



Epilogue

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Both the Communication and the Council Conclusions on Trade, Growth and Development respond to a growing need to address global challenges and opportunities brought about by the rise of emerging powers, lack of structural transformation in many LICs and the threats posed by climate change and natural resource scarcity. This is good timing. But is this it? And what does the European Commission (EC) need to say to report in a satisfactory way on the Communication by 2015, as required by the Council Conclusions?

As has become clear from the essays, there are a number of good points in these documents, for example:

- The identification of a number of global challenges, called a ‘reshuffle’;
- The recognition of some major dilemmas, such as (1) whether and how to differentiate in a heterogeneous world; and (2) whether to use trade and investment policy to address climate change and other environmental problems; and
- The formulation of good solutions such as targeted Aid for Trade (AfT) and some other possible offers in the Communication, but which are narrowed down significantly in the Council Conclusions.

The essays in this volume flag up a series of concerns, which we have grouped into five categories of risks centring around protectionism, the strategy behind differentiation, the need for Policy Coherence for Development (PCD), the importance of trade, the link to a country’s growth strategy, and the need to clarify the European Union’s (EU) intentions.

1. There is a major concern that the EU is moving towards protectionism

A major worry expressed by several authors (e.g. Messerlin, Erixon) is that the EU will retreat into protectionism (e.g. vis-à-vis Brazil, Russia, India, China and South Africa (BRICS)) with a range of trade-related economic policies. Clearly, the Generalised System of Preferences (GSP) reform is likely to impose more trade barriers on a range of products and countries when they are not benefiting from a reciprocal Free Trade Agreement (FTA) with the EU (Stevens, Bilal). This does not offer the best value for EU consumers (or developing country exporters). Furthermore, such threats are not confined to tariffs. The EC has issued a proposal to close government procurement markets to firms from countries that exclude European firms. Is this part of a trend in protectionist measures that many of us feared would happen in difficult economic times? Should the response not relate to how to make use of growing markets outside the EU?

2. There is no clear strategy behind the EU’s approach towards differentiation, which is currently applied largely on an *ad hoc* basis

There is a clear danger that differentiation (a major issue in the Communication according to the authors in this publication) in the area of trade will be applied without consideration of economic principles and without a clear strategy that brings together the various fields in which differentiation can be applied: aid, trade, climate change, etc. (Herbert). The EU should explain the range of ultimate objectives and instruments of differentiation. For example, trade theory suggests that lower tariffs (including those applied to emerging powers) are always better, and that differentiation is a distraction. On the other hand, it is difficult to defend (on a ‘needs’ basis) aid to The

Group of 20 (G20) countries at the end of the decade. Moreover, environmental changes are in the hands of emerging powers, which should increasingly, and proportionally to their development stage, contribute to climate change solutions. However all of these differentiation practices interact at country level, and become a foreign policy issue in addition to an economic, environmental or development issue.

3. The Communication neglects the importance of non-trade policies for developing country growth and fails in its duty to promote PCD

There is always a danger that EC Communications are developed from one perspective at a time rather than considering the full range of issues. This Communication does not mention the full range of non-trade policies in the EU which could have an impact on developing country growth and exports. This is a missed opportunity to make other policies coherent with development goals. One example mentioned by Cantore relates to ensuring that the CAP is made coherent with development goals.

4. The EU is taking the wrong approach to the role of trade in tackling global problems

Looking ahead, there are a whole range of 21st century development challenges: food security, climate change and resource scarcity. There seems a very defensive position on the role of trade in these, even (threatening to) imposing trade barriers for green purposes (Erixon, Keane). It is important that trade and trade policy are seen as a solution to these new challenges, but this does not mean new trade barriers should be imposed. In fact, the opposite needs to occur: free trade can help countries to reap the benefits of economies of scale in green industries and can provide access to water, land and hence food, as long as there are no trade (tariff and non-tariff) barriers.

5. Trade policy has little meaning without being embedded in and linked to policies for growth

Too much emphasis is placed on the general role of trade in development in growth and too little on the underlying problems, which are context specific. The authors in this publication (e.g. Morrissey, Messerlin, Soni and Brien) comment that trade and investment policy do not have a one-to-one causal relationship with growth, and seem largely irrelevant in, for example, the Pacific.

Instead, the EU should be problem focused and examine how it can contribute, with what type of support. It could support developing country initiatives, policies and institutions for better governance (te Velde), industrialisation and diversification (Keane, Morrissey), regional integration efforts (Kingombe and te Velde) and systems to manage AfT (Basnett), as these are required to make EU trade and investment policies work for development.

So trade is not the single panacea for one single challenge, but it helps to achieve a range of policy objectives, and its role will vary enormously from one context to the next.

In addition to the above five points, there are a number of issues that will become urgent policy concerns for the EU in 2014 unless they are contained. For example, what will happen to African, Caribbean and Pacific (ACP) countries that have not signed up to an EPA or current GSP beneficiaries when they lose preferences? Or what will happen when we realise that the Common Agricultural Policy (CAP) has not been reformed despite it being economically inefficient, financially expensive and environmentally unsustainable, with alternatives available. These are all issues that should become clearer before 2015, the next milestone for the EU's trade strategy.

Indeed, by 2015, the EC needs to reports on progress on the Communication and Council Conclusions to the Council in 2015.

Our checklist of questions for the report to answer will include:

- Has the EU been able to fight protectionism and not given in to protectionist forces?
- Has the EU developed an overarching strategy on differentiation?
- Has the EU succeeded in placing trade and related policies as part of PCD and delivered step changes in PCD?
- Has the EU mainstreamed trade throughout its work on climate change and natural resource scarcity?
- Has the EU linked trade policy more properly to a country's growth strategy?
- Has the approach towards Economic Partnership Agreements (EPAs), GSP and CAP been satisfactory and not harmed relationships with developing countries?