



# EU TRADE POLICY

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*Jean Monnet Module on EU Foreign Policy*



# Lectures' and seminars' content

- The main features of the EU foreign trade policy
- The EU foreign investment policy
- Which consequences of the current global health crisis on the EU trade policy?
- The EU digital single market: an introductory overview
- Web-sources and materials on EU trade policy



**LECTURES N. 1-2**

**THE MAIN FEATURES OF THE EU  
FOREIGN TRADE POLICY**



# EU: Treaties and Institutions


- ▶ **Treaty on European Union (TEU):** establishes the general principles and operating structures of the EU
- ▶ **Treaty on the Functioning of the European Union (TFEU):** deals primarily with the policies of the EU and details how policies are decided
  - ▶ Consolidated versions of the two treaties are available at: <http://eur-lex.europa.eu/JOHtml.do?uri=OJ:C:2010:083:SOM:EN:HTML>
- ▶ The EU functions through a number of **institutions**

Institutions	Number of Members	Role
European Commission	27 Commissioners (one per Member State, but act under the authority of the President) - appointed every 5 years	Mostly executive duties, but also including drafting legislation and overseeing policy implementation
European Parliament	705 (directly elected by EU citizens)	Co-legislator (in most cases), branch of the budgetary authority or consultative role
European Council	27 (national heads of state or government) + the President of the Commission	Defines the general political direction and priorities of the European Union - but does not pass laws
Council of the EU (Council of Ministers)	no fixed members - the Council meets in 10 different configurations, each corresponding to the policy area being discussed (Agriculture; Competitiveness; Economic and financial affairs; Education; Employment; Environment; Foreign affairs; General affairs; Justice; Transport)	Where national ministers from each EU country meet to adopt laws and coordinate policies; it negotiates and adopts EU laws, together with the European Parliament, based on proposals from the European Commission
Court of Justice of the European Union	27 (one appointee per member state)	Judicial court of the EU, interpreting EU legislation/case law and sanctioning infringements



# POLICIES OF THE EU

- Areas of EU action
- The European Union can only act in those areas where its founding treaties authorise it to do so
- THREE MAIN PRINCIPLES determine how and in what areas the EU may act:
  - **conferral** – the EU has only that authority conferred upon it by the EU treaties, which have been ratified by all member countries
  - **proportionality** – the EU action cannot exceed what is necessary to achieve the objectives of the treaties
  - **subsidiarity** – in areas where either the EU or national governments can act, the EU may intervene only if it can act more effectively



➤ In these areas, the EU has **exclusive competences** (**Article 3 TFEU**):

➤ customs union

➤ competition rules for the single market


➤ monetary policy for the eurozone countries

➤ trade and international agreements (under certain circumstances)

➤ marine plants and animals regulated by the common fisheries policy

➤ **Only EU can legislate**

➤ The role of member countries is limited to applying the law, unless the EU authorises them to adopt certain laws themselves.



► the EU and member states have **shared competences (Article 4 TFEU)**:

- single market
- employment and social affairs
- economic, social and territorial cohesion
- agriculture
- fisheries
- environment
- consumer protection

- transport
- trans-European networks
- energy
- security and justice
- public health
- research and space
- development cooperation and humanitarian aid





# Quiz time 😊

► **What is the Directorate-General for Trade?**

- 1- One of the departments of the European Parliament
- 2- One of the departments of the European Commission
- 3- No idea

**(1, 2 or 3? Please write your choice in the Zoom chat)**



# TRADE POLICY

- ▶ The EU has exclusive competence over international trade matters. This covers trade in goods, trade in services, commercial aspects of intellectual property and foreign direct investment (FDI)
- ▶ The **Directorate-General for Trade in the European Commission** develops and puts into practice EU trade and investment policy along with the EU's Trade Commissioner
  - ▶ Directorates-General (DGs) are policy departments, which are responsible for different policy areas. DGs develop, implement and manage EU policy, law, and funding programmes

Trade

Policy

Import and export rules

Trade policy and you

In focus:

Exporters' Stories

Consultations

Dialogues

Objectives

Meetings

Organisations

Guidance

Statistics

Expert groups

Events

Publications

## People

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# How are new policies or laws proposed by the EU Commission?

- ▶ **Before** the Commission proposes a new policy or law:
  - ▶ Roadmap or inception impact assessment;
  - ▶ Analysis of the potential economic, social and environmental consequences in an impact assessment
  - ▶ Public consultations (with stakeholders)
- ▶ Once the draft text is finalized: **inter-service consultation** (all relevant DGs are consulted)
  - ▶ Communication (position paper that often signals the start of a proposal)
- ▶ The final text can then be **sent to the European Parliament and Council**



# EU TRADE POLICY

- ▶ Two dimensions:
  - ▶ **Internal market:** among 27 member states (regional economic integration)
  - ▶ **Common commercial policy:** with non-EU third countries



# Regional economic integration: what is about?

Agreements among countries in certain region to reduce and or remove tariff and nontariff barriers to the flow of goods, services, and factors of production between each other.

## **Three ways to approach integration:**

**1- Global through WTO**

**2- Bilateral**

**3- Regional**



# Quiz time 😊

➤ Which one of the following forms of regional economic integration better describes the EU?

- 1- Free Trade Area
- 2- Economic Union
- 3- Political Union

**(1, 2 or 3? Please write your choice in the Zoom chat)**



# Forms of Regional Economic Integration (1)

Free Trade Area

Customs Union

Common Market

Economic Union

Political Union





## Forms of Regional Economic Integration (2)

### Free Trade Area

Remove barriers to trade among members, but each country has own policies for nonmembers

### Customs Union

Remove barriers to trade among members, and set a common trade policy against nonmembers

### Common Market

Remove barriers to trade, labor, and capital among members, and set a common trade policy against nonmembers

### Economic Union

Remove barriers to trade, labor, and capital, set a common trade policy against nonmembers, and coordinate members' economic policies

### Political Union

Coordinate aspects of members' economic and political systems

# Benefits of Integration

- ↑ Trade creation
- ↑ Greater consensus
- ↑ Political cooperation
- ↑ Creates jobs



# Drawbacks of Integration



↓ Less sovereignty



## Article 3 TEU

[...]

3. *The Union shall establish an internal market. It shall work for the sustainable development of Europe based on balanced economic growth and price stability, a highly competitive social market economy, aiming at full employment and social progress, and a high level of protection and improvement of the quality of the environment. It shall promote scientific and technological advance.*

[...]

4. *The Union shall establish an economic and monetary union whose currency is the euro.*

[...]

# EU Internal Market

## THE 4 FREEDOMS OF THE UNION



- FREE MOVEMENT OF PERSONS
- FREE MOVEMENT OF GOODS
- FREE MOVEMENT OF SERVICES
- FREE MOVEMENT OF CAPITAL

## NON-DISCRIMINATION



- NON-DISCRIMINATION  
ON GROUNDS OF  
NATIONALITY

# Economic and Monetary Union

- ▶ The Economic and Monetary Union (EMU) - launched in 1992 – involves:
  - ▶ the coordination of economic and fiscal policies
  - ▶ a common monetary policy
  - ▶ and a common currency, the euro
- ▶ Whilst all 27 EU Member States take part in the economic union, some countries have taken integration further and adopted the euro
  - ▶ Currently, the euro (€) is the official currency of 19 EU member states = **Eurozone (or euro area) [marked in blue in the map on this slide]**







# The Single Market and the Common Commercial Policy (1)

The **EU COMMON SINGLE MARKET** consists of

- a customs union,
  - a common trade policy,
  - a common agricultural policy,
  - a common fisheries policy; and
  - the single currency,
- 
- The **customs union** is a free trade area with a common external tariff.
  - The creation of a customs union in the European Economic Community in 1968 was implemented internally through the abolition of customs duties, quantitative restrictions and measures having equivalent effect between Member States and, on the external front, through the introduction of a common customs tariff and a common commercial policy.





# The Single Market and the Common Commercial Policy (2)

- ▶ The **external trade policy of the EU** is referred to as the **Common Commercial Policy (CCP) (or trade policy or international trade policy)**: policy governing trade with third countries.
- ▶ The Treaty of Lisbon integrates the CCP within the EU external policies.
- ▶ After the entry into force of the Lisbon Treaty the CCP covers:
  - ▶ *trade in goods and services;*
  - ▶ *commercial aspects of intellectual property; and*
  - ▶ *foreign direct investment.*
- ▶ *EU Commission: gives direction of the policy*
- ▶ *European Parliament + Council: adopt EU trade legislation*

# EU common commercial policy

## Article 206 TFEU

“By establishing a customs union [...] the Union shall contribute, in the common interest, to the harmonious development of world trade, the **progressive abolition of restrictions on international trade and on foreign direct investment**, and the lowering of customs and other barriers.”

## Article 207 TFEU

1. The **common commercial policy** shall be based on uniform principles, particularly with regard to changes in tariff rates, the conclusion of tariff and trade agreements relating to trade in goods and services, and the commercial aspects of intellectual property, foreign direct investment, the achievement of uniformity in measures of liberalisation, export policy and measures to protect trade such as those to be taken in the event of dumping or subsidies. **The common commercial policy shall be conducted in the context of the principles and objectives of the Union's external action.**

[...]

**The Treaty of Lisbon makes the CCP part of the EU's foreign policy.**

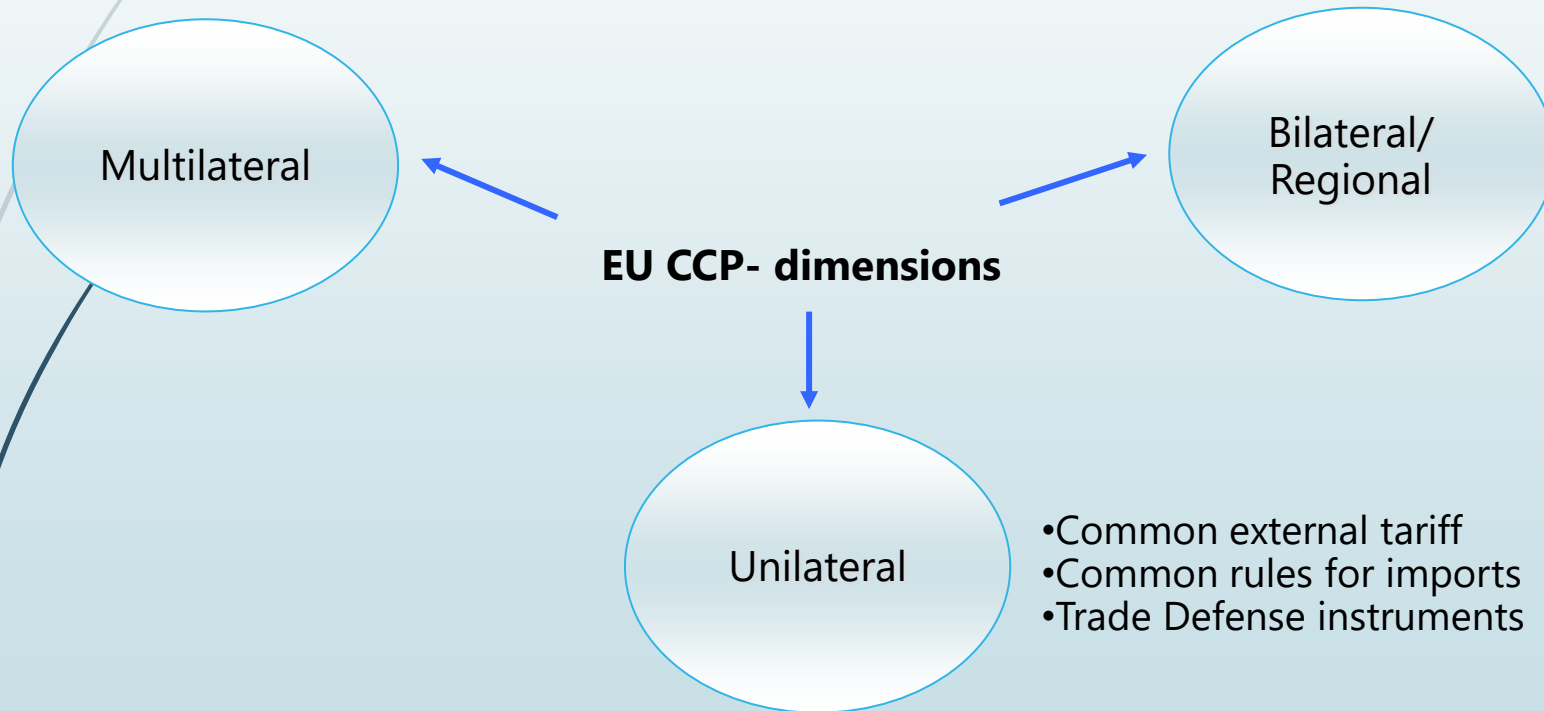
# Article 207 TFEU

[...] 2. The **European Parliament and the Council**, acting by means of regulations in accordance with the ordinary legislative procedure, shall adopt the measures defining the framework for implementing the common commercial policy.

3. Where **agreements with one or more third countries or international organisations** need to be negotiated and concluded [...] the **Commission** shall make recommendations to the Council, which shall authorise it to open the necessary negotiations. The Council and the Commission shall be responsible for ensuring that the agreements negotiated are compatible with internal Union policies and rules. The Commission shall conduct these negotiations in consultation with a special committee appointed by the Council to assist the Commission in this task and within the framework of such directives as the Council may issue to it. The Commission shall report regularly to the special committee and to the European Parliament on the progress of negotiations. [...]

# Main features of the CCP

- ▶ External trade policy is an **exclusive European competence**
  - ▶ MS are precluded to conclude individual trade policies
  - ▶ EU institutions competent to adopt EU trade legislation and enter into bilateral or multilateral trade agreements





# Areas of EU trade policy

## Global trade

EU trade policy makes sure that Europe's trade adapts to a fast-changing world. EU also works with the World Trade Organization to keep the global economy open and based on fair rules.

## Opening foreign markets

The EU opens markets by making trade deals with partner countries or regions.

## Trade disputes and defence

The EU ensures that mechanisms of settlement of trade disputes are provided and that EU exporters are protected against unfair trade

## Morals, values, ethics

The EU includes rules about the environment, labour rights, and sustainable development in its trade deals.

# GLOBAL TRADE

EU position in world trade  
EU and WTO

Opening foreign  
markets

Trade disputes and defence

Morals, values, ethics

# EU position in the world trade (1)

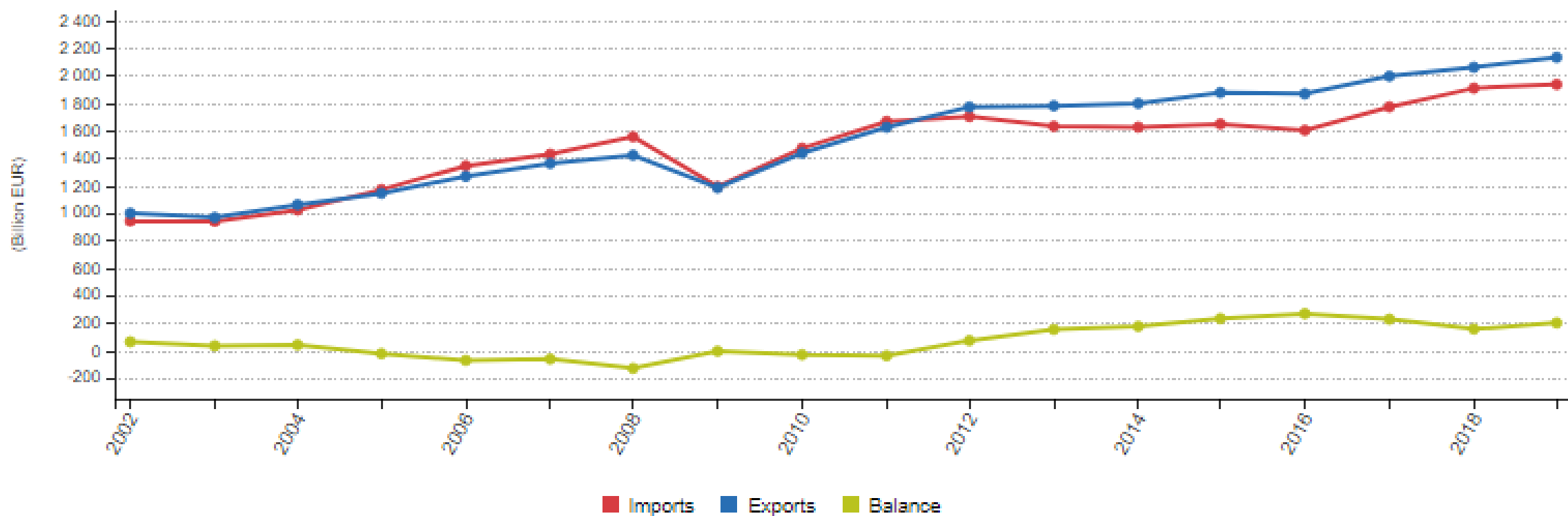
The EU has achieved a strong position by acting together with one voice on the global stage, rather than with separate trade strategies.

Europe has become deeply integrated into global markets.

Europe is the world's largest exporter of manufactured goods and services, and is itself the biggest export market for around 80 countries.

- The EU is the largest economy in the world.
- The EU is the world's largest trading block. The EU is the world's largest trader of manufactured goods and services.
- The EU ranks first in both inbound and outbound international investments
- The EU is the top trading partner for 80 countries. By comparison the US is the top trading partner for about 20 countries.

## Globalisation patterns in EU trade and investment: International trade in goods for the EU - Extra-EU trade in goods, EU-27, 2002-2019



Source: Eurostat (online data code: ext\_it\_intratd)





## Quiz time 😊

➤ Which one of the following countries have already concluded an international trade agreement with the EU?

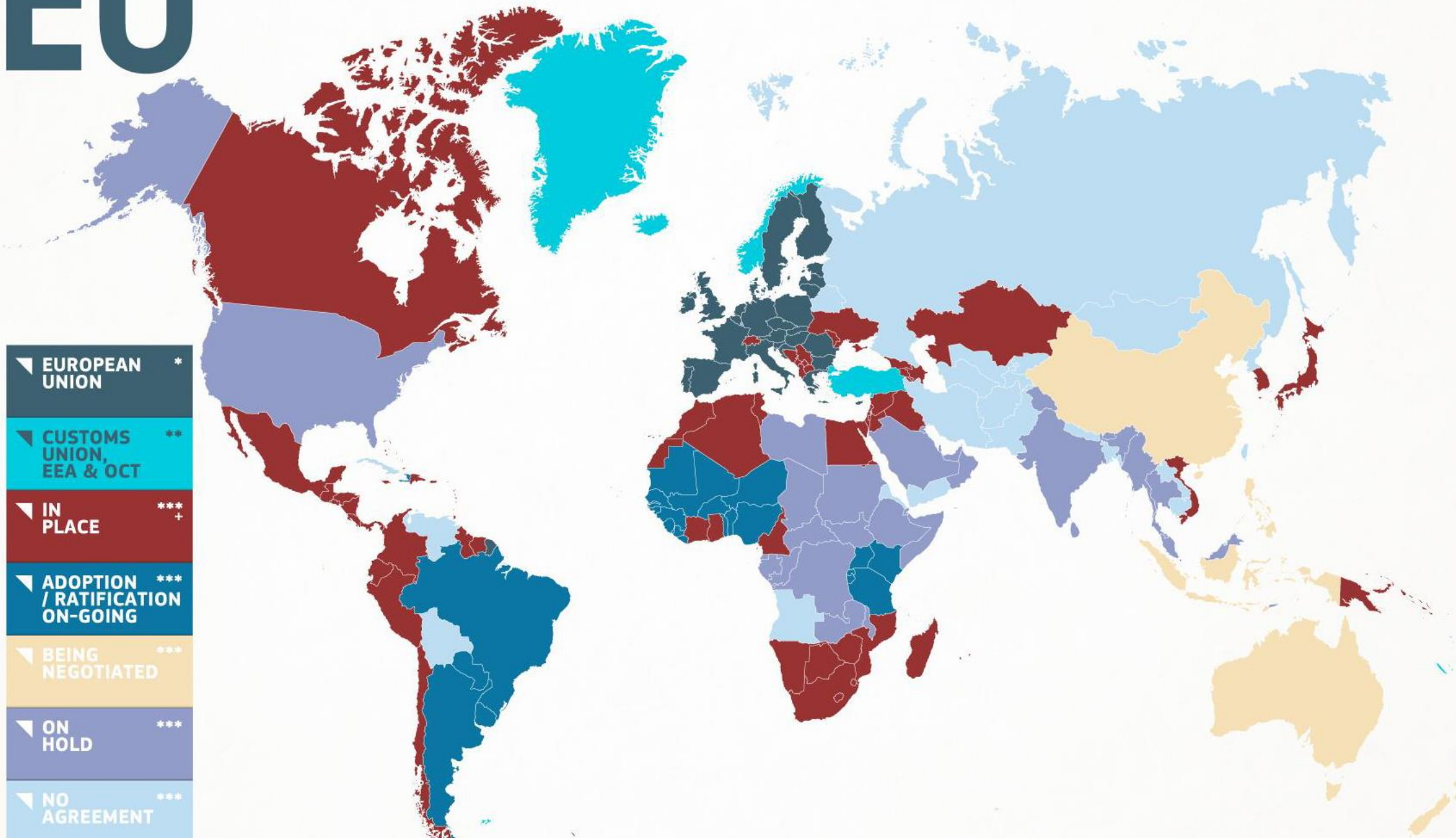
1- Canada

2- China

3- India

**(1, 2 or 3? Please write your choice in the Zoom chat)**

# EU trade agreements 2020



- ▶ **EUROPEAN UNION** \*
- ▶ **CUSTOMS UNION, EEA & OCT** \*\*
- ▶ **IN PLACE** \*\*\* +
- ▶ **ADOPTION / RATIFICATION ON-GOING** \*\*\*
- ▶ **BEING NEGOTIATED** \*\*\*
- ▶ **ON HOLD** \*\*\*
- ▶ **NO AGREEMENT** \*\*\*