



European Economic and Social Committee  
**Employers' Group**

# TRADING UP FOR A STRONGER EU27

## Free trade of the future – the social partners' perspective



### Introduction

Trade has seldom been more prominent as a global issue. On one hand, the EU-US trade relationship finds itself once again at a crossroads. On the other hand, the recent political agreement between the EU and Japan, following on the heels of CETA, has sent a further strong pro-trade signal against protectionism and populism. The EU has recently reached significant milestones not only with Canada and Japan but also with Vietnam and Singapore, and there are others in the pipeline.

Thirty-one million people in Europe have a job linked to exports to third countries. Every additional billion euros in exports means

14 000 extra jobs created in Europe. The EU is the world's largest exporter in terms of manufactured goods and services. Improving trade and investment conditions for European companies means new business opportunities and much-needed growth and jobs.

Even though the public perception of trade has worsened in recent years, a majority of Europeans appreciates the positive effects of trade and globalisation. According to Eurostat, 59% of Europeans are in favour of globalisation, while 58% see trade positively.

## Bilateral or multilateral? Trends in future free trade

Slow progress on the Doha Round in recent years has resulted in an increased focus on bilateral trade agreements as a faster and more efficient way of trading. However, multilateral agreements are still seen as the most efficient long-term solution for global trade.

The negative approach towards international trade taken by the United States under Trump's presidency creates opportunities for other global players. While the TTIP (Transatlantic Trade and Investment Partnership) and TPP redefining itself, other stakeholders are using the momentum to build new trade strategies.

CETA is seen as a chance for the EU and Canada to establish global standards to be followed in future trade deals. Likewise, the EU-Japan FTA is seen in Tokyo as an opportunity to set standards that would subsequently be widened to the whole Pacific region.

The European business community is also looking forward to a swift conclusion of the negotiations with Mercosur and Mexico. Opening negotiations with New Zealand and Australia will also contribute to further developing European trade policy.

The impact of Brexit on EU trade policy remains an open question. The participants in the discussion agreed that the United Kingdom will have to quickly settle its trade relations both with the European Union and other countries. A good trade deal between the EU and the UK would be beneficial for both sides, but we have to accept the fact that no possible deal could ever be as good as current rules with the UK within the single market. It was stated that Brexit should not negatively affect free trade issues: the UK, even outside of the single market, will probably continue to champion free trade.

European trade policy should be open and inclusive but cannot be naïve and unconditional. Certain trade defence mechanisms in line with WTO regulations are needed in order to provide a level playing field for European companies competing in the global market. The growing economic power of China has to be addressed, i.e. by providing reciprocity on issues such as investment screening. However, protecting European interests must not turn into protectionism.

## Free trade of the future – citizens' involvement

Negative sentiment towards trade is caused by a number of factors, including the recent economic crisis, the use of trade issues for domestic politics and unaddressed concerns related to globalisation. Each economic crisis in the past has resulted in growing protectionism, as people tend to blame free trade for a bad economic situation and fiscal discipline. Neither policy-makers nor other stakeholders should ignore the climate of the anxiety around the TTIP negotiations. This showed social uneasiness and concerns about trade.

In order to proceed further with more liberalised trade, citizens must be engaged more broadly. Policy-makers must listen to people's concerns about free trade and provide reassurances that directly address these concerns. Societies must be reassured that further liberalisation of trade will not be at the expense of any standards (labour standards, environmental standards, food quality, health and safety regulations etc.)

A new, inclusive approach towards FTAs is needed. Representatives of civil society have to be closely involved in each stage: political decision to start negotiations, obtaining the mandate for negotiations,



negotiating, implementing and monitoring. Only by keeping citizens part of the process can one gain public support for the deals – which is crucial for quick ratification. It is also important to address the needs of certain social and economic groups such as young people, women and entrepreneurs.

CETA is an example of a deal which already got closer to such an approach – the establishment of a Civil Society Forum composed of representatives of civil society organisations is explicitly set out in the agreement. There is also a need to talk about trade in the context of broader domestic policy. Trade is no longer an issue for the state only – it has become a societal issue.

Starting with the TTIP, the EESC has launched projects related to FTAs, enabling representatives of civil society to assess the consequences of certain aspects of the deals (i.e. in agriculture or for SMEs). This allows numerous myths that arise in relation to FTAs to be dispelled, and usually leads to consensus between stakeholders. This should be a standard approach for all future deals.

The role of the civil society monitoring mechanisms should be further developed. The competence of the domestic advisory groups should be extended beyond the trade and sustainable development chapters in order to allow them to monitor all the areas covered by the agreement. The EESC should also be involved in future DAGs.

The inclusiveness of trade negotiations has its flaws as numerous stakeholders do not have sufficient expertise to assess proposed regulations. Also, the interest and understanding of such deals at national level is limited in some Member States. That is why the role of stakeholders' representatives, such as the EESC, is more important than ever. They provide the necessary knowledge and experience and are capable of independent opinions.

An important issue is the question of how the EU can guarantee the smooth ratification and efficient implementation of its trade agreements. The European Court of Justice ruling on the Singapore trade deal has brought some clarity in the issue of EU-exclusive competences following last year's delay in signing CETA which raised questions about the EU's ability to conclude trade agreements.

The answer for the future is a change in the decision-making process. There is a need to separate what the EU is exclusively responsible for from what, for the time being, still needs ratification at Member State level. Potential obstacles to ratification in the Member States should not stop the implementation of the part that falls exclusively under the EU's competence. Otherwise, the EU will lose leverage and credibility in negotiations with its partners.



Globalisation, with its overall positive impact, also has short-term negative consequences for certain regions, groups of people or sectors of the economy. These consequences should be addressed through efficient use of tools such as the European Globalisation Adjustment Fund.

Globalisation and free trade entail that global GDP grows quicker as a result of specialisation, efficiency and increased competition.

All these evolutions have facilitated productivity gains and global economic growth as well as the integration of emerging economies in global markets. This creates jobs and prosperity and is a key to solving challenges such as unemployment and poverty.

In order to reap the benefits of globalisation, Europe should have the most attractive ecosystem for investing, for operating and for trading. An ecosystem fit for all businesses in industry or in services, operating locally and in global value chains. We need a Europe that is innovative; a Europe that allows companies and workers to adapt to change; a Europe where businesses have freedom to operate.





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This document provides a summary of the discussion entitled “Trading up for a stronger EU27. Free trade of the future – the social partners’ perspective” which was held in Sopot (Poland) on 28 September 2017. The conference was organised by the Employers’ Group of the European Economic and Social Committee in the framework of the European Forum for New Ideas.



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**Employers’ Group**

**About the Employers’ Group**

The Employers’ Group brings together entrepreneurs and representatives of business associations working in industry, commerce, services and agriculture in the 28 Member States of the European Union. Its members are committed to putting their own experiences to good use to further the European venture.

The European Economic and Social Committee is the only European institution that brings together entrepreneurs and people fully involved in the economic and social life of their home country. It ensures that the voice of business is heard at European level.



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