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THE EUROPEAN UNION’S BILATERAL APPROACH

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Abstract: The EU is a world economic power and a major trading partner for most countries. All the time, this region has been interested and has acted towards a free and fair trade. The decrease and even the elimination of tariff and non-tariff barriers in the world trade are among the main objectives of the EU strategy for international trade. At the moment, the elusive outcome of the WTO Doha Round has led to the proliferation of bilateral trade agreements worldwide. Although the EU remains committed to further development of the multilateral trading system, however, the EU still has appealed also to the development of bilateral trade relations. The aim of this paper is to illustrate the current bilateral dimension of the common commercial policy of the EU. In conclusion, to describe this bilateral approach of the EU we are using one word, namely “diversity”.

Keywords: trade agreement; bilateralism; proliferation; EU’s exports/imports; trade barriers

JEL Classification: F13; F19; F53; O52

Introduction

Continually, the EU has developed strategic relationship with a significant number of countries, regions of the world and international organisations. This major trade bloc has proved to be the adept free and fair trade by providing access to the European market for its trading partners. The EU’s participation in many multilateral and bilateral trade negotiations shows again his interest in decreasing or eliminating tariff and non-tariff barriers to global trade.

The EU committed to multilateralism and recognised the fundamental importance of the World Trade Organisation trading system. The WTO is an international institution designed to help global trade. It provides an institutional forum in which governments can negotiate trade agreements and solve trade disputes through a system of trade rules. Being one of the most important player in global trade, the EU supports the WTO decision-making process at the multilateral level, trade liberalisation, and sustainable development. For the European Union its active involvement in multilateral trade it means more products to sell at competitive prices, more growth, and more jobs.

This paper analyses the preferential dimension of the common commercial policy of the European Union. Today, multilateral trade agreements are favoured by the growing interest among WTO members to take advantage of bilateral/regional trade. In conclusion, we found that the EU’s exporters were still facing difficulties in accessing markets in some countries, even if the EU had signed and negotiated FTAs (Free Trade Agreements). However, the number of specific restrictions of regions with which the Union is a partner of preferential trade agreements in force, that are reported

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to the European Commission, is much lower than disputes emerged between EU companies and countries with which the EU is currently ongoing negotiations of Free Trade Agreements. In spite of bilateral interest, the EU remains the most important actor in global international trade, supporting the WTO decision-making process at the multilateral level.

1. Literature review

Trade is one of the first areas of the European Union where member states have delegated more supranational sovereignty. Supranational powers became joint powers delegated to the European Commission, resulting in the expansion of international negotiations issues that dominate the agenda of "deep trade" of the EU. As the first EU’s foreign policy area and one in which the proverbial "single voice" (Meunier, 2000) resulted largely international trade, FTAs blended with other foreign policy objectives. The EU is a truly "commercial power conflict" (Meunier and Nikolaidis, 2006) because it combined these objectives with changing preferences among Member States, the interests of economic sectors, and the aggregation of interests at national and EU level. And all this before defending its position in the international arena. The Union always prioritized their own interests, developing economic and trade relations with the rest of the world to create benefits for European citizens and companies/organisations.

Preferential trade agreements, particularly free trade agreements (FTAs) have proliferated in recent years. World Trade Organization allows countries to be part of such agreements in certain circumstances, but the criteria are very elastic and examination by the WTO on their compliance with WTO rules was not rigorous. The main dispute is whether they serve as a block or a stumbling block for multilateral trade liberalisation. These agreements are intended to benefit trade than previous FTAs. All agreements appear to be negotiated flexibly to suit both trading partners in every case. There are also traded in a number of different types of arrangements. The most typical is an Association Agreement (AA), which creates a framework for cooperation on a range of political, security, economic, trade, and human rights. It is clear that preferential trade agreements have increased and have become the focus of world trade diplomacy. Countries are looking to improve access to foreign markets for their exporters and investors.

European Union has always translated its identity value based on normative action, as a promoter of human rights and sustainability in the international system. As a developed and humanitarian actor, the Union distanced itself from imperial heritage of the Member States and developed a distinctive approach (Wolf, 2008, p. 211). Currently, a broad consensus emerged among
its member states, the EU now plays a distinct role in international politics, avoiding traditional power politics and acting as a "force for good" in the world. This discursive move to implement foreign and security policy of the EU with ideological and political legitimacy was largely welcomed the academic world where concepts like "civil" power or "normative" power have been applied widely range on the international role of the EU in developing (Hyde-Price, 2008, p. 29).

To face the present economic crisis, in parallel with its membership of the WTO, the EU has developed a network of bilateral trade agreements with countries and regions around the world. These agreements were seen early on as an addition to its actions in the WTO to remove barriers to international trade and to allow it and its trading partners to achieve mutual benefit faster. There are clear that the WTO rules laying down the conditions for bilateral trade agreements in order to prevent their use to discriminate against other EU’s trading partners and all agreements comply with those rules.

Offering an overview of the evolution in time of EU preferential trade agreements by the end of the Cold War, policy objectives have evolved to what might be characterized as a "soft" power (Nye, 1990) and even "normative power" (Manners, 2002) to more "realistic" by trying to protect its business competitiveness and position in the international economic order. Despite these changes, through a combination of international context and preferences of ideas, there is a set of basic continuity in terms of major economic interests. They need to be made through trade policy, which presents a picture of the EU as a major player in the global economy. This portrait gives new literature shades on EU trade policy.

From a historical perspective, the European preferential trade agreements differ among partners regarding the provisions and commitments. The emphasis of EU bilateral trade policy leads to a policy determined by the specific objectives of reciprocity. This is a significant step that goes far beyond the EU approach taken in the WTO Doha Round negotiations. At the multilateral level has been established by diffuse reciprocity clause "less than full reciprocity", compared to full coverage through bilateral free trade agreements. A specific explanation of this change of reciprocity is certainly increased competition from developing countries where the share of global trade is growing faster than the EU share in relative terms (Van den Hoven, 2013, p. 71). However, the large EU market encourages smaller trading partners to negotiate free trade agreements. Therefore, it can be concluded that bilateral EU trade strategy strengthens its pursuit of reciprocity.

According to Chauffour (2012), in the past 10 years, the world has experienced a renewed dynamism in the negotiation and conclusion of preferential trade agreements. This new wave of "21st century regionalism", as it was called by Richard Baldwin, is characterized by:
• the increasing of trans-regional initiatives and agreements covering the wider network of participants and greater involvement of developing countries at all levels;
• a strong participation of Asian countries in bilateral and regional agreements; and, of course,
• the increasing of deep integration (Chauffour, 2012).

International trade today is radically different and more complex than yesterday. In a world where traditional barriers to trade have been reduced and where the historical gains of tariff preferences were eroded, the focus has turned to non-tariff barriers, trade facilitation, services, investment, and other complementary domestic policies (e.g., competition and public procurement policies). To be sure, the growing number of preferential trade agreements and distortion of pricing structures, such as the practice of tariff peaks in agriculture and textiles sector, looking for an international trading system more transparent, non-discriminatory, and predictable remained as important as frequently. However, policy makers face new competing priorities. Trade agreements also provide a place where governments can credibly commit to policy reform by the external anchoring, the improved governance, and the possibility of the ability to import best practices and regulatory reform from others.

2. The Current Preferential Trade of the EU

The European Union is considered to be a major player in world trade. EU multilateralism has its foundation in the very fact that the regional bloc is the most important global partner. Here we argue that opening the EU trade regime assigns its highest quality player on the global trade scene. The EU has also acquired a strong position acting together as a single voice on the international trade, rather than 28 separate business strategies. Thus, Europe has become deeply integrated into global markets. The EU is an attractive market which outsiders can begin shipping business since the 500 million of European consumers looking for high quality products, and the EU is the largest single market in the world, with transparent rules and regulations. EU offers a safe legal framework on investment, which is among the most open in the world.

Although economic growth for the region has proved to be slow, the EU remains the largest economy in the world with a GDP per capita of 25,000 of euros. Union is the largest trading bloc and the largest retailer of services and goods produced in the world, occupying also the first position among the international investment. This region is the main trading partner for 80 countries, but the USA is the main trading partner for around 20 countries. Every day, Europe exported goods worth
hundreds of millions of euros and imports hundreds of millions of euros, being the most comprehensive exporter of produced goods and services in the world.

The world economy is changing at an unprecedented rate with sustained growth of emerging markets. At the present time, the economy of these countries has come to exceed that of the old industrial economy. Global financial and economic crisis has hastened the movement of economic power from the developed countries to emerging economies. In this new situation, it is clear that Europe is experiencing the emergence of new challenges but also new opportunities related to the reorganisation of global production.

Elusive outcome of the Doha Round in the WTO increased the importance of preferential trade agreements worldwide. They have become one of the main areas of EU trade policy. In addition, analysis of European bilateral trade agreements presents an ideal way to learn about and to observe changes in EU trade reasoning. They remain one of the most comprehensive EU foreign policy instruments, and they give requirements that include a "deep trade" and political cooperation, democracy and governance terms. Thus, despite the fact that WTO members are trying to conclude the Doha Round, currently we witnessing a proliferation of preferential trade agreements. It seems that trading partners choose to address their concerns in the context of modern preferential rather under the World Trade Organization. It is obviously a definite concern to the EU on preferential trade agreements, explained by their number and increasing their scope wider. At the multilateral level, they are discussing only the role of the EU in the WTO trade action and not the actions based on WTO rules.

Today, the EU trade policy is driven by bilateral negotiations that emphasize the reciprocal nature of trade negotiations and policy making for the business community. This approach has important repercussions for the entire EU policy. Bilateralism and reciprocity are dominant not only in negotiating free trade, but also in other policy areas related to preferences for development, procurement and anti-dumping policy and policy materials. Thus, the action at niche (characterized by common features) and the application specific niche strategies, the EU appears to estimate the benefits package more "large", more concrete, and more coherent than multilaterally.

According to European Commission, in the next 10-15 years, 90% of global demand will be generated outside Europe. A key priority for the EU is to focus on the potential for growth by opening new market opportunities for European companies abroad. One way to ensure this is through negotiated agreements with key partners. Now rates are relatively low in global trade, trade barriers are behind the customs border. Therefore, the EU aims to conclude deep and comprehensive free trade agreements, in particular by removing tariffs and also by opening market of services,
investment, public procurement, and including regulatory issues. If the EU were to complete all its free trade talks tomorrow it could add 2.2% to EU GDP, or 275 billion of euros. This is equivalent to adding a country as big as Austria and Denmark to the EU economy. In terms of employment, such agreements could generate 2.2 million new jobs and an additional 1% to the total EU workforce (EC, 2014).

Preferential trade arrangements covering trade between the EU and 180 countries and territories. The value of goods imported into the EU under these agreements amounted to more than 200 billion of euros, representing around 15% of EU imports. Trade brings economic benefits for both the EU and partner countries and promote sustainable development and poverty eradication in developing countries. Preferential trade agreements are an essential tool of EU trade policy, but need to be managed carefully to protect the interests of the European Union.

Preferential trade arrangements allow trading partners to grant preferential conditions when trading with each of them. Reciprocal arrangements reduce tariff barriers, with the goal of trade, economic growth, employment, and consumer benefits for both parties. The EU grants preferences to developing countries through tariff free access to the EU market, thus helping to eradicate poverty and promote sustainable development.

According to Raymond (2011), Europe’s preferential trade agreements can be grouped into four categories according to their primary reasons. First, there are close geographical neighbours agreements that the EU is ready to offer easy losing membership or relationship. A second category of agreements is primarily intended to promote stability around the borders of the EU. A third category of preferential trade agreements has a historical emphasis and provides development and includes agreements with 71 countries, especially small and poor developing African, Caribbean and Pacific (ACP). The fourth category includes countries and regions more remote, where the main objective of the EU is to neutralize potential discrimination against exports and investment arising from FTAs between third countries or to provide the EU commercial benefits through preferential access to foreign markets (Raymond, 2011, pp. 1-3).

Theoretically, preferential trade agreements, or "free trade agreements" are agreements whereby the parties have mutual compromise of concessions (the decrease/elimination of import duties, quotas, etc.). Under these agreements, export products originating in a country benefit from additional facilities partner country market access. International trade is an important and essential part of the EU’s external activities. Value and number/frequency of such exchanges of EU with its trading partners have evolved Union dependent relationship with the world, and the crisis triggered both worldwide and in the EU.
Economic and financial crisis in 2008 weakened international trade worldwide. The five countries/areas recorded low levels of exports by trading partners in 2009 compared to 2008 were: EU (27) - 17%; USA - 15%; China (except Hong Kong) - 11%; Japan - 22%; Russia - 32%. Since 2009, exports outside of the European Union are steadily rising. They have recovered from negative performance in 2008, so in 2010, the EU exports to the rest of the world has seen higher levels as against 2008.

Economic and financial crisis of 2008 had a negative impact on world trade over a long period. Despite this, in 2012, several sectors of the EU have shown stability and even growth. The EU industrial base remained strong, registering a trade surplus of production of nearly 300 billion of euros, a figure that has increased fivefold since 2000. Surplus in services has increased more than 20 times in line for ten years, more than 100 billion of euros recorded in 2012. EU agricultural trade balance went from a deficit to a surplus in 2010. Overall the EU trade balance for goods and services was slightly negative (74 billion of euros) due to import of energy related products. However, the size of this deficit was small compared to total trade. Currently, the EU reserves nearly 28% of overall revenue generated by the production of manufactured goods to the United States by 18%, and to China a little less than 16%. EU share of this income has remained fairly stable since 2000, while the share of other industrialised countries has decreased significantly (WTO, 2013, p. 4).

We support the idea that the single market was vital in the creation of extra-EU competitive businesses and was a cornerstone of the EU’s ability to compete in a globalised world. It has helped the development of rules and standards of quality that helps create global rules. EU enlargement has facilitated the emergence of effective European value chains. European firms exporting not only because of the value that is created in the EU Member State in which they are recorded exports, but also the contributions across the single market. Distribution jobs created by exports reflects this. For every two jobs created in an EU Member State, where exports are counted in statistical terms, a job is created elsewhere in the European Union.

An important aspect to be taken into account by its trading partners provides political capacity of the EU to conclude and implement trade agreements. There may be a perception that the EU is facing some difficulties in this area in the crisis. Despite unfavourable economic situation, Europe has proved to be able to go forward with liberalisation bilaterally, moving faster than other countries such as USA. Taken together, we believe that these free trade agreements should, as part of future trade policy, to contribute to economic growth. The EU’s common commercial policy must give particular attention to the USA, China, Russia, Japan, India, and Brazil.
The EU has successfully concluded a number of important trade agreements with trading partners. At the present time, this region is a part of certain trade agreements and other agreements with a trade component both in the WTO context and bilaterally with certain countries and regions. As example, the EU’s bilateral/regional agreements in force targets countries from Europe (such as, Serbia, Norway, Switzerland, Albania, etc.), Mediterranean region (such as, Syria, Israel, Algeria, Egypt, Morocco, etc.), and other countries (such as, Mexico, South Africa, Korea, Central America, etc.). Also the European Union has concluded customs unions with three countries: Andorra, San Marino, and Turkey, and it is in the process of negotiating agreements with many more. The European Union also strengthens its ties to its neighbourhood, where they expect mutual economic gains from deep integration and regulatory convergence. Negotiations deep and comprehensive FTAs are concluded with Georgia, Moldova and Armenia (but are not yet in force), and soon to be launched with Egypt, Jordan, Morocco, and Tunisia. European neighbourhood policy based on strong synergistic relationship between trade policy and foreign policy, contributing to a zone of peace and prosperity.

Figure 1 - FTA Exports of the EU, in 2013

Trade between the European Union and the countries mentioned above comprise a broad category of products. To take note of their products for which has chosen the decrease or even the elimination of tariff and non-tariff barriers to external trade, we have analysed the level of imports and exports between the EU and these countries for 2013. Thus, from the Figure 1 above can be deduced with certainty that trade between the EU and partner countries at preferential trade
agreements in force and in ongoing negotiations in 2013 were dominated by industrial products, representing 92% of total EU trade.

Both the EU imports and export share higher than 90% for industrial products. With regard to imports, the country with the highest value recorded is USA by 185,393 million of euros, followed by Switzerland by 89,911 million of euros, and Norway by 84,819 million of euros. And the states that had the lowest values are the Palestinian Authority (3 million of euros), and Syria (88 million of euros). The exports were dominated by USA by 272,354 million of euros, and Switzerland by 162,137 million of euros. And the lowest values were recorded, as in the case of EU imports, by Palestinian Authority (101 million of euros), and Syria (390 million of euros). If we refer to the Standard International Trade Classification (SITC), in 2013, the EU preferential trade with countries and regions mentioned above were dominated by machinery and transport equipment section.

This need of the EU to negotiate and conclude trade agreements bilaterally is essential in the current economic conditions. These negotiations have significant repercussions for the entire policy. Although it remains an important member of the World Trade Organization, even though the WTO cannot provide stable and economic analysis and Commercial Union. WTO rules are questioned and replaced by others that are developed at the sector and specific interests of the Union and its trading partners.

Over the years, multilateral review has been severely diluted. According to Mavroidis, currently multilateralism is an exercise of transparency. For those who are wishing to challenge the consistency of a preferential agreement, WTO can do this by placing a complaint before a specialized body of the WTO. For good reasons, there is rare litigation. Therefore, we actually live in a world where bilateral trade agreements are not controlled (Mavroidis, 2013, p. 23). At the same time, there are a number of trade disputes with partner countries that are reported to the European Commission.

The European Commission is responsible for assessing economic, social, and environmental aspects of bilateral trade agreements and oversee their implementation by Member States and partner countries. Our results which were reached after analysis of these disputes seems to highlight a link between free trade decisions and commercial disputes. Countries with which the EU is part of ongoing bilateral trade negotiations practice many more trade restrictions than countries with free trade agreements in force. Sanitary and Phytosanitary measures are found in most cases, especially in the Agriculture and Fisheries sector. As reported international trade, the EU preferential trade agreements in force and those for which the EU is a part of ongoing negotiations are the hardest hit on the two sectors, Agriculture and Fisheries and Horizontal sectors. The difference is that European exporters are restricted by countries with agreements in force in Agriculture and Fisheries sector, about 50% of
the barrier. Conversely, countries with which the EU is part of ongoing bilateral trade negotiations restrict EU exports in both sectors equally, about 60% (30% each) of all barriers.

What has changed more over the years is the content of these FTAs: currently experiencing problems which fall under the mandate of the WTO. The picture emerging is not very relevant for WTO and preferential agreements encouraging. Due to reorientation of the current mandate absent, substantive content of FTAs is the latest expression of the priorities of governments, and therefore their object should be taken seriously by the multilateral institution. In short, today’s reality of preferential trade agreements requires the ability to adapt to modern concerns the multilateral trading system and the inability to cope with current problems. Today, bilateral trade agreements are perceived, especially by the EU and its trading partners, the only way to deliver trade liberalisation. For this reason it is essential to understand the main reasons behind the negotiation and conclusion of such agreements.

Applying trade sector strategy requires greater analytical capacity from the European Commission. Sectors show a high degree of differentiation of every country and the issues included. To manage the large number of bilateral trade provisions, each case must be analysed and monitored directly and in detail. If the same area from two different regions is perceived as one and as the same then there is the risk of not handle with the current international trade and, ultimately, may be the collapse of bilateral trade.

**Conclusion**

The EU is a world economic power and a major trading partner for most countries. Always, this region has expressed interest and has actioned towards a free and fair trade. Reducing and even eliminating tariff and non-tariff barriers to world trade are among the main objectives of the EU strategy for international trade. Nowadays, the WTO Doha Round has led to the proliferation of bilateral trade agreements globally. The European Union has always been fully committed to the regularisation of a strong multilateral trading system, which formed the basis of the EU’s common commercial policy. For this trading bloc is of highest importance that the WTO is an international organisation that reflects and respects the needs and concerns of developing countries. Although, the EU remains committed to further development of the multilateral trading system, however, he appeals also to the development of bilateral trade relations. By this, the EU recognizes that will contribute positively to complement the multilateral system in a situation where no issue of market access opportunities of its trading partners.
In conclusion, the importance of bilateral trade agreements increased in recent years in the world. With their proliferation it can be notice a change in EU trade and economic reasonableness. Union continues to operate globally, but in different ways. Trade with its trading partners no longer requires a "total and unique" strategy, but more specific sectorial strategies that are tailored to each sector. Indeed, this attitude shows more transparency and the ability to identify more easily and faster source of problems specific the international trade. The trade agreements negotiated and concluded bilaterally benefits the international trade development and improvement of European Union countries and regions with different development levels and even opposite. Trade between the EU and partner countries at preferential trade agreements in force or under negotiation, in 2013, was dominated by industrial products, representing a significant percentage of total EU trade (covering almost the entire activity of the EU free trade). The current trend of the Union is to develop and to deep trade relations with its trading partners more about bilateral highlights within the World Trade Organization.

We believe that this statement does not apply to the economic crisis worldwide. Possibility of recovery is different both from country to country and from company to company. States are using specific tools for every level of economic development. By applying a unique trade agenda, all countries can have serious consequences, diminishing the possibility of recovering from the economic and financial damage caused by the crisis. The EU strategy to focus on the sector is more realistic and necessary to the current world economic situation.

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