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# Comprehensive Trade Agreements: Conditioning Globalisation or Eroding the European Model?

Trade dynamics within the EU are presently pushing it towards deepening globalisation through bilateral comprehensive trade agreements which establish far-reaching rules that govern the bilateral trade relationship. The European Commission has defended these agreements as a vehicle through which to promote world trade in accordance with European values and norms. However, the theory of fiscal federalism and the principle of subsidiarity tell us that one should not centralise decisions at the supranational level which are better taken at the national or regional level when there are different preferences among countries or regions. Consequently, member state and regional competences ought not to be perceived as a mere obstacle to swift trade deals. Rather, they can provide an important checks and balances function with regard to whether EU trade policy is truly working to condition globalisation according to European values and preferences.

The stark contrast between unfolding EU trade dynamics and public contestation of recent EU comprehensive trade agreements calls for a closer analysis of the latter's complex implications for the European model. This model has sought to make competitiveness and economic growth concerns compatible with social and environmental protection. By reaching beyond the abolition of tariff barriers to goods (in terms of issue areas and depth, i.e. regulation), EU comprehensive trade agreements have a broad impact on society and often encroach on policy areas in which competences still remain at the national level.

However, member state (or regional) competences ought not to be regarded as an impediment to future EU trade deals. Given a European model that is not yet consolidated, this power at the national and regional levels serves an important checks and balances function to safeguard diverse preferences, including in the context of external trade, in line with the principle of subsidiarity and the theory of fiscal federalism. The recent EU-Canada Comprehensive Economic and Trade Agreement (CETA), in which preferences on regulation (regulatory cooperation, mutual recognition and investment court arbitration) emerged as a major concern, is illustrative in

this respect. If economic and trade agreements create facts for the European model that are not in line with the preferences of society (or are perceived as doing so), they risk undermining the creation of a shared identity in the European integration project.<sup>1</sup>

## The shift from multilateral trade agreements towards bilateral and regional arrangements

Since the failure of the World Trade Organization's (WTO) Doha round in 2005, the world has seen a shift from multilateral trade agreements towards bilateral and regional arrangements. The European Union, which has traditionally championed multilateral trade agreements in global trade that were negotiated through the WTO and its predecessor, the General Agreement for Tariffs and Trade, has, initially reluctantly, come to embark on an increasing number of bilateral and regional international trade agreements. The EU's more active policy of negotiating bilateral trade agreements was guided by economic objectives rather than by political aims and affinities.<sup>2</sup> At the same time, the European Commission's Global Europe Strategy came to affirm that EU trade agreements were to complement the EU's growth and jobs strategy (the Lisbon Agenda) through an external dimension.<sup>3</sup>

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1 For a discussion of the European model and its implementation, see A. Bongardt, F. Torres: Is the EU Model Viable in a Globalized World?, in: P. Della Posta, A. Verdun, M. Uvalic (eds.): Globalization, Development and Integration – a European Perspective, Basingstoke 2009, Palgrave Macmillan, pp. 215-231.

2 G. Felbermayr: The EU and the US: TTIP, in: H. Badinger, V. Nitsch (eds.): Routledge Handbook of the Economics of European Integration, London and New York 2016, Routledge, pp. 220-237.

3 European Commission: Global Europe. Competing in the world, Brussels 2006.

While the EU as an open economy naturally has a great interest in furthering free trade, a combination of factors are currently contributing to an increase in EU international trade agreements, as well as to a change in their nature. First and foremost, international trade agreements offer the EU a way to escape from the cumulative effects of the global economic and financial (2008-09) cum sovereign debt (since 2010) crises, to the extent that they foster much needed growth and employment. Promoting trade is perhaps the EU's most attractive option for fostering economic recovery, since it is perceived as relatively easy to implement, given that trade falls within the area of EU exclusive competences. Moreover, recent political developments, above all the new US administration's more protectionist trade stance (like the rejection of multilateral commercial arrangements and border tax threats), have in turn raised the importance of ensuring free trade – in the EU as well as in many other countries. That shared concern predictably accelerates the pursuit of new trade deals.

### A qualitative change: the EU's new generation of deep free trade agreements

With tariff barriers already relatively low among WTO members, the European Commission has embarked on a new generation of international agreements that also aim at abolishing non-tariff barriers to trade. In the absence of any one-size-fits-all trade agreement, in most cases the EU negotiates comprehensive (i.e. deep) free trade agreements with third countries. The case for these comprehensive trade agreements hinges on hitherto largely untapped benefits from abolishing non-tariff barriers to trade. Those benefits are more difficult to quantify, as they are conditioned by the scope of the agreements in question, and they also have broader implications for society.

Furthermore, what merely seems like a logical next step brings about an important qualitative change, as comprehensive economic and trade agreements are aimed at influencing global norms and standards. These come to interact with and feed back into the EU's economic order in a way that traditional trade agreements do not. As a result, they could either consolidate what is referred to as the European model or weaken it and risk eroding the trust of European citizens and economic agents.<sup>4</sup>

The EU used to be able to negotiate and/or conclude (traditional) trade agreements without arousing much public in-

4 The European model – making the economic growth and competitiveness rationales compatible with social and environmental concerns – is all the more important at a time when public attention has turned towards the distribution of the gains from trade and doubts are being voiced as to whether economic gains transform into tangible benefits for ordinary European citizens.

terest or opposition, despite protests against globalisation. However, this was not the case for the EU-US Transatlantic Trade and Investment Partnership (TTIP) and CETA. These comprehensive agreements crystallised popular concern with the effects of globalisation on society and the environment, and they were heavily contested.<sup>5</sup> What is more, the backlash against globalisation became directed at the European Union, which was perceived as prioritising economic goals over making sure that these goals were compatible with social and environmental concerns.<sup>6</sup>

The EU has over 50 preferential trade agreements and is currently negotiating an additional 20 trade agreements with 60 countries.<sup>7</sup> Of those, the fate of TTIP, which the EU and the US began negotiating in 2013 to create a transatlantic marketplace with low barriers to trade and investment – and with aspirations to shape the world trade order – is in doubt. While still formally open, the decision by President Trump not to ratify the Trans-Pacific Partnership (TPP)<sup>8</sup> also reduced the prospects of bringing TTIP negotiations to a successful conclusion.<sup>9</sup>

The EU aims to step into the gap left by the US's non-ratification of the TPP to augment its weight in global trade and promote growth and employment.<sup>10</sup> This has given fresh impetus to EU trade dynamics, notably with respect to prospective TPP members left “orphaned” by the US's withdrawal from the agreement, like Japan, or to Latin American countries, which have turned to the EU to make (or deepen) free trade and investment deals. China has also signalled interest in an investment accord.

Conventional free trade agreements correspond to the lowest level of preferential trade. Coordination needs are straightforward (concerning above all the abolition of tariff barriers to trade) and do not raise issues of sovereignty. Conversely, comprehensive trade agreements like TTIP or CETA go much further by establishing rules that are to govern the bilateral trade relationship, which in turn shape the economic order in

5 The same can be said for the multilateral Trade in Services Agreement (TiSA).

6 This has been aggravated by the difficulty in distinguishing between single market liberalisation/reform and modernisation needs at the national level in the face of globalisation.

7 The conclusion of CETA and the rise of US protectionism have improved the prospects of a number of slow-moving or stalled free trade negotiations (e.g. with India, the Gulf Cooperation Council and Mercosul).

8 The TPP was signed in February 2016 by 12 countries that border the Pacific Ocean: the US, Malaysia, Vietnam, Singapore, Brunei, Australia, New Zealand, Canada, Mexico, Chile, Peru and Japan, which is the only country that has already ratified the pact.

9 According to the EU Trade Commissioner, TTIP is currently on hold, and the Commission does not rule out the possibility of its conclusion in the future. See C. Malström: The future of EU trade policy, speech at Bruegel, Brussels, 24 January 2017.

10 C. Malström, op. cit.

the parties to the treaty. Due to the limited progress to date with respect to the EU's modernisation agenda, the European model has not yet been consolidated, and some aspects of the EU's economic order – the rules of the game – are still not unanimously accepted and hence remain politically sensitive.

### In bilateral trade, size is expected to matter

In bilateral economic and trade agreements, as in investment partnerships, bargaining power matters. For example, the EU seems to have been in a weaker bargaining position and with limited capacity to affirm the European model during TTIP negotiations. According to Winters, there are two reasons, both related to the TPP.<sup>11</sup> First, it was the EU that had been seeking a transatlantic trade deal in response to TPP, for fear of losing out in terms of international trade. Second, the TPP had been set up as a deep free trade area, extending to issues such as intellectual property right protection and investor-state dispute arbitration, and modelled on US preferences; TTIP was essentially a child of the TPP.

As for the EU's free trade agreement with Canada, the CETA treaty stipulates far-reaching rules for bilateral trade. The EU should have had a stronger initial bargaining position than Canada, and it is therefore somewhat puzzling that the EU seems to have made scarce use of it. Indeed, it appeared more interested in simply demonstrating its capacity to make a trade deal rather than engaging in public discussions on the broader impact of the trade deal on European society and on the European model that derives from the small print of the agreement.

While it is easy to understand that Canada would be eager to secure a deal – Canada is an open economy, but its population of about 36 million is almost 10 million less than Spain, to say nothing of the EU's almost 510 million citizens – it is more difficult to understand what the EU stands to gain in return for providing greater access to the largest market in the world. CETA undoubtedly sets a precedent beyond the narrow case of trade with Canada, but it also highlights many of the key issues at stake in comprehensive trade agreements.

### Heterogeneity of preferences, regulation and subsidiarity

The EU wanted TTIP to go even further than the TPP, with deeper agreement in three broad areas, namely market access, regulatory issues and non-tariff barriers, and rules.<sup>12</sup> Judging by the scale of public resistance (often based on

leaked documents), there was little faith in the EU's capacity to safeguard European values, an impression to which the secretive character of the negotiations contributed.<sup>13</sup> However, while TTIP did not make it to the final stages, CETA, which was negotiated along similar lines, did. The CETA treaty establishes rules that concern issues as diverse and broad as access to goods and services markets, investments and public procurement, intellectual property rights, sanitary and phyto-sanitary measures, sustainable development, regulatory cooperation, mutual recognition, trade facilitation, cooperation on primary materials, and the resolution of disputes and of technical barriers to trade.

Contestation by civil society, and especially the refusal by the Belgian region of Wallonia to sign the original agreement, resulted in several amendments before CETA could be signed in late October 2016. Wallonia – and with it the entire EU – secured a number of important assurances, among others on investor-state dispute settlement (which was replaced by the investment court system), regulatory cooperation (to require common agreement by all member states), safeguards with respect to genetically modified organisms and a guarantee of the precautionary principle.<sup>14</sup>

The case of Wallonia gave rise to a discussion on whether this precedent represents a weakening of the EU's capacity to make future trade deals or whether it strengthens public interest. The Namur Declaration argues that European values also need to be anchored and defended at the national or sub-national level, where competences lie.<sup>15</sup> Conversely, the Trading Together Declaration highlights the need for exclusive EU competences on trade, as national competences can impair the EU's capacity to make swift trade deals.<sup>16</sup>

However, in accordance with the principles of subsidiarity and the theory of fiscal federalism, member state competences can function as checks and balances to uphold their (diverse) preferences in areas that are important for the European model. In that light, sub-EU-level competences give voice to the European model in EU trade negotiations.

13 The investor-state dispute settlement mechanism is seen as a major factor for public resistance to TTIP. It was replaced by the investor court system to make TTIP more acceptable.

14 See P. Magnette: Wallonia blocked a harmful EU trade deal – but we don't share Trump's dreams, *The Guardian*, 14 November 2016.

15 "These principles should enable the European Union to demonstrate that trade does not serve private interests to the detriment of the public interest, but that it contributes to bringing people together, to the fight against climate change and to sustainable development, particularly in the most disadvantaged regions." See Namur Declaration, available at <http://declarationdenamur.eu/en/index.php/namur-declaration/>.

16 The Trading Together Declaration, on the other hand, holds that European values are served and can be upheld in EU-level decision-making on trade. See Trading Together. For strong and democratically legitimized EU international agreements, 25 January 2017, available at <http://www.trading-together-declaration.org>.

11 A. Winters: The problem with TTIP, *VoxEU*, 22 May 2014, available at <http://voxeu.org/article/problem-ttip>.

12 For a discussion of TTIP and measures under those categories, see G. Felbermayr, *op. cit.*

In May 2017 the European Court of Justice (ECJ) ruled on whether a treaty similar to CETA, the EU Singapore Free Trade Agreement, is a mixed agreement or falls within the EU's exclusive competence, following a request by the European Commission that sought clarity on EU (exclusive) competences in the post-Lisbon Treaty era. The trade deal with Singapore was one of the EU's first "new generation" bilateral free trade agreements, and the judgment carries significant relevance for ongoing and future comprehensive trade agreements. The EU Advocate General's opinion was that the agreement cannot be concluded without the participation of all member states, since not all parts of the agreement fall within the EU's exclusive competence.<sup>17</sup> The ECJ's verdict (on competences, not on the legality of the agreement) confirms the mixed agreement nature of the trade deal, given that it involves provisions which fall within the shared competences of the EU and member states. It follows that mixed agreements cannot take full effect until ratified by the EU's national (and, where necessary, regional) parliaments.

The ECJ ruling clarified that sustainable development constitutes one of the areas of exclusive EU trade competences; however, it also strengthened the role of national parliaments in those external trade areas in which member states retain shared competences, namely non-direct investment and investment dispute settlement. Sustainable development is held to now form an integral part of the common EU commercial policy. This means that important environmental issues and labour standards are no longer a grey area. In an area that is central to the European model, the EU has the exclusive competence to negotiate, subject to the condition that the signatories comply with their international obligations regarding the social protection of workers and environmental protection.<sup>18</sup> The ECJ will still have to decide whether the EU's envisaged dispute arbitration system in international trade – the investment court system – is legal.<sup>19</sup>

It is noteworthy that the EU's new generation of deep trade agreements comes to magnify an issue – regulation – that already creates friction in the EU internal market in a context of *market making* versus *market correction*.<sup>20</sup> European standards are important for shaping the nature of EU market integration. Their development has been conditioned by the

evolution of European regulation (market correction) that presupposes preference convergence; diverse preferences can be accommodated through the principle of mutual recognition of national standards. Mutual recognition is a fundamental principle of internal market functioning, whereby national regulation is accepted as equivalent in the EU space (market making). In practice, mutual recognition implies competition between regulatory systems. Trust is fundamental for facilitating mutual recognition and to counteract fears of a race to the bottom. A notion of similarity fosters trust between countries and thereby sustains mutual recognition of national market rules. It is of course challenging to distinguish truly heterogeneous preferences from technical or administrative differences, which create frictional barriers to trade that cannot be justified by diverse preferences.<sup>21</sup>

What made regulation-based integration possible in the EU, economically and politically speaking, was a similarity of preferences. In the EU, truly diverse preferences justify subsidiarity, and the distribution of competences can uphold them. So while trade (goods) is an EU competence and the Lisbon Treaty also granted the EU competence on foreign direct investment affairs, competence in many areas remains with national governments and even some regions, for example access to services markets, including some public services. The problem with deep free trade agreements like CETA is that they encroach on some areas of member state competence.

They also raise the question of why the European Commission, in the name of the EU, should grant a third country like Canada what it does not grant, for instance, Norway, which, as a European Economic Area member is more deeply integrated with the EU but has no say on the norms and rules of the EU internal market.

### Comprehensive trade agreements and EU objectives

The proliferation of bilateral and regional free trade agreements in the world tends to distort global trade by favouring partner countries, to the detriment of third countries. However, there are also disadvantages for the EU. As Winters argues, the EU's decision to pursue free trade agreements like TTIP or CETA rather than try to revive the multilateral Doha round locks it into a less dynamic geographical area. It also has the effect of excluding other countries and regions, notably China.<sup>22</sup> In addition, trade flows are linked to the compre-

17 See Court of Justice of the European Union: Advocate General's Opinion in Opinion procedure 2/15, Press release No. 147/16, 21 December 2016, available at <http://curia.europa.eu/jcms/upload/docs/application/pdf/2016-12/cp160147en.pdf>.

18 Court of Justice of the European Union: Press Release No. 52/17, Opinion 2/15, Luxembourg, 16 May 2017.

19 See L. Ankersmit: Investment Court System in CETA to be judged by the ECJ, European Law Blog, 31 October 2016, available at <http://europeanlawblog.eu/2016/10/31/investment-court-system-in-ceta-to-be-judged-by-the-ecj/>.

20 Or negative versus positive integration, in the terminology of J. Tinbergen: International Economic Integration, Amsterdam 1954, North Holland.

21 The issue of regulation for single market integrity is further discussed in A. Bongardt: Growth: The possibility of a truly single market, in: EU essays. The future of Britain in Europe, IPPR, unpublished, 2016. In line with the theory of fiscal federalism, only the diversity of preferences is underlying the subsidiarity principle, while heterogeneity based on technical or administrative differences is not.

22 See A. Winters, op. cit.

hensiveness of trade agreements, while the impact in terms of welfare effects is less straightforward.

EU bilateral trade agreements are then a second-best option, but their implications are complex. As Rodrik points out, economists have failed to contribute to a full picture on trade, tending to emphasise gains from trade and not to discuss more complex consequences such as the distribution of benefits and the impact of regulation.<sup>23</sup>

However, after having been signed and ratified at the EU level, CETA can now enter into force later in 2017, if only provisionally. Following member state pressure, CETA became classified as a mixed agreement, which amounts to a recognition of the fact that comprehensive agreements can invade competences in the member state realm. It follows that all EU member states and some regions have veto power, as CETA must still be ratified by a total of 37 national and regional parliaments in what is expected to be a long, drawn-out process with an uncertain outcome. This veto power might be an important counterweight to any rush towards centralisation of member state competences at the EU level in contravention of the principle of subsidiarity. It assures a role for the European model in EU trade-focused negotiations.

### European preferences in EU trade policy

One may posit that the EU's failure to adequately contemplate the repercussions of international trade on the European model is even more problematic at a time when populists have turned against the EU project. There has been a general failure to communicate the globalisation-driven – rather than internal market-induced – need for economic and institutional modernisation at the member state level (which the EU and all member states agreed under the Lisbon and Europe 2020 economic reform strategies). This makes it even more important for the EU to be seen as conditioning globalisation by furthering European values in its trade agreements.

The Commission defends comprehensive trade agreements as a vehicle to promote world trade in accordance with EU values and norms. It has called the CETA agreement a most progressive trade agreement.<sup>24</sup> It is therefore puzzling that it

would allow imported values and norms which are not akin to the preferences of EU citizens to be imposed on the EU model. An example of a possible conflict between high EU environmental standards and trade is provided by concerns over tar sands, the majority of which are extracted in Alberta, Canada. European standards on oil from tar sands (which are more polluting than conventional hydrocarbons and accordingly attributed a higher carbon value) were lowered during the CETA negotiations, in contradiction to ambitious EU sustainable development goals.<sup>25</sup> Besides, preferences among EU member states are heterogeneous. The theory of fiscal federalism and the principle of subsidiarity tell us that one should not centralise decisions at the supranational level that are better taken at the national or regional level when there are differing preferences among countries or regions.

Critiques of TTIP and CETA in several EU countries centred on fears that they would lower environmental and labour standards and give multinational firms the power to challenge national laws. In a quest to attenuate opposition to international agreements, the Commission modified the principles that guide its trade talks, clarifying the importance of European values.<sup>26</sup> Its communication on the new trade strategy states that EU trade policy is to become more effective with respect to delivering economic results, to become more transparent and to not only protect EU interests but also to further European values.<sup>27</sup> Unfortunately, those principles seem not to have been applied to CETA, and the lack of transparency in ongoing negotiations (e.g. with Japan) does not contribute to their credibility. More than words, what is required are deeds.

So what can be said about the likely effect of the new generation of EU trade agreements on the European model? Above all, addressing non-tariff barriers to trade and other issues such as investment protection interferes with political preferences regarding the role of the state in the economy and emphasises the role of regulation, which is intrinsically political since it is based on values and beliefs. Deep trade agreements will promote market making and may well come to constrain market correction. Rather predictably, this creates friction, as there are many policy areas included in these agreements in which member states retained competences

23 As Rodrik puts it, "They have also known that the economic benefits of trade agreements that reach beyond borders to shape domestic regulations – as with the tightening of patent rules or the harmonization of health and safety requirements – are fundamentally ambiguous." See D. Rodrik: Straight Talk on Trade, Project Syndicate, 15 November 2016, available at <https://www.project-syndicate.org/commentary/trump-win-economists-responsible-by-dan-rodrik-2016-11>.

24 See European Commission: EU-Canada summit: newly signed trade agreement sets high standards for global trade, Press release, 30 October 2016, available at [europa.eu/rapid/press-release\\_IP-16-3581\\_en.htm](http://europa.eu/rapid/press-release_IP-16-3581_en.htm).

25 See C. Guibert: EU opens the door to Canada's dirty oil, EurActiv, 11 May 2017, available at <https://www.euractiv.com/section/ceta/news/eu-opens-door-to-canadas-dirty-oil/>.

26 European Commission: Trade for all. Towards a more responsible trade and investment policy, Luxembourg 2015, Publications Office of the European Union.

27 Ibid. In the introduction to the communication, Trade Commissioner Malmström vows that in the new generation of trade agreements, "The new approach will safeguard the European social and regulatory model at home. The Commission makes a clear pledge that no trade agreement will ever lower levels of regulatory protection; that any change to levels of protection can only be upward; and that the right (to) regulate will always be protected. The strategy also points to the next steps for the new EU approach to investment protection."

for market correction purposes. The assigning of competences to the member state or regional level is justified if preferences are truly heterogeneous. In that case, mixed agreements safeguard diverse preferences.

The CETA case highlighted the existence of friction between EU competences (goods trade, bilateral investment deals) and policy areas in which member states have retained competences and have dissimilar or opposing concerns. It also illustrated that rules on regulation in comprehensive trade agreements (such as through regulatory cooperation, mutual recognition or investment court arbitration) may come to limit the European and national policy space. For example, the impact that the investor courts might have on national policy choices can be seen in the suit filed by the Canadian mining firm Gabriel Resources against Romania after it implemented a prohibition on gold mining due to concerns regarding pollution; another example is the Swedish energy company Vattenfall's suit against Germany after the country decided to remove nuclear energy from its energy mix following the Fukushima nuclear meltdown.

To the extent that they constrain market correction, comprehensive agreements could trigger negative integration in the EU, putting downward pressure on standards and contributing to the erosion of the European model. One might want to recall that an essential principle for the functioning of the single market in European varieties of capitalism – mutual recognition – led to a political backlash against the EU in the case of the original Bolkestein services directive that had been based on that very (home country) principle. Mutual recognition presupposes trust that differing rules will nonetheless be similar in their effect. The case of CETA has shown that trust is already limited with respect to a fellow G7 country.

### Concluding remarks

The unfolding trade dynamics in the EU push it further down the path of deepening globalisation through comprehensive trade agreements. Renouncing multilateralism in trade has disadvantages for both the world as well as the EU. The case for comprehensive trade agreements hinges on abolishing non-tariff barriers to trade, but benefits are not straightforward and the implications for society are complex. EU trade policy pays tribute to European values, but the extent to which the European model is being upheld is unclear, in light of a primary focus on trade during the negotiations and the sheer complexity of impacts that need to be contemplated by negotiators. The CETA experience has been illustrative in this respect.

The European model, through which competitiveness and economic growth are to be made compatible with social and environmental protection, is central to the EU's identity. Comprehensive trade agreements have an impact on the shape

and sustainability of the European model, at a time when this model is not yet fully consolidated. The success of the European model is of paramount importance in the present setting, in which the EU is looking for a vision to reinvigorate the European integration project and where delivery of results becomes crucial for reviving the support of citizens in light of populist and nationalist disintegrative tendencies. Given the current debate about whether economic benefits are sufficiently distributed to all citizens, conveying the idea that trade had priority over other European values (e.g. social and environmental concerns) would undermine the sustainability of the EU project as such. More generally, the same would apply if trust in national and international institutions and democracy is weakened, which would foster the rise of populism and trade protectionism in many parts of the world.

In addition, fears of negative integration voiced by civil society or member states cannot be dismissed out of hand. One such fear is that regulation might not correspond to the values of society, subjecting the EU to a race to the bottom through regulatory competition and/or the hollowing out of regulation through regulatory cooperation beyond democratic reach. Another is that investor state arbitration will limit the policy space for future – likely more stringent – consumer and environmental protection. Much depends on the agreements in question and the similarity of preferences among trading partners. The challenge for the EU is to explicitly contemplate not only trade impacts but also the repercussions on the EU's economic order.

Of course, international trade agreements can also offer the EU an opportunity to condition globalisation in line with societal preferences and to further its standards on a global scale. It is true that EU ambitions to condition globalisation might become frustrated from the outset if the EU were unable to ratify negotiated and signed (deep) free trade agreements because of opposition at the member state level. One should note, however, that national and regional veto powers might function as checks and balances, obliging the Commission to widen its trade focus to include the defence of a modernised and sustainable European model. This is the challenge that the EU needs to take up with regard to the new trade dynamics for the sake of its own sustainability.

Taking up the challenge may imply more dialogue among various levels of policymaking, more transparency instead of negotiations behind closed doors, and more legitimate regulation instead of investor-state dispute settlements. Furthermore, longer-term environmental concerns have consistently been among European citizens' priorities for decades, and if these concerns were to be abandoned for the sake of delivering short-run growth, regardless of its quality and impact on society, this could further damage trust in European institutions.