

Trading in Transition

Karel De Gucht

International trade is an agent of change. However, the nature of trade is also changing, with serious implications for Europe's trade policy. Our economies are becoming increasingly integrated. Pick any product today — from the paperclip on your desk to the car you drive. Almost certainly some of the work that went into it happened outside the country you are in, whether its design, marketing, or financing, or the manufacturing of its different components. This has implications for our economies, our societies, and the way governments regulate them.


However, those same deeper ties also broaden the number of ways in which governments in other parts of the world affect our economic activity. Take a company producing medical devices in Germany or cosmetics in France, or a farmer in Greece whose cows produce milk for cheese. In the past, trade policy might have helped them grow and create jobs simply by encouraging partners to lower their customs duties. The depth of integration today, however, means that those businesses are also affected by other governments' decisions on a whole host of issues. To be effective, therefore, trade policy must broaden its horizons.

That makes trade policy more complex, technically and politically. Technically, because any product on the market today has to comply with a very wide range of different regulations, and trade policymakers now need to understand a broad spectrum of laws and standards. Politically, because regulation involves finding the right balance between different goals — for example between protecting the environment on one hand, and boosting competitiveness on the other. Legislation on these issues is the result of a complex political process.

It is a significant challenge to find ways to improve market access in trade agreements while not undermining democratic policy choices. It means trade negotiators need to be more technically creative while also taking more care than ever to ensure that trade agreements have democratic legitimacy.

This process has been helped in Europe by the increased role now played by the European Parliament on trade policy, which doubled the scrutiny of trade policy already provided by EU governments in the Council. It is not enough, however, which is why the European Commission is also increasing its engagement with the full range of civil society actors — including consumer, labor, and environmental activists — as well as representatives of businesses affected by trade barriers. In the context of the Transatlantic Trade and Investment Partnership (TTIP) negotiations with the United States, the Commission is making a particular effort, releasing an unprecedented range of negotiating documents and guides to the talks.

TTIP is an essential part of our efforts to deepen global integration because, for all our differences, the United States' regulatory system is one of the closest to Europe's. Moreover, the influence of shared approaches to regulation by the world's



largest economies would be vast, laying the groundwork for the global solutions we ultimately need.

We need those global solutions because of a second example of trade in transition: the expansion of prosperity around the world. Here again, trade has been a factor in causing change. The dramatic emergence of economies in Asia, Latin America, and Africa has been underwritten by exports, imports, and investment.

At the same time, the rise of these new economic powers has changed the geography of international commerce. Not only are emerging economies more important for Europe's growth, they also tend to be more closed than their developed counterparts. Redressing that balance is a core element of EU trade policy today.

This is very apparent in the World Trade Organization (WTO). In the past, the EU's focus in multilateral talks was centered on the large developed countries with which we traded the most. Last December's Bali talks could not have been further from that paradigm, with differences among developing countries proving central to the final, landmark result. The EU's goals on the wider multilateral agenda — whether on industrial goods, agriculture, services, environmental goods, or information technology — all focus on encouraging the opening of new markets in emerging economies.

The shift is also reflected in the pattern of the EU's trade and investment negotiations. Certainly we are negotiating with the United States and Japan, but we are also in discussions with emerging economies like Brazil, Vietnam, and Thailand. We have full trade agreements with Colombia and Peru, and we are negotiating an investment agreement with China.

All change requires an adaptation to new ways of doing things, new ideas, and new competitors. It is the work of politics to make sure that such adaptation happens in the right way for people. That is the defining challenge for trade policy today.

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