

# TRADE GLOBALISATION AND THE EU COMMERCIAL POLICY

**Teacher: Olivier DE LAROUSSILHE**

**Academic year 2017/2018: Paris School of International Affairs – Spring Semester**

## BIOGRAPHICAL INFORMATION

Born 1949, studied at Institut d'Etudes Politiques de Paris (graduated in 1975)

European official 1982-2014.

Last: European Commission, Directorate "External Trade", Head of Unit for Communication and relations with the civil society.

Previously (2007-2013) Head of Unit for "Trade relations with Euromed and Middle East". In charge of bilateral trade relations and trade negotiations with countries of the South and East Mediterranean, the Gulf countries, Iran, Iraq.

(2000-2006): European Commission, Directorate "External Trade", Head of Unit for "Inter-institutional relations and communication policy", in charge of the trade communication strategy; relations with the European Parliament and trade relations with 30 countries (candidate countries' accession process, Turkey/Customs Union, the Balkans/the Stability Pact and 9 former USSR countries).

Started as a journalist (1974-1982): specializing in international economy-finance, for the French press: "Le Figaro", "Le Matin".

## COURSE OUTLINE

- In a nutshell:
- 3 reasons to consider trade globalization:
- Trade contributes to growth and development,
- Trade globalization disrupts economic and social setups,
- Trade policy in the EU operates as a federal competence.

## Session 1: World trade and globalization, a few reminders

World trade as a driver of globalization, the changing nature of trade: "Made in the world", outsourcing and the new division of labour around world supply chains, the growing share of emerging economies in the global output, trade theories revisited. Is trade globalization sustainable? How do emerging countries fit into the world trade system?

### Suggested reading:

- Suggested reading: P.Lamy: «The new world of trade», a lecture at ECIPE, 2015  
<http://www.ecipe.org/app/uploads/2015/05/JAN-Tumliir-POLICE-Essays—20151.pdf>
- Making trade an engine of growth, IMF, WTO, WB joint paper to the G20, 2017

<http://documents.worldbank.org/curated/en/318651491579082111/pdf/114123-WP-PUBLIC-on-4-10-17-at-8-am-Joint-WTO-WB-IMF-trade-report-Cover-3-CORRECTED-002.pdf>

## Session 2: How trade globalization challenges European economies and societies

How trade globalization operates. How it affects European economies and disrupts the social contract. Asymmetric impacts and misperceptions, the impact on employment, the losers of globalization, inequalities among countries and within countries, the impact on industry: offshoring and reshoring, the competitiveness challenge for European economies.

### Suggested reading:

- Dani Rodrik: "The globalization paradox", WW Norton & Co, New York, 2011 (in particular chapters 3, 4, 9, 10).
- Uri Dadush: "The future of globalization", OCP Policy Center/Bruegel, 2017  
<http://www.ocppc.ma/sites/default/files/OCPPC-PB1718.pdf>

## Session 3: Can globalization be managed? The EU in search of trade governance

The backlash against freer trade and how it reshapes politics; in search of a practical response to globalization's adverse effects. How to manage the tension between national democracy and global markets? The approaches and limitations to world governance; the G20 attempts to address economic interdependence; the EU experience: a laboratory of global governance?

### Suggested reading:

- Arvind Subramanian and Martin Kessler: "The Hyperglobalization of Trade and Its Future", The Peterson Institute for International Economics, 2013. <http://www.piie.com/publications/wp/wp13-6.pdf>
- Jeff D. Colgan, Robert O. Keohane: "The Liberal order is rigged, fix it now or watch it wither", Foreign Affairs, May 2017; (in the dedicated Google drive)
- Z. Bauman, "Les usages de la peur dans la mondialisation", Esprit juillet 2005; (in the dedicated Google drive)

## Session 4: The European Union trade policy

The place of Europe in world trade, the institutional set-up of the Lisbon Treaty: how does a "federal policy" operate within the EU "multi-level governance"? The EU trade policy concept and its turnaround of 2006. Are EU member States (and citizens) "hostage" to Brussels? How member States and Parliament fit into the decision-making process, who decides, who influences. In search of a more democratic trade policy. Addressing the losers of globalization. The EU trade policy in need of a new "business model". Towards a more protective trade policy?.

### Suggested reading:

- Sophie Meunier: "Trading voices: the European Union in international commercial negotiations", Princeton, N.J.; Princeton University Press, Oxford 2005.
- P. Magnette: « Le régime politique de l'UE », Presses de Sc.Po, 2009, latest edition 2017; (a comprehensive outline of the EU polity, which highlights the central role of national governments in the operation of the European institutions; possibly the most useful if you read only one on the EU...)

## Session 5: Which trade relations? Multilateral vs bilateral, the EU agenda

Bilateral agreements on the rise: complementarity with the multilateral/WTO approach or “spaghetti bowl”? The rationale for the EU’s increasing involvement in bilateral trade negotiations, the “deep trade agenda”. The EU’s negotiating objectives: opening trade + rules + regulatory convergence.

### Suggested reading:

- The European Commission’s Communication “Global Europe”, 2006;  
[http://trade.ec.europa.eu/doclib/docs/2006/october/tradoc\\_130376.pdf](http://trade.ec.europa.eu/doclib/docs/2006/october/tradoc_130376.pdf)
- S.Jean, CEPII : Libre-échange: "Il n'y a pas de naïveté européenne", Le Point, 3/5/2017 ;  
[http://www.lepoint.fr/presidentielle/libre-echange-il-n-y-a-pas-de-naivete-europeenne-03-05-2017-2124562\\_3121.php#xtor=CS2-239](http://www.lepoint.fr/presidentielle/libre-echange-il-n-y-a-pas-de-naivete-europeenne-03-05-2017-2124562_3121.php#xtor=CS2-239)

## Session 6: How the EU negotiates trade agreements

How the EU steers trade negotiations, the negotiating agenda, the EU’s objectives: offensive (services/investment, public procurement, non-trade barriers) and defensive standard setting and the choice to be a rule maker or a rule taker in international trade, non-trade aspects of negotiations and collective preferences. Exceptions to trade opening. An insight into the key current negotiations: EU-US, EU-Canada and others...; An example: reading through a “deep and comprehensive free trade agreement”: EU-Korea. EU-Korea six years on, what results?

A critical policy challenge: The acceptance of trade policy and “post-truth” in democracy.

### Suggested reading:

- “Trade, Growth and Jobs”, a Commission contribution to the European Council, February 2013.  
[http://trade.ec.europa.eu/doclib/docs/2013/april/tradoc\\_151052.pdf](http://trade.ec.europa.eu/doclib/docs/2013/april/tradoc_151052.pdf)
- Centre for Economic Policy Research: “Deep integration and production networks”  
[http://www.cepr.org/sites/default/files/policy\\_insights/PolicyInsight60.pdf](http://www.cepr.org/sites/default/files/policy_insights/PolicyInsight60.pdf)

## Session 7: The multilateral approach, a traditional EU priority

How the WTO serves a rules-based trade system; the effectiveness and travails of an international judicial authority. How the EU supports the multilateral/WTO approach. What caused the breakdown of the WTO negotiations, Doha, Bali and beyond, ways out of the crisis and prospects for a WTO reform.

### Suggested reading:

- P.Lamy : « L’Organisation mondiale du commerce: nouveaux enjeux, nouveaux défis », En Temps Réel, 2014. <https://www.entempsreel.com/files/cahier55.pdf>
- The Report of the Warwick Commission, ‘The Multilateral Trade Regime: Which Way Forward?’ December 2007;  
[http://www2.warwick.ac.uk/research/warwickcommission/worldtrade/report/uw\\_warcomm\\_tradereport\\_07.pdf](http://www2.warwick.ac.uk/research/warwickcommission/worldtrade/report/uw_warcomm_tradereport_07.pdf)

## Session 8: The enforcement agenda

How the EU implements trade agreements and defends its interests: offensive and defensive instruments, the trade defence policy (antidumping/antisubsidy). Using the Dispute Settlement of the WTO. Foreign investment protection: do we need the controversial arbitration tribunals/Investor-to-State dispute settlement device (ISDS) ? Towards a more defensive trade policy ?

**Suggested reading:**

- The EU Trade and Investment Barriers Report 2017, [http://trade.ec.europa.eu/doclib/docs/2017/june/tradoc\\_155642.pdf](http://trade.ec.europa.eu/doclib/docs/2017/june/tradoc_155642.pdf)
- Commission report on the Implementation of Free Trade Agreements 2017, <http://ec.europa.eu/transparency/regdoc/rep/1/2017/EN/COM-2017-654-F1-EN-MAIN-PART-1.PDF>

## Session 9: European competitiveness in world trade

A European paradox: a common trade policy versus asymmetric economies. Is trade to be blamed? Whereas the EU has a common trade policy, economic performance differs between member States, a supply side issue and a major European paradox; competitiveness and economic reforms belong to national competence. The need for a new approach to competitiveness in the framework of “denationalized comparative advantage”. Does Europe need an industrial policy?

**Suggested reading:**

- CEPII-CIREM, "The evolution of EU and its Member States' competitiveness in international Trade", January 2009 + an update in October 2012. <http://www.cepii.com/anglaisgraph/workpap/pdf/2009/wp2009-11.pdf>

## Session 10: What limits to trade opening?

Is trade liberalization irreversible? Some critical thoughts on trade opening; is protectionism – or “démondialisation” - an option? Existing and hidden forms of protectionism; how the EU monitors restrictive measures in world trade. How the open trade system was tested by the 2009 crisis, the current protectionist agendas. In search of a realistic approach. “A Europe that protects”, how far?

**Suggested reading:**

- P.Lamy: “Le protectionnisme ne protège plus”, Les Echos, 9.12.2016; (*A brief but thorough outline of the backlash against globalizations and the social issue behind it*). <http://www.lesechos.fr/monde/enjeux-internationaux/0211571143606-pascal-lamy-le-protectionnisme-ne-protège-plus-2049290.php>

## Session 11: In search of a responsible trade policy

Governance through trade. The EU's normative agenda: trade policy as a “hard power” component, serving the EU External policy and values: the promotion of democracy, sustainable development; how political and social conditionality are applied, perceived “social dumping” and the social impact of trade opening.

**Suggested reading:**

- Jagdish N Bhagwati: "In defense of globalization", New York: Oxford University Press, 2004. (*namely chapter 17*)
- Commission discussion paper on trade and sustainable development (TSD) in EU trade agreements, July 2017; [http://trade.ec.europa.eu/doclib/docs/2017/july/tradoc\\_155686.pdf](http://trade.ec.europa.eu/doclib/docs/2017/july/tradoc_155686.pdf)

## Session 12: Trade and development

How trade can help development, the specific characters of developing countries in world trade; export-driven success stories in Asia and their limitations; special treatment for developing countries in the WTO; the EU's approach to trade and development.

**Suggested reading:**

- Joseph E. Stiglitz: "Fair trade for all, how trade can promote development"; Oxford University Press, Oxford, 2005. (*a new approach to development*)
- F. Bourguignon, « Pauvreté et développement dans un monde globalisé », Leçon inaugurale au Collège de France, avril 2014.

## BIBLIOGRAPHY

Reading noted as "required reading" is deemed essential to understand the issue.

### Short introductions

**Required reading**

- P. Lamy: «The new world of trade», a lecture at ECIPE, March 2015 (*a bright introduction to the latest developments in world trade*). <http://www.ecipe.org/app/uploads/2015/05/JAN-Tumliir-POLICE-Essays-20151.pdf>
- McKinsey Global Institute (MGI): "Trading myths, Addressing misconceptions about trade, jobs, and competitiveness", May 2012 (*a useful vademecum*) [http://www.mckinsey.com/insights/mgi/research/productivity\\_competitiveness\\_and\\_growth/six\\_myths\\_about\\_trade](http://www.mckinsey.com/insights/mgi/research/productivity_competitiveness_and_growth/six_myths_about_trade)
- P. Magnette: « Le régime politique de l'UE », Presses de Sc.Po, 2009, latest edition 2017; (*a comprehensive outline of the EU polity, which highlights the central role of national governments in the operation of the European institutions; possibly the most useful if you read only one on the EU...*)

**Additional reading**

- Arnaud Deshayes: "Le commerce international", Bréal, Paris 2011.
- Pierre-Noel Giraud : "La mondialisation", Petite bibliothèque des sciences humaines, Seuil, Paris 2012. (*trade globalization in a nutshell*)
- Centre for Economic Policy Research: Deep integration and production networks, 2011. [http://www.cepr.org/sites/default/files/policy\\_insights/PolicyInsight60.pdf](http://www.cepr.org/sites/default/files/policy_insights/PolicyInsight60.pdf)
- « L'Organisation Mondiale du Commerce : nouveaux enjeux, nouveaux défis », En Temps Réel, 2014. <http://entempsreel.com/pascal-lamy>

## General economic framework, theories

**Required reading**

- Paul Samuelson: "Where Ricardo and Mill rebut and confirm arguments of mainstream economists supporting globalization"; Journal of Economic perspectives, vol. 18, summer 2004. (*Where a knowledgeable economist acknowledges that -unlike the free trade theory- open trade can be detrimental to developed economies*) - <http://pubs.aeaweb.org/doi/pdfplus/10.1257/0895330042162403>
- WTO yearly World Trade Reports [https://www.wto.org/english/res\\_e/statis\\_e/wts2017\\_e/wts2017\\_e.pdf](https://www.wto.org/english/res_e/statis_e/wts2017_e/wts2017_e.pdf)

**Additional reading**

- Paul Krugman, Maurice Obstfeld: "International economics: theory and policy", Boston, MA: Pearson/Addison-Wesley, 2010. (*The theoretical background*)

- Paul Krugman: "Is Free Trade Passé?", The Journal of Economic perspectives, vol. I, No. 2. (Fall, 1987), no 1, 1987. (*A key proponent of the "new" trade theory*) - <http://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.1.2.131>
- M.J.Melitz: Gains from Trade when Firms Matter, Journal of Economic Perspectives 26/2 (2012). - [http://scholar.harvard.edu/melitz/files/jep\\_final.pdf](http://scholar.harvard.edu/melitz/files/jep_final.pdf)
- "The future of trade: the challenges of convergence", report of the panel on defining the future of trade, convened by WTO DG P.Lamy, April 2013. - [http://www.wto.org/english/thewto\\_e/dg\\_e/dft\\_panel\\_e/future\\_of\\_trade\\_report\\_e.pdf](http://www.wto.org/english/thewto_e/dg_e/dft_panel_e/future_of_trade_report_e.pdf)
- WTO International trade statistics - [http://www.wto.org/english/res\\_e/statis\\_e/its2012\\_e/its12\\_toc\\_e.htm](http://www.wto.org/english/res_e/statis_e/its2012_e/its12_toc_e.htm)
- "The global economy in 2030, trends and strategies for Europe", D.Gros, CEPS 2013 (*an enlightening research mapping out the main future trends in international trade*). - [http://www.ceps.eu/system/files/Global%20Economy%20in%202030\\_small\\_0.pdf](http://www.ceps.eu/system/files/Global%20Economy%20in%202030_small_0.pdf)

## Policy issues relating to trade globalization

### Required reading

- Uri Dadush: "The future of globalization", OCP Policy Center/Bruegel, May 2017; (*a useful outline of the context and policy issues relating to trade globalization*). <http://www.ocppc.ma/sites/default/files/OCPPC-PB1718.pdf>
- Dani Rodrik: "The globalization paradox", WW Norton & Co, New York, 2011; (*essential - in particular chapters 4, 9, 10*)
- Dani Rodrik: "Has globalization gone too far?" Institute for International Economics, Washington, D.C., 1997; (*essential for an understanding of the social impact of globalization" - in particular chapters 1, 2, 3, 5*)
- Richard Baldwin: "Trade and Industrialisation after globalisation's 2nd unbundling", NBER, 2011-2013 <http://www.nber.org/papers/w17716>
- and: "The great convergence, information technology and the new globalization", Harvard Univ. Press, 2016. (*How the ICT revolution transformed globalization and its impact on the world economy + a masterful recount of the historical development of trade globalization*)  
*Many analyses of this book can be found in a WTO document:* [https://www.wto.org/english/res\\_e/reser\\_e/ersd201108\\_e.pdf](https://www.wto.org/english/res_e/reser_e/ersd201108_e.pdf)

### Additional reading

- "Making trade an engine of growth" IMF, WTO, WB joint paper to the G20, 4.2017 <http://documents.worldbank.org/curated/en/318651491579082111/pdf/114123-WP-PUBLIC-on-4-10-17-at-8-am-Joint-WTO-WB-IMF-trade-report-Cover-3-CORRECTED-002.pdf>
- M.Lemoine P&T Madiès : « Les grandes questions d'économie et finance internationales », De Boeck, Bruxelles, 2012.
- Oluf Langhelle: "International trade negotiations and domestic politics", 2014, Routledge, London, NY. (*useful outlines in particular ch.2 "the global trade agenda" on the multilateral/WTO trade policy and ch.4 "the European Union"*).
- W.Milberg, D.Winkler; "Outsourcing economics: global value chains in capitalist development", New York: Cambridge University Press, 2013; (*How the production process is scattered around the world, as firms go shopping around for best value tasks*)
- Paul Krugman: "Trade and Wages, Reconsidered", Brooking papers, spring 2008; (*The second thoughts of a liberal economist*) [http://www.brookings.edu/~media/projects/bpea/spring%202008/2008a\\_bpea\\_krugman](http://www.brookings.edu/~media/projects/bpea/spring%202008/2008a_bpea_krugman)
- McKinsey Global Institute (MGI): "Global flows in a digital age: How trade, finance, people, and data connect the world economy", April 2014 - [http://www.mckinsey.com/insights/globalization/global\\_flows\\_in\\_a\\_digital\\_age](http://www.mckinsey.com/insights/globalization/global_flows_in_a_digital_age)
- Jagdish N Bhagwati: "Free trade today", Princeton, N.J.:Princeton Univ.Press, 2002.

- and: "In defense of globalization", New-York:Oxford Univ.Press, 2004.
- Branko Milanovic: "Global inequality, a new approach for the age of globalization" Harvard university press, 2016; (*A most enlightening essay on inequalities with a more general reflection on gobalization, in particular ch. 1*).
- El Mouhoub Mouhoud: "Mondialisation et délocalisation des entreprises"; La Découverte, Paris 2008, latest edition 2013.
- JM Severino, O.Ray : " Le grand basculement", Ed Odile Jacob, 2011; (*Chapters 2, 4, 5*)
- Alan Blinder: "Free Trade's Great, but Offshoring Rattles Me," The Washington Post, 6.5.2007 - [http://www.washingtonpost.com/wp-dyn/content/article/2007/05/04/AR2007050402555\\_pf.html](http://www.washingtonpost.com/wp-dyn/content/article/2007/05/04/AR2007050402555_pf.html)
- Paul Krugman : "Trouble with trade", The new York Times, 28.5.2007 - <http://www.nytimes.com/2007/12/28/opinion/28krugman.html?pagewanted=print>
- Dani Rodrik and others: "After the Fall: The Future of Global Cooperation, don't count on global governance", 7.2012. <http://www.hks.harvard.edu/fs/drodrik/Research%20papers/After%20the%20Fall%20-%20The%20Future%20of%20Global%20Cooperation.pdf>
- Dani Rodrik: "The Past, Present, and Future of Economic Growth", Challenge, May-June 2014; (*On the sustainability of growth as a source of economic development*).
- Elie Cohen: « L'ordre économique mondial, essai sur les autorités de régulation », Fayard, 2001 ; (*The challenge of globalization on regulatory activity and ethics in trade, in particular pages 71-125*)
- M.Mandelbaum: « The road to global prosperity », Simon-Schuster, New-York, 2014; (*A general outline of the policy issues raised by globalization, the view of a US free trader.*)

## The European commercial policy

### Required reading

- European Commission: the website of the European trade policy: <http://ec.europa.eu/trade>
- European Commission Communications on trade (*basic policy documents*):
- "Global Europe" of 2006. (*The most significant strategy document, as it set out a new trade policy orientation*) - [http://trade.ec.europa.eu/doclib/docs/2006/october/tradoc\\_130376.pdf](http://trade.ec.europa.eu/doclib/docs/2006/october/tradoc_130376.pdf)
- "Trade, Growth and World Affairs" of 2011: - [http://trade.ec.europa.eu/doclib/docs/2010/november/tradoc\\_146955.pdf](http://trade.ec.europa.eu/doclib/docs/2010/november/tradoc_146955.pdf)
- "Trade for All: Towards a more responsible trade and investment policy" of 2015 - [http://trade.ec.europa.eu/doclib/docs/2015/october/tradoc\\_153846.pdf](http://trade.ec.europa.eu/doclib/docs/2015/october/tradoc_153846.pdf)
- CEPII-CIREM: "The evolution of EU and its member States' competitiveness in international Trade", January 2009 + latest update in March 2014. - <http://www.cepii.fr/CEPII/fr/publications/wp/abstract.asp?NoDoc=6620>
- The Commission's latest reflection paper on harnessing globalization, May 2017; (*A basic outline of the impact of globalization and the EU proposed response*). [https://ec.europa.eu/commission/sites/beta-political/files/reflection-paper-globalisation\\_en.pdf](https://ec.europa.eu/commission/sites/beta-political/files/reflection-paper-globalisation_en.pdf)
- The DG Trade statistical guide, June 2017 (*Selected tables and graphs outlining the current state and recent developments in the EU's foreign trade*), [http://trade.ec.europa.eu/doclib/docs/2013/may/tradoc\\_151348.pdf](http://trade.ec.europa.eu/doclib/docs/2013/may/tradoc_151348.pdf)

### Additional reading

- J.Peterson & A.R. Young: "The European Union and the new trade politics", Routledge, London, 2007.
- Sophie Meunier: "Trading voices: the European Union in international commercial negotiations", Princeton, N.J.; Princeton University Press, Oxford 2005. (*A detailed insight into how the EU handles trade negotiations*).
- Magdalena Licková: "La Communauté européenne et le système GATT-OMC : perspectives croisées", Pedone, Paris 2005.
- Henrik Horn, Petros C. Mavroidis and André Sapir: "Beyond the WTO? an anatomy of EU and US preferential trade agreements", Bruegel, 2009.

- Pascal Lamy: "Stepping stones or stumbling blocks? The EU approach towards the problem of multilateralism vs regionalism in trade policy", World Economy, 11. 2002.
- Zaki Laïdi : "La norme sans la force. L'énigme de la puissance européenne". Presses de Sc.Po., 2005; (*How the EU's normative power operates*).
- Pascal Lamy: "L'émergence des préférences collectives dans le champ de l'échange international, quelles implications pour la régulation de la mondialisation?" En Temps réel, oct 2005; <http://www.entempsreel.com>
- And "Global governance, the issue of values", Notre Europe, 2013. <http://www.notre-europe.eu/media/valuesglobalgovernancelamyne-ijdjan13.pdf?pdf=ok> (*A reflection launched by Lamy while he was the EU trade Commissioner*)

## In real life

### Additional reading

- S.Berger: "Made in the world - How we compete: what companies around the world are doing to make it in today's global economy", (a research from the MIT Industrial Performance Center on the experience of 500 companies as they responded to globalization), Currency Doubleday, 2005; (*Useful to understand how the new trade patterns/GVCs operate*).
- Th.L.Friedman: « The world is flat », Farrar, Straus, Girous, 2005 and Penguin 2006; (*Argued for a new age of globalization: the "flattening of the world", FT "Business book of the Year 2005"*)
- F.Aubenas: "Le quai de Ouistreham", Points/Seuil, 2011; (*A report on the losers of globalization in a developed economy*).

## Sky-high views on globalization

### Additional reading

- Stephen D.King: "Grave new world", Yale Univ.Press, 2017. (*A broad historical perspective, a reflection on why globalization is being rejected and what the end of globalization might mean for prosperity, peace, and the global economic order*).
- And a live presentation of the issue by the author:  
<https://piie.com/events/grave-new-world-end-globalization-return-history>
- P.Mishra: "The age of anger", Allen Lane, 2017; (*The view of a "non-westerner"- indeed an Anglo-Indian - on western-driven globalization. A provocative and debatable interpretation of today's violence through the global fault lines, contending that western liberalism and modernity have ever induced resentment from the "long term losers" and begot violence*).
- And interview of the author in "Le Point, 16.2.2017 (*in the dedicated Google drive*)