

# The EU's FTA Strategies in its New Trade Policy Initiatives and Policy Implications

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## I. Introduction

Beginning with the Global Europe Initiative in 2006, the EU has conducted active trade policy measures to contribute to economic growth, job creation and social cohesion in the European community. One of the conspicuous features of the new trade policy is that the EU does its best to support EU companies to benefit from better market access through new trade policy tools. Comprehensive and high-level bilateral FTA initiatives, among others, have rapidly emerged as a major tool of the new trade policy to achieve such goals.

More than a decade has passed since the Global Europe Initiative was declared. In the meantime, the EU successfully established several new generational FTAs with the Republic of Korea, Singapore, Vietnam and others, despite harsh economic turmoil led by global and European financial crises, the Greek crisis, Brexit, etc.

This paper aims to illuminate how the goals of the new trade policy have been achieved through the EU's FTA strategies over the years since the Global Europe Initiative. To do this,

we focus on three topics: EU standards, the evaluation process of market openness and the global value chain (GVC). In other words, we will evaluate how much the EU's FTA strategies have contributed to achieving globalization of EU standards, job creation through careful evaluation processes, and economic growth of the community by utilizing GVCs.

## II. Globalization of EU Standards

The EU has made tremendous efforts to export its standards to foreign countries through FTAs. Within its Community, the EU has tried to introduce unified technical and sanitary standards, but after little progress was observed it revised its standardization strategy to adopt a narrower harmonization area, leaving more flexibility in the area of general conformity. Since 1989, the EU has conducted international standardization of its community standards. The process has been accelerated through bilateral FTAs after the new trade policy was initiated in the mid-2000s. The Korea-EU FTA was one of the best examples of the EU's efforts in standard internationalization,

which was also adopted in the EU-Canada CETA and the EU-Vietnam FTA. In the case of mega-FTAs, however, the EU's efforts to export its standards have not been as successful, not only because of difficulties in its negotiations with the U.S. concerning the TTIP, but also because of growing uncertainties following Brexit and the recent emergence of a variety of standards throughout the world.

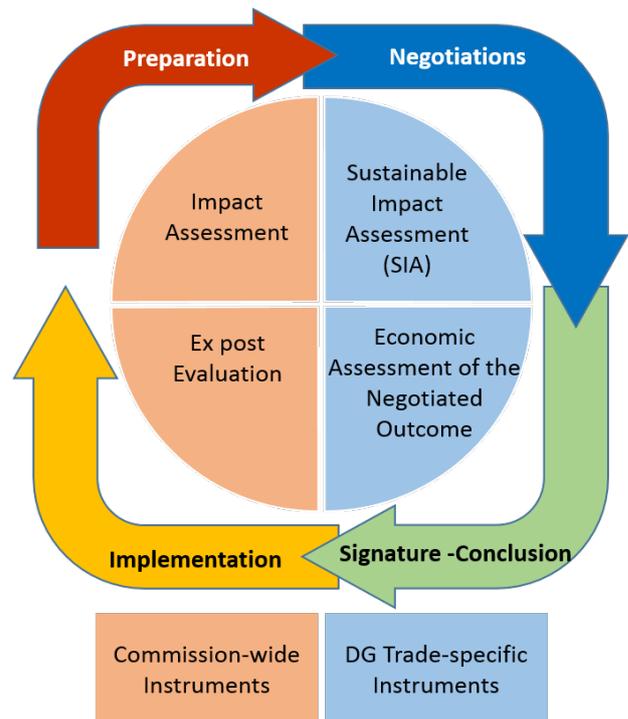
### III. Refining the Evaluation Process for More Job Creation in the Community

It is utmost important that the FTA evaluation process be designed carefully and conducted properly, in order to assess any impact of FTAs on the community labor markets. The EU has set out four stages for this evaluation process: impact assessment (IA), sustainability impact assessment (SIA), economic assessment of the negotiated outcome, and ex post evaluation. These assessments not only encompass aspects of quantitative economic analysis, but also qualitative economic analysis and social impacts such as broad impacts on the labor market, SMEs, competitiveness, income distribution, environment, human rights, etc.

The trade sustainability impact assessment (SIA), among others, is particularly interesting with regard to the impacts of FTAs on employment. For example, the EU-Korea FTA SIA report analyzes that the Korea-EU FTA would bring about positive impacts on agriculture and services employment, but minor negative impacts on the manufacturing labor market. The dairy industry, with the exception of pork, would realize positive benefits from the EU-Canada CETA, and the manufacturing sector, including automobiles, would see a job

creation effect in the case of the EU-Vietnam FTA. The results of the TTIP SIA indicate that the TTIP may lead positive impacts on employment through a mutual investment boom.

Figure 1. EU's FTA Evaluation Structure in the Negotiation Process



Source: European Commission (2016). Handbook for Trade Sustainability Impact Assessment, 2<sup>nd</sup> edition. p. 7.

### IV. Making Full Use of Global and Regional Value Chains

The FTAs pursued by the EU make full use of expansion of GVCs. The EU has set out global standards, promoted competition in the services market, moved to high value-added stages in GVCs, strengthened market access not only in final goods but in the intermediate goods market as well. In addition, the EU has increased forward linkage participation, provided better protection for IPRs, facilitated e-commerce, financial services supply and mode 4.

## V. Policy Implications

Based upon the EU's FTA strategies revealed in its new trade policy, the following policy implications would follow.

### 1. Refining Korean Standards, especially for the New Areas

As for standard internationalization, we need to scrutinize various regulations and standards into several categories, and deal with them according to their purposes. In cases where the standards would be helpful to globalize Korean standards, then we need to introduce them, which would help Korea lead the standard competition in East Asia. In newly emerging areas including the IT sector, environment-related industries, and new technologies related to the fourth industrial revolution, it would be strongly recommended to lead platform competition. In this regard, it would be recommendable to examine Chinese standards as they have rapidly emerged as a new competitor in the area of international standards.

### 2. Widening the Coverage of Assessment Fields and Developing a New Stage of Evaluation Process

Korea has its own assessment system for FTAs, but it is recommendable to cover a wider range of assessment fields such as social impacts and qualitative and institutional areas. A four-stage assessment system would be much more desirable to conduct careful assessment of market opening. A stricter assessment process would be much helpful in maintaining public support to further FTA initiatives.

### 3. Reinforcing GVCs in East Asia through Regional Integration in the Sectors of NTB, Services, IPRs, E-commerce, etc.

In order to make full use of GVCs, it is much desirable to upgrade value chains, and strengthen market access in East Asia in all stages of process. More focus should be given to the areas of how to lift NTBs, widen services market opening, and persuade our trade partners to enact and enforce IPR protection measures. A single market for e-commerce and services must be established in East Asia. In order to harmonize different rules of origin among FTAs in East Asia, special dialogue channels must be created for the RCEP or Trilateral FTA. More importantly, cooperative bodies for the East Asia Regulatory Dialogue can be utilized. **KIEP**