

TRADE, SOCIETIES AND SUSTAINABLE DEVELOPMENT SUSTRA NETWORK



European Governance and European public opinion on trade and sustainable development Policy Brief Paper

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INTRODUCTION

Trade policy is one of the main European policies, and the only integrated external policy. The European public debate over trade choices and globalization has developed considerably over recent years. Public opinion appear increasingly involved on trade matters, as was revealed through emblematic cases, such as the Multilateral Agreement on Investment and transatlantic disputes on hormones or GMOs.

Does the EU governance system truly translate European societal preferences and political demands into trade policy objectives? Little research work has been carried out about the interaction between EU governance and public opinion in this field.

First, the question raises important conceptual obstacles. Theoretical approaches of the relation between state and society traditionally oppose "Autonomous State theories" -rooted in a weberian tradition assuming that State's goals are somehow independent of society's pressure groups- to "Society-centered theories" -claiming that the State arena reflects the relative bargaining power of pressure groups and that government's decisions are constrained by societal forces¹.

Second, the European Union is not yet a state but a unique experience of international governance: its *sui generis* institutional model combines inter-governmental and supra-national rule making. However, the mere existence of an integrated European opinion, transcending member-states' national opinion and expressing itself through an emerging European Political Space is far from being established.

This Policy Brief intends to contribute to the understanding of interactions between public opinion demands on sustainable development and the EU decision-making on trade; it also

suggests directions for improving the political legitimacy of the European Trade policy.

EUROPEAN OPINION TRENDS ON TRADE POLICY AND SUSTAINABLE DEVELOPMENT

European public opinion remain deeply rooted within national frameworks. Nevertheless, converging trends can be identified in the attitudes of European public opinion towards trade policy and globalization.

First, European opinion polls reveal common features across national opinion's attitudes towards the stakes of globalization - taken as a proxy for trade policy objectives-. These include: (1) a wide acceptance of the principle of openness and globalization; (2) a demand for political control over globalization trends; (3) the expectation that the EU plays a leading role in shaping globalization; (4) a call for more democratic control over European policies².

Second, within the framework of the 133 Committee³, an increasing convergence may be detected in member-states' positions on EU trade policy. While the scope of trade issues legally eligible to qualified majority voting has steadily widened (with the Amsterdam and Nice Treaties), unanimity remains the main decision-making practice of the EU Council on trade.

Third, in spite of their diverse attitudes toward trade and globalization, a significant degree of convergence can be found in the political demands conveyed by European NGOs promoting regulatory and sustainable development objectives through trade policy⁴ (as, for instance: access to medicine, environment, poverty reduction).

Yet converging trends in European public opinion must primarily be interpreted in the light of national political contexts². Public opinion perceive the European and global institutions as a continuation of national Governments. The national level thus acts as a screen, filtering the relations between European institutions and public opinion.

Important variations to the average European consensus acknowledging the opportunities of trade and globalization can therefore be found in national public opinion. For instance, Belgium, Greece and France opinion reveal important reservations towards the benefits of economic openness. Split opinion toward globalization are also found in Sweden, Austria and Spain².

Within the “new member-states”, public opinion attitudes toward globalization are not clearly defined. The experience inherited from their EU accession process may significantly shape their future attitude toward European trade policy. Against this backdrop, the general perception of free-trade is expected to be positive in Central and Eastern European countries: the rise in their trade with the EU came with very little social protest, in spite of painful adjustment costs resulting from trade liberalization. The transition process remains unfinished and leaves room for further trade creation and investment. Nevertheless, difficulties could develop in some sectors of the new-members’ opinion. The heavy structural adjustment anticipated in the Polish agriculture will grant a determinant role to the reforms of the Common Agricultural Policy (CAP). In some countries, a deep-rooted nationalism may also turn to social protest against foreign capital and investors, considered as a new form of foreign domination on their economy⁵.

DEMOCRATIC GAPS IN THE EUROPEAN TRADE POLICY DECISION-MAKING

Under the current framework, the EU governance architecture may not fully meet opinion’s demands for democratic control over trade policy. Several distortions affect the transmission channels linking EU public opinion with EU institutions.

First, the democratic control over trade policy relies mainly on national governments. However, the political debate on trade policy usually remains weak in many European countries. The intervention of the national level may sometimes blur the public opinion’ perceptions of the decision-making: national governments may be tempted to use the EU level as a “scapegoat” to their own domestic political responsibilities; the compartmentalization of national government responsibilities may impact some trade policy decisions, since discrepancies are sometimes reported between different formations of the EU Council of Ministers⁶.

Second, at the European level, parts of the public opinion may confusingly perceive the location of competences and respective institutional responsibilities in the trade decision-making. A

progressive transfer of power from the member states to the Commission has substantially improved the efficiency of the EU decision-making on trade policy. The Commission (DG trade) has developed an autonomous capacity for assessing economic interests of the EU and of its member-states. Successive EU enlargements and the extension of majority voting provide more leeway to the Commission against member-states’ individual positions. Insiders therefore suggest that the 133 Committee de facto became a mere advisory body to the DG Trade.

But the increased decision-making efficiency was gained at the expense of a more fragile democratic legitimacy of the EU trade governance. Due to the member-states’ opposition to increasing the EU parliament’s powers on trade, the strengthening of the Commission came without counterbalances. Although the Commission has developed a practice of consulting the EU parliament on trade -both to improve its internal political legitimacy and to strengthen its negotiating efficiency- its lack of legal accountability to the European elected body deepened a democratic deficit.

The Constitutional Treaty for Europe⁷, if ratified, will entail a radical change by granting important new powers to the European Parliament. These include: (1) a full co-decision competence on autonomous trade policy legislations (such as the Generalized System of Preferences (GSP) or antidumping); (2) equivalent rights to the Council for information on the negotiations; (3) a legislative approval of international trade agreements. However, the approval of the Commission’s negotiating directives (*i.e.* “the mandate”) will remain with the Council.

Third, the influence of NGOs on the EU trade policy⁸ is acknowledged but remains hard to evaluate⁹. The Commission practice recognizes them “a voice but not a vote”, *i.e.* not a substitute to any democratically designated bodies. According to some Commission’s officials, the panel of NGOs represented in the dialogue with the Commission may otherwise acknowledge some built-in biases: (i) the more resourced NGOs may be more influential since they can carry stronger technical expertise on trade and sustainable development; (ii) NGOs promoting a reformist vision of trade policy are naturally more involved in consultations than radical opponents to trade liberalization; (iii) Brussels based NGOs may be more frequently consulted, for practical reasons.

THE CHALLENGE OF SUSTAINABLE DEVELOPMENT FOR EU TRADE POLICY

The EU trade policy explicitly tries to meet perceived political demands of the public opinion on sustainable

development. The EU Council's negotiating directives¹⁰ for Seattle and Doha WTO conferences underlined the need to "ensure that an appropriate balance between the further liberalization of trade and the strengthening of multilateral rules contributes toward sustainable development environmental protection, social progress, the reduction in poverty and consumer health." The Council also asked to "ensure that trade liberalization promotes sustainable development and addresses the concerns of civil society". The twin objectives of promoting liberalization and strengthening regulation became the backbone of the European approach to "harnessing globalization". However, these stated objectives suffer some built-in ambiguities and shortcomings that may negatively affect their legitimacy in the eye of public opinion.

A first legitimacy challenge relates to the implementation objectives of "strengthening multilateral rules" for sustainable development. The European priority to negotiating the "Singapore issues" (aiming at new WTO rules for investment, competition, trade facilitation and transparency in government procurement) was for instance rejected by many NGOs, who viewed it as a liberalizing rather than a regulating objective⁴. Some critics argued that regulatory objectives should aim at subordinating the WTO trade rules to the UN rules, especially in the field of human economic and social rights. At any rate, the European agenda for strengthening WTO rules has suffered major setbacks since Doha. Most WTO members opposed the EU proposals to link trade and labor standards (Doha 2001), grant observership status to the Multilateral Environment Agreements (Cancun 2003), or negotiate the Singapore issues (Geneva 2004).

A second legitimacy challenge stems from the social impact of the European trade policy. The EU council asked the Commission to better articulate the ILO core labor standards and the WTO rules, but the issue was essentially dropped from the WTO agenda in Doha, due to the developing countries' opposition. Moreover the economic rationale for linking trade liberalization and social standards remains debated¹¹. On the other hand, the EU level is not empowered to cope with the social consequences of its trade policy. The European governance thus faces a politically damaging asymmetry between its trade and social competences: while Europe has the power to liberalize, it cannot handle the challenges to the European social model stemming from its trade policy.

A first example applies to jobs displaced by trade liberalization. The EU level of governance has no

specific and subsidiary social instrument, comparable to the US "Trade Adjustment Act"¹², to compensate the social costs of trade liberalization and production restructuring. These costs are now exclusively borne by the generic social regimes of the member-states¹³.

A second example involves the status of Services of General Interest in the GATS¹⁴ negotiations. While the EU constitutional Treaty acknowledges the importance of these services for social and territorial cohesion, the EU has no full-scale legislative framework regulating essential services¹⁵.

A third legitimacy challenge relates to the impact of the EU trade policy on developing countries. Inconsistencies are detected between trade and other European policies. It is argued that the historical aid and trade preferences under the Lomé conventions may have had negative effects for the development of beneficiaries, since they were decoupled from the implementation of viable domestic reform agendas¹⁶. The adverse impact of some aspects of the EU trade and agricultural policies on developing countries is commonly denounced¹⁷. Therefore, the EU trade policy should avoid overselling the benefits of trade liberalization for developing countries since these benefits can only be reaped under specific economic conditions and a consistent policy mix¹⁸.

INCREASING THE LEGITIMACY OF EU GOVERNANCE ON TRADE AND SUSTAINABLE DEVELOPMENT

(1) *Strengthening the EU parliament's political scrutiny.* The constitutional treaty would nearly place the EU parliament on a par with the Council'. Yet the Doha Development Agenda and others major agreements (Mercosur) stand a chance to be concluded before any possible entry into force of the treaty. Building on the current Commission practice, the Council and Commission should anticipate the implementation of the future treaty by systematically requesting the political approval of the EU Parliament on trade agreements and major trade decisions.

(2) *Transparency and consultations with public opinion.* The drafting of the Commission negotiating directives is considered a key moment for wide consultations of civil society constituents and NGO representatives. One challenge for the Commission is to achieve a sufficient diversity of NGOs participating in the consultation processes : supporting the development of NGOs capacities in the new member-states may be needed in that regard. Reciprocally, the NGOs need to better guaranty their own transparency and representativeness.

(3) *Strengthening the national political debates on trade.* The member-states' role in the 133 Committee has evolved in the EU-25. Throughout successive enlargement, the member-states have lost grip on the technical and tactical aspects of the negotiations run by the Commission. Their essential role now relies on their capacity to ensure the democratic control of the EU negotiating strategies. So a healthy political debate at the member-states' level remains crucial to the legitimacy of EU decisions making on trade. However, the rise of the European powers on trade policy tends to take the issue off national policymakers' agendas. The initiative of the "Trade and Investment White papers" of the UK Government¹⁹ may thus provide an interesting example of an effort for political remobilization of the national level on the European trade agenda.

(4) *Renewing the European approach to global regulation.* The Doha Development Agenda may now be considered a lost opportunity for widening the WTO role on sustainable trade rules. Alternative regulatory avenues thus need more consideration from the EU trade policy : bilateral and regional trade agreements (the Environment and Labor Standards chapters included in the recent US bilateral trade agreements -Jordan, Morocco- may provide interesting precedents), good business practices, and NGO/Corporate partnerships²⁰.

(5) *Reconciling trade liberalization and the European social model.* The inability of the European governance to cope with the impact of trade liberalization on the European social model may particularly damage its perception in public opinion. A first improvement may come from empowering the EU level with an autonomous and subsidiary capacity for compensating the social costs of trade liberalization and aim at reemployment of displaced workers on the European labor market²¹. Progressing toward a European regulatory regime for essential Services of General Interests may also be needed, prior to undertaking new liberalization commitments under the GATS¹⁵.

(6) *Coherence between trade and development policies.* Inconsistencies between trade and other internal (agriculture) or external (Aid) EU policies need to be reduced. Increasing the European efforts on economic analysis and sustainable impact assessment of trade liberalization policies on developing countries is primarily needed: detailed sensitive product/countries analysis of the impact of trade liberalization could contribute to better enlighten the stakes of the Doha agricultural negotiations. The future role of the –constitutional-Minister of Foreign Affairs of the EU can open new

avenues for more coherence: as a Vice-president of the Commission his external policies coordination role²² may influence Trade and Aid policies.

¹Simmons, Beth. "Pax Mercatoria and the theory of the state", *Economic Interdependence and International Conflict*, Michigan University 2003.

² Rozes, Stephane. "An introductory overview: what do we know about the expectations of European Public Opinion toward globalization?" 5th SUSTRA Workshop, June 2004, www.ifri.org.

³A special trade policy committee, established by the EC Treaties, where member states consult with the European Commission (EU trade negotiator).

⁴ Trublin, Céline. "Les nouveaux défis du développement durable: prendre en compte les préoccupations non-commerciales dans la politique commerciale de l'UE", 5th SUSTRA Workshop, June 2004, www.ifri.org.

⁵ Inotai, András. "Trade development in the enlarged European Union and social perception", 5th SUSTRA Workshop, June 2004, www.ifri.org.

⁶ In Seattle, Commissioner Lamy allegedly faced diverging reactions of the Environment and Trade Councils on proposal of a negotiating group on biotechnology in the WTO.

⁷ Article III-314-3 and III-325.

⁸ Access to medicine and fisheries subsidies are examples mentioned.

⁹ Fougier, Eddy. "Société civile et enjeux commerciaux", 5th SUSTRA Workshop, June 2004, www.ifri.org.

¹⁰ EU Council Conclusions, October, 26, 1999.

¹¹ Spinanger, Dean. "Trade and social standards: what's next avec the World Commission on the Social Dimension of Globalization?" 5th SUSTRA Workshop, June 2004, www.ifri.org.

¹² Kapstein, Ethan. « Trade liberalization and trade adjustment policy », *International Labor Review*, vol. 137, n°4, 1998.

¹³ It is worth noting that the European "high-level group on textile" recommended using structural funds for education, training and employment.

¹⁴ General Agreement on Trade and Services.

¹⁵ Herzog, Philippe. "Is the GATS threatening the development of a European SGIs framework?" 5th SUSTRA Workshop, June 2004, www.ifri.org.

¹⁶ Faber, Gerrit. "The Lomé Convention and the causes of economic growth", 5th SUSTRA Workshop, June 2004, www.ifri.org.

¹⁷ Bogart, Stéphane and Alexandra Trzeciak-Duval. "Aid for Trade – Trade for Development", 5th SUSTRA Workshop, June 2004, www.ifri.org.

¹⁸ Nicolas, Françoise. "Can trade liberalization foster growth and development?" 5th SUSTRA Workshop, June 2004, www.ifri.org.

¹⁹ <http://www.dti.gov.uk/ewt/whitepaper.htm>

²⁰ « Vested Interest and Trade policy reform », Policy Brief Paper, Field, SUSTRA, January 2004.

²¹ Paugam, Jean-Marie and Denis Tersen. "A la recherche de la régulation perdue", *Politique Etrangère*, IFRI, Septembre 2004.

²² Article I-28-4.

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