TRIBUNE VIEWPOINT 8 NOVEMBER 2016

STOPPING CETA AND TTIP WILL NOT STOP GLOBALISATION

Elvire Fabry | *Senior researcher at the Jacques Delors Institute*

Looking beyond the debate triggered by CETA, this article prompts us to analyse new developments in the globalisation process in order to gain a better understanding of the fears they arouse.

The media were kept waiting with baited breath by the regional parliament of Wallonia, which could have scuppered the CETA agreement that the EU and Canada had been negotiating since 2009. The train stayed on the rails in the end, yet the two things that have really been called into question in turn in this crisis – in an effort to ensure that greater attention is paid to the demands and expectations of public opinions – are the way Europe's commercial policy is conducted and the way Europe's democracy functions.

What was initially more of a legal question concerning dual (both European and national) competence in commercial agreements, has become a political issue, some would argue, in order to respond to the people's wish to regain control over the globalisation process.

And yet CETA probably does not deserve either such an excessive honour or such excessive indignity. Obstructing CETA would not stop the globalisation process. In fact, CETA may well be a means of managing that process better. The agreement's impact should be viewed in its proper perspective again, and just as one train may conceal another, so it is the European people's perception of the challenges raised by globalisation which we need to take a closer look at in order to gain a better understanding of their fears.

1. The reality of regulatory cooperation in CETA

CETA is but one of a series of bilateral agreements that the EU is setting up across the world to bolster European companies' export capabilities, over and above the multilateral pathway currently impaired by disputes between China and the United States. Like all traditional agreements, it aims first and foremost to facilitate access for manufactured goods and agricultural produce to the trade partner's market by tackling customs tariffs, some 99% of which will be lifted once the agreement is fully up and running.

A more open market in the service industry – in which the EU, the world's largest exporter of services, has a strong offensive interest – is another key chapter in the agreement, with a negative list describing the services excluded from the accord. Public services are not concerned by European trade agreements. This is accompanied by a major opening up of Canada's public markets from the federal level right down to the municipal level, thus rebalancing the terms of the exchange when we consider that Europe's public markets have been – *de facto* if not *de jure* – more open than Canada's markets in the past; and by an improvement in the mutual recognition of worker skills and staff transfers.

The CETA also belongs to the generation of accords known as "deeper" agreements which seek to harmonise the rules of the game in international trade through regulatory cooperation over such issues as intellectual property. It contemplates the harmonisation of copyright and the promotion of the recognition of 173 European geographical indications. And this cooperation also entails the suppression of dual certification of conformity to standards in such areas as electrical equipment, toys, machinery and measuring devices.

But the ambition of regulatory cooperation in CETA is very limited by comparison with what is envisaged in the draft TTIP agreement with the United States. The regulatory cooperation forum set up between the EU and Canada currently countenances only an effort to work towards transparency and an exchange of information between the two entities' regulatory authorities. In doing so, it points to the more important issue of mutual recognition and the harmonisation of technical standards – when they meet an equivalent precautionary level – in order to reduce the export costs that businesses incur in having to comply with a different regulatory environment. But it is unfair to turn the CETA into the target of fears voiced in connection with the regulatory cooperation countenanced in TTIP.

What the two agreements share most is the fact that they have both triggered the fear that settling disputes between an investor and the state may impair states' sovereign authority to regulate. In view of the numerous private international arbitration models (ISDS) in force in bilateral intra-European agreements or in agreements with third countries, the European Commission, under pressure from France and from the European Parliament, has developed a more transparent, more stringent and better balanced mechanism. It has even replaced it in CETA with a permanent investment court offering additional safeguards for the benefit of those member states that have voiced the greatest scepticism regarding the validity of the renewed and overhauled ISDS.

In implementing the most modern system yet for settling investor-state disputes, the Europeans would be promoting an international system which could be extended to those third countries that have already shown an interest in it. The issue at stake here is not merely legal but also diplomatic, because it whittles away at the stigmatisation effect of countries whose national courts are judged to be unreliable or with which there is a preference for signing investment agreements involving an ISDS.

2. Better anticipating the new changes in the globalisation process

Even though these elements do not summarise the debate triggered by CETA, the basic problem really does seem to lie elsewhere. The Wallonia debate reveals a change of heart with regard to acceptance of trade opening and globalisation. The construction of international value chains, which mean that a product is no longer manufactured in a single country but in stages in different countries[1], is now a fact. It was driven by technological innovation (containers, the Internet and so on) which cut the cost of distance and stimulated the search for comparative advantage even before being accompanied by commercial agreements that made trade easier.

Long-term analysis, however, shows that it has gone hand in hand with an increased regionalisation of trade, particularly in Europe and in Southeast Asia. Gradually rising labour costs in the emerging economies and the fragility of certain links in the chain are also currently resulting in several value chains being shortened. But in the opposite direction, the volume of data transfer throughout the world is rocketing and the digitalisation of the economy is leading to deep-seated changes in the ways we work and trade, changes whose costs and benefits we still cannot clearly gauge. Globalisation is there, but these new changes are fuelling greater uncertainty and thus greater insecurity for the individual.

Furthermore the rising cost of raw materials in the early 2000s cut into the Europeans' spending power and undermined the positive perception that consumers might have had of easier access to cheap goods over the period when the globalisation[2] process was accelerating. And finally, the fact that the mechanisms required to help the more vulnerable sectors and the losers in this transformation of the global economy have still not been put in place, only accentuates the fear generated by the unequal distribution of the benefits of globalisation. The European Globalisation Adjustment Fund aims to help those who have lost their jobs in the wake of the major structural changes that have taken place in international trade. But while the United States has had a trade adjustment aid programme in place since 1962 with an $861 million[3] budget for 2016, the European fund set up in 2006 only has a paltry budget of €150 million to cover the period from 2014 to 2020. A compensation-based rationale is not enough. We need to implement an arsenal of policies designed to accompany the changes in the globalisation process (lifelong training, coordination, adapting welfare systems and so on) at the national level, as indeed the Nordic countries have been doing for a long time.

***

Obstructing Europe's trade agreements would probably lead only to a weakening of its ability to carry weight in the regulation of the globalisation process. The rest of the world would not wait for the Europeans to benefit from the new changes in the globalisation process, and the regulatory deficit would probably only grow. Rather than national parliaments focusing on their involvement in the ratification of trade agreements within Europe's purview, those parliaments need to devote more time and energy to debating the changes in the global economy, European trade policy's priorities and the strategies to accompany the opening up of trade, so that public opinions can be better informed.

1. Pascal Lamy, "The Future of Europe in the New Global Economy", *Tribune*, Jacques Delors Institute, February 2012.
2. Daniel Gros, "The Cost of Overhyping Globalization", Project Syndicate, 7 October 2016.
3. "Trade Adjustment Assistance for Workers and the TAA Reauthorization Act of 2015", Congressional Research Service 7-5700, 14 September 2016.

Managing Editor: Yves Bertoncini • The document may be reproduced in part or in full on the dual condition that its meaning is not distorted and that the source is mentioned • The views expressed are those of the author(s) and do not necessarily reflect those of the publisher • The Jacques Delors Institute cannot be held responsible for the use which any third party may make of the document • Translation from French: Stephen Tobin • © Jacques Delors Institute

ISSN 2257-5731

NOTRE EUROPE JACQUES DELORS INSTITUTE
19 rue de Milan, F – 75009 Paris
Pariser Platz 6, D – 10117 Berlin
info@delorsinstitute.eu
www.delorsinstitute.eu