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# EU MULTI-LEVEL TRADE POLICY: NEITHER COHERENT NOR DEVELOPMENT-FRIENDLY

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## ABSTRACT

In this paper, we will endeavour to explain why EU trade politics is neither coherent with its development policy nor development-friendly. This becomes even more obvious when one looks at the numerous bilateral trade agreements already signed and still in the process of negotiation. While the EU views itself as a true believer in multilateral policy, it succeeded to negotiate more Preferential Trade Agreements than the US.

Against this background it is to be shown in the following that Preferential Trade Agreements (PTA) including Bilateral Investment Treaties (BIT) deserves more attention, and that the new trade strategy of the European Community is mimicking the prevalent US approach to trade politics, and thus should come under attack from trade unions and civil society movements. Finally, this paper argues that although in principle PTAs can include labour-friendly provisions more easily than at the WTO level, trade unions' more ambivalent attitude towards PTAs is justified. However, from a development point of view, trade unions from the industrialized countries need to change their reluctance towards a fundamental criticism of ongoing trade policy, be it US or European type.

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Birgit Mahnkopf

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## 1. INTRODUCTION

According to the proponents of “corporate globalization” foreign direct investment and free trade are the main roads to development. However, after two decades of deregulation, liberalisation and privatization enforced by international organizations, it is obvious that the “rules of the game” do not serve well the interests of the developing world. The targets (e. g. the “Millennium Development Goals” (MDGs)) to reduce poverty, inequality, and to mitigate environmental degradation, i.e. the promises of “corporate globalization” remain unfulfilled.

While representatives of developed countries are claiming that “ever-free trade and investment benefit just about everybody” it can be demonstrated (among others by Cambridge University economist Ha Joon Chang 2002) that free trade is beneficial for big companies and not for small and medium sized companies, in particular not for small-scale agriculture. Trade liberalization is good for big economies, but not for small and weak economies; free trade is good for countries on a similar level of industrial development, but not for those on different levels of development. However, the economically strong countries from the North urge poorer developing countries to open their markets, while pursuing their trade policy goals at various levels: multilaterally within the WTO, regionally with various groups of developing countries and bilaterally with single states.

In the past, the developed imperialist countries waged wars and conquered colonies for such aims. Today, WTO rules shall accomplish the same goal. Numerous promising national development approaches in history have been wrecked: from Egypt and Madagascar to Paraguay and China. In the 19th century, the “imperialist powers” reduced the customs by using their gunboats. But also without her military component the consequences of free trade politics are enormous.

## 2. TRADE POLICY IN THE AGE OF “NEW IMPERIALISM”

As far as the WTO is concerned there is worldwide a growing criticism articulated not only by NGOs, trade unions and civil society movements but also by government representatives from developing countries. Critics argue that the WTO is a mouthpiece for transnational corporations and their lobby groups. Furthermore, the WTO does not meet democratic requirements. It was established without a public hearing and discussion, although it breaks national and other multilateral agreements. WTO law cannot be assessed entirely even by the negotiators, not to speak about members of national parliaments. Finally, WTO has no duty to report on the impact of its obligations and agreements and its rules embody imbalances that work against developing countries.

Notwithstanding these obvious flaws, the WTO comes closer than any other international body to combining genuine multilateralism and effective disciplinary teeth. Its disputes settlement body effectively acts as a world trade court and countries large and small have so far been largely unable to ignore its rulings. However, there is an impressive amount of empirical evidence that the existing trading regime is shrinking the “development space” for diversification and upgrading policies in developing countries, furthermore, of its “selfdetermination” space. Since it “ties the hands of developing country governments ‘forever’ to the North’s interpretation of a market-opening agenda (‘you open your markets and remove restrictions on incoming investment, in return for (promises of) improved access to our markets’)” (Wade 2005: 81).

Since the failure of WTO ministerial meeting in Cancun 2003 global trade negotiations at multilateral level hang in the balance. A decision on the “Singapore issues” was postponed. The GATS negotiations were stalled. Finally it has become increasingly difficult to sell the so called “Doha development agenda” of trade talks as a mighty leap forward for the world’s poorest. Although the proximate cause of breakdown of the Doha negotiations in July 2006 was disagreement between the US and the EU over agricultural trade, the major disagreements with the developing countries over agriculture, manufacturing, services, and other issues were just below the surface. Against this background Walden Bello, the executive director of the Bangkok-based research and advocacy group “Focus of the Global South”, assessed the collapse of the WTO negotiations as “good for the poor... With the unravelling of the WTO talks, the task should now shift to creating alternative frameworks and institutions other than the WTO and other neoliberal trade mechanisms – arrangements such as ALBA (the “Bolivarian Alternative for the Americas, that has being pushed by president Hugo Chavez of Venezuela – B.M.) – that would make trade truly beneficial for the poor” (Bello 2006).

However, this is neither the view of US and EU trade negotiators nor in the interests of “the Asian giants” China and India. It may not even be in the interests of large developing countries such as Brazil, Mexico or South Africa, which insist that any deal must address the pressure from their domestic exporters seeking new markets. Sure, the Western industrial countries still have overwhelming control and leadership in global technological development and are to defend their position through the WTO patent system. They concentrate the bulk of the planet’s financial power (with currencies of global reach at their disposal) and control the lion’s share of the global military power. But at least trade negotiations today involve much more geometry than in the “old days”. We are entering “a new global geography of trade and production” (Passadakis 2006:3) with new global powers transforming the US-dominated power constellation to a multipolar one. This emerging multipolar world order could be developed and stabilized through mechanism of a fair multilateralism, based on human and labour rights, compromise and cooperation, and on an “all-men/women-are brother/sisters morality... which says that the strong have a duty to restrain themselves to help the weaker” (Wade 2005: 81). However, it depends heavily on the ability of the nowadays economically and militarily strong powers, namely the US and the EU, to support sustainable economic activity and policies aimed at accelerating the “internal” articulation of developing countries economies.

With regard to the US, a progressive and peaceful adaptation to a multipolar power constellation seems out of the question. Here the obstacles are numerous: US foreign policy is characterized by unilateral rhetoric and behaviour of its government. It applies a geopolitics oriented towards domination through coercion and a “pre-emptive development policy” (Soederberg 2006) making aid contingent on defined criteria that the recipient country must meet as a precondition to receiving aid. Furthermore, one has to deal with the government’s ignorance about environmental problems, with the subordination of foreign economic policy to security policy (Higgot 2004), underwritten by military power, and by government’s attempts to change the international order to serve US interests even better, rather than seek to protect the international order. These politics go hand in hand with an ambivalent attitude towards international institutions (especially the UN and the WTO) and it is indebted to the military-industrial complex, as well as the energy and agro-business. For more than one reason, E. Rhodes (2003) coined these politics a new, “post-sovereign” imperialism.

With respect to the European countries, an influential school in International Relations literature views the EU as characterized by its multilateral and rulebased behaviour and a focus on poverty eradication and human rights objectives, with the MDGs of the UN being the guidelines of its development policy. In foreign affairs the EU member countries seem to follow a “soft geo-policy” which is oriented towards cooperation and consent and an emphasis on sustainable development and global environmental policies. In contrast to the US, the EU pretends to solve structural causes of conflict in order to get sustainable peace,



and it is claiming to have achieved coherence fusing foreign economic policy, development policy and security policy.

The EU is often considered a guardian of “civilized collaborative behaviour” (Harvey 2003) or as a “cosmopolitan power”, “characterized not by what it wants, but by what it does not want”, including “no violation of human rights and human dignity inside or outside Europe” and “no besmirching of human dignity through ‘absolute power’” (Beck 2006: 139). From this view it follows, that a welfare minimum is integral to the European understanding of political freedom and democracy which translates itself into economic justice (including the eradication of poverty), social solidarity (including public welfare expenditures) and sustainable development. It is no surprise that “the European Union has globally been ascribed the most positive role of an international negotiating or civil power, which stands for the development of a fair multilateralism” (Messner 2007: 12).

However, the EU can serve as a “standard” or “model” for other regional integrating areas in the world only in so far as it avoids “double speech”. Therefore, it can not promote welfare and social cohesion inside the Union with policies causing and enforcing poverty, conflicts, and violence outside its (increasingly better protected) borders. It can not base welfare provisions inside the Union on direct or indirect expropriation and injustice in its external relations. It has to apply and follow the same values and norms in internal as well as external policies. It has to organise fields of external (be it economic, development, security or migration) policy in a coherent way, or to quote Jean-Claude Juncker, prime minister of Luxembourg during the time the country was holding EU presidency: “A social Europe”, which is translated into greater social cohesion and better ecological balance, needs “as a counterpart” a “solidary Europe”, with cooperation as the frame of reference, which condenses in particular on the EU’s development policy.

Against this background, the question to be answered in the main part of this paper is as follows: How is European “openness and cosmopolitanism” reflected in its trade agenda and how does EU trade policy fits into the intention of a coherent external policy?

### 3. THE AGGRESSIVE EU TRADE AGENDA WITHIN WTO

As far as the EU's multilateral trade agenda is concerned, one has to confess that its aggressive pursuit of corporate interests contributed to the collapse of WTO's ministerial summits in Cancun (September 2003) and in Hong Kong (December 2005). In response to the rise of global justice movements, the EU added heavy doses of "green wash" and "poor wash" to sell its WTO policies. But the neoliberal fundamentals of its trade policies did not change. The offers on cuts in tradedistorting subsidies in agriculture are still far not large enough and are coupled with aggressive demands on tariff cuts in agriculture, industry, and services. And with regard to fair trade which both the European Commission and the European Parliament have repeatedly acknowledged as contributing to sustainable development and poverty reduction, not much has actually been done.

In this paper, we will endeavour to explain why EU trade politics with regard to development aims do not distinguish itself from the prevalent US approach to trade politics. First of all, one has to take the institutional structure of EU trade policy into account. Within the EU trade policy has been transferred to the supranational level in order to insulate the policy-making process from domestic influences and protectionist pressures. The European Commission was given the competence to conduct trade negotiations. With the Treaty of Nice even services and intellectual property rights, which touch upon sensitive issues of domestic regulation, became the exclusive competence of the Union, and together contribute to a more liberal trading order (Raza 2006). At the same time, the institutional architecture of EU trade policy facilitates large-scale business. On the one hand, the influence of national parliaments and actors such as trade unions, social movements as well as petty commodity production and small-scale farmers traditionally focussing their activities upon the national or local levels is constrained. On the other hand, global players who know how to turn their economic power into political influence by successfully lobbying the EC and national governments in favour of open markets are strengthened. There are around 15,000 lobbyists based in Brussels, around one for every official in the EC, with more than 70 percent working for big business. With an estimated € 750 million to € 1 billion at their disposal, transnational corporations and their representatives exert undue influence over policy making in the field of trade (Deckwirth 2005).

What is even more important, the EC has an action strategy on aligning itself with corporate lobbying structures to pursue an "offensive trade agenda" (Pascal Lamy). Actually, by setting up so called high-level groups to influence policy making, the EU commissioner for enterprise and industry stimulated a kind of institutionalization of corporate lobbying which has the potential to undermine the role of the European Parliament.

As far as EU demands on developing countries are concerned, these could counteract economic development requirements and exacerbate existing poverty and inequality, hence there is no real distinction between US and EU multilateral trade policy. This becomes even more obvious when one looks at the numerous bilateral trade agreements already signed and still in the process of negotiation.

## 4. THE PUSH TOWARDS BILATERAL AND REGIONAL TRADE AGREEMENTS

EU negotiators have continued to push for controversial rules on protecting foreign investment, increasing transparency in government procurement and encouraging domestic competition in trade agreements with poor countries, even though these issues were removed from the Doha round after developing nations objected. The suspension of the “Doha Agenda” of WTO talks in July 2006 has given the EU the signal aggressively to pursue bilateral and regional deals, as the centrepiece of its “external competitiveness strategy” posted in October 2006 by the European Commission (2006a). The EU emphasises that bilaterals will be addressing subjects outside the Doha agenda, including domestic regulations on investment, competition and public procurement in favour of foreign companies. Such measures, known as the “Singapore issues” after the ministerial conference where they were proposed, were thrown out of the Doha trade talks at the behest of developing countries, who saw them as an infringement on their sovereignty.

However, the push towards bilateral and regional “Preferential Trade Agreements” (PTAs) almost always including “Bilateral Investment Agreements” (BITs) is not that new. Since the mid-1990s the number of PTAs has increased. There is a “rush to regionalism” (Higgot 2004) all over the world. North-North, South-South, and most importantly, a number of North-South agreements were negotiated. In particular, the US and EU corporate lobbies push for PTAs outside the WTO. From the perspective of industrial countries, the advantages for interregional and bilateral agreements are at hand. Expectations refer to an expansion of export markets for domestic companies, new sales markets for high technologies and services, take over of privatised companies, a strive for investment in extractive industries and, most important, to establish precedents for an expanded WTO agenda. Furthermore, successful trade delegations from the US and the EU can expect that negotiations with smaller countries or respectively with representatives from individual governments will lead to faster results than negotiations within the framework of WTO.

But what moves representatives from the South to accept these agreements? On the one hand, these are viewed as more transparent than negotiations within the WTO. On the other hand, developing countries expect to achieve a more development friendly “differential treatment”, that includes, in principle, longer transition periods for free market access of foreign companies than would be possible within the context of WTO. Furthermore, a loosening of unwanted investment rules is expected, and developing countries might be able to better position their interests than in the TRIMs, GATS, TRIPs or Multilateral Investment Agreement under the WTO.

But this is astonishing: Firstly, while multilateral agreements under the WTO raise public awareness and growing resistance from civil society in the North and South, PTAs raise less attention and are far less subject to protests. However, there is no reason to consider PTAs more favourably, since these are usually “WTO-plus agreements”. Developing countries face being sandwiched between multilateralism and bilateralism in trade policy. Secondly, where there has been mobilisation against PTAs these were addressing agreements under negotiations with the US. Most similar negotiations or agreements pushed through by the EU have passed without public awareness, with the exception of ongoing negotiations over so-called “European Partnership Agreements” with ACP countries. Thirdly, global trade unions are usually less concerned with PTAs than with assessing the impact of WTO agreements on social and environmental issues, and most national unions are usually not very much engaged in trade policy at all.

Against this background it is to be shown in the following that PTAs including BITs deserve more attention, and that the new trade strategy of the EC is mimicking the prevalent US approach to trade politics, and thus should come under attack from trade unions and civil society movements. Finally, this paper argues that although in principle PTAs can include labour-friendly provisions more easily than at the WTO level, trade unions’ more ambivalent attitude towards PTAs is justified. However, from a development point of view, trade unions from the industrialized countries need to change their reluctance towards a fundamental criticism of ongoing trade policy, be it US or European type.

## 5. US-PREFERENTIAL TRADE AGREEMENTS: TRADE POLICY AS “SECURIZATION OF GLOBALIZATION”

Within the US foreign economic policy globalization is now seen not only as a benefit, but increasingly as a security problem. Therefore, trade policy becomes an explicit part of security policy (Higgot 2004). Although the growing hostility of the US-administration to the WTO was one reason to recourse increasingly to PTAs, the US is not the pioneer in negotiating PTAs with developing countries. Actually, in the late 1990s, the US were trying to catch up with the EU, which already had signed 30 free trade or special custom agreements while the US had only NAFTA and agreements with Israel and Jordan. However, PTAs with the US are viewed as something special. According to former US trade representative Robert Zoellick (in: *New Statesman*, June 23, 2003), these are supposed firstly, to have the function to build a “coalition of liberalizers placing the US at the heart of a network of initiatives to open markets” and secondly, to reward “good partners” for co-operation on foreign policy and security issues, especially the “fight against terrorism”. In other words a free trade agreement with the US “is not something that one has a right to. It’s a privilege (...) that must be earned via the support of US policy goals.(...) (The Bush administration) expects cooperation – or better – on foreign security issues” (ibid.). This strategy is euphemistically coined “competitive liberalization”, since the single countries have to qualify itself for PTAs with the US.

Since the late 1990s, PTAs have been signed with Singapore, Australia, Chile and Morocco, with Peru, Columbia, Bahrain, Vietnam and with Central American countries. Other free trade agreements are announced to be signed with countries across the Middle East and North Africa. In all cases a PTA is regarded as a political reward for US-favoured policies, from the right to establish military bases to friendly relations with Israel. While the US did not succeeded in its efforts to expand a “NAFTA-plus”-agenda to the entire hemisphere, it negotiated PTAs containing exactly the proposals for a “Free Trade Area of the Americas” (FTAA)(PSI (2004). These were proposals such as market access for US companies (for US crops in the CAFTA negotiations, for US banks, insurance, and security firms in the Vietnam-PTA), an extended protection of intellectual property rights of up to 30 years (on drugs in the case of Morocco), provisions referring to the liberalisation of services (using the “negative list approach”, where all service sectors are considered to be included except for those definitely excluded), government procurement, competition policies and customs practices which are to be liberalised. In addition, investment rules are included in all new US-PTAs which are modelled on those in NAFTA chapter 11, guaranteeing the WTOprinciple of “national treatment” even for the “pre-establishment” period of an investment. Furthermore, all PTAs include a dispute settlement following NAFTA chapter 11, which allows arbitration of investor-to-state disputes under bilateral investment treaties (BITs). Under these BITs, private foreign investors can sue

governments for compensation for any profits lost due to government's actions to protect the environment or the public interests. Actually, investors are given far greater rights than those found in domestic law in the US or other countries. The overall effect of these new PTAs is a limitation on the ability of governments to regulate in the public interest – a loss of policy space.

But usually, US PTAs met some kind of resistance. In Latin America the project of a FTAA was about to divide the hemisphere in two blocs. In 2005 the creation of a US-Central American Free Trade Agreement (CAFTA) provoked resistance. In Morocco, a new bilateral trade treaty with the U.S. was greeted by protests, because of its TRIPS-plus provisions which extended the life span of patents on drugs from 20 years to 25-30 years (Stiglitz 2004). More recently, the Jordan-U.S. free trade agreement came under fire from unions, since after five years of lobbying for this agreement which was supposed to be a labour rights model, it turned out that the agreement was not implemented as intended (Gillespie 2006). And with regard to the ongoing negotiations for the U.S.-Korea free trade agreement (KORUS) labour federations in the U.S. and Korea joined forces to protest (IBT 2007).

Nothing similar has been reported so far with respect to EU PTAs.

## 6. THE “SECOND GENERATION” OF EU-PTAS: APPLYING A COMBINATION OF CARROTS AND STICKS

While the EU views itself as a true believer in multilateral policy, it succeeded to negotiate more PTAs than the US. Since the late 1990s the EU has been a driving force of trade liberalization outside WTO. Currently, it has 28 bilateral agreements or ongoing negotiations with single countries or regions regarding trade liberalization (including the launched or already ongoing negotiations of “European Partnership Agreements” with ACP countries, the Gulf Cooperation Council, Iran, Iraq and China) (EC 2006b). In addition to its accession treaties (EC 12, EC 15, EC 25) it has other regional agreements including two customs unions (with Turkey and Andorra), six Free Trade Agreements, 9 Association Agreements (with the Mediterranean littoral countries and Syria) and four other PTAs (in particular with Chile, Mexico and South Africa) (EC 2006c).

But is it really the case that while the US are using trade as a weapon to advance the powerful economic, military and political interests of US corporations and the US government, the EU tends to be less aggressive than the former on demanding “WTO-plus agreements”? Not at all, instead it is an explicit goal of the EU that PTAs should extend the level of liberalization beyond that already achieved within the WTO. However on the first sight, trade agreements reached within the EU contain elements which more development friendly than comparable US-PTAs with their partners from the South. EU-PTAs are based on principles and objectives such as: interrelation of economic development and political objectives, in order to support human rights, democracy, “good governance”, sustainable development and poverty eradication. These objectives usually are mentioned in the preambles of the (new) contracts. Therefore, one could conclude that PTAs could have positive results, such as to foster security and political relations between partners, to combine voice in multilateral negotiations, to cooperate in environmental matters, to enforce democratic participation, and, not at least, to protect human and labour rights. It is against this background that A. Cosby from the International Institute of Sustainable Development (IISD) in Winnipeg/Canada argues that the EU would see “the well-being and stability of its Southern neighbours as important to its own well-being and is willing to invest the necessary resources to help make them good neighbours” (Cosby 2004:9). But are the EU-PTAs really “the best example of the integration of social considerations, including worker’s rights, with the economic considerations of a trade agreement”, as the ICFTU states in a draft on the spread of bilateral and regional trade agreements (ICFTU 2004)?

If we are looking through the rosy tinted lenses of the preambles we may not realize that no real control or monitoring mechanisms are installed, that the funding and the economic models applied for “Sustainable Impact Assessment” of PTAs are highly negotiable, and that there are no binding institutional



structures of consultation and co-operation with partners from civil society. At least, trade unions should address these flaws. On the one hand ICFTU criticizes the EU-Mexico-Agreement and the EU-Chile-Agreement for not mentioning trade unions or worker's rights explicitly and rightly demands "direct connection between (the announced –B.M.) social co-operation and the trade section, such that the agreement would ensure that trade improve social and labour conditions and not the opposite" (ICFTC 2004: 5). On the other hand, the ICFTU is not criticizing the EU-Chile agreement for its inclusion of the so-called "Singapore issues". But it is due to the liberalization of investment and public procurement that Pascal Lamy<sup>1</sup>, former EU trade commissioner and today's director of the WTO, coined this treaty a "21<sup>st</sup>-century model of trade relations". As compared to the US, which, as the dominant political and military power, has few inclinations to compromise in order to achieve its goals, the EU usually combines carrots and sticks in its bilateral negotiations. Thus its trade agreements are usually supplemented by some sort of development assistance programmes and funds (Raza 2006). Nevertheless, the decisive criterion for the evaluation of international trade agreements is whether these heighten or low the chances for social development, education and a life in dignity. To merely include some paragraphs that all parties will respect and promote human and worker's rights is just plain insufficient.

To put it in a nutshell: The EU is demanding far-reaching trade concessions by developing countries which will help to increase their vulnerability. The new EUPTAs almost always include that developing countries have to open their market within a short period of time to EU exports. In many PTAs, as in the WTO, liberalization of trade in agricultural goods is relatively restricted compared to commodity trade; only for certain products and with limited scope the EU grants limited licenses to trade through preferential tariffs and quotas, while at the same time striving to achieve extensive market access for European agricultural exports. Usually there are no protective clauses for newly built up industries and sensitive sectors in developing countries, except in the agreement with South Africa. The EU-PTAs usually include slight trade liberalization within the GATS, which is very important for Mexico and Chile and in the Chilean case even liberalisation of public procurement. For all areas, unlimited capital and profit transfer are secured by free trade agreements and, not surprisingly, the European member states are pushing increasingly to sign NAFTA-like investor-friendly bilateral investment agreements including a dispute settlement mechanism which establishes investor-to-state-arbitration (see Schilder et al. 2005).

Central to a EU trade agenda that demands far-reaching trade concessions by developing countries are the "European Partnership Agreements" (EPAs) that relate to ACP (African, Caribbean, Pacific) countries. These bring the earlier generation of trade preferences in the Cotonou Agreement, established to support the economies of former colonial countries, to an end. In the current

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<sup>1</sup> [http://www.europa.eu.int/comm/external\\_relations/chile/assoc\\_agr/ip02\\_1696.htm](http://www.europa.eu.int/comm/external_relations/chile/assoc_agr/ip02_1696.htm)

negotiations the EU makes clear that EPAs will be based on free trade agreements which imply the elimination of duties and other restrictive regulations on commerce relating to “essentially all trade”, thereby sticking to a narrow interpretation of the WTO rule, insisting that “essentially all” means “more than 90 percent”. Furthermore, the negotiation agenda include more ambitious negotiations in “all services” than the GATS, more restrict TRIPs provisions than in the Doha round granted to developing countries and shall include “Singapore issues”, such as liberalisation of investment, government procurement, cooperation on competition rules, trade facilitation, data protection - and its securitization through BITs (Ochieng/Sharman 2004). It comes as no surprise that poor developing countries have been promised € 2 billion in extra aid to sweeten trade liberalisation, as part of the EU’s carrot and stick policy. However, ACP negotiators complain that it is impossible to have a coherent discussion with the EU representatives, because the EU trade division does not want to talk about development issues while the EU development directorate is not allowed to negotiate in trade deals (Financial Times, November 8, 2006).

But fortunately, since the beginning of 2006 ACP countries have been backed by a remarkable protest movement. In February 2006, Southern African trade union leaders and researchers published a declaration including a profound critique of the EPAs<sup>2</sup>. In Europe national “Stop EPAs” campaigns evolved. A draft report on the development impact of EPAs has been discussed in the European Parliament’s Committee on Development which expresses strong concerns “that the overly rapid pursuit of reciprocity in trade relations between the EU and the ACP could have a devastating impact on vulnerable ACP economies” (Morgantini Report 2006). As Southern African trade union leaders did in their declaration, the report recommended the European Parliament to reject any attempt by the EC to bring investment, competition rules and government procurement under the EPA mandate. In February 2007, an informal coalition of 180 European NGOs have called in an open letter to the German EU presidency under Chancellor Angela Merkel to offer meaningful alternatives to the so-called EPAs. And in a joint “Development Policy Manifesto” for the German EU Presidency 2007, African and German NGOs demand that EU policies in the areas of agriculture, trade, security, energy, climate, HIV/AIDS and gender should be designed in line with the development objectives of the EU.

The danger of new bilateral free trade agreements beyond the WTO raises new questions for NGOs, trade unions and other social movements, as these have mainly focused upon the multilateral level up to now. In particular, the role and awareness of free trade agreements including BITs in European civil society is crucially lacking. While the international community, civil society movements and trade unions alike were so engaged with WTO deals, the mushrooming of BITs is

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<sup>2</sup> see: <http://www.gurn.info/topic/trade>

done in the corners, with a tendency included that the powerful are arm-twisting the negotiators from developing countries.<sup>3</sup>

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<sup>3</sup> At the end of 2004 the total number of BITs amounted to 2,392. Although, there was a slow down in the conclusion of BITs since 2001, the cumulative number is growing. At the end of 2004 2 out of 3 BITs were signed between developed and developing countries, with only one fourth of all the BITs being concluded between developing countries (UNCTAD 2007).

## 7. TRADE UNIONS RESPONSES TO DEVELOPMENT-HOSTILE TRADE LIBERALIZATION

Obviously, WTO agreements as well as PTAs and BITs greatly restrict the right of developing countries governments to carry out politics that favour the growth and technological upgrading of domestic industries and farms, with “market access” (to developed countries markets) preventing such policies. There seems to be a need for “non-market measures” of intervention and for development principles becoming the guiding principles of international cooperation. This would entail stronger one-way trade preferences for developing countries and more legitimate scope for selective protectionist policies aimed to push for an internal integration of the national economies as well as strong performance requirements with regard to foreign direct investments, including appropriate levels of national protection for matters of health, safety, working conditions, and the environment.

With regard to the impact of the free trade regime on global labour, the preceding analysis raises a set of questions: Are unions in the North aware of the devastating pressure on developing countries economies that the “slow-motion Great Train Robbery” (Wade 2005: 89) of “global integration” exerts – through homogenization of trading commitment across the world? Is the global unions’ strategy to push for an incorporation of core labour standards on the level of the multilateral trading regime and, as a “second best solution” (Greven 2005), into bilateral or regional PTAs, appropriate to problems caused by the convergence agenda of reciprocal market access? Are workers’ rights best secured if multilateral and bilateral trade agreements contain human rights provisions with explicit reference to core labour standards or, even better, if these agreements would include the establishment of tripartite cooperation structures and consultation committees in beneficiary countries?

As empirical evidence suggests, US-PTAs, which include specific labour rights provisions, did not really improve the enforcement of labour rights. With the exception being the US-Cambodia agreement, since the other often mentioned agreement with Jordan currently is highly debated (Gillespie 2005). With regard to the EU-PTAs the situation is even worse. Since the early 1990s these agreements usually include a human rights clause which would allow termination or suspension of the agreement in whole or in part in the case of a violation of human rights. However, the EU has only ever punished one country – militaryruled Burma – in such fashion. What is even more important, the EC is firmly opposed to any sanctions-based approaches and initiatives to use labour rights for protectionist purposes.

But is it not promising that the European Council of Ministers recently adopted a set of conclusions on the promotion of decent work within the EU and through the word, which has been welcomed by the ILO? Is it not a step further that the EU at least plans to link labour standards to trade talks and to offer improved market access for countries with high standards, as had been announced with regard to the PTAs to be negotiated with India and South Korea? Does it not fit into the picture of progressive EU politics that most recently, European trade unions could welcome a decision by EU member governments to revoke trade privileges for Belarus because it had flouted ILO standards? (Only poor member states Poland and Lithuania, which have strong economic ties with Belarus' economy, will be affected by the decision taken in December 2006.)

The new wording has a good sound, but it should not be confused with a prodevelopment agenda. This becomes crystal clear against the background of the very "offensive" and deregulation-minded new trade strategy the EC recently communicated under the title "Global Europe – competing in the world" (EC 2006a), the new communication on EU-China relationship (EC 2000d), and more openly in recent speeches of EU trade commissioner Peter Mandelson. In order to place the EU as an "essential" global actor and strengthen the EU's capacity to compete with Japan and the US today, and with China and India tomorrow, the internal as well as the external competitiveness of European corporations should be increased through "regulatory convergence" with our most important trading partners (in particular in the US). In order to become a pacesetter for worldwide business regulation, a global standard-setter, the Commission wants to listen to EU and non EU-corporate interests alike before making decisions "affecting the market" – such as those on environment, health or social regulations. Furthermore, among other very offensive demands on those countries which have been identified as "target countries" of EU export interests the new EU's corporate trade agenda makes European access to natural resources of developing countries a "high priority" and promises to oppose any attempt by such countries to defend their resources for their own use. However, it is not very unlikely that European trade politics might become increasingly "subsumed to the EU's geopolitical and strategic interests, hence mimicking the prevalent US approach" (Raza 2006: 9).

Against this background, can it really be the only option for social movements and trade unions in the North to prevent ruinous competition through violations of labour rights (used as a source of competitive advantages) by exclusively pushing for international labour standards to be included in trade agreements between the EU (or the US) and developing countries? With regard to trade issues Northern trade unions, in particular European trade unions, are demanding a "coherent policy", which is supposed to be a sort of combination of trade liberalization in favour to industrialized countries combined with redistribution elements such as an "aid for trade" policy, and an enforceable implementation of core labour standards in developing countries stuffed with cheap labour. But usually they do not lobby for the rights of developing countries to protect itself

against imports from developed countries based on the comparative advantages of advanced technologies, skilled labour and high amounts of capital implied. First of all, trade unions have to represent the interests of their members. Thus, the impact of trade measures on natural resources, poor people, small producers, women and even decent work in other regions are of secondary importance.

Sure, workers and trade unions in the EU (as in other developed countries) are facing the twin challenge of job losses due to competition from low-wage countries not applying core labour standards and, at the same time, have to experience that the consensus of Western welfare state which rested on ethnic and social solidarity, is being undermined through labour migration. But usually this does not translate into questioning the fundamental assumption that trade liberalisation is natural and inevitable, thus challenging the goal of external integration of national economies as such.

Western unions (and in particular German unions) are captured by a capitalist model based on limitless growth and accumulation, progressive appropriation of resources and riches and guaranteeing unrestricted access to developing country's markets. To break with this model is not an easy task. A number of national trade unions in Europe are no longer able to achieve adequate wage increases and decent work for all dependent workers within their home countries, be it in the formal or informal sectors of the economy. Therefore, they are heavily dependent on a global division of labour which translates into "importing cheap", namely commodities and low-and middle-tech manufactures and "exporting expensive". That is: advanced technologies and services of all kind, including financial services and increasingly "non tangible assets" such as brands, patents and copyrights. However, in the case of the EU the export-oriented regime of economic growth even do not pay off for European unions itself: wage coordination on a European level will not happen because industrial trade unions are fully supporting the export orientation of their government pressured by the European corporations – and unfortunately, the service sector workers are less organised. To put it the other way around: Those who want to stop the downward spiral of wage levels and working conditions in European countries are best advised to question the idea of a single integrated world market with universal standards of business regulation dominated by the West and the closely linked concept of external integration of national economies.

This would demand that German or British trade unions join the global justice movement, mobilize and engage themselves to "derail" any proposals of their governments to pressure developing countries to liberalize sensitive economic sectors prematurely. Although trade policy has not been very high on the agenda of social movements and trade unions in Europe so far, it is time to embark on a wide ranging alternative to the "Global Europe"-strategy which should put forward truly sustainable solutions. These should include alternative political proposals such as no liberalization or trade in different forms.

However, for transformations to occur, it will be necessary to begin “to question the West’s totem” (Muran 2007), namely, the sacrosanct concept of unfeasible and anti-ecological economic growth itself, which the West have imposed for centuries on the entire world, thus changing this world into an unjust and ungovernable world. Until this will happen, the EU will not become a catalyst of an effective and fair multilateralism, limiting conflicts and ensuring stability in the international system.

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