

The Changing Strategy of the EU towards Free Trade Agreements

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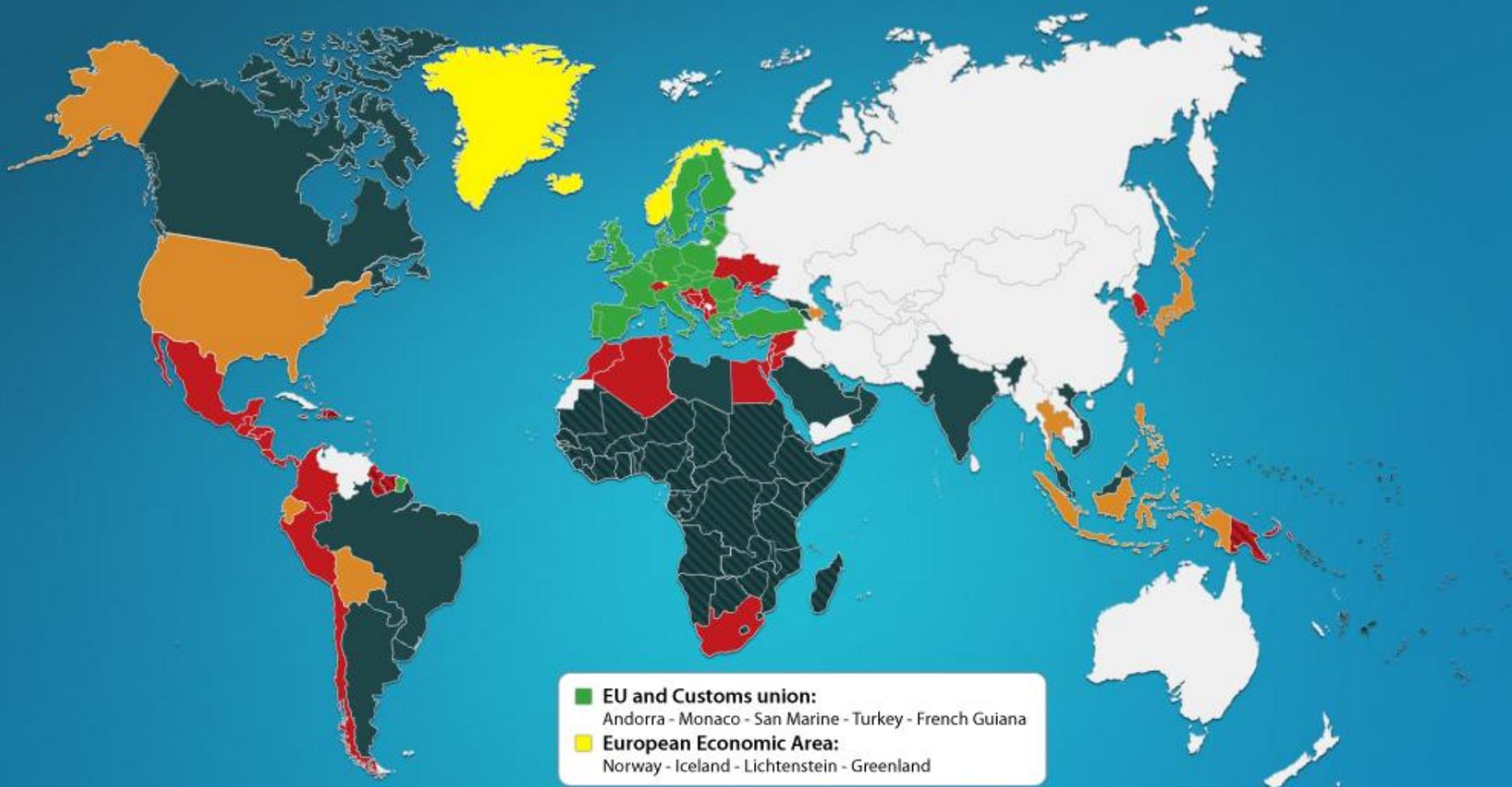
Economic Development Foundation

Istanbul

26 November 2012

An Overview of EU preferential liberalisation strategies

- The state of current negotiations
- Motives behind EU Strategy on Bilateral agreements:
 - As potential precursors of /alternatives to EU membership
 - As governing trade relations with some former colonies and other developing countries
 - As governing trade relations with neighbours in Europe and around the Mediterranean
 - As defensive response to other country's bilateralism
 - As a tool to spread regionalism
 - As a tool of market opening and to spread deep integration
- The Global Europe Policy
- Is there an alternative?



■ EU and Customs union:
 Andorra - Monaco - San Marine - Turkey - French Guiana

■ European Economic Area:
 Norway - Iceland - Lichtenstein - Greenland

■ Countries with which the EU has concluded preferential trade agreements:

Mexico - Chile - Colombia - Peru - Panama - Costa Rica - El Salvador - Guatemala - Nicaragua - Honduras - Morocco - Algeria - Tunisia - Egypt - Jordan - Israel - Occupied Palestinian Territory - Lebanon - Syria - Former Yugoslav Republic of Macedonia - Albania - Serbia - Montenegro - Bosnia-Herzegovina - Croatia - Ukraine - Switzerland - South Africa - Republic of Korea (South Korea) - Antigua* - Barbuda* - Belize* - Bahamas* - Barbados* - Dominica* - Dominican Republic* - Grenada* - Guyana* - Haiti* - Jamaica* - Papua New Guinea* - St Kitts and Nevis* - St Lucia* - St Vincent and the Grenadines* - Seychelles* - Suriname* - Trinidad and Tobago*

■ Countries with which the EU is currently negotiating preferential trade agreements:

Canada - India - Singapore - Malaysia - Brazil - Argentina - Uruguay - Paraguay - Saudi Arabia - Botswana* - Cameroon* - Ivory Coast* - Kuwait - Qatar - United Arab Emirates - Fiji* - Oman - Bahrain - Libya - Cook Island* - Kiribati* - Lesotho* - Swaziland* - Madagascar* - Mauritius* - Mozambique* - Marshall Islands* - Micronesia* - Nauru* - Samoa* - Solomon* - Timor Leste* - Tonga* - Tuvalu* - Vanuatu* - Angola* - Namibia* - Comoros* - Djibouti* - Eritrea* - Ethiopia* - Malawi* - Sudan* - Zambia* - Burundi* - Kenya* - Rwanda* - Uganda* - Tanzania* - Central African Republic* - Chad* - Congo* - Democratic Republic of Congo* - Equatorial Guinea* - Gabon* - Sao Tome and Principe* - Benin* - Burkina Faso* - Cape Verde* - Gambia* - Ghana* - Guinea* - Guinea-Bissau* - Liberia* - Mali* - Mauritania* - Niger* - Nigeria* - Senegal* - Sierra Leone* - Togo* - Zambia* - Zimbabwe* - Vietnam - Moldova - Armenia - Georgia

■ Countries with which the EU is considering opening preferential negotiations:

Japan - Azerbaijan - Brunei Darussalam - Indonesia - Philippines - Thailand - Ecuador - Bolivia - United States of America

As potential precursors of/alternatives to membership

- currently relevant in the cases of:
 - Turkey, Norway, Iceland, Lichtenstein, Switzerland, Andorra, Monaco, San Marino, Greenland, the Stability Pact countries of the Balkans, Ukraine, Moldova, Armenia, Georgia, Azerbaijan
 - Varying amounts of deep integration

As governing trade relations with some former colonies and other developing countries

- The African Caribbean and Pacific countries above all
 - Bilateral WTO consistent FTA
 - Also includes encouraging regionalism
- Asymmetric preferences for
 - Least developed countries under Everything But Arms
 - Other LDC under GSP and GSP+ (not on map)

As governing trade relations with neighbours in Eastern Europe and around the Mediterranean

- Bilateral FTA with potential to include varying amounts of deep integration
- East Europeans potential members of EU
Mediterranean partners not so question mark
whether one tool can do both jobs

As defensive response to other country's bilateralism

- A response to US agreements in Latin America and Asia notably Mexico, Chile, Peru, central America and Mercosur, Korea, Singapore, and other ASEAN members
- Also possibly reaction to formation of Mercosur
- From an economic perspective this is aimed at avoiding being a victim of trade diversion and is the driving force of Baldwin's concept of domino regionalism

As a tool to spread regionalism

- This is as much an attempt to ease negotiating resource constraints for example on Economic Partnership Agreements (EPA) with the ACP
- But is striking that try to negotiate with regional groups - GCC, Mercosur, ECOWAS – even where failure seemed inevitable –ASEAN
- Clearly not a reason in itself – EU is signing bilateral EPA with individual ACP states; ASEAN negotiation abandoned – now negotiating with Singapore and looking to agreements with Malaysia Thailand, Indonesia

As a tool of market opening and to spread deep integration

- The EU was not an enthusiast for the global spread of market opening FTA that began even before the end of the Uruguay Round of WTO negotiations.
- The Union locks in the member state: the WTO locks in the Union
- It pursued mainly defensive (Mexico, Mercosur) or local (Mediterranean, eastern Neighbourhood, accession related) FTA in the 1990s
- In 1999 as part of attempt to launch the “Millenium Round” declared a moratorium on new FTA
- New entrants to the world market and highly developed country to be pursued in WTO (eg encourage China to join WTO, deal with the USA through dispute settlement and MFN liberalisation etc)
- Deep integration also – Services liberalisation and the so called Singapore issues to be key part of the “Millenium Round”

Global Europe

- That all changed by 2006 when Commissioner Mandelson launched the paper on Global Europe
- Still headlined WTO/Doha as the key strategic policy on opening markets not with conviction
- Focussed on a number of fast growing markets where EU not performing well
- Named: India, Korea, Mercosur, GCC, ASEAN, Russia, Japan as key target markets. China, US excluded from this FTA strategy
- stressed manufactures and services as key sectors and regulatory integration as well as tariffs and traditional Non Tariff Barriers.
- pointed to the failure of the WTO Ministerial at Cancun (so no progress on NAMA or services liberalisation and the loss of the main Singapore issues notably government procurement, investment and competition policy).
- Also keeping up with the US which increasingly included services, investment and intellectual property in bilateral agreements

How does Global Europe score as a policy

- Results pretty mixed for a policy that is 6 years old
 - Only one success-EU-Korea- which is a big one but US got there first
 - Progress on the others poor to zero. Some arguably going backward: Russia, GCC, ASEAN
 - Some help from partners:
 - **Canada** (not on original list) wants to do a deep integration agreement mainly because losing out in US market to Mexico
 - **US**: Outline of Ambitious Transatlantic agreement emerging including FTA, deep integration , cooperation in setting goals for rules in the WTO and for achievement of shared economic goals relating to third countries.
 - a transatlantic FTA+ taken together with a successful Trans Pacific Partnership would begin to look like a strategy aimed at containing China. It would also begin to make the WTO look sick.
 - Also evidence that value chain formation is mainly regional and that preferential liberalisation suits its development. So going with the tendency of global business

Is there an alternative?

- NO; without a quick revival of the DDA there is no alternative market opening policy available to EU
- To succeed a revival of the DDA would need:
 - ambitious liberalisation/ opening on NAMA and Services by emerging powers and
 - Big cuts in agricultural tariffs and support by EU and other OECD countries as well as NAMA tariff peaks.
- Not likely

Worse

- There is evidence of a steady if still small increase in protectionist measures world wide
- The EU thinks it is disproportionately affected by these new barriers
- It is beginning to fashion a set of retaliatory policies including
 - exclusion of guilty parties from EU public procurement markets
 - More aggressive use of WTO dispute settlement to sanction proportionate retaliation
- In this world of graduated bilateral retaliation the promise of an FTA may be seen as the carrot to encourage market opening

conclusion

- Short of an ambitious DDA agreement there is no credible alternative to the current EU bilateral strategy to liberalisation and market opening
- The more reliant the EU and others become on bilateralism the harder it will be for the non discriminatory approach to liberalisation to succeed.
- This is potentially a negative feed back loop for the WTO