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European Centre for Development Policy Management



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

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## EU external strategy in light of changing global context

- Changing context:
  - Internal shocks and pressures: Euro; Brexit; migration/refugees
    - Differences in preferences and interests within EU impact on ability to act  
E.g. opposition to deep trade agreements
  - External shocks: China's rapid growth, aggressive trade unilateralism by the USA...
- External policy traditionally trade and development focused – “soft power”
  - Trade one of the core common policies
  - Large development aid programs
- Common commercial policy complemented by national trade promotion, economic diplomacy, export credit mechanisms
- Both EU and EU member states maintain development assistance programs
- Gives rise to potential policy coherence challenges – and potential synergies

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## 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

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## Elements of RESPECT

- WP1: Taking stock of EU & Member State policies / international engagement
- WP2: Conceptualizing EU external action: policy coherence and issue linkage
- WP3: Quantitative assessments of the impacts of EU external policies
- WP4: Qualitative assessments of EU external policies
- WP5: Political economy dimensions of EU external policy strategies
- WP6: China, the USA and multilateral engagement
- WP7: Making trade work better: New approaches and modalities
  
- Consortium members: Bern University (WTI), CEPR, CEPS, CEU, Columbia University, ECDPM, EUI, UIBE, ULB, University of Sussex
- Website: <http://respect.eui.eu/>

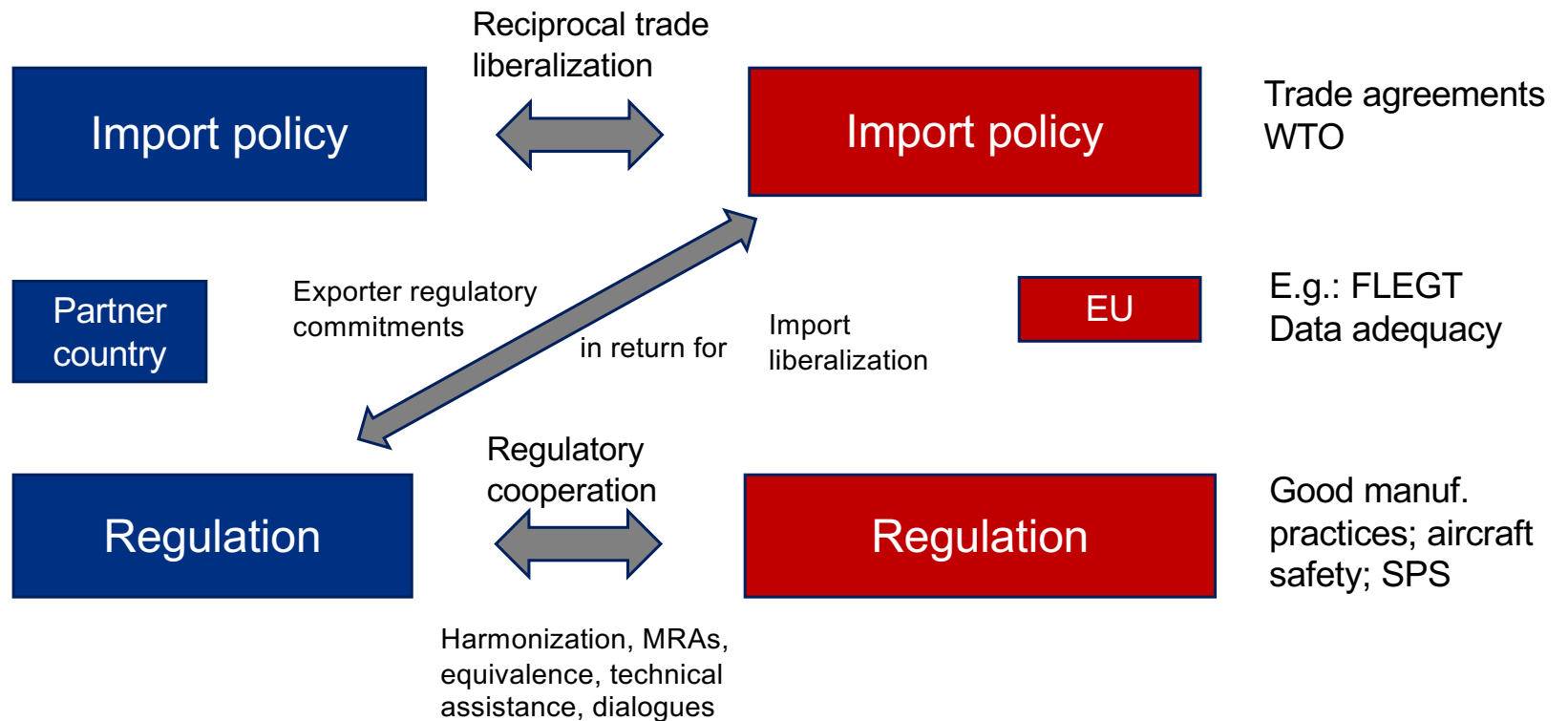
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## Core element: assess effectiveness of EU trade strategy

- “Trade for all”
- Opening foreign markets via WTO and preferential trade agreements
  - An EU-wide market access strategy & partnership to address foreign trade barriers
- Using trade and other external policy instruments to realize EU values (NTPOs) via:
  - Market access conditionality (GSP+)
  - Linking trade and nontrade policy objectives in trade agreements
  - Complemented by development cooperation & aid for trade
- Norm setting: bilateral and plurilateral sectoral regulatory initiatives
- Unilateral instruments to defend against perceived unfair competition (trade defense; FDI control; procurement...)
- National measures and mechanisms – trade promotion; export credit agencies; economic diplomacy: competition or complementary (‘policy coherence’)

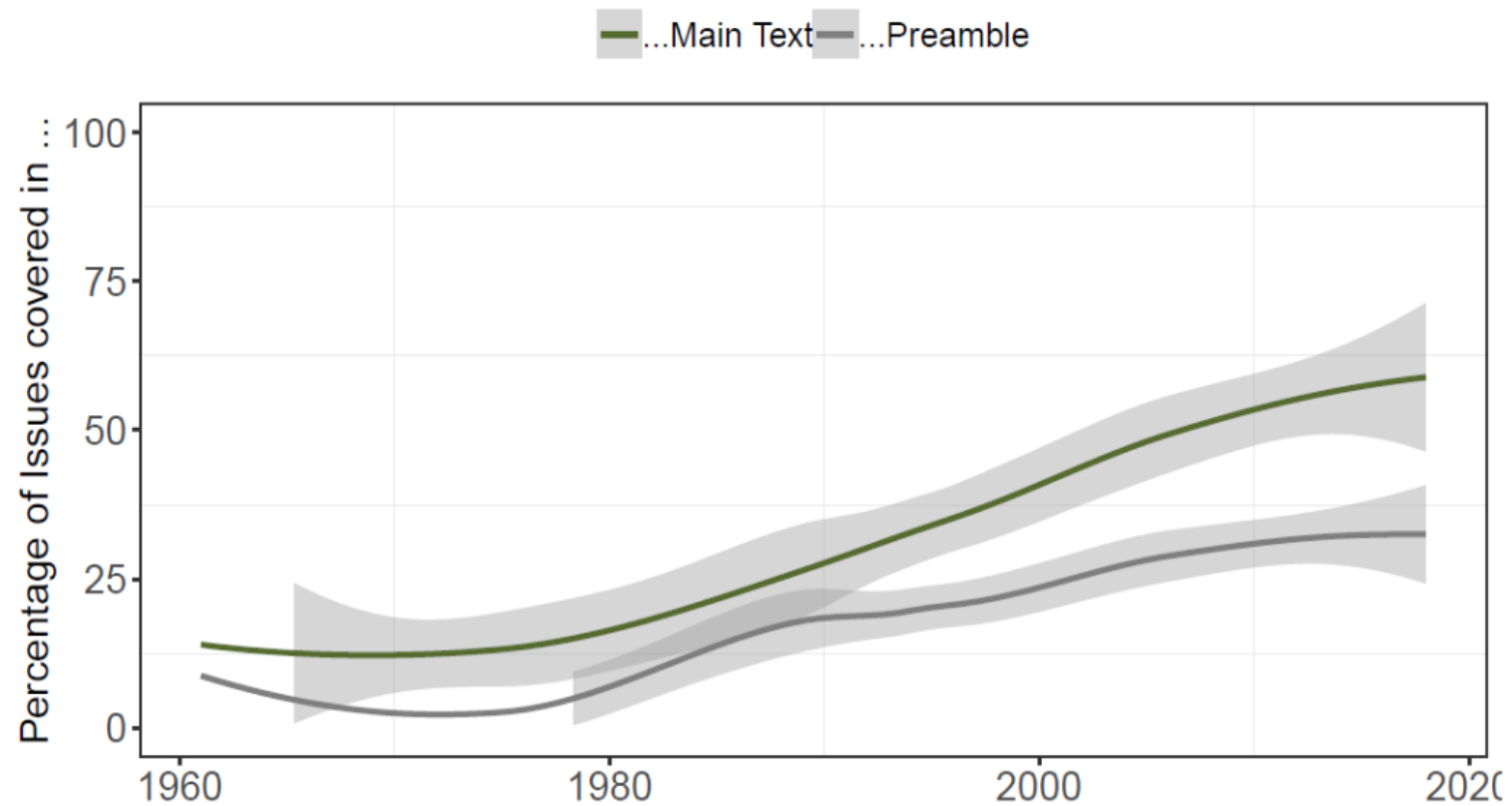
# Alternative forms of international cooperation

(We are looking for examples of (or candidates for) plurilateral regulatory cooperation)

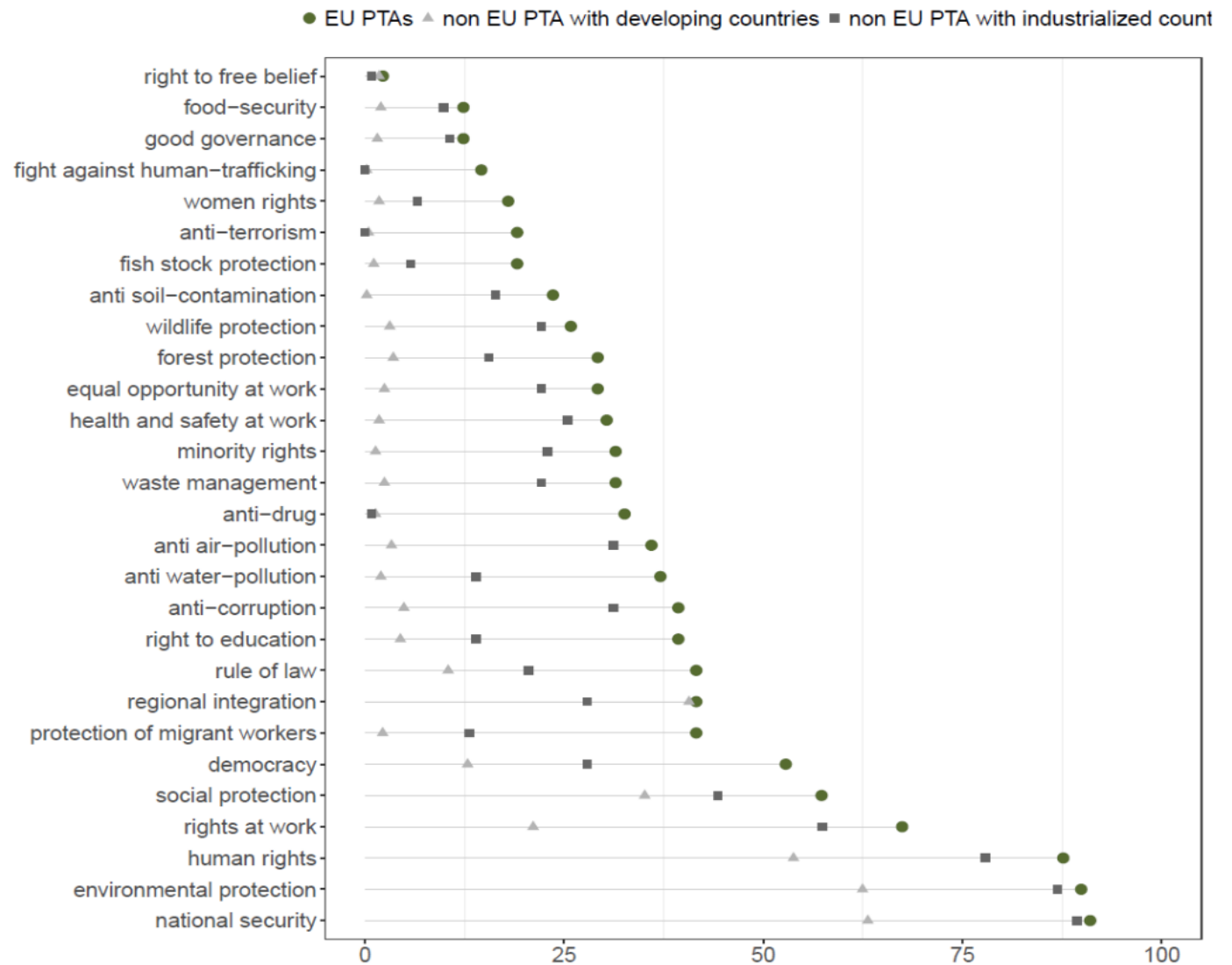


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## Trend in coverage of nontrade issues in EU trade agreements



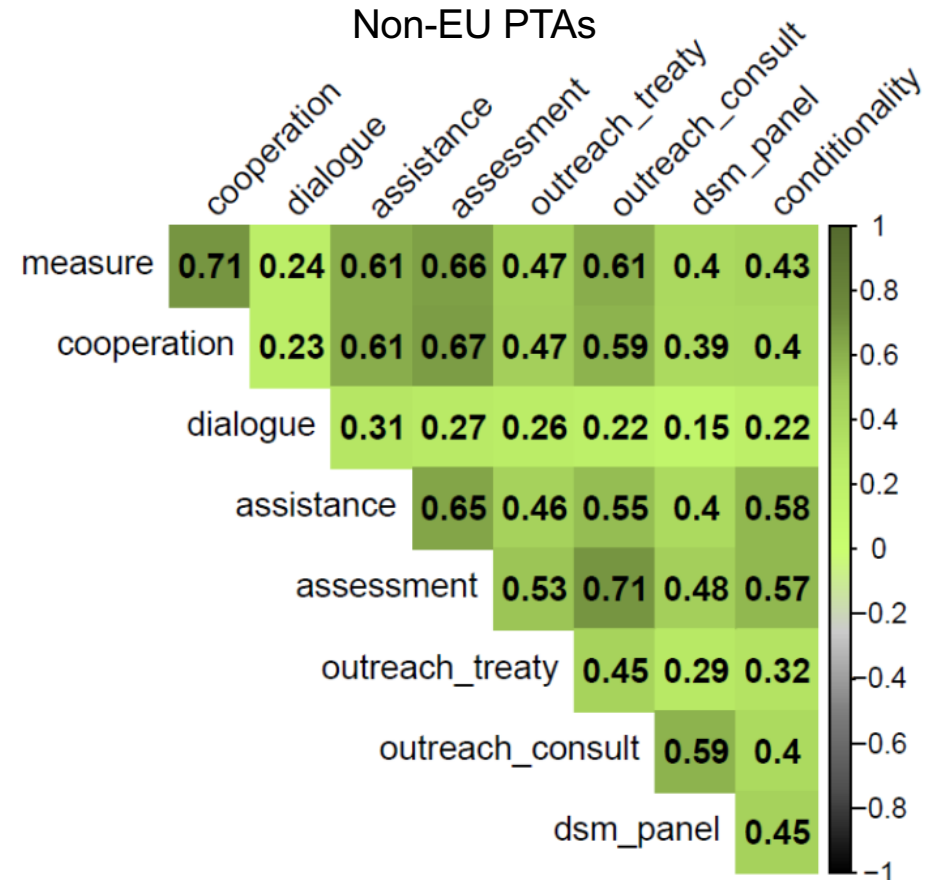
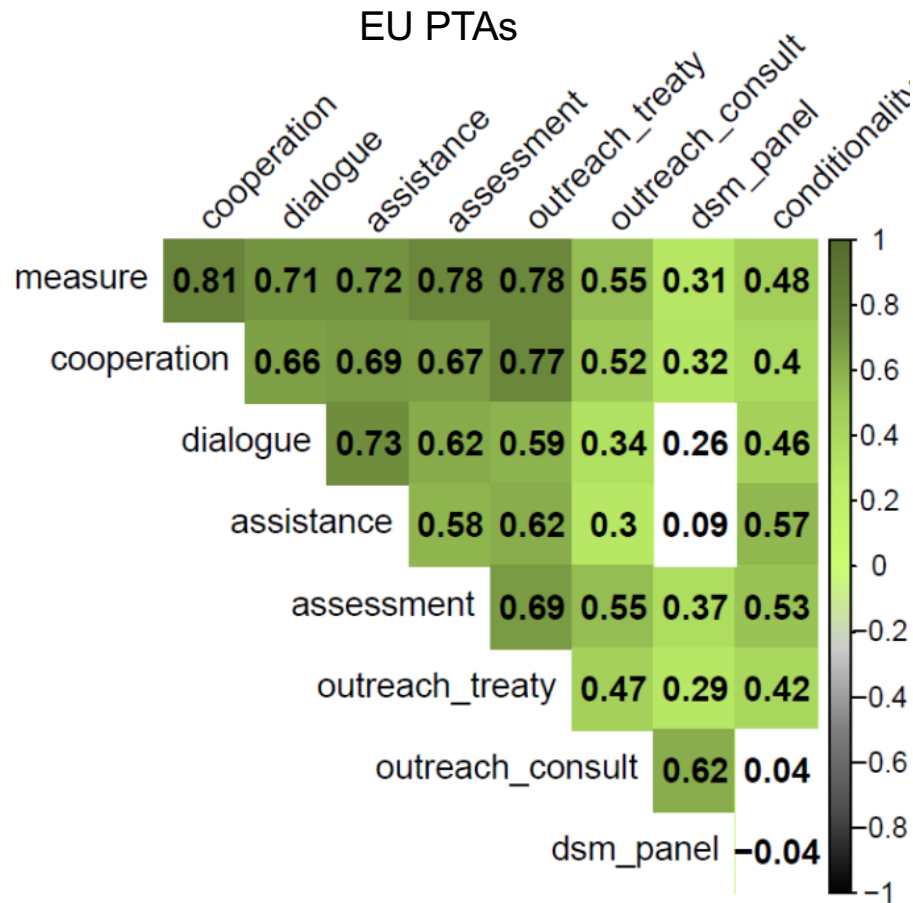
# Issue areas covered



Source: Lisa Lechner, RESPECT dataset



# Correlations across measures included in PTAs targeting NTPOs



Source: Lisa Lechner, RESPECT NTI dataset

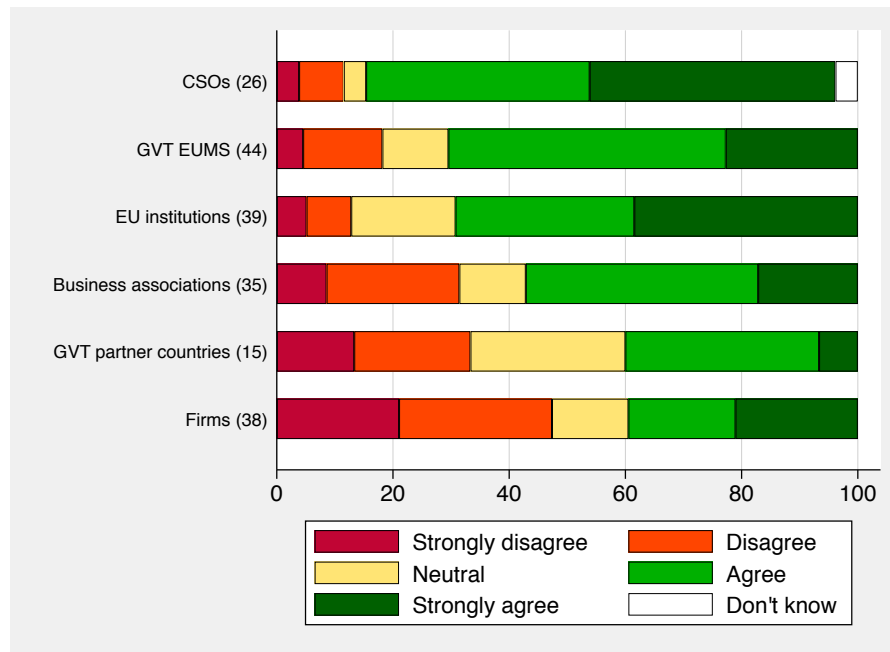
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## Perspectives on the Soft Power of EU Trade Policy

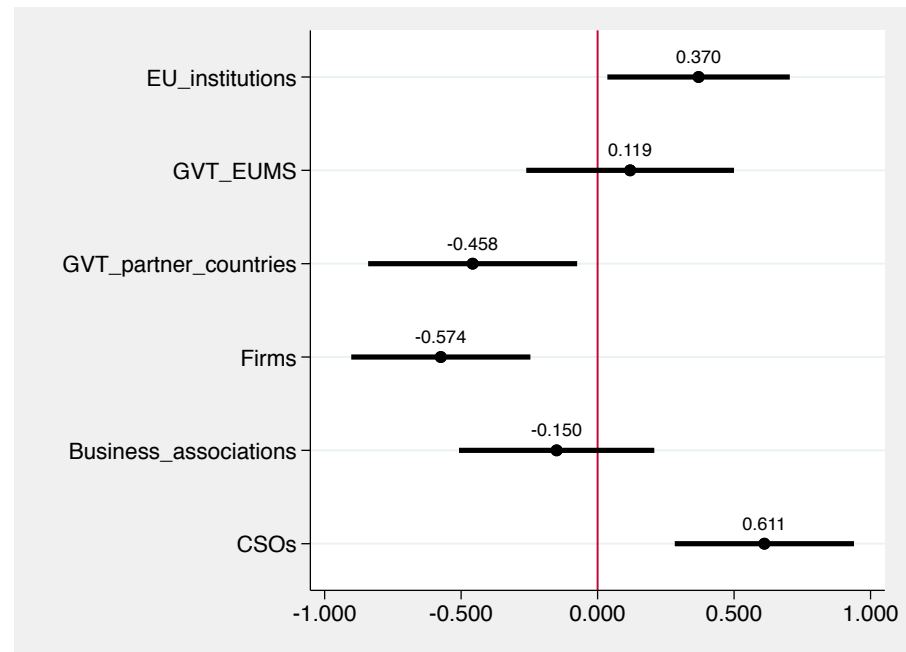
- E-book of 20 essays and comprehensive survey of views on trade-NTPO linkages
- Survey addresses practitioners and expert stakeholders
  - EU institutions, EU member state officials, NGOs, business associations, firms, non-EU government officials, think tanks, academics, trade unions
  - Based on an 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

# 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

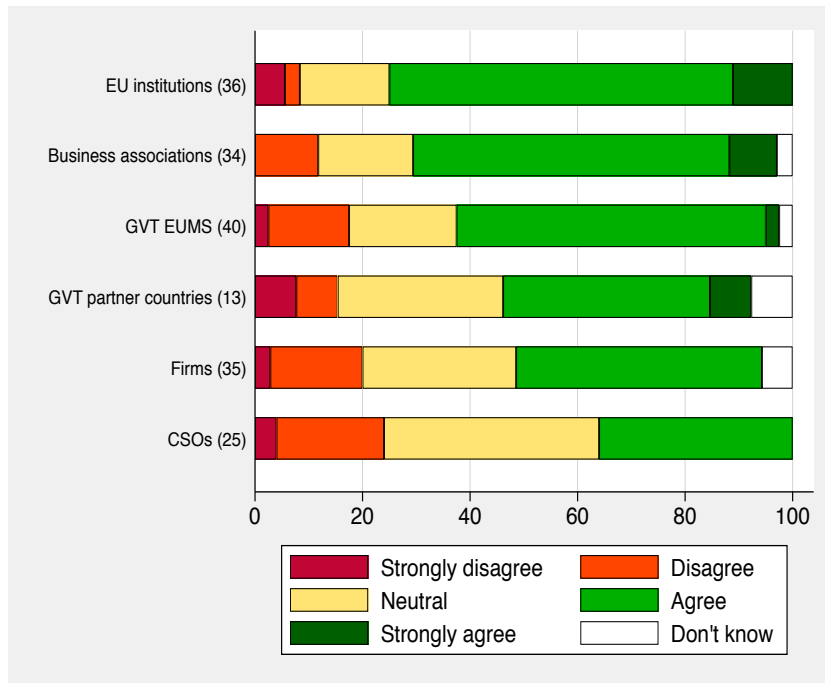


Point estimates and 95% confidence intervals from ordered probit models

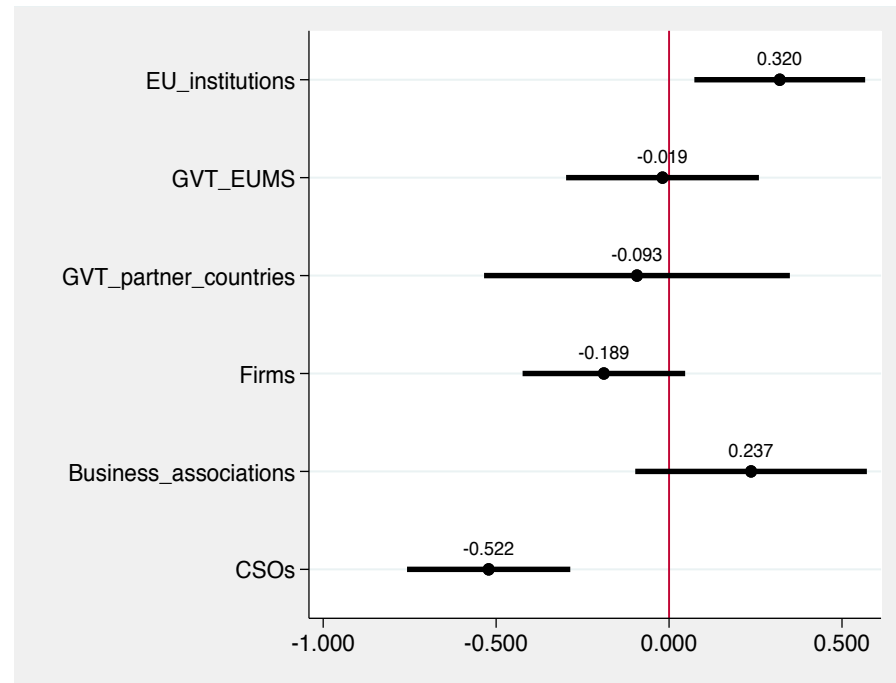


Ordered probit:  $y^* = \beta_j D_j + e$ , where D are dummies for affiliation and  $y^*$  is the conditional expectation of a latent variable measuring strength of support (using 5-point Likert scale)

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

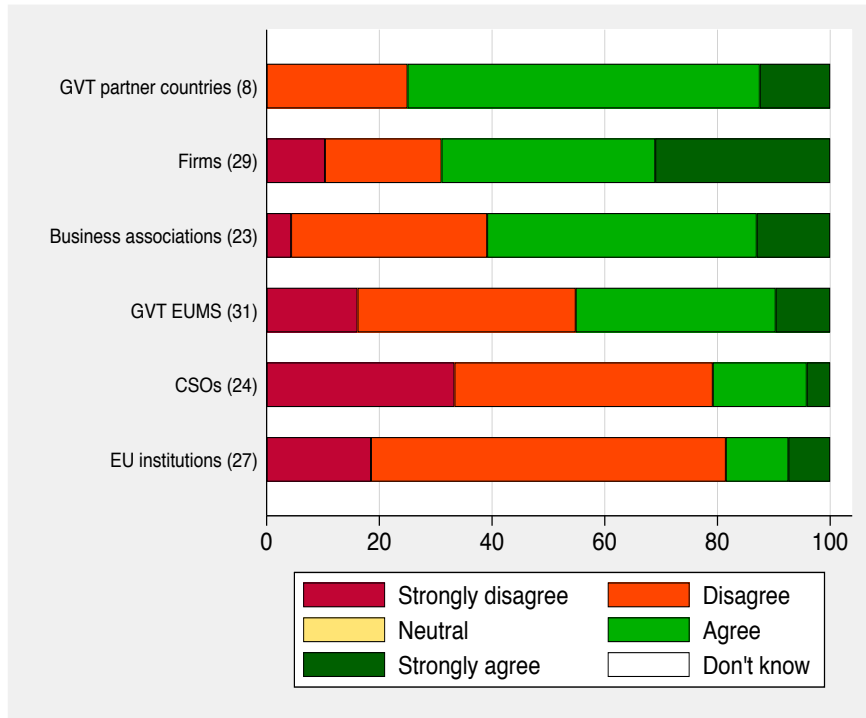


Note: data exclude academics & IO staff

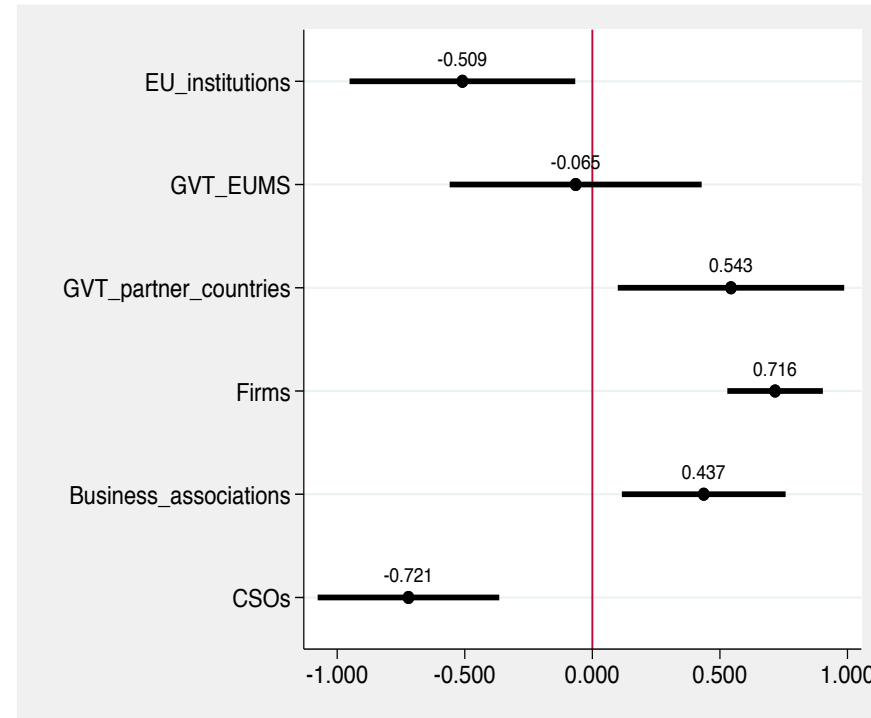


point estimates and 95% confidence intervals from ordered probit model

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

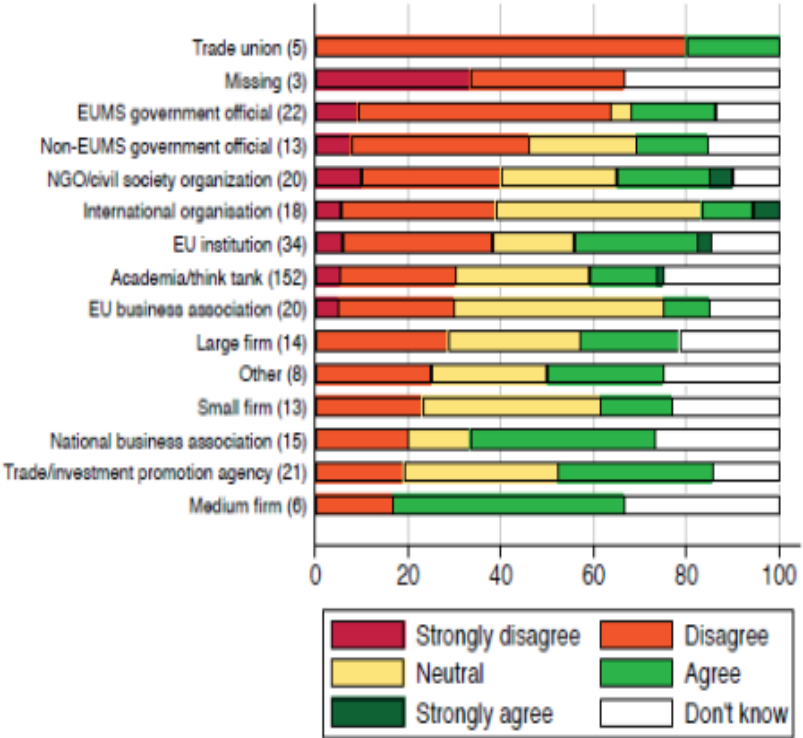
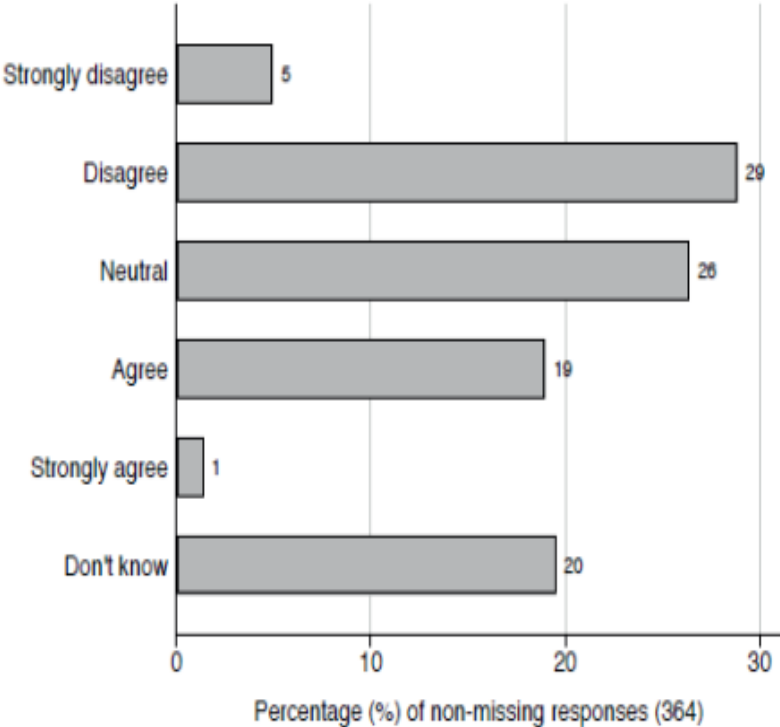


Note: data exclude academics & IO staff



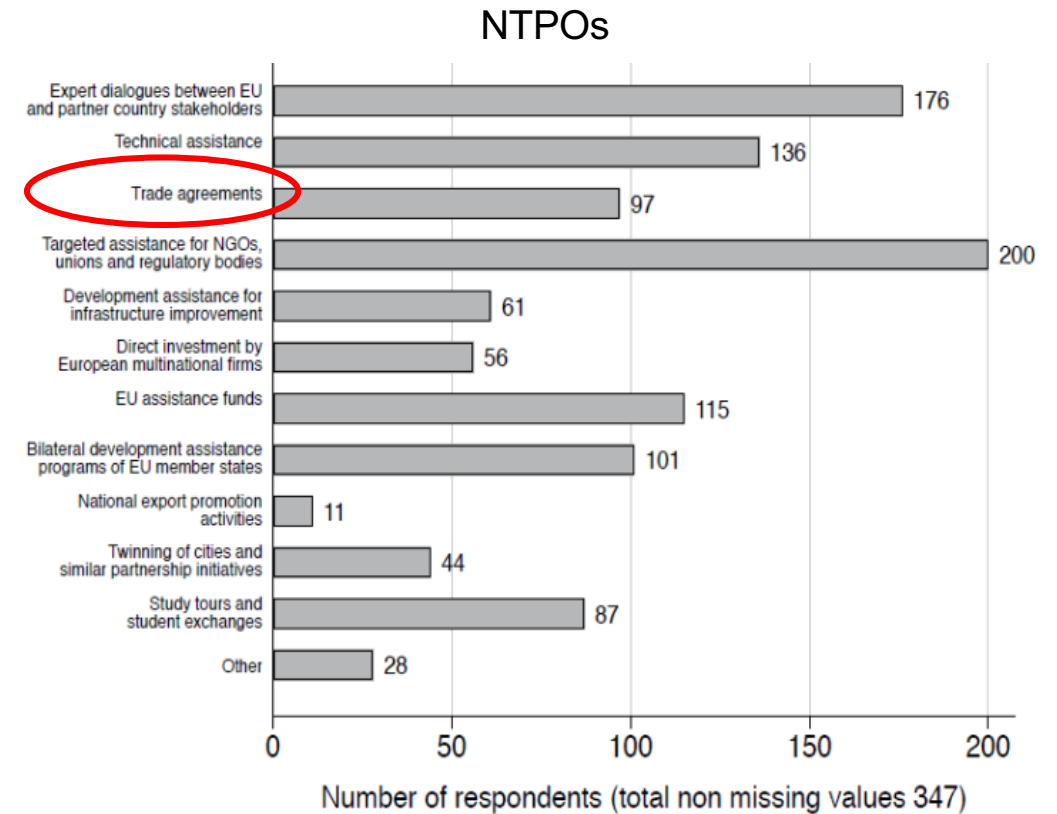
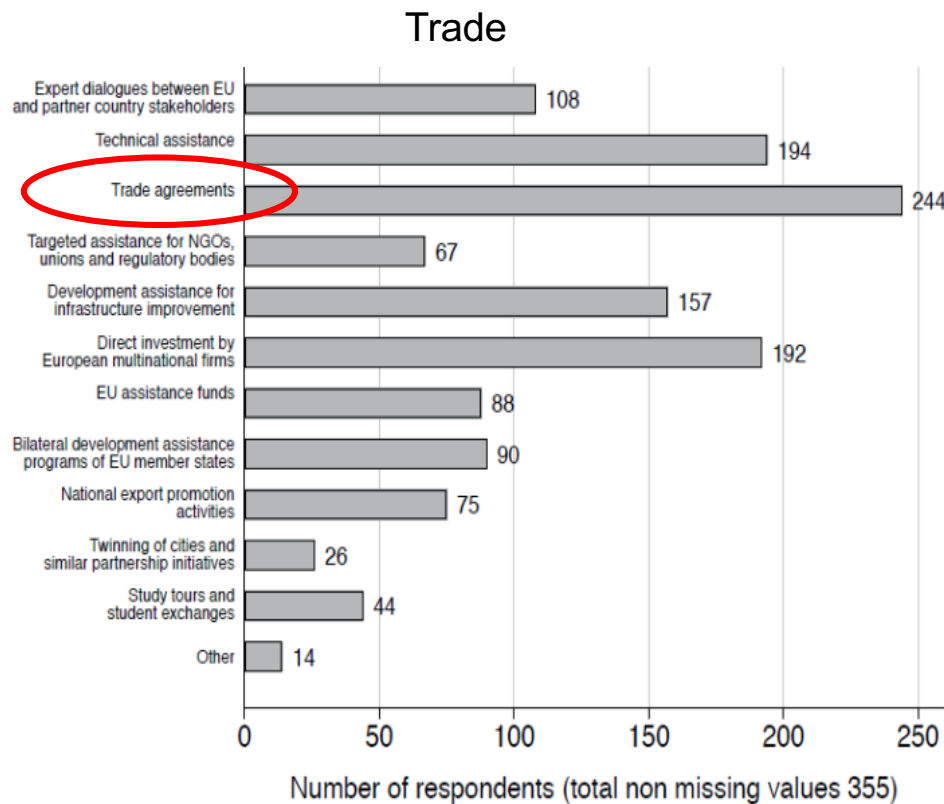
(point estimates and 95% confidence intervals from ordered probit model)

# The EU monitors how trade agreements impact on non-trade policy goals



Note: data now include academics & IO staff

# Which instruments promote trade most? Which are best for NTPOs?



Note: data now include academics & IO staff

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E-book: 4 broad themes (available at VOXEU and <http://respect.eui.eu/> )

■ **1. Strategy**

- Bi- vs. multilateral cooperation: Need more of the latter; Do more to “Walk the talk”
- Coherence between EUMS and EU – e.g., EU in G20 on Africa
- Prioritization – e.g., focus more on services

**2. Instruments**

- Support for soft law approaches – often more effective
- Promotion of voluntary (sustainability) standards
- Geographical indications; linkages between trade and innovation policy

■ **3. African, Caribbean and Pacific countries and Economic Partnership Agreements**

- Eurocentricity (lack of ownership, dialogue); inconsistency; lack of learning; coherence

■ **4. Trade and non-trade policy objectives**

- Communication; credibility (e.g., enforcement of labour standards)



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## 1. EPAs as EU soft power 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**

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## 2. 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

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### 3. 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

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## 4. Some RESPECT work ahead

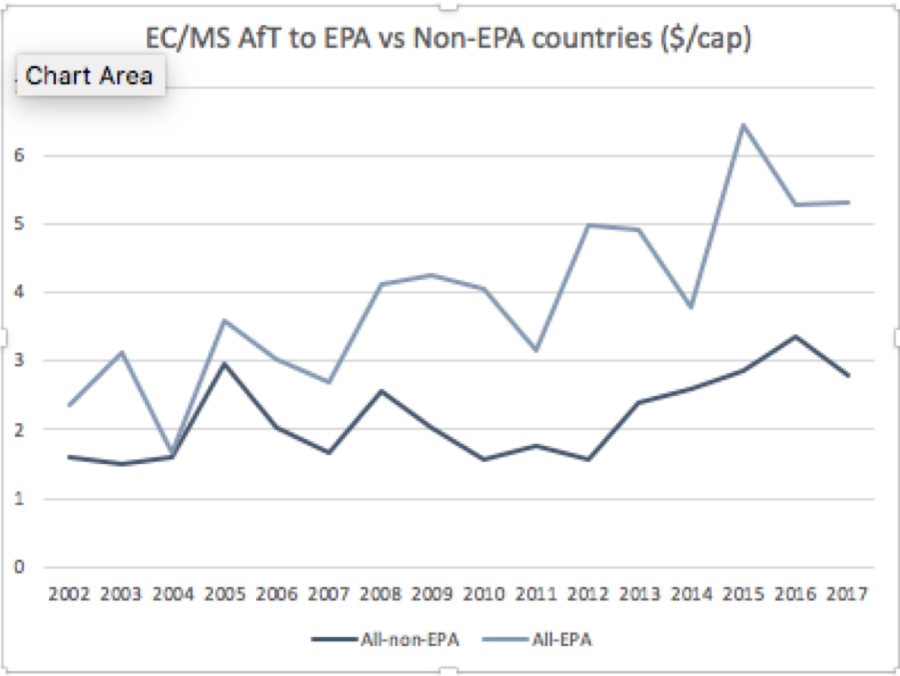
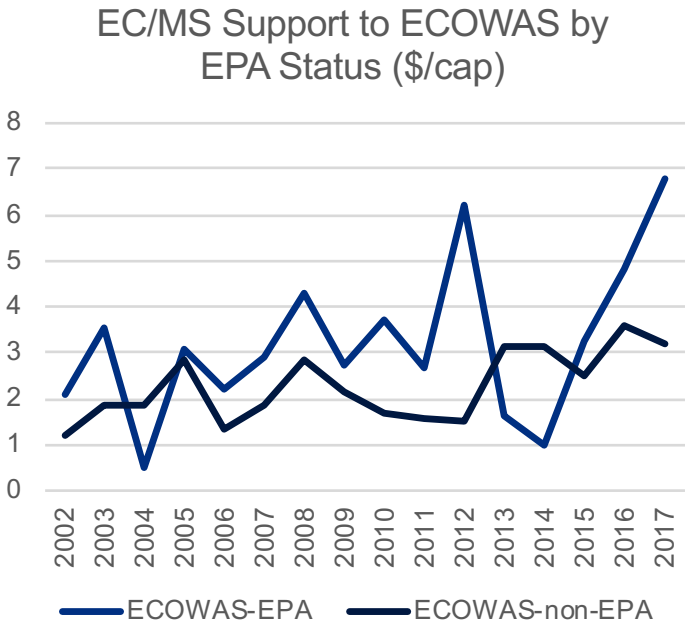
- **EPA-related AfT:**
  - Did a structured approach based on needs and political dialogue helped? The case of EPA Support Programme in West Africa (PAPED)
  - Does it help boost domestic economic reforms? AfT with other aid
- Trade and EU economic diplomacy
- Private sector support and trade agreements: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

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## PAPED

- **Rationale:** structured AfT approach, based on regional needs assessment
- **Politics:** get the West Africa agreeing an EPA
- **What impact in practice?**
  - A driver, focusing minds
  - A packaging / window-dressing exercise?

# EPA-related Aid for Trade?



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# Thank you!

See <http://respect.eui.eu/> for RESPECT outputs and updates

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# Thank you!

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