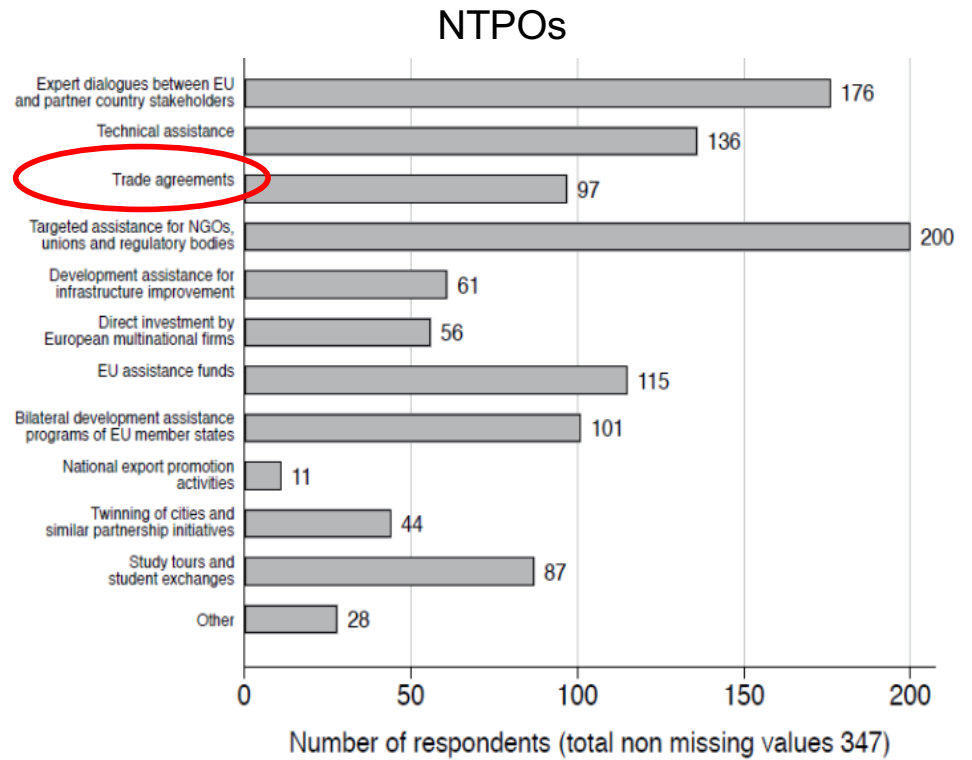
**Figure 9** The EU is serious about promoting economic development of trade partners



# Which instruments promote trade most?



# Which are best for NTPOs?



Note: data now include academics & IO staff

# EU trade and aid coherence

- **Question:** Has the EU been able to promote development objectives and some of its values, through linking its aid to its trade policy?
- Positive correlation between EU MS and EC aid allocations (stronger for France and Germany)
- mixed evidence of the complementarity between aid policy and trade policy
- Stronger alignment of EC aid with trade:
  - in potential future EU accession countries
  - EC aid to EPA particularly focused on the sustainable development objectives (not the case of EU MS aid)
- EU aid in GSP+ countries, more focused on the sustainable development objectives than for GSP countries
- More EU environment-related aid in countries with deeper environmental provisions in EU FTAs

# EPAs as EU soft power:

## 1. e-book key messages

### (a) EPA objectives:

- **Development objectives:**
  - **Stimulate domestic reforms** ACP countries
  - Foster regional markets
  - Enhance domestic competitiveness for participation to global economy
  - Promote economic diversification
  - ....
- **Maintain privilege, preferential relations with ACP**
- **WTO compatibility**



## (b) Limits of EU approach

- **Issues of coherence:**
  - EBA offered before negotiating EPA
    - Uneven EU leverage on ACP countries
    - WTO-waiver AGOA vs FTA/EPA
    - divergences within regions
  - Asymmetric perceived gains (in EU favour)
  - Trade commitments and policy space (industrialisation)
  - No quantitative restrictions in EPAs but TRQ in EU FTA
  - WTO TFA CB trigger vs. EPAs
  - AfT lack of impact focus in EPAs
  - Lack of openness on EU interests



## (c) Some lessons and recommendations

- **Too high expectations (?):**
  - On ACP capacity (also to act collectively)
  - On comprehensive agenda (WTO+)
  - On EU influence/soft power: led to ACP suspicion
  - On development argument: counter-productive
- **Emerging lessons:**
  - Importance of evidence-based trade agenda
  - Trade research & practice & training network
  - Sound appreciation of drivers and blockers: coalitions matter, ownership, African own strategies
  - global institutional landscape and initiatives matter
  - Share EU own (integration/trade) experiences

## Some ECDPM work in RESPECT

- **EPA-related AfT:**
  - Did a structured approach based on needs and political dialogue helped? The case of EPA Support Programme in West Africa (PAPED)
  - Does it help boost domestic economic reforms? AfT with other aid
- **Private sector support and trade agreements:** the case of Enterprise Europe Network
- **Trade and EU economic diplomacy**
- **EU Trade Dialogues:** DAGs and Consultative Committees
- **Greening EU trade**





# The case of PAPED in West Africa EPA

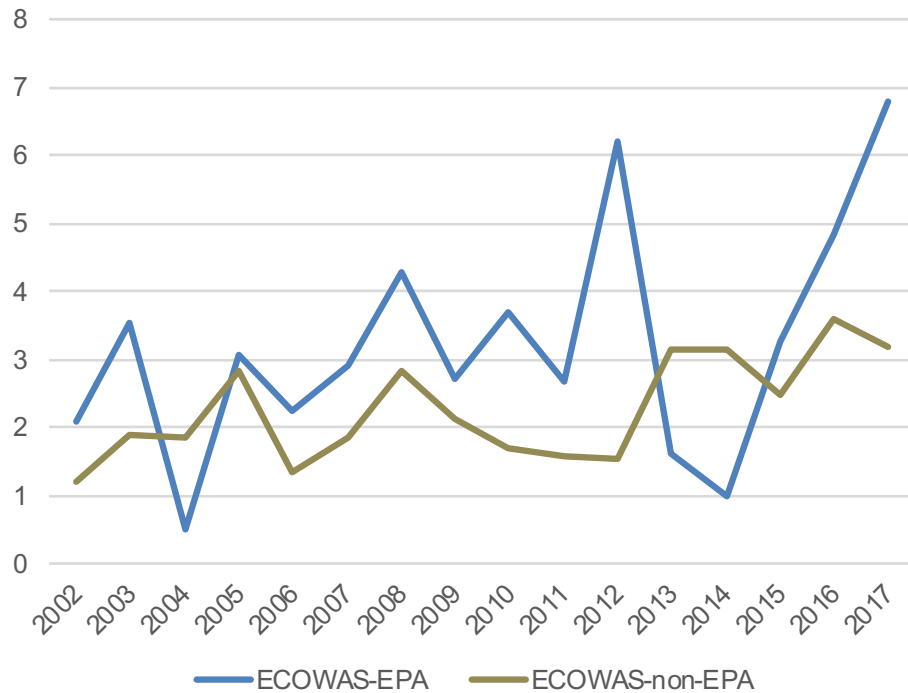
- **Rationale:** structured AfT approach, based on regional needs assessment
  - = effort to link AfT commitments to needs based on trade commitments and adjustments
- **Politics:**
  - get the West Africa agreeing an EPA
  - avoid being perceived as “buying” EPA support
  - Stimulate joint EC-EU MS approach: power issue
- **Practical challenges:**
  - Old WA unfunded projects repackaged
  - PAPED structured not along OECD DAC codes for AfT
  - EU MS programming not done regionally = inventory exercise
  - ECOWAS MS prefer bilateral to regional aid
  - ECOWAS differentiates between overall AfT and EPA-related aid



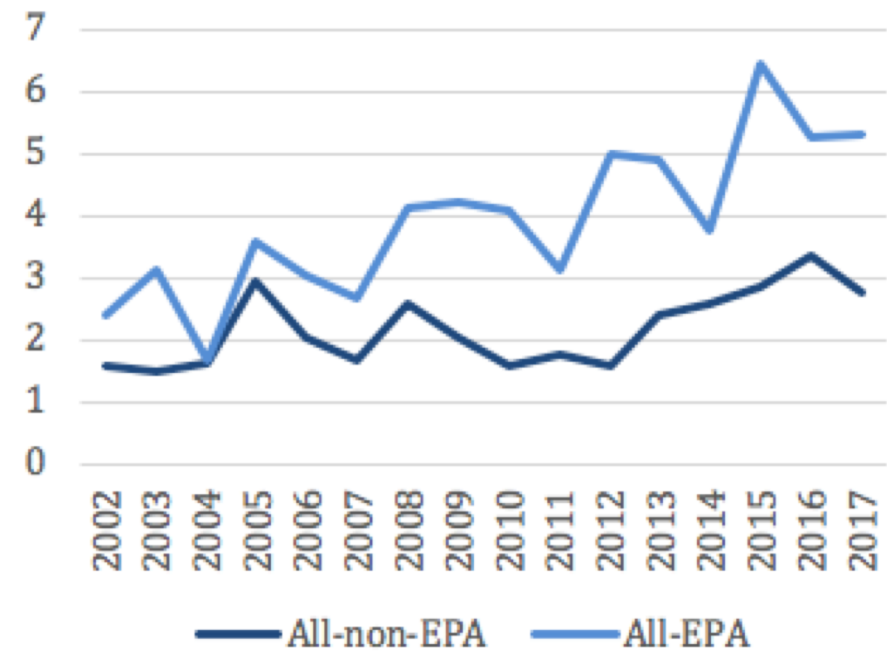
- **What impact in practice?**
  - A driver, focusing minds
  - Reference to PAPED in EPA text and in EC programming
  - Hindered flexibility and adaptability of AfT in EC regional programming
  - No noticeable impact in national programming
  - Not refer to by EU MS
  - A packaging / window-dressing exercise ?
  - More AfT to Cdl and Ghana (probably not PAPED related)

# EU institutions and member states support by EPA status (2017 constant \$/cap)

ECOWAS



Africa



Source: Compiled by Lui and Bilal (2019) from OECD CRS

# The case of Botswana 2016 EU-SADC EPA's AfT

- EU flexible approach to the EPA development needs and priorities identified by Botswana itself:
  - based on consultative processes,
  - building on domestic strategies and ownership,
  - anchored in a regional approach

= *“EU seems to have usefully exercised its soft power by linking its aid to trade priorities”*
- Challenges:
  - national-regional nexus
  - capacity constraints (financially and human resources)
  - EU has not acted collectively (most EU MS absent)

=> *“imperativeness of capacitating both domestic and regional institutions”*



# Linking trade and investment promotion to sustainability: the case of EEN

- Enterprise Europe Network (EEN), EU trade promotion and sustainable trade policy objectives:
  - = ensure that EU enterprises, including SMEs, can make the most out of growth markets outside the EU**
- **Recommendations:**
  - continue to be extended to more countries outside the EU, including Africa (e.g. synergy with SB4A)
  - seek stronger social and environmental-related criteria and support
  - Collect feedback to inform the design and implementation of trade- related policies in the EU and third countries
  - Use aid as a lever (e.g. to address capacity constraints)

# Thank you!

<http://respect.eui.eu/>

[www.ecdpm.org](http://www.ecdpm.org)

**Dr San Bilal**

Senior Executive

Head of Trade, Investment and Finance

[sb@ecdpm.org](mailto:sb@ecdpm.org)

Twitter: [@SanBilal1](https://twitter.com/SanBilal1)

European Centre for Development Policy Management



**ecdpm**  
22