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# Trade policy sub-systems in a GVC world

CEPS Seminar

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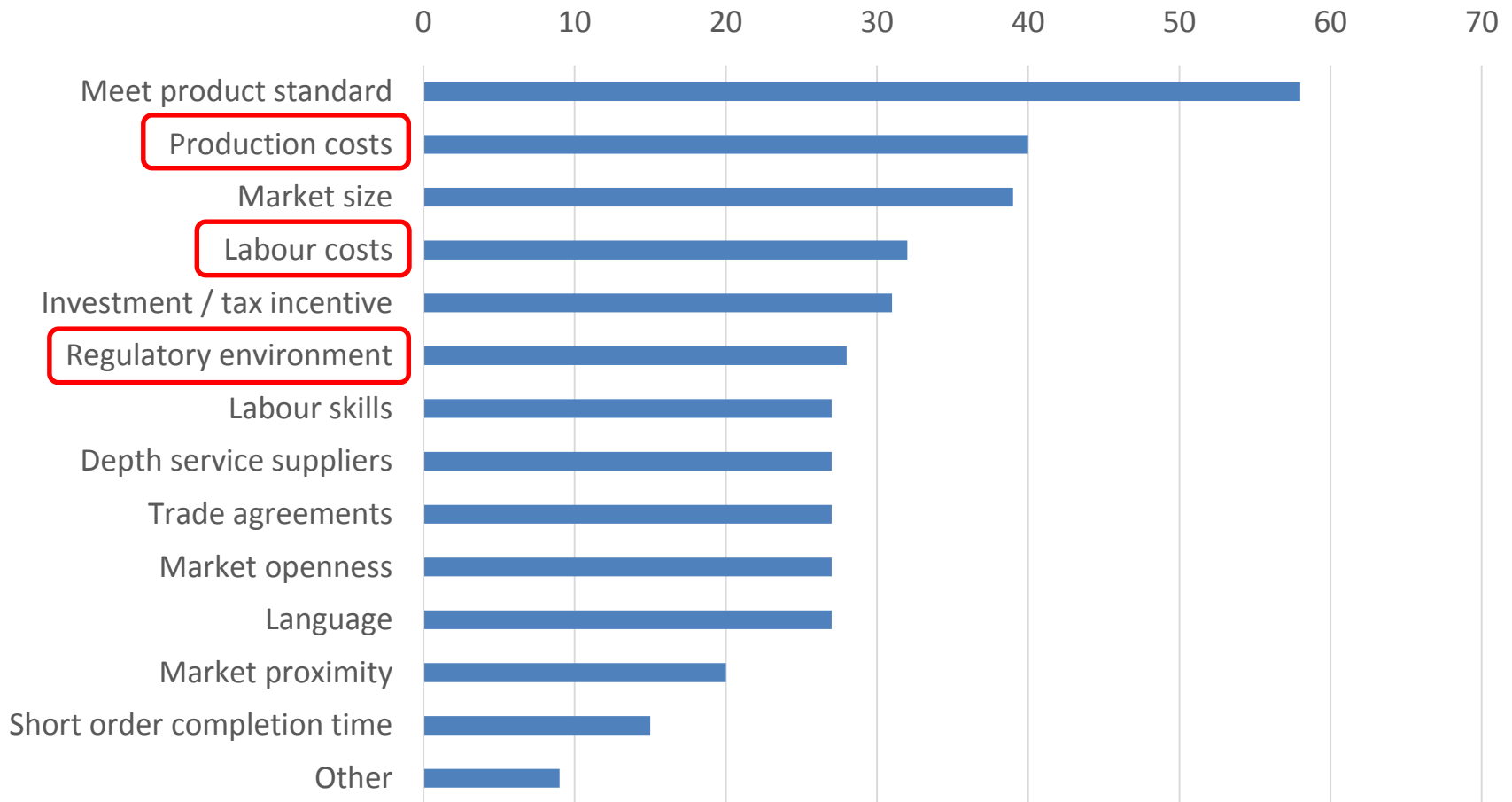
# Parochial Global Europe

- Excellent book that fills up an academic gap
  - Neither International Political Economy (IPE), nor EU studies give full account
- From a wider and full IPE perspective
  - More factors determine EU trade policy, not only export-interest/import comp
  - Hence, trade policy sub-system: domestic interest, institutions, idea, geo
- Fit for 21<sup>st</sup> century trade policy approach
  - Broader definition of trade policy agenda (≠ tariffs; ≠ multilateral; FDI)
  - How about the new agenda of GVCs and value-added?

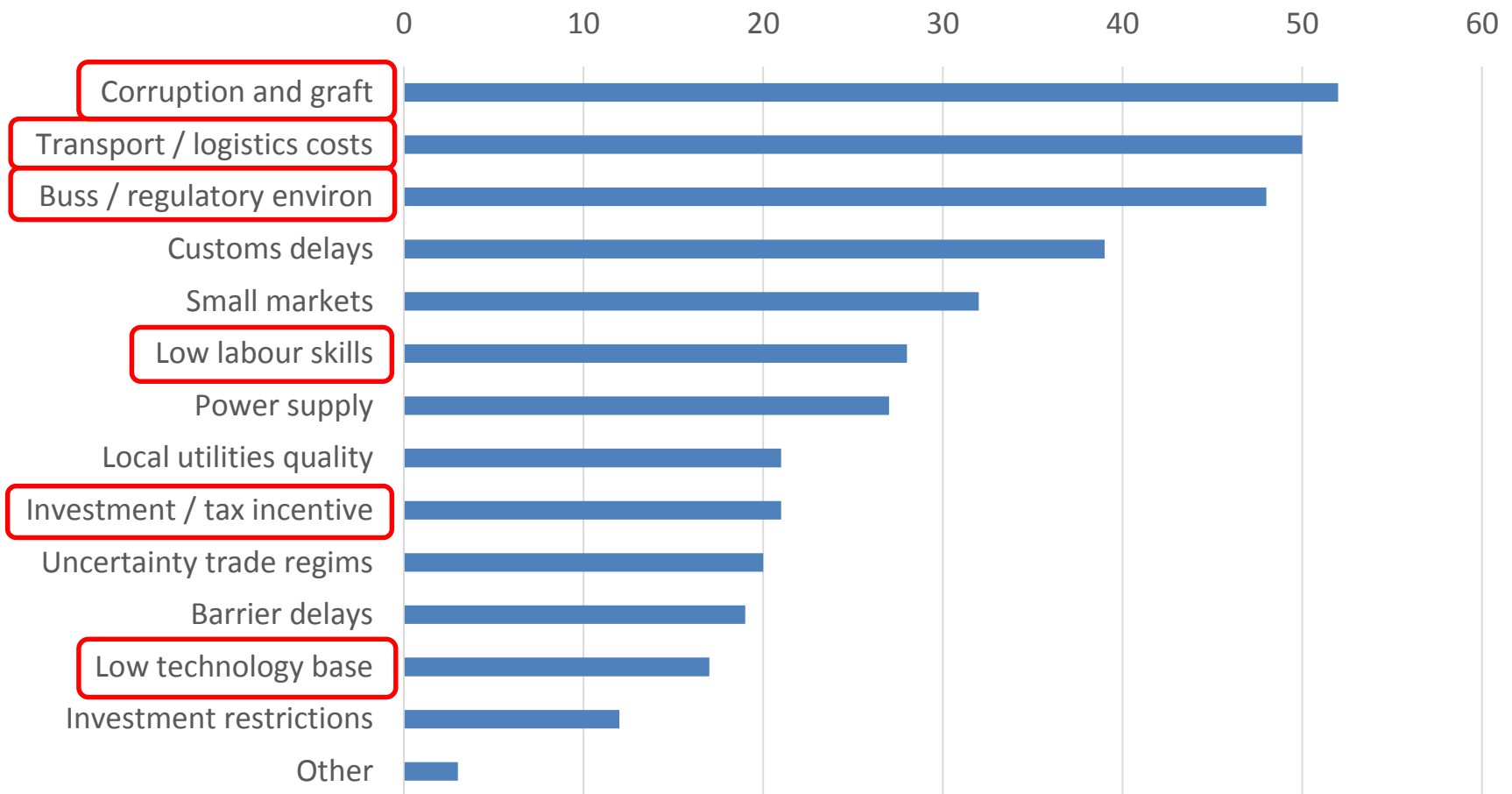
# Importance of GVC

- Great expansion of trade (policy) literature
- Determinants of trade by trade policy
  - Tariffs, NTB, quotas, etc.
  - Regulatory aspects in services, etc.
  - Foreign Direct Investment
- But, there is more that affects trade
  - Labour market policies (Melitz, 2007)
  - Domestic institutions: rule of law (Constinot, 2007)
  - Competition policy: strong regulators (van der Marel, 2015)
  - Innovation policy, IPR systems, transport structure (lib) (!), etc.

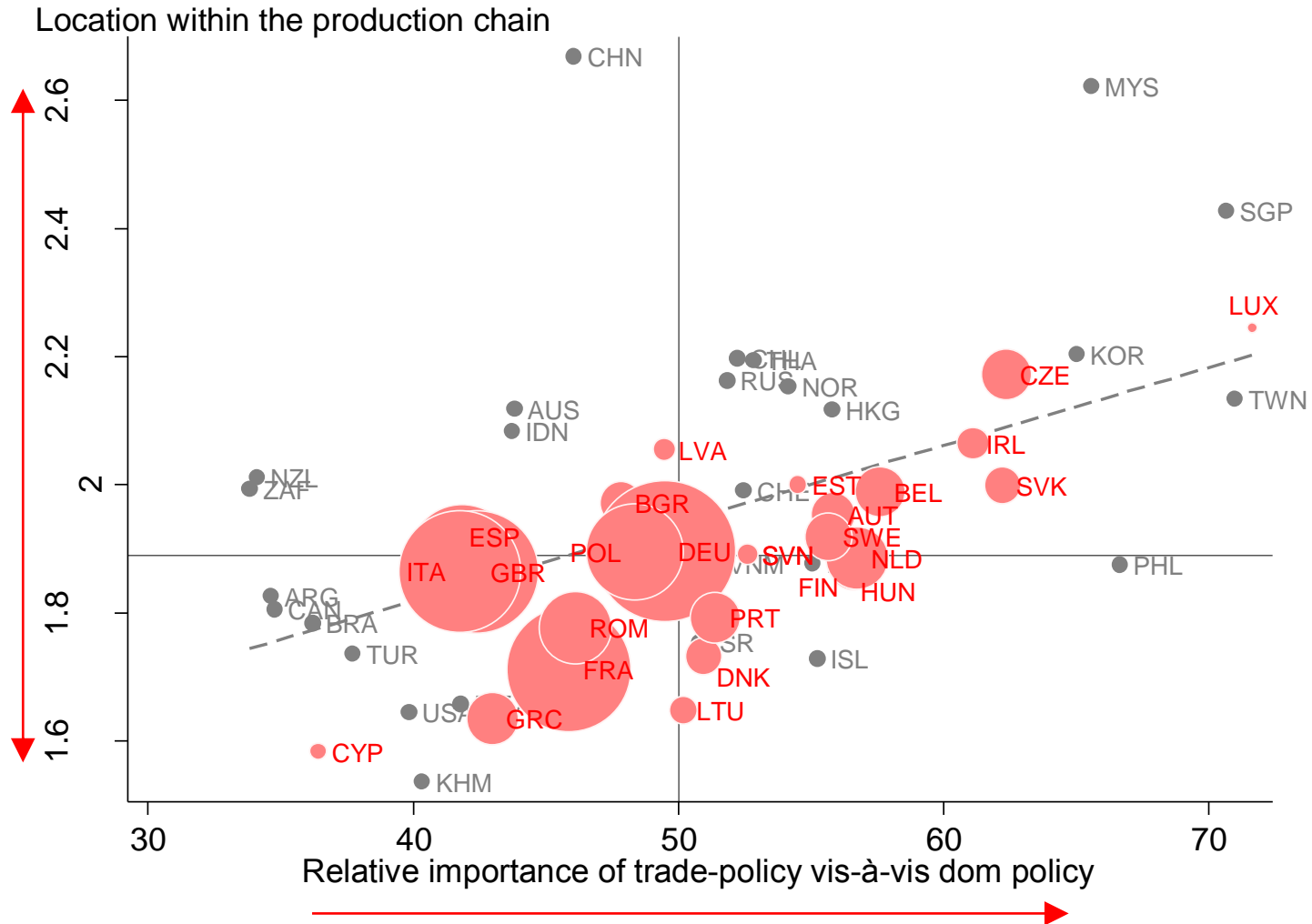
# Factors influencing positive decisions of firms active in GVC



# Factors influencing negative decisions of firms active in GVC



# Importance of GVC



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- Trade and domestic policy intertwined (straight line)
  - Suggests these are more complementary than before
  - Concentration of “slice” of production chain
  - For some countries more important than others
- What does that mean for sub-systems?
  - Makes trade policy even more complex in Brussels
  - **Sub-systems influence trade-policy**
  - **Sub-systems influence domestic policy**
    - complementarity / opposition
  - Ramifications on external policy, in the international field?
  - How do people at DG Trade think about these issues?



Interaction

A blue line points from the text 'Sub-systems influence trade-policy' to a blue-bordered box containing the word 'Interaction'.