

It's the economy, stupid!

How seriously does the EU take values and standards in trade agreements?

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With overt protectionism once again acceptable on the global trade stage, international cooperation seems more necessary than ever. In fact, the 2030 Agenda for Sustainable Development itself points out the positive trade and development effects of a reliable and open trade regime for the countries of the global South. The European Union (EU) operates in this context as the defender of rule-based trade relations and liberalised markets and also considers itself very much an exporter of values and standards. The EU's two recent successes in negotiations with Mercosur and Vietnam, however, show that European trade policy is not free of tension between these different principles.

Looking back, June 2019 was an extremely successful month for European trade policy. In spite of the trade conflict already smouldering with the United States, the EU announced two trade agreements. And yet while the EU-Vietnam Free Trade Agreement (EVFTA) is likely to enter into force this year after recently being approved by the European Parliament, ratification of the European Union-Mercosur Free Trade Agreement is at risk of failing. It would seem that unilateral economic interests are far more important to the EU in this context than a clear position in terms of values and standards.

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From the start, the EU-Mercosur agreement has drawn suspicion from European farmers' associations. This is because, although the EU would benefit from the new trade agreement at macroeconomic level, the domestic agricultural industry sees itself exposed to increasing competitive pressure, especially from Brazil, as a result of the agreed tariff cuts. This concern is expressed in criticism of the lax environmental standards of the largest Mercosur country, for instance, when it comes to the use of pesticides. Last year's devastating Amazon fires also fuelled accusations that Brazil was abandoning the Paris climate goals and ceasing to protect its indigenous peoples in order to exploit farmland to boost agricultural exports.

Several EU member states, first and foremost France, have already announced their (renewed) rejection of the pending ratification of the Mercosur agreement by the European Council. However, it remains unclear as to whether this is driven by genuine concerns about environmental protection and human rights or by the protection of economic interests. This creates the impression that these countries are gratefully jumping onto the bandwagon of the environmental and climate change movement due to fear of losses in a key

economic sector represented by a powerful lobby. Because individual member states can already block the final ratification of EU trade agreements, there is a real risk that the EU-Mercosur agreement will come to nothing.

EVFTA is also by no means uncontested, with non-governmental organisations bemoaning the repressive system in the one-party communist state of Vietnam. Amnesty International has repeatedly pointed to the use of the death penalty, torture and the imprisonment of individuals for political reasons in the South-East-Asian country. While the EU has not been completely silent on these issues regarding its trading partner, it is attempting to improve the situation by incorporating social standards into the EVFTA. Nonetheless, in so doing, it is rather hoping to exert a positive influence after the trade agreement has entered into force. This is undoubtedly also an option in the EU-Mercosur agreement, whereby both parties would commit to implementing the Paris agreement.

Unlike the Mercosur countries, however, with their chronic vulnerability to recession, Vietnam is a vibrant emerging economy with high growth forecasts. It is thus considered a lucrative future sales market. At the same time, Vietnam also has trade agreements in place already with China, Japan, South Korea and the United States. Given the importance of global value chains, the EU is keen to avoid being excluded from a key link here. Vietnam primarily exports telephones and related accessories, footwear and textiles to the EU. Unlike Brazilian agricultural products, none of these goods pose a widespread threat to any European economic sector. EVFTA can thus be considered part of the EU's broader geopolitical strategy. It is the first step in its efforts to integrate with the economically significant South-East-Asian region as a whole.

It appears that the EU is wavering (in)consistently between positions with the trade agreements it has recently signed. While the EU-Mercosur agreement is at risk of collapsing at the last hurdle due to superficially stated misgivings about Brazil's environmental and climate-change-mitigation efforts, the European Parliament has in the same breath ratified a free trade agreement with Vietnam, a country with a questionable human rights record. If the EU wishes to position itself as the guardian of values and standards at international level, then it needs to apply them more rigorously and equally in *all* of its trade relations. To put it most bluntly, this means that the EU should have refrained from concluding a trade agreement with Vietnam if it is not going to conclude one with Mercosur. However, it appears that, when it comes to EU trade agreements, the phrase coined by US political advisor James Carville applies now more than ever: "It's the economy, stupid!"