

Mega-regional trade agreements: What agenda for social democracy?

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Social democracy has been – traditionally – in favour of internationalization. In overcoming nationalism, that internationalism symbolized both the openness of social democracy to people and to (economic) progress. Yet, the faith in internationalization and liberalization may have hit its boundaries with the new ‘mega-regional’ trade agreements, such as the TTIP (a free trade agreement with the US), CETA (a free trade agreement with Canada) or JEFTA (a free trade agreement with Japan).

Here we discuss what should be the social democratic agenda vis-à-vis these new mega-regional trade ‘deals’. When unpacked, instead of delivering on the promise of openness and progress, these trade agreements may instead exacerbate exclusion. They shift many deeply contentious political questions outside the scope of democratic politics onto the domain of international law. They put in place a number of bodies that are neither representative nor democratically accountable. Finally, and quite ironically, the economic benefits they promise are at best marginal. On these grounds, social democracy should oppose mega-regional trade deals, at least in the form currently pursued.

Yet does this mean that social democracy should abandon internationalization as a project? The response is a resolute no – it should not, and it cannot. Many of the processes and transformations taking place on the international plane (such as climate change, or migration) can hardly be reversed. Abandoning internationalization, as a project, would mean leaving such global processes to current (market) dynamics, amplifying the inherited problems of the ecologically and socially unsustainable economic model. Rather, social democracy should explore

different forms of internationalization. Such projects could be built around different goals than trade liberalization and investment, for instance sustainable development. Furthermore, social democracy should exert pressure to integrate discussions about climate, migration, tax, development with those on mega-regional trade deals. It should also focus on combating reductionist neoclassical narratives about the costs of regulations by highlighting their positive aspects. Most importantly, social democracy should promote very concrete new frames of global action (e.g. ‘online trust’ instead of ‘data flows’ etc.), proposing thus credible alternatives to linear narratives of unhampered free movement.

Critiques of EU Trade Policy

The wave of ‘mega-regional’ trade agreements with big advanced economies (such as the US, Canada or Japan) took off with the report of the so-called EU-US High Level Working Group for Jobs and Investment in 2013. Not long after, negotiations on TTIP started, all very quietly. These negotiations have since embraced a broad scope of market opening and market-regulatory provisions, as well as rules that aim to create new institutional frameworks (investment protection and regulatory cooperation). The economic promises, at least according to the European Commission, were great, while other official commentators suggest the TTIP fosters many other ambitions: such as becoming an ‘Economic NATO’ in the words of Hillary Clinton.

The project has engendered – somewhat surprisingly to the trade people involved – huge opposition. The TTIP has been challenged first, rather vocally, from the “left” – the civil society which objected to a

corporate *coup d'état* through Investor to State Dispute Settlement (ISDS) and to regulatory cooperation, which both were expected to increase the dominance of business actors and their agendas. Later, however, the challenge came from the “right”, be that either the Trump administration, or to some extent also BREXIT, which contested the brave new world of cosmopolitan tech societies that failed to include all those who fear that globalization endangers their material or moral existence.

The EU's response to the challenges was ‘meek’ at best. The response to the “left” civil society opposition was the Commission's policy document “TRADE FOR ALL”, which aimed to outline a new, more just and inclusive approach to trade policy. That document, however, is everything but a break with the spirit of the EU trade policy that has motivated the TTIP and other international agreements in the first place.

The response to Trump's threats and actions, on the other hand, has been an increased zeal on the Commission's part to become an ever greater champion of free trade. New trade agreements with Japan, Mexico or MERCOSUR have been negotiated with increased speed. Any critical voices were rejected as playing into populist rhetoric while the Commission presented us with only two possible policy alternatives: that of US-like protectionism or that of neoliberal trade arrangements.

Why oppose ‘Mega-regional Trade Agreements’?

The ‘mega-regional’ trade agreements are ‘mega’, in all senses. They include a large number of issues, ranging from ambitious *market access rules*, including public procurement, technical barriers to trade and phytosanitary measures. These are followed by the so called ‘rules’, or particular regulatory fields, which should make trading easier, including competition rules, intellectual property, small and medium size enterprises,

or energy and raw materials. Finally, the TTIP, CETA and JEFTA should come equipped with a series of institutions, including investment dispute settlement (the now infamous ISDS and the investment court) and regulatory cooperation, i.e. technocratic forms of cooperation between regulators that aim to minimize non-tariff barriers to trade.

As such, they also expose us to ‘mega’ risks.

First, the vast scope of these agreements covers large segments of market regulation, which have been traditionally the matter of democratic politics. Moving these provisions to the level of international agreements removes them largely from the scope of democratic politics, ‘locking in’ the existing political compromise at the expense of democratic political exchange, discussion and learning.

Second, mega-regional trade agreements create largely unrepresentative institutions. For starters, the so-called ‘regulatory cooperation’ will empower foremost ‘trade’ experts and ‘regulatory affairs’ experts who will simply favor the so called ‘regulatory cooperation’, while other kinds of expertise (such as environmental or social officials) would come more sporadically. Such an institutional design may result in the over-representation of ‘market’ concerns – at the expense of other values and issues.

Furthermore, the proposed institutions would lead to an enlarged presence of ‘stakeholders’ in the regulatory process at both domestic and transnational level. Yet, at the same time, there have been no additional guarantees that representation would not be tilted toward business stakeholders. Business stakeholders have more focused interests and more resources to participate in regulatory processes. In contrast, civil society and non-organized interests have for the same reasons historically failed to make use of available opportunities. This, however, seems to present

no concern for the creators of these agreements.

Finally, mega-regional trade agreements create yet another fundamental asymmetry. While citizens, or labor organizations, or NGOs, get very little in terms of ‘rights’ to enforce the provisions of the agreement, there is one group that seems to deserve lots of protection: Investors. All mega-regional agreements have still not made clear why this group deserves more protection, outside of the national judicial system – and despite the fact that the lack of such protection has not resulted in lack of investment between the EU and either US, Canada, or Japan, who are the biggest trade partners in the world.

Third, mega-regional trade agreements are likely to have harmful democratic effects. As mentioned above, the scope of these agreements is very broad, while their institutions are faulty on many lines. Yet domestic institutions cannot remedy these ‘democratic deficits’: instead, these mega-regional agreements shove decision-making further away from what we consider to be traditional democratic channels. One may consider institutions such as ‘regulatory cooperation’ to be an escalation of tendencies toward technocracy beyond the state, tendencies for turning democratic and political questions into allegedly ‘technical’ questions.

The problem is, however, that these ‘technical’ questions are ultimately far from apolitical: they incorporate both social values and have redistributive consequences. Consider only the most recent call for ‘regulatory cooperation’ in CETA, with regard to Sanitary and Phytosanitary measures. Is the amount of pesticides and chemicals in the environment really a ‘technical’ question that should be open to re-negotiation in these new fora? This seems hardly a tenable position – especially if we consider that such regulation is woven within a network of constitutional principles and values (precautionary principles), while

the very ‘technical’ decision as to, for instance, who carries the ‘burden of proof’ to show the toxicity of certain chemicals leads to diametrically different results in the level of protection in Canada and the US on the one hand, and the EU on the other.

Last but not least, these trade agreements also weaken democratically elected parliaments. Even if we leave aside that they reveal ever more issues outside the democratic polity, they impose an increasing number of rules on how the domestic regulatory process itself should be conducted – constraining political debate by the imposition of (equally hegemonic) numbers. And even if there were a possibility for national parliaments to intervene, the proliferation of rather obscure bodies, committees and working groups, with opaque and asymmetrical participation (*qua* officials, experts, stakeholders), make any accountability mechanisms difficult to implement in practice.

What kind of international cooperation? An agenda for social democracy

International cooperation has stood at the heart of the social democratic project. The fact that the current forms of international cooperation give prominence to economic integration, when this form of cooperation is flawed in many respects, should not mean that social democracy should simply withdraw its support. In fact, international cooperation is today perhaps more necessary than ever – while the threats are intimately interconnected. Climate change threatens to endanger life on the Earth, while the problems of economic inequality, environmental damage and war/military conflicts will likely lead to ever larger migration waves. If environmental and social justice stand central to the peaceful, or joyful, sharing of Earth, what are the most important agenda points for social democracy today when it comes to international (economic) cooperation?

Support cooperation under different objectives or purposes

Placing liberalization of trade and investment in the centre of most advanced forms of economic cooperation engenders a range of biases and institutional flaws, as argued above: From the dominance of trade expertise, the suffocation of other normative concerns, to fragmentation of international space where trade seems not to be concerned with climate or migration.

It would be crucial for social democracy to accept economic cooperation only if framed under different goals, for instance that of sustainable development or more radical ‘socio-ecologic transition’ visions. Such more inclusive objectives would first make various kinds of expertise necessary, thereby allowing more space for the articulation and consideration of other normative concerns as well as recognizing the connections between various spheres, such as trade liberalization and its environmental effects. A disappointing attempt to suggest awareness of those links through – vertical (tacked on) – chapters on, say, Sustainable Development in mega-regional agreements, still attests to deeply fragmented, and ultimately irresponsible, thinking about international cooperation.

Stress inter-connections between previously separate fields of international cooperation

Climate, migration, tax or financial markets – all fields more or less separate from trade and investment, yet strong related. What will be the effect of further trade liberalization on CO2 emissions? Is the new trade agreement giving way to the FDI that will facilitate ‘land grabs’ and thus possibly lead to economic migration? Equally, will the EU’s trade agreements with various African blocks lead to the compartmentalization of African economic space, with different tariffs, rules, levels of access, openness – and pose troubles in the long run to possibly more effective internally-led economic prosperity? Or what is the

relation between massive tax evasion in African countries and economic migration?

The questions as to how various important fields of international cooperation interact and influence each other should not be pushed aside any further – as ultimately some political actors have recognized. One interesting step in this direction – even if far from robust enough – is the German economic ministry idea of a Marshall Plan for Africa. Putting migration concerns at its core, it aims to engage more seriously with economic under-development, bringing together such crucial issues as countering tax (evasion) and capital flight, the need to increase the tax base of African states, further reshaping the global legal economic order, and underscoring the role of public investment and the state in economic development. This timid step should be followed much more aggressively on the part of the EU. However, the Commission’s trade agenda ‘Trade For All’ does nothing of the kind.

Abandoning simplistic neoclassical discourses: Regulations have their benefits

Finally, a simple yet fundamental step that social democracy needs to take is to start siding with regulation – for the good it brings. Many of the simplistic narratives about the costs of regulation tend not to acknowledge the benefits thereof. As pointed out by some environmentalists, the quest to cut *red tape* in the EU and beyond has all too often turned into a quest to cut *green tape*, i.e. environmental and social regulations.

Furthermore, social democracy should also seriously engage in making politics: *proposing alternative framings* of social reality that would allow it to drop out of the neoliberal chorus. How? One example: In the context of negotiating the mega-regionals, a pro-trade coalition has consistently challenged the EU regime of data protection, reframing the question of data in the language of ‘data flows’ and invoking the imaginaries of economic

growth supported by (rather questionable) numbers regarding their potential economic advantages. Taking this re-framing seriously, social democracy should be the first not to retreat into defensive mode, but instead to propose a counter-narrative that draws on different assumptions: Does not the size of the EU data economy enable us to make a good case for ‘online trust’ – rather than unregulated data flows – as a global regulatory paradigm, enhancing at the same time economic, social and human rights interests and values?

Conclusion

If it continues on this course, EU trade policy will further alienate EU citizens. Not only do the mega-regional trade agreements now pursued leave aside many important issues on which they have substantial impact – such as climate, migration or tax – but they also internally project an alienating picture.

These agreements seem to endorse a particular imaginary of the future – the EU as a high tech, cosmopolitan, transnational society, full of mobile actors, with excellent language skills, flexible worldviews and good education. And this image certainly fits the self-understanding of the elites participating in the negotiation of these agreements.

Yet, such a vision of globalization does not leave enough space for the population that has great trouble in imagining itself as part of these promised futures. Trump on the one hand, and Brexit on the other, along with the rise of far right all across Europe, attest to an important sense of exclusion that the current political economy produces.

Social democracy has to offer something better than this – both materially and ideationally.

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