

# Internship Report - EU trade policy.

Is there a shift in EU trade policy and what consequences might this have on the Brussels Effect?

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## Abstract

In this internship report, EU trade policy is reviewed, and the European parliament's view of the EU trade policy is analyzed as a reflection of future EU trade policy. This is done with a document analysis for members of the European parliament from the three biggest groups. Furthermore, the possible implications of the EU's view of future trade policy for the EU's ability to externalize its policies abroad is examined. It was found that there's an indication of a shift from a value based trade policy to a more interest based trade policy

## Problem area

Two countries trade for the same reason two individuals in the same country trade. For the buyer, It's for the purchase of a good which one cannot make at all or efficiently. For the seller, it's to sell something for money to buy something else. Why does an individual sell a good in another part of the country in which they live? It's for the same reason two countries trade, namely to sell something at a higher price or buy something cheaper than you would be able to get where you are. In this way there are lots of parallels between intra and international trade (Sawyer & Sprinkle, 2020, pp. 20-38). The EU is a unique political and economic union of 27 countries. A basic feature of the EU is that it started off as a trading bloc, and it's still a big part of its identity. The has a single market in which its member states trade freely with each other. This single market also necessities common rules when a foreign country wishes to trade with the single market. There's a view that the EU is a special actor that promotes progressive policies (Poletti & Sicurelli, 2018). This refers to the EU being a normative actor that promotes human rights and environmental protection in its external relations, even its trade policy. Although we're now in a time with geopolitical tensions with the U.S. causing uncertainties about its reliability in Europe, and the rise of China economically and their industrial policy.

It is therefore of interest to examine what the EU thinks of trade policy now, in particular ahead of European elections which will influence the direction of EU trade policy based on European Parliament elections, and which parties will make up a majority for a new commission. The European parliament will this be analyzed, as reflection of the EU, both due to it's importance in picking a new commission, but also due its transparency compared with the EU Council. Based on these considerations, we arrive at the following problem statement and working questions, which will guide this report.

## Problem statement

### **Is there a shift in EU trade policy and what consequences might this have on the Brussels Effect?**

- 1. How does EU trade policy work?*
- 2. What does the European Parliament think of EU trade policy?*
- 3. What does the EP's position on EU trade policy mean for the EU's ability to externalize its policies?*

*NOTE: This is an internship report. The author undertook an internship in the Permanent Representation of Denmark to the European Union in Brussels as part of the Danish Ministry of Foreign Affairs in Spring 2024. The internship was in the EU trade policy section of the EU representation. The duties consisted of attending meetings in the council preparatory bodies, including the Trade Policy Committee, writing reports of said meetings and amongst other tasks conducting independent analysis tasks related to EU trade policy. The experiences gained during the internship will be a source for supplementing the analysis with first-hand experience relevant to EU trade policy.*

## Theory

There are many theoretical ways to analyze the EU. There are the integration theories of neofunctionalism liberal intergovernmentalism. Neofunctionalism sets forth European integration as the result of spillover, where integration in one area leads to integration in the other, coupled with other sources of integration such as active promotion by the European Commission and interest groups who see it as integration beneficial for themselves (Niemann et al., 2018). Liberal intergovernmentalism on the other hand, sees member states as the driving force of integration instead of EU institutions (Moravcsik & Schimmelfennig, 2018). This theory sees national governments negotiating in the EU with other member states based on a national preference formation by domestic interest groups (ibid). Further member states are seen as rational actors, where they will concede to integration if the benefits associated with it outweigh the costs.

Other main approaches to analyzing the EU include rational choice and historical institutionalism and social constructivism. Rational choice theory posits that actors make decisions based on a calculation of the interest and costs to certain decisions, and if the benefits outweigh the costs choose a certain route (Pollack, 2018). Historical institutionalism has a focus on how when actors choose certain decisions, they go that path that constrains their space for action (ibid). This argument goes beyond saying that the past has an influence on the present, but that concrete choices are limited to certain choices, even if the actors don't like it (ibid). In addition, historical institutionalism posits paths are very difficult to escape from, except in the case of a critical juncture, which is an exceptional situation, such as a war, that gives space to move away from path dependency.

One other main theory is social constructivism, according to which European integration happens through the socialization of states, especially civil servants, into the EU measure of a natural socialization process that happens when actors find themselves in the same space (Risse, 2009).

But although these theories are helpful for analyzing the EU in itself, when looking at EU trade policy, there's a need to have more of a focus on the EU's relationship with its external partners. One useful perspective is the agent-principal theory (Gstöhl & Schunz, 2021, pp. 102-117). This theory posits that member states are principals, and EU institutions are agents. The idea is that the principals endow agents with powers, in this the EU member states pooling of sovereignty in the EU Commission for it to carry out the instructions of the member states.

This is a useful perspective not only for the EU but international organizations in general, and even also applies at the micro-level such as within member states. For instance, the member states which are normally seen as just an agent actually encompass agent-principal dynamics in themselves. This is seen with the civil servants and ambassadors in Brussels which act on behalf of member states. Here they are given instructions from their governments which they are to follow, and there are also issues of agency and how much room for maneuver they have.

Another theory of EU external action is market power Europe. This theory by Damro (2012) sets forth the EU as an economic actor. Here the EU is an actor that can influence other countries and regions not because it is a powerful military actor, but a powerful economic actor. The EU market, as shown earlier, is the third largest single market, it has highly skilled labor, and a stable economic and political system, which makes it attractive. Damro also takes notes of the Brussels effect in light of failed multilateralism. The failures as seen e.g. in the dysfunctional WTO, and lacking global agreement to effectively tackle issues such as climate change, makes trade agreement with environmental and social cognition a fall back for the EU influencing the world to achieve the general progressive aims outlined in article 207 TFEU.

Damro sets forth the three factors that determine the EU's ability to externalize its policies as an economic actor. The first is the EU's material existence. This is the absolute size of the EU single market in relation to other countries. This is the baseline characteristic that makes it possible for the EU to condition access to its market to fulfilling progressive environmental and social policies. Other countries from a rational point of view only agree to these policies because they see the benefits of access to the EU single market as greater than the costs associated with fulfilling these goals. Although the events that influence this factor now have been the departure of the United Kingdom from the EU, and the growing size of emerging economies such as China and India. In addition, concerns about the EU's lacking economic growth rates, or in the other words relative decline, is also an issue affecting this.

The second factor Damro identifies in determining the EU's market power is its institutional features. This factor relates to the EU's institutions ability and skill level. For the EU to externalize its policies, third countries not only agree to follow those rules, but the EU must have a competent regulatory scheme to enforce it. This means customs controls to check products for following environmental regulations. Agencies that monitor and develop policies based on data. Courts here are also important, as actors that can fine or sanction breaches of agreements.

The third factor that Damro identifies is interest contestation. Third countries must not only agree to EU social and environmental conditions for market access, and the EU also must just not have a proper regulatory regime to monitor, enforce and sanction these agreements, but the EU and its member states themselves must agree to this and not oppose these conditions in the policy process. If certain states don't agree to condition environmental and social provisions in trade agreements this will hinder the EU's ability to externalize its policies. This applies not just to governments, but also interest and lobby groups. If some lobby groups oppose certain EU trade agreements because of environmental conditionality, this will reduce the EU's power as an economic power externalizing its non-market policies such as social and environmental rules.

## Methodology

Document analysis is a way of systematically analyzing documents, which are diverse sources of information (Grant, 2018). Documents can be everything from a shopping list to e-mails, speeches, articles and books (ibid).

Documents have the advantage of being easily available and less time consuming than other methods as it consists of selecting pre-existing data instead of creating it (Bowen, 2009). Moreover, documents are also less costly than other methods, such as survey analysis (ibid). Bowen also notes that documents are non-reactive, in that the researcher did not contribute to the creation of them. The documents already exist, which supports the objectivity of the research as there is less room for bias to steep its way in for instance in the creation of interview questions. The details of documents also help in the research process, as documents often have authors, dates and other details present, especially if they come from public institutions. Bowen also highlights that documents have a wide coverage, in that its possible to compare across time and different subjects.

But documents also have some drawbacks one should be aware of. As Bowen details, documents are often produced for aims other than that of what exactly the researcher had in mind. The documents may therefore not conform to the specific interests of the researcher, and data might therefore be hard to uncover. Secondly, some documents might be hard to access, and even be purposely hard or impossible to access. As an aside, this is the reason for the selection of the European Parliament as object of study for discerning the views of the EU at large and not the EU council. The European parliament, as the only directly democratic

insulation in the EU, is a transparent organization, with public records of speeches of members of parliament for instance. On the other hand, views of member states expressed in the council working parties, the committee of permanent representatives are not public. The council released minutes of meetings, but these don't go beyond outline the points of discussion, and not actually what's being discussed.

Another drawback as Bowen notes is biased selectivity. In such a case, the documents that are made available by a source are only those documents that reflect the narrative that the source wishes to promote. It's therefore important to complement the documents with different sources. In this case, there's ofcourse a risk in that there may be interesting parts of information withheld from e.g. MEP in their speeches, in that they know they're views are recorded. But gathering documents from different political parties on different sides of the political spectrum should still bring some diversity of sources that work against bias.

Kuckartz (2014) describes the process of thematic document analysis. Thematic document analysis is a process of highlighting important paragraphs, developing main categories, conducting an initial coding of the material using said categories, then compiling all the paragraphs assigned to the different categories in lists. Then it's possible to create sub-categories followed by a presentation of the results.

The document analysis in this report will draw on this thematic analysis by coding thematically the passages that appear for each actor in the dataset, followed by an analysis of these categories of these passages to other passages and their categories. It should be underlined that document analysis relies to a great degree on working with and interpreting the text passages themselves, and not just counting frequencies of codes as might be done by more quantitative methods.

In the selection of documents for examining what the European Parliament thinks of EU trade policy, I have made a critical selection of political groups, standing committees, members of the European Parliament (MEPs) and debates in the European parliament.

I have selected the three biggest parties, and the parties that gave majority to the von der Leyen Commission. These are the liberal-conservative European People's Party (EPP), the Social democratic Socialists and Democrats (S&D) and the liberal Renew Europe group (Renew). The relevant standing committee is the INTA Committee (committee on international trade). Furthermore, I have decided on selected speeches by MEPs as the documents to be analyzed. The selected MEPs are high ranking members in the three parties, either with the position of

chair, vice-chair or coordinator. This is to make sure the couches selected reflect a more influential actor, and an actor that due to their influence also speaks to some degree based on a common understanding of their parties and thus are to a certain degree representative of those parties. The debated selected are three debates related to the future of EU trade policy, and to a lesser extent the EU's relationship with China, as this is an important aspect of future EU trade policy. These debates are also selected to be the most recent possible to reflect current perspectives in the European Parliament.

## Analysis

### **How does international trade work?**

We live in a highly globalized world. As Sawyer & Sprinkle (2020, pp. 1-19) point out, countries are highly interdependent. Many aspects of a country's economy, from its industry to its goods and services, are dependent on other countries. Sawyer and Sprinkle describe that, as a subject, International trade falls under the international economics discipline, which is about the global production and consumption of goods and services. This discipline therefore is a combination of the study of economics at the level of individuals and nationstates, or in other words microeconomics and macroeconomics.

Sawyer & Sprinkle lay out the value in having an idea about the size of the world economy, and the pattern of trade between developed and developing countries. The total global output of goods and services was approximately 100 trillion USD in 2022, with the United States having roughly one fourth share of this output at approximately 25 Trillion USD (*Unstats.Un.Org*, n.d.). The same year, China's economic output was roughly 18 Trillion USD, and the EU's was around 16 Trillion USD (*ibid*).

From these numbers we see the EU being the third largest economic bloc, being surpassed by China. The U.S. occupies a privileged position in the world economy. As Sawyer & Sprinkle describes, not only is the U.S. the world largest economy, it's also the largest trading nation in terms of exports and imports. Moreover, they also identify the dollar as the main trading currency coupled with having the largest financial market as contributing factors to the U.S's special position on the global economy.



Sawyer & Sprinkle describe that high-income economies, as reported by the World Bank for the year 2018, accounted for around 60 percent of world economic output or GDP (Gross Domestic Product). Middle-income countries accounted for roughly 35 percent of world GDP, while low-income countries had a share of world GDP below a single percent.

The prominence of total economic output of high-income countries are also reflected when looking at imports and exports of goods as a share of world imports and exports. Sawyer & Sprinkle show that high-income countries account again for roughly two thirds of total international trade, middle-income countries having around one third and low-income countries' share hovering around one percent.

They also note that growth in global international trade and global economic output were on par with each other between 1975-85, but that from 1980's onwards international trade grew faster than world economic output, marking the period of hyperglobalization.

When it comes to international trade in services, the unbalanced pattern between developed and developing countries is even stronger. Sawyer & Sprinkle point out that high-income countries account for roughly 70-80 percent of global trade in services, with middle-income countries accounting for approximately 20-25 percent, and low-income countries again accounting for less than a single percent.

Sawyer & Sprinkle also take note of the role of global movement of money that is not an import or export of a good or service. These for the most part take the form of large transnational corporations (TNC) moving money in their own company but across borders. This is known as portfolio movement. Moreover, the buying and selling of currencies in the foreign exchange market in weeks exceeds the value of the annual world economic output.

## Dynamics of trade between two countries

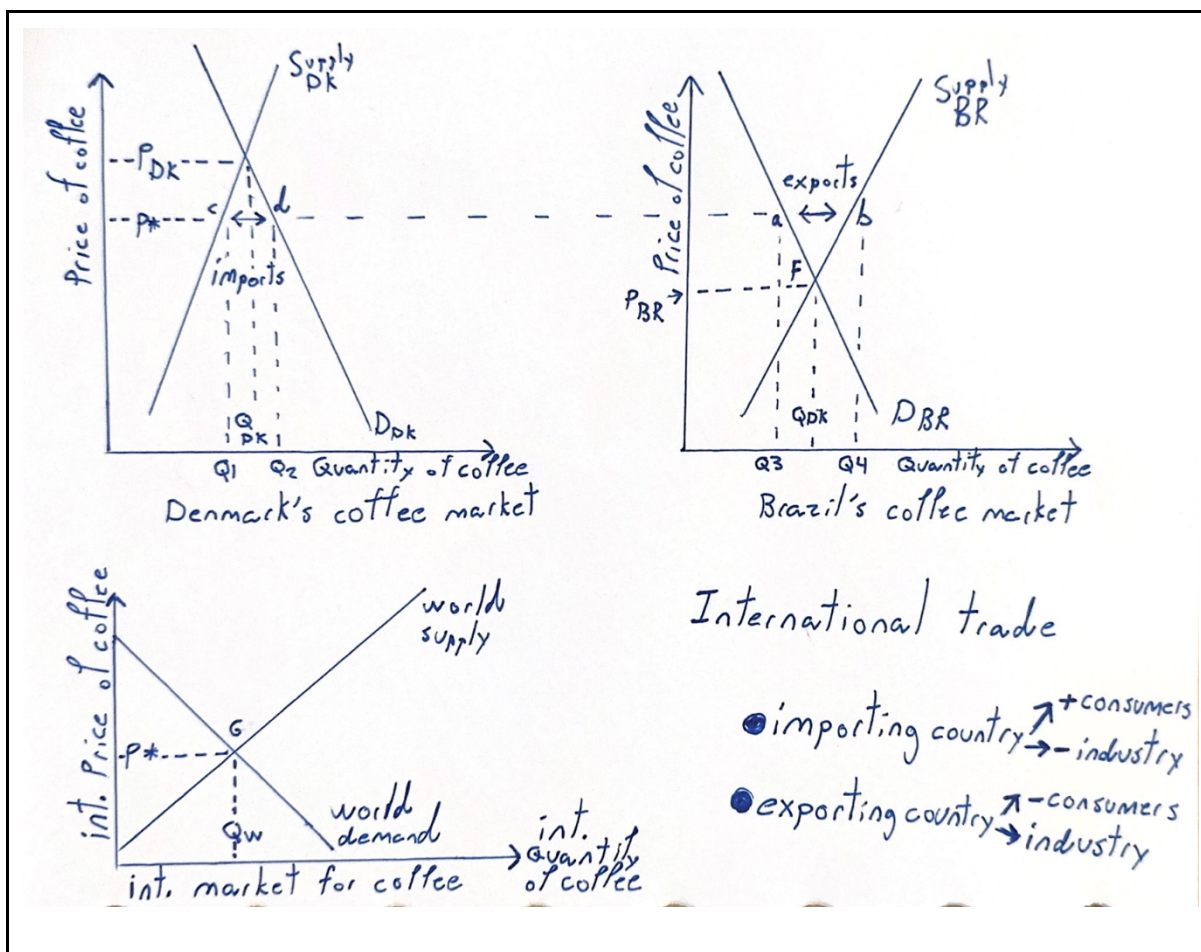


Figure 1: Top left, price dynamics of the coffee market in Denmark. Top right, price dynamics of the coffee market in Brazil. Bottom left, global price dynamics of coffee. Bottom right, abridged price dynamics of trade in product between two countries. **NOTE:** Adapted from figure 2.1 in Sawyer and Sprinkle (2020, pp. 20-38). Original example with India, U.S. and price of cloth.

Figure 1 shows the dynamics of trade between two countries. In our example, Denmark buys coffee from Brazil. The top left half of the figure shows the price of coffee in Denmark under zero trade in coffee with other countries as the intersection of  $P(DK)$  and  $Q(DK)$ . Likewise, the price of coffee in Brazil is shown as the intersection of  $P(BR)$  and  $Q(BR)$ . Suppose then Brazil starts selling coffee to Denmark, the new price,  $P(*)$  shows with a line that cuts across both diagrams, emerges. The new price,  $P(*)$ , lowers the price of coffee in Denmark due to cheap

Brazilian imports, and raises the price of coffee in Brazil due to Denmark buying it at a higher price.

These dynamics as summarized in the bottom left part of figure 1 This shows that when two countries trade, the importing country (in this case Denmark) has advantages for its consumers in terms of lower prices of products, but disadvantages for local industry in terms of cheaper products which bring down the market price and thus the income of industry. For the exporting country (in this case Brazil), this is reversed with benefits for local industry in terms of higher prices of products and thus higher income, but disadvantages for consumers which see higher costs.

### **Absolute advantage**

There are three primary ways of thinking of international trade, which Sawyer and Sprinkle (2020, pp. 20-38) outline. The first is the idea that exports drain a country's coffers and thus is bad, while imports contribute to a country's wealth as is thus a good thing. The view is called mercantilism. The second idea as put forth by Adam Smith is that if every country specializes in production of goods they can produce most of with a given amount of labor and not products which they produce less of than other countries with the same amount of labor, world output of all products will increase. In relation to our earlier example, according to this view Denmark should not pursue coffee production but buy all of its coffee needs from Brazil. Brazil on the other hand should not pursue production of a good it's less specialized in such as wind turbines. Instead, Brazil should instead buy all of its wind turbines from Denmark.

### **Comparative advantage**

The second view, as Sawyer and Sprinkle describe, is David Ricardo's idea of comparative advantage. The argument of comparative advantage is that even if one country does not have any products which it produces more of with the same labor than any other country, beneficial trade for both can still occur. This happens through the production of goods which a country is the least worst in. Again with the earlier example, if we supposed Denmark not only produced wind turbines more efficiently than Brazil, but also coffee, Brazil could still benefit from trade. In this instance, Brazil would sell coffee to Denmark, as world total output of both wind turbines and coffee would increase if Denmark spent all of its resources on production of wind turbines and Brazil the same for coffee.

## **Critique of international trade and comparative advantage**

Even though the perspective of mainstream economists, as reflected by Sawyer and Sprinkle, argues that international trade is a plus-sum game which benefits all parties through the absolute increase in world production of products through specialization and economies of scale, it's more complicated than such.

Rodrik (2011, pp. 47-66) presents a critique of an unqualified support of free trade. Rodrik emphasizes that when one country shifts production as a result of trade, this can result in transitory or permanent employment. Moreover, he lays out that even if employment is found within the same or another industry, the people who lost their jobs will have a long-term dip in their income.

Another criticism Rodrik presents is that in the conceptualization of trade as shown earlier in figure 1, only production costs are taken into account. But there exists other factors, such as effects of trade on the environment, or breach of norms such as child labor. Rodrik calls these for social costs.

In the earlier conceptualization of trade it was also assumed that two countries would completely stop the domestic production of one good for more and efficient production of another. The conceptualization stopped there, but the next step would be for the two countries to distribute the two products amongst them. But how exactly that happens is the issue. Rodrik points out that the redistribution of income is much bigger than the gains for trade, leaving the possibility for large inequalities. According to Rodrik, for the U.S. there's a factor 50 between gains from trade and redistribution of income. This means that for every dollar gained from trade between two countries, such as the example earlier with Denmark and Brazil, there would be a reshuffling of 50 dollars worth of income. Rodrik underlines when there is a lack of a social safety net to safeguard against the effects of unemployment, reduced income and presence of social costs such as environmental degradation, trade liberalization is problematic.

He also notes that the closer countries are to full liberalization, the smaller the gains from trade will be and the larger the amount of redistribution will be.

Xie (2019) presents a critique of comparative advantage. Xie argues that there are two types of comparative advantage, the first being static or exogenous, and the second being dynamic or endogenous. Xie describes the first as relating to David Ricardo's ideas, and the second more relating to that of Adam Smith's. Xi describes that static comparative advantage as being about effectively utilizing a country's resources by allocating them to the products or industries which it is the least worst in compared with other countries, also called comparative advantage. On the other hand, dynamic comparative advantage is about taking account of shifts in production factors, such as technology, to develop the country's comparative advantage. This means investing in technology and skills of laborers to make them more competitive on higher value products to create new comparative advantages. Xi argues that dynamic comparative advantage is a better prism for policies for developing countries as it takes them up higher on the global value chains. Xi takes notes of the argument that is historically how countries have developed, by setting trade barriers to develop local industry before opening up to the global economy, as is argued is the case for South Korea and Japan. This is also known as the infant industry idea by Friedrich List. Xi also underlines that developed countries have entrenched their positions on higher value products, such as patents, and a competition on quality whereas developing countries are trapped in exporting low value raw materials which often are damaging to the host country environment.

Xie also points out that the assumptions of comparative advantage are criticized for being unrealistic. Labor and capital are not guaranteed to be fully used or move freely as comparative advantage implies (Max, 2013, pp. 245-246); (Cuñat & Melitz, 2012). Also, moving resources between industries is not straightforward, which is an assumption of comparative advantage (Rodríguez-Clare, 2007). Another point of criticism is that comparative advantage assumes that benefit from trade is static, and does not take into account the long-term effects of technological innovation or changes to productivity (Redding, 1999, p. 26). Trade between countries is also not a simple bartering as comparative advantage implies (Baiman, 2010). Trade imbalances are pronounced, with consequences such as debt or inflation (Dornbusch et al., 1977). Barriers for the movement of labor and delayed exchange rate corrections are examples of obstacles to adjustment measures to correct trade imbalances (ibid).

### **History of international trade**

A UN report highlights the different eras of international trade (UNCTAD, 2018). The first period identified is the rise and fall of the golden era, between 1950-1986. The rise of the

golden era was between 1950-76, and spurred on by technological innovation making transport costs lessened and coupled with increased investment. Between 1973-86 new global affairs, notably an oil crisis, led to reduced international trade.

The second period identified by the UN report is hyperglobalization, after the year 1986 until now. The increased momentum in international trade after 1986 was helped in no small part due to developing countries, particularly China, participating in international trade.

The two periods both relate to different systems of rules for international trade. As Rodrik (2011) argues, the period of Bretton Woods, a set of rules and institutions established after World War II to regulate international trade in a manner that respected different national rulesets with the goal of putting welfare above trade, ended with the death of the golden age in the 1970's. The second period of hyperglobalization corresponds with the Washington Consensus, which is a perspective that international trade liberalization should be the priority for governments, with appropriate policies to facilitate that. This is also called neoliberalism.

### **How does international trade in the EU work?**

The common commercial policy (CCP) is the external dimension of the EU's single market (Smith, 2019). Smith outlines the EU's trade policy. The purpose of the CCP is to manage the intersection of the customs union of the single market with the numerous and different partnerships and agreements the EU has with third countries. The legal basis of EU trade policy is article 207 of the Treaty on the Functioning of the European Union (TFEU).

The procedural aspects of the article sets forth that trade policy is where the EU has exclusive competence. The EU council approves negotiation mandates for the European Commission, and both the Council and the European Parliament approve the agreements in the end. Furthermore, the commission has the power to perform delegated acts, to apply regulations on e.g. anti-dumping. The Commission is monitored by the member states in the form of the Trade Policy Committee in the EU council.

On the more general principles of the article, Smith highlights that the article not only prescribes aims for the EU, but also in its role as a global actor influencing the world trading system. This tension is between the pursuit of prosperity of EU citizens on the one hand, and the promotion of social justice around the world. Smith puts these as opposites where achieving one means conceding on fulfilling the other. The tension can also be summarized as interests vs. values.

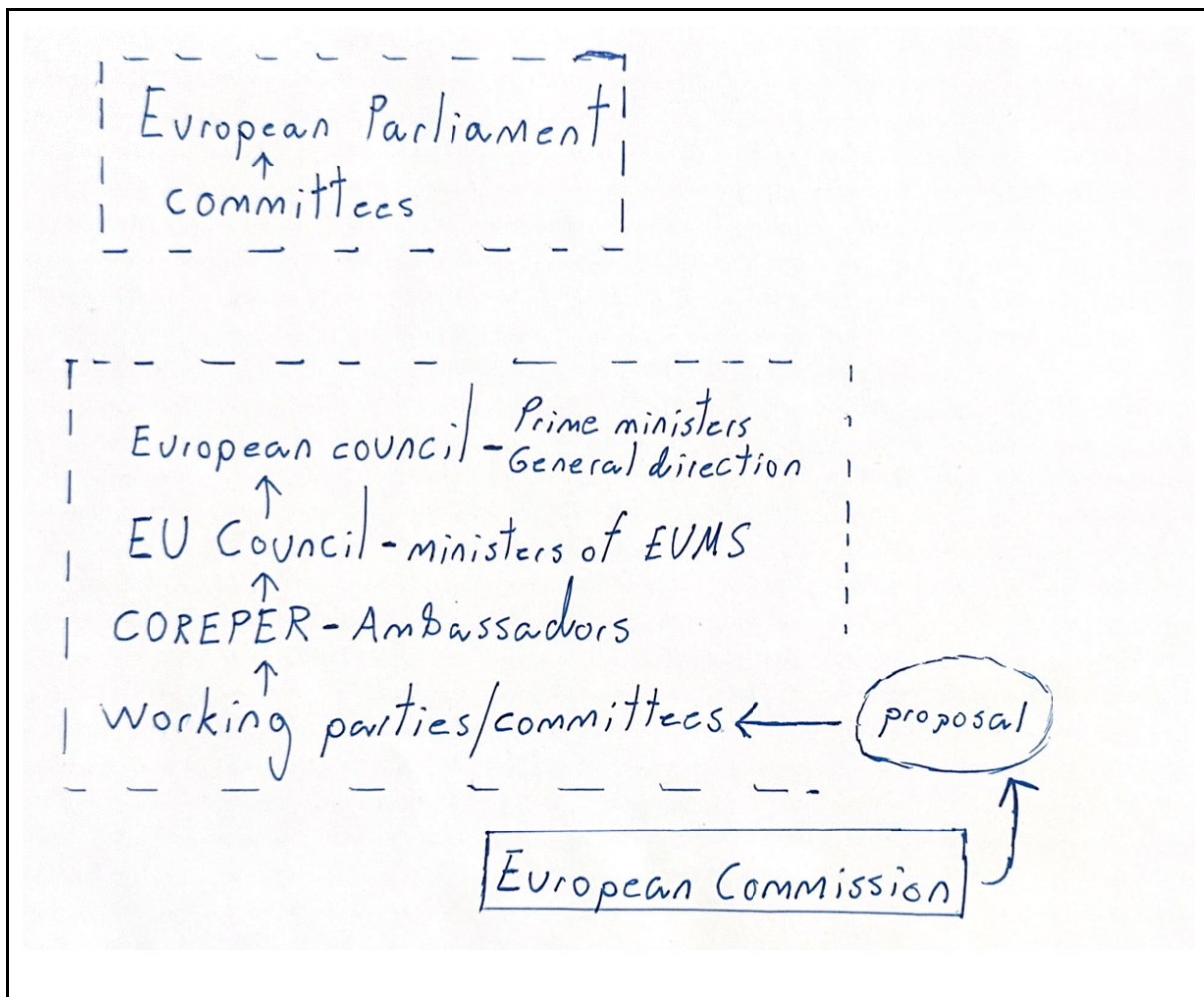


Figure 2: Mapping of decision-making in the EU with the European Commission, EU Council and European Parliament.

The following will put forward the decision-making procedure in the EU from the point of departure of EU trade policy. The Commission with the sole institution with the ability to propose legislation will, after the Directorate General on Trade has prepared a proposal, will present this first to the Council in the form of the Trade Policy Committee (TPC). The TPC is one of 150 working parties, or council preparatory bodies, that are involved in policy making together with the commission (*Consillium*, n.d.). The TPC, which consists of civil servants and diplomats from member states will review the proposal, and if their governments approve of the proposal will be instructed to voice support. After the TPC voices support for the proposal, it moves up to the committee of the permanent representatives (COREPER). This is a committee chaired by ambassadors of member states to the EU. Here the ambassadors will be

instructed to voice dis- or approval for a proposal. If CORPER voices support, the proposal moves forward to the EU Council, where ministers from member states will vote on legislation. This process therefore pre-negotiates proposals, and the ministers are prepared to either vote in favor or against.

In parallel with this process, the proposal from the commission also reaches the committee on international trade (INTA) in the European parliament, where it will be voted on. The INTA committee is one of 20 standing committees (*Europarl.Europa*, n.d.). If the proposal passes the INTA committee, it moves to the European parliament for a plenary vote. Once a proposal has been voted on both by the EU Council and the Plenary of the parliament legislation passes. Although in trade policy, the proposals reach the Parliament at a later time, as is not kept up to date as the Council.

## 2. What does the European Parliament think of EU trade policy?

		<b>Need to complete new trade agreements for sustainable growth, competitiveness and the EU's strategic autonomy</b>	<b>An EU strategy to boost industrial competitiveness, trade and quality jobs</b>	<b>The need for a coherent strategy for EU-China relations</b>
EPP: Vice-Chair of INTA Committee	<b>Anna-Michelle ASIMAKOPOULOU</b>	<i>Despite completing only one trade deal with Vietnam and potential with New Zealand, a more proactive and realistic approach is needed to progress multiple trade deals with countries like Chile and Australia, adapt to global trade challenges, and maintain relations aligned with European values.</i>		
EPP: Vice-Chair of INTA Committee	<b>Iuliu WINKLER</b>		<i>Facing economic challenges from the US and China, the EU must act swiftly and intelligently to</i>	



			<i>implement free trade agreements, reduce over-regulation, and foster a unified industrial strategy that supports SMEs and ensures no member state is left behind.</i>	
EPP: Coordinator of INTA Committee	<b>Jürgen WARBORN</b>	<i>Despite over 20 years of negotiations, the urgent plea emphasizes the need for immediate political will and action to finalize the Mercosur agreement, securing value chains and creating growth opportunities for 710 million consumers across South America and Europe.</i>		
S&D: Chair of INTA Committee	<b>Bernd LANGE</b>	<i>Criticism of the Council's absence in a crucial debate underscores the need to expedite trade agreement ratification and establish reliable partnerships, emphasizing security, sustainability, and added value for both Europe and its partners in modern trade policy.</i>		<i>The EU must prioritize defining its interests over showmanship, address critical trade issues with China by strengthening domestic processing options, and implement defense mechanisms like anti-coercion instruments and measures against foreign subsidies.</i>
S&D: Coordinator of INTA Committee	<b>Inma RODRÍGUEZ-PIÑERO</b>	<i>The EU relies on trade agreements to ensure prosperity, uphold values, and enhance relations,</i>		

		<i>but must address globalization challenges, reduce dependencies, and reinforce leadership to maintain an open global economy and expand international ties.</i>		
Renew: Coordinator of INTA Committee	<b>Samira RAFAELA</b>	<i>In response to global challenges, the EU needs new, modern, green, and inclusive trade agreements that emphasize strategic autonomy, sustainable development, human rights, and gender responsiveness, with provisions for critical raw materials and renewable energy, to maintain its global strategic position.</i>		<i>To effectively defend its interests, the EU must cooperate on reducing CO2 emissions by involving China, establish a global CO2 price, and build a network of reliable partners through more bilateral trade agreements.</i>
Renew: Vice-Chair of INTA Committee	<b>Marie-Pierre VEDRENNE</b>			<i>China, as an authoritarian regime and systemic rival, necessitates the EU to break supply chain dependencies, ensure access to critical raw materials, protect strategic infrastructures, and defend European interests with a credible, democratic strategy.</i>

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*NOTE: The following analysis will be based on the statements of the MEPs supplemented with the knowledge of the topical issues relating to EU trade policy of the author to qualify, nuance and interpret the statements of the MEPs.*

In the table, the position of EPP on EU trade appears to revolve around the challenges the EU faces from the rise of China and trade disruptions, both from China and the U.S. EPP seeks to have an aggressive trade policy that diversifies EU's supply chains through agreements with a wide array of partners that are considered like-minded. These are the Asian countries, in particular ASEAN, South American countries, notably in the form of the Mercosur bloc, and African countries. EPP also calls for a more realistic approach. This means that there is more of an emphasis on an offensive trade where more trade deals are completed if necessary at the cost of environmental and social conditionality. EPP has an emphasis on China in part due to the EU's reliance on raw materials from third partners, especially China. This is seen as problematic due to the heavy use of these raw materials by the EU in the green and digital transitions. There is therefore a wish not to completely cut ties with China, with the realization of that being unrealistic, but rather to reduce the dependencies in products deemed to be sensitive, so that in the event of crises, the effect on the EU would not be as great. This is called de-risking.

S&D is also underscoring the importance of China, and the need to reduce dependencies on them for sensitive products such as critical materials. S&D, like EPP, calls for diversification of the EU's supply chains through new partnerships with like-minded countries, such as Asian countries. But in contrast, S&D also seeks to reduce these dependencies by increasing European production of these more sensitive products. This is in line with the S&D ideological focus on promoting the interests of and trade unions. In the view expressed by S&D, a shift to interests away from values can also be seen. With S&D this is more subtle than the argument from EPP, likely to S&D political aims of furthering a progressive foreign policy.

Turning to Renew, it can be seen again that China is part of the strategic considerations for the future of EU trade policy. Renew is even more comprehensive in their view for reducing dependencies with China, although they still remain open to cooperation with them. This is in line with Renew's wish for trade policy engagements in Africa and South America to counteract

Chinese influence. Renew also stresses the need for a forceful trade agenda, with many new agreements with third countries to diversify the EU's supply chains, and in particular reduce dependencies on China.

All three parties can be said to be in overall agreement about the future direction of EU trade policy. They all wish to diversify the EU's supply chains in order for the EU to be less affected by shocks to the supply of sensitive materials as experienced in economic crises recently. In particular they wish to reduce dependencies on China for raw materials which are used for the EU's green and digital transition. They're also all more or less in agreement that there needs to be a shift from values to interests in the EU's orientation in trade policy. This means that sustainability provisions that ensure protection and sanction for social and environmental goals in trade agreements may come to be less pronounced. They all three also agree on reducing migration to Europe. EPP sees trade policy as a tool for this. Renew and S&D have the same goal, but do not explicitly incorporate trade policy in such a strategy,

The nuances for where they differ are exactly how to go about it. S&D wishes not only to de-risk through trade agreements, but also by boosting European production of sensitive products such as chips. S&D is also inclined to shift from values to interests, but not as much as the other two parties, and especially for labor rights. This means that trade union protection might be one of the social and environmental provisions that won't undergo a lessening of conditionality. In addition, concerns not only for China, but also doubts about America's reliability and concerns for their trade distorting measures contribute to a perception that the EU needs to make more effort to achieve independence in foreign affairs, called open strategic autonomy.

## Discussion

As shown earlier, the EU parliament's view of EU trade policy appears to move in the direction of interests away from values. Using our theoretical perspective outlined earlier we can assess the possible effects of the EU's trade policy, as reflected in the European parliament, on the EU's ability to externalize its policies.

Firstly, as noted earlier, the first factor of market power Europe was material existence. In the review of trade policy, it was shown that the EU was the third biggest bloc in the world after China and the U.S. This suggests that the EU still is a major player, but a declining one. This

means that the EU's ability to externalize its policies is reduced as it is less attractive as a result of being surpassed by China, and other developing countries growing economically.

This is also why European competitiveness is a large topic in the EU due to fears that the EU will be squeezed out of international competition by the U.S. and China.

Secondly, when it comes to the second factor, institutional features, there's an interesting development here. Rather than having goals of increasing the EU's monitoring and enforcement of social and environmental provisions in the single market relation with third countries, e.g. customs controls, there is now a wish for defensive measures the EU can take. These are known as anti-coercion mechanisms, and are measures to punish third countries with strong economic sanctions. This shows that the EU's institutional feature will shift its competences and focus of instead monitoring and enforcing the social and environmental provisions of the EU in line with its value, and will instead focus on combating economic rivals in line with its interest.

The last factor in market power Europe, interest contestation, points us in the direction of future EU trade policy. As shown from the analysis of the European parliament, the interests of the EU seem to be aligning on a wish for a more interest based foreign and trade policy that protects the EU from dependencies on sensitive products necessary for the green and digital transition on foreign countries, in particular China.

Usually, interest contestation and institutional features as part of the EU's assertion of its progressive policies abroad in the market power Europe theory is seen from the perspective of increasing the EU's push for foreign countries to align more with its social and environmental policies. But in these two cases the point of departure of promoting progressive aims are replaced with the EU's interests to stay competitive and secure in an uncertain geopolitical setting. This has implications for the EU as a normative power. If the EU goes in this direction in its trade policy, it could be a major blow for pressuring third countries to stick to agreements such as the Paris Agreement, which are part of some trade agreements, including the agreed text on the EU-Mercosur deal. Moreover, this blow to the idea of the EU as a normative power could also spill into the common foreign and security policy with effects on the EU's credibility as a force working for progressive goals that are in every country's interest. This blow to the EU as a normative power also relates to the review of EU trade policy, where it was stated that there was a tension between the EU acting on behalf of the security and prosperity of its citizens, and the general welfare of the world and global protection of social and environmental

rights. The shift of the European parliament, with suggestion to have a more realistic and country-specific approach, indicates the EU now moving on this spectrum towards the first pole. Realistic and country-specific here can be understood as meaning a losing of environmental and social conditionality of EU trade agreement due to the geopolitical climate that requires the EU acts on its need to reduce dependence on sensitive products from amongst others, China. In other words, the effects on the Brussels effect might be that the EU's position as a normative actor is reduced.

## Conclusion

The report has shown that EU trade policy works through an interplay of the European Commission, Council preparatory bodies, the Committee of Permanent Representatives, EU Council, European Council, standing committees in the European Parliament and the plenary of the European Parliament. This complex set of actors and institutions facilitate decision making in EU trade policy. The Council was also noted to be more involved and updated by the European Commission on trade policy matters than the Parliament.

Secondly, the European Parliament was shown to be moving in a direction from values towards interests in approach to EU trade policy. All three biggest parties in the Parliament agreed on the overall direction of reduced dependency on foreign countries for sensitive products, such as raw materials needed in the green and digital transition. There were minor differences such as S&D's wish, in contrast to the other two parties, to boost European production of sensitive products such as chips.

Thirdly, the EU's ability to externalize its policies in light of the analysis of the Parliament views on the future of EU trade policy. This was done with the market power Europe theory, with the shifting of the agenda to an interest based trade policy, and angling of the EU's institutional features with anti-coercion mechanisms instead of enforcement of social and environmental provision, and the interest contestation moving in broad agreement towards the EU acting on reducing dependencies on foreign countries through an aggressive trade policy that neglects progressive goals in line with Article 207 of TFEU. This might mean that the Brussels effect will lessen as the perception of the EU as a normative actor will reduce.

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