Multilateralism or Bilateralism: Trade Policy of the EU in the Age of Free Trade Agreements

Sevil Acar
Istanbul Technical University, Turkey

Mahmut Tekçe
Marmara University, Turkey

Abstract
Until 2006, trade policy of the European Union (EU) had mainly been focused on multilateralism embraced by the Doha Development Agenda (DDA). Meanwhile, the EU maintained an effective suspension on the opening of bilateral or regional negotiations where their increasing number was considered a ‘spaghetti bowl’ that creates problems for the international trading system. However, the suspension of the DDA negotiations in July 2006 forced the EU to reveal a new trade policy with the motto of “rejection of protectionism at home, accompanied by activism in creating open markets and fair conditions for trade abroad” which focuses on the removal of tariff and non-tariff barriers to trade of goods and services. Consequently, the EU gave pace to signing FTAs with its significant trade partners. This new trade strategy based on increasing FTAs and thus on bilateralism, which aims at the highest possible degree of trade, investment, and services liberalization, targets regulatory convergence and the abolishment of non-tariff barriers beside stronger provisions on intellectual property rights and competition. This paper discusses whether the new trade strategy of the EU leads to a distraction of the EU’s trade policy focus from multilateralism to bilateralism or it still remains committed to the WTO.

Introduction

Following the temporary suspension of the Doha Development Agenda (DDA) of the World Trade Organization (WTO), in October 2006, the European Commission (EC) revealed a new trade policy strategy under which the EU will pursue bilateral free trade agreements (FTAs) with targeted economies in order to secure new markets and protect or enhance competitiveness for European businesses. This new strategy was a significant shift from the EC's *de facto* moratorium of any bilateral agreements and expressing loyalty to multilateral trade policy focus of the WTO. This change in the trade policy strategy raised concerns about the completion of the DDA and the future of the multilateral trading system, as the biggest proponent of multilateralism shifted its attention to bilateralism.

This paper aims to analyze the evolution, motives and main characteristics of the European Union (EU)'s external trade policy and the possible consequences of the adoption of the new trade strategy on the further progress of the WTO-based multilateral trading system. Section 2 explains the historical stance of the EU on bilateralism and multilateralism, and its previous trade policy strategy. Section 3 analyzes the post-Doha international trade environment and the new trade policy of the EU. Section 4 examines the trade relations of the EU with the countries the European Commission is either negotiating an FTA or set a target to pursue one. Concluding remarks discuss how this policy shift of the EU might influence the fate of the multilateral trading system.

Evolution of the EU's Trade Policies

Regionalism through Regional Trade Agreements (RTAs) or Free Trade Agreements (FTAs) has been widely discussed among trade economists since the 1950s. In the pioneering theoretical approach on the subject, Viner (1950) introduced the concepts 'trade creation' and 'trade diversion' and stressed the discriminatory aspects of regional trade liberalization. His claim was that, bilateral or regional economic integration can create trade by lowering tariffs and thereby reducing prices, but it can also lead to trade diversion for the countries outside the trade agreement. Thus, regional or bilateral trade agreements increase the exports of the signatory countries at the expense of third countries.

The formation of the European Economic Community (EEC) in 1957 and European Free Trade Association (EFTA) in 1960 became the first remarkable examples of regional trade agreements. On the other side of the Atlantic, the US was keeping a multilateralist approach to trade liberalization, based on the negotiated rules of the General Agreement on Tariffs and Trade (GATT). While Europe was integrating in the 1960s and 70s, the US was rejecting proposals for a North Atlantic Free Trade Area (Panagariya, 1999, p. 481). Thus, since the 1980s, RTAs were mostly limited to Western Europe and regionalism was mainly a 'European' concept. According to Bhagwati (1993), "*the first wave of regionalism that took place in the 1960s failed to spread because the US supported a multilateral approach*." Following Bhagwati's terminology, the 'second wave of regionalism' started after the failure of the GATT multilateral trade negotiations in November 1982, whereas this time the US changed its position and favored RTAs. This regionalism wave affected both developed and developing countries and led to the formation of several regional groupings including the EU, NAFTA and Mercosur. Hence the EU, itself an example of a regional integration, has been an early promoter of regional trade agreements, and the 1970s and the 1990s witnessed several preferential trade agreements of the EU with different countries.

However, in the mid 1990s, the EU turned its attention to multilateralism. The conclusion of the Uruguay Round of multilateral trade negotiations in 1994, and the establishment of the WTO in 1995 to provide the institutional support to the multilateral trade agreements, flourished the expectations that a world trading system based on common rules and multilateral liberalization can be formed. There was an expectation that "*exceptions to multilateralism, such as regional trade agreements (...) would either become less of an alternative policy option for countries or will need to be adapted and conducted in such a manner as to become outward-oriented, not inward-looking, and thus constitute building blocks for the new multilateralism ushered in by the WTO.*" (Mashayekhi et al., 2005, p. 3) EU's steer towards multilateralism was reinforced when Romano Prodi, the president of the EC, appointed Pascal Lamy as the European Commissioner for Trade in 1999. Lamy was a strict proponent of multilateralism and during his period as the Commissioner, the EU maintained an effective suspension on the opening of bilateral or regional negotiations to conclude FTAs, and championed the multilateral trading system. Lamy (2002) explained this policy as one "*pursu[ing] all existing mandates for regional negotiations with vigour and fairness, but not to begin any new negotiations*". (p. 1412) This trade strategy was based on two reasons: first, it favored the multilateral approach of the Doha Development Agenda (DDA) and the EU did not want to take any initiative that might detract from its completion; and second, the EU had a 'deep integration' approach in FTAs and these agreements were complex and time-consuming to negotiate (Lamy, 2002, pp. 1412-1413). Increasing the number of bilateral agreements has been labeled as 'spaghetti bowl' of overlapping trade rules that erode the principle of non-discrimination and raise the transaction costs of doing business, and was assumed to complicate the international trading system as a whole.

The EU had announced its strict loyalty to the completion of a comprehensive multilateral round of the WTO, but certain developments were creating some disturbances in this trade policy stance. The first development was that, the US had started to pursue an activist FTA policy based on 'competitive liberalization' after the Bush Administration had restored the Fast Track Negotiating Authority (also known as the Trade Promotion Authority) in 2002, which had expired and not been in effect since 1994. With the Authority, the US saw an opportunity to catch up with the EU's long record of pursuing preferential agreements (CRS, 2006) and started FTA negotiations with several countries including Chile, Singapore, Australia and Morocco. Second, the DDA, which was set to conclude in December 2006, started to show significant slowdown in progress towards multilateral liberalization. Especially after the Cancun talks collapsed in 2003, and three of the 'Singapore issues'[1] dropped down from the DDA in 2004, the wisdom of multilateralism started to be questioned in the EU. Even Lamy argued, in the Trade Policy Assessment document that summarizes his five-year term as the Trade Commissioner, that, "*our arguments in favour of a better regulated multilateral world have been less effective. Indeed, arguably as a result, trade policy or the WTO has too often been the sole focus for efforts to strengthen international*

[1] Singapore issues are; investment protection, competition policy, transparency in government procurement and trade facilitation. On 1 August 2004, WTO members agreed to start negotiations on trade facilitation, but not on the other three Singapore issues.

governance, which risks weakening its legitimacy both internally within the Union, and in the outside world. I don't believe the WTO can or should remain the sole island of governance in a sea of unregulated globalization." (European Commission, 2004, p. 5) Lamy had stuck to his initial policy of keeping the moratorium on FTAs during his service in the Commission, but he also had given the first signs of a probable change in the EU trade policy.

New Trade Policy of the EU: Focus on FTAs

In July 2006, negotiation talks in Geneva failed to reach an agreement and the DDA was officially suspended. This development threw multilateralism into a bleak future. Regarding the fact that the biggest competitor, the US, has been pursuing FTAs with many countries, especially with developed and emerging markets in East Asia, the EU had to act as soon as possible to avoid trade diversion and a shift in the EU's trade strategy had already become inevitable. With the suspension of the DDA, multilateralist position of the EU has lost its ground and the Commission has been forced to change its trade policy focus.

The European Commission revealed a new trade policy strategy in October 2006, under which the EU would pursue bilateral FTAs with major economies in order to secure the market access and competitiveness of European companies in important markets. The core of the new trade strategy of the EU has been summarized by the Commission as; "*rejection of protectionism at home, accompanied by activism in creating open markets and fair conditions for trade abroad*" (European Commission, 2006).

The new trade policy strategy primarily focuses on the need to identify and remove tariff and non-tariff barriers (NTBs) to market access for goods and services that are important for the European exporters. With the FTAs, the Commission also aims to solve some behind-the-border issues, especially the Singapore issues of investment protection, competition policy, and transparency in government procurement, which cannot be tackled by the DDA. The new trade policy strategy report also revealed an agenda aiming to influence the forces driving change, to seize the opportunities of globalization and to manage the risks and challenges posed by the emerging economies especially in Asia and South America.

The FTA strategy constitutes a very important part of this trade policy. The EU already has quite a large number of bilateral deals: the agreements with the EFTA countries, the customs union with Turkey, the goods agreements with the Euromed countries and the preferential arrangements offered to the sub-Saharan African, Caribbean and Pacific (ACP) countries. The EU had also signed FTAs with Chile, Mexico and South Africa. Furthermore, as the recent developments in the world trade system made it necessary for the EU to enhance its access to new markets in order to protect and improve competitiveness of European business, the Commission defined economic criteria, target countries and coverage for future FTAs.

The European Commission defines the key economic criteria for new FTA partners as market potential and the level of protection (tariffs and NTBs) against EU export interests. In this sense, the Commission defines ASEAN, Korea and Mercosur as prior FTA partners, and India, Russia and the Gulf Cooperation Council as countries of direct interest. China, on the other hand, despite meeting many of the criteria, is not defined as a possible FTA partner, but a country of special attention because of the opportunities and the risks it presents (European Commission, 2006, pp. 10-11). The EU's new FTA strategy aims at the highest possible degree of trade, investment, and services liberalization, in addition to a ban on export taxes and quantitative import restrictions. The main targets are regulatory convergence, non-tariff barriers and stronger provisions on intellectual property rights (IPRs) and competition. These trade relations could also include incorporating new cooperative provisions in areas relating to labor standards and environmental protection. In this sense, the EU would also have to take the erosion of its existing trade preferences into account when negotiating FTAs, which could translate into sheltering certain products from tariff cuts (ICTSD, 2006).

The trade policy change in the EU raised the concerns that the EU was shifting its attention from the WTO to bilateral agreements, and the revival of the DDA would become more difficult. Although the strategy report clearly states that *"there will be no European retreat from multilateralism and the EU remains committed to the WTO"* (European Commission, 2006, p. 10), the rising number of FTA negotiations and proposals in the years after the policy shift keeps these concerns alive.

After the announcement of its new FTA strategy, the EU has instantly given pace to its efforts for signing FTAs. Currently, the following can be listed as the key EU bilateral agreements:

- Economic Partnership Agreements in negotiation with ACP countries (Cotonou)
- Free Trade Agreements with EFTA, EEA, Euromed, Mercosur (in negotiation), Mexico, Chile and South Africa
- Customs Unions with Turkey, Andorra and San Marino
- Partnership and Cooperation Agreements with Russia and Ukraine

As stated in the strategy paper, primarily targeted FTA partners were ASEAN and Korea, and negotiations with both of them started in May 2007. Following them, FTA talks with another important economy in Asia, with India, started in June 2007. In addition, the EU accelerated the FTA talks that had started before the policy change, but had been suspended because of the EU's multilateralist position (e.g. FTA negotiations with the Gulf Cooperation Council (GCC) and Mercosur). The EU is also seeking to negotiate FTA agreements with Russia and the Andean and Central American countries. There are also FTA proposals to the EU from several countries including Japan and Pakistan. In the appendix, we display summarized tables for the trade indicators (amounts and shares of exports and imports) of the EU with its target FTA partners and those for the previous FTA partners from 2000 to 2006. The numbers evidence an increasing trend for each country and country group (such as ASEAN and MERCOSUR) in both export shares and import shares of the EU.

Motives Behind the EU's Free Trade Agreements

In this section we will explore the trade relations of the EU with the countries that it is negotiating or seeking for an FTA. We begin with an examination of the broader picture showing on which grounds and motives the EU has pursued bilateral trade agreements so far. Then we exemplify the motives and the possible gains from potential bilateral agreements with Korea, ASEAN and India with which the EU has already started negotiations.

According to Woolcock (2007), the EU's framework of bilateral and regional trade agreements can be differentiated into two main motives; foreign policy and security, and commercial interests. Political motivations were dominant in EU's trade agreements related to its neighborhood policy, including the Europe Agreements with the Central and Eastern European countries, the Euro-Med Association Agreements with Mediterranean countries, and the Stability Pact with the countries of the Western Balkans. The commercial or economic motivations for economic partnership agreements or FTAs, on the other hand, primarily focus on limiting or neutralizing potential trade diversionary effects which result from FTAs concluded between important trading partners and a third country. The prime example of neutralizing trade diversion through an FTA is the EU–Mexico FTA, motivated by a desire to neutralize trade diversion after the conclusion of NAFTA. Commercial motivations also include forging strategic links with countries or regions experiencing rapid economic growth, and enforcement of international trade rules.

Regarding the current FTAs of the EU, we observe that commercial or economic interests are the dominant motivations. Neutralizing trade diversion motive can be observed in all FTA negotiations that started in the new trade policy environment. ASEAN, Korea and India had already been approached by the US, and the EU needed to pursue FTAs with these important markets as soon as possible in order to avoid diversion of the imports of these countries from Europe to the US.

Some research has been done on the trade potential of these countries (such as Korea, ASEAN and India) in the context of bilateral trade agreements. One of these studies belongs to Kim and Lee (2004), who examine the trade potential capacity of the EU and Korea using the gravity model approach. A simple gravity equation embodies the 'normal' patterns of bilateral trade by integrating the economic, geographical and cultural factors. Frankel (1997) argues that if actual trade volume is higher than the normal level of trade that is obtained from the gravity factors (economic, geographical and cultural), then intra-regional trade bias occurs. Kim and Lee employ a gravity equation analysis which intends to estimate the trade potential capability of Korea and the EU-15. Constructing two models, one for estimating separately the gravity equations for 52 countries between 1980 and 2002, and another for estimating the normal pattern of bilateral relations in the world, the authors first find that there is a noticeable degree of over-trade between the EU-15 and Korea. Another point the paper reveals is that this over-trading is a result of the fact that *"Korea has enjoyed a higher ratio of openness in terms of the ratio of the trade volume with respect to GDP"* (Kim and Lee, 2004, p.147). Second, when Korea and its trade with the world are considered, the EU-Korea trade is found to be under-traded, pointing to the possible explanation that Korea's trade volume with the EU is much less than its trade performance with its other trading partners. Another paper of Kim (2005) emphasizes that an FTA with Korea would be desirable for the EU because the structural EU trade deficit since the 1990s is usually attributed to the problems EU companies and products encounter while entering and operating in the Korean market. These problems create barriers to trade as the Korean rules for both products and services differ from those of the EU. Hence, an FTA between the EU and Korea is expected to be advantageous for the EU especially if it succeeds in removing the trade barriers, adoption of the EU standards for goods and services and strong cooperation. Besides, as Korea is one of the most dynamic emerging markets in East Asia, the EU finds it much beneficial to build an economic basis in Korea, where an FTA would effectuate the role (Kim, 2005, p. 10).

Regarding the relations between the EU and ASEAN which date back to 1980, we can start with the first EU-ASEAN agreement that was concluded in the form of a cooperation agreement. It was a declaration of good will and intentions and contained some basic principles about trade. Although this initiation developed a political dialogue between the EU and ASEAN, it was not able to prioritize closer and deeper relations. In the 1990s, the two partners engaged in a significant effort to deepen the cooperation and encourage greater contact. However, the 1997-1998 Asian Financial Crisis impeded the relations once more. After the recovery from the effects of the crisis, in 2001 and 2003, the EU attempted to vitalize its relations in Southeast Asia and classified ASEAN as a key economic and political partner. The following priorities were designated for the relations with the Southeast Asia (Moeller, 2007):

• Supporting regional stability and the fight against terrorism;

• Promote human rights, democratic principles and good governance in all aspects of EC policy dialogue and development cooperation;

• Dialogue incorporating issues such as migration, trafficking in humans, money laundering, piracy, organized crime and drugs;

• Invest dynamism by launching a trade action plan called Transregional EU-ASEAN Trade Initiative (TREATI);

• Support the development of less prosperous countries;

• Intensify dialogue in specific policy areas.

These priorities constitute a well-established ground for the EU to stimulate a cooperative environment in Southeast Asia. Moeller (2007) points to two long term and far-reaching benefits for EU-ASEAN relations arising from an FTA: first, it will please them both in Asian integration; and second, an FTA will enhance their ability to tackle non-conventional and common threats to stability and security (Moeller, 2007, p. 478).

Theoretically, these two benefits may be gained without an FTA, but the political environment calls for one. Since ASEAN has already concluded or is negotiating FTAs with so many other partners, it seems difficult to solidify EU-ASEAN relations without such an agreement. According to Moeller (2007), for ASEAN, *"an FTA with the EU may provide a platform for adjusting the competitive position of member states, making them more capable of carving out a platform for competing with Asia's two giants: China and India"* (Moeller, 2007, p. 479). Since most ASEAN countries can no longer compete on costs, they are in need of gaining competitive characteristics in areas such as corporate governance, legal system, protection of intellectual property rights, design, quality, performance. As long as some of these issues are not covered by the international set of trade rules under the WTO, a considerable number of countries seek a solution through FTAs. What is more, an EU-ASEAN FTA will confirm the belief that the two partners trust each other and their intention to deepen and spread cooperation into other areas. One such area is supposed to be transnational security issues. Therefore, in case the EU and ASEAN fail to achieve enhanced cooperation in trade and economics, *"dealing with more complex issues such as security issues will be impossible"* (Moeller, 2007, p. 479).

Botezatu (2007) also handles the circumstances of an EU-ASEAN FTA as a question of 'when' rather than 'whether'. She emphasizes that the EU and Southeast Asia share many common interests and features in the sense that they both seek ground for deeper integration between their own member states and they are both embedded in multilateral trade relations in the multi-polar world. Here arises another common situation for them which results from the shortcomings of the multilateral system. Politically, they reflect their will on creating a more effective multilateralism through cooperation in a wider range of issues besides trade such as development aid, economic assistance and non-military security cooperation. Since there is a huge development gap between ASEAN's rich and poor members, financial aid from the EU and hence a bilateral agreement is considered an opportunity that should not be missed. In terms of trade relations, the strong commercial links between these two blocs confirm the necessity. The EU was ASEAN's third largest trading partner as of 2007. Similarly, ASEAN is of crucial economic importance for the EU. Cooperation on environmental issues such as the Kyoto Protocol and dialogue on migration are also common aspirations of the two trade partners. Taking these into consideration, Botezatu concludes that the establishment of a free trade area between the EU and ASEAN will certainly welcome important economic benefits that will support and expand the European model of integration among ASEAN countries.

Finally, the EU started negotiations with India on a bilateral trade and investment agreement on 28 June 2007. Before, the Council had adopted a negotiating Directive for an FTA with India on 23 April 2007, together with negotiating Directives for an EU-ASEAN and an EU-Korea FTA[2]. India is trying to adhere to a 'grand leap forward' liberalization model[3], which targets to improve its manufacturing exports and information technologies, and aims to ease its access to foreign markets. Having already become an important production base and outsourcing destination for EU companies, India is in the target of the EU who aims to get access to the large Indian market, increase its investment and the export of goods and services, and settle on favorable trade rules and regulations. The bilateral FTA is supposed to prepare the ground for a 'strategic partnership' in trade and investment. Polaski et al. (2008) employ a simulation analysis using the social accounting matrices of India and the EU and find the possible effects of an FTA on the EU. According to the analysis, all the macroeconomic indicators of the EU, such as private consumption, government consumption, investment consumption, import demand, export supply and total domestic production, display significant increases. For instance, export supply appears to increase by 1.35 billion dollars corresponding to a 0.05 % change, whereas import demand is found to increase by 3.21 billion dollars which corresponds to a 0.11% rise. Similarly, total domestic production is expected to increase by 0.05% as a result of the simulations.

To sum up, reasons for bilateral trade agreements other than commercial motivations have started to come to the fore as multilateral trade has encountered some obstacles and as solutions to these obstacles can only be sought through FTAs between individual partners. The EU has adopted itself to evaluate the best strategy with its potential partners in order to deepen integration, expand its share in world exports, incorporate dialogue on universal issues such as migration and environment and promote good governance and development cooperation.

---

[2] http://ec.europa.eu/trade/issues/bilateral/countries/india/index_en.htm
[3] This strategy is announced by the Department of Commerce, Ministry of Commerce and Industry, India at http://commerce.nic.in/index.asp.

Conclusion

The European Community (later the European Union) has been a landmark for regionalism. By promoting its own model of regional integration throughout Europe and its neighboring countries, the EC/EU aimed to enhance its reach to different markets. Nevertheless, it also supported the multilateral trade liberalization of the GATT/WTO, albeit not as loyal as the US. In the late 1990s, the EU shifted its attention entirely to the completion of multilateral WTO negotiations and put a moratorium to all bilateral agreement talks. However, the collapse of the WTO negotiations in Cancun in 2003, proliferation of FTA negotiations by the US, and finally the suspension of the DDA in July 2006 forced the EU to pursue bilateral FTAs in order to protect the competitiveness of European businesses.

The shift of the trade policy focus of the EU from multilateralism to bilateralism raised concerns about the future of the WTO. Although the strategy paper of the new trade policy clearly expressed that there will be no European retreat from multilateralism and the EU is still loyal to WTO principles, the question still remains: will it be feasible (or even necessary) to revive the DDA after concluding several FTAs?

There is a significant difference between the ‘new generation’ FTAs of the EU and its previous bilateral trade agreements and the European integration scheme. Former FTAs were mainly concluded with neighboring states or former colonies and the essential motives behind those FTAs were dominantly foreign policy and enlargement. The new trade policy of the EU, on the other hand, puts a strong emphasis on economic arguments by linking FTAs to purely economic criteria, such as the market potential of the partner and the existing tariff and non-tariff barriers to EU exports. Having completed the economic integration in almost entire Europe and its neighborhood, the EU now targets the emerging economies in Asia and Latin America. Another noteworthy characteristic of the new generation FTAs is that, in the absence of the WTO negotiations, the EU sees these FTAs as an opportunity to negotiate regulatory and beyond-the-border issues that are not included in the DDA, and also to deal with ‘tough’ issues like agriculture, which seems almost impossible to solve in the multilateral talks. Relying upon these motivations, surveyed research on the potential consequences of FTAs between the EU and selected countries evidence the gains from increasing free trade and cooperation.

We argue that, although both the US and the EU express that they are still loyal to multilateralism, the recent surge of FTAs makes the revival of the DDA more difficult. As major trade partners achieve their goals in increasing bilateral trade by removing the trade barriers, the marginal gains from the results of multilateral negotiations diminish. Currently, it seems that multilateralism is losing its ground against bilateralism. The hopes for agreeing on multilateral free trade based on common WTO rules seem to be fading away, but this does not mean that ‘free trade’ is weakening; bilateralism and FTAs became the new tools of globalization and free trade. As for the Doha Round, as the Trade Minister of India, Kamal Nath said, “the round is not dead, but between intensive care and the crematorium”, and two years after the suspension of the talks, we can say that each FTA makes the DDA one step closer to the crematorium.

References

Botezatu, E. (2007). "*EU-ASEAN FTA: Regional Cooperation for Global Competitiveness*", MPRA Working Paper, available at http://mpra.ub.uni-muenchen.de/4946/

CRS (2006). Regional Trade Agreements: An Analysis of Trade-Related Impacts, Congressional Research Service Report no. RL31072, by G. J. Wells.

COMTRADE (2008). UN Commodity Trade Statistics Database http://comtrade.un.org/db/

European Commission (2004). *Trade Policy in the Prodi Commission, 1999-2004: An Assessment*, DG External Trade, Brussels

European Commission (2006). *Global Europe: Competing in the World*, Commission Staff Working Document, DG External Trade, Brussels

Frankel, J. A. (1997). *Regional Trading Blocs in the World Economic System*, Washington D.C.: Institute for International Economics.

ICTSD (2006). New EU Trade Strategy: Pursue Bilateral FTAs, Reduce NTBs, *International Centre for Trade and Sustainable Development Bridges Weekly News Digest*, Vol. 10, No. 33

Kim, H. C. (2005). "*Korea-EU FTA: Prospects for the Future*", presented at the Second Italian-Korean Economic Workshop "Economic Policies, Growth and Economic Integration East Asia and Europe in Perspective" Turin, Fondazione "Luigi Einaudi", 20 June 2005

Kim, H.C. and Lee, C. (2004). "Korea-EU Trade Relations: Over-traded or Under-traded?" *Asia-Pacific Journal of EU Studies*, vol. 2, no. 2

Lamy, P. (2002). "Stepping Stones or Stumbling Blocks? The EU's Approach Towards the Problem of Multilateralism vs Regionalism in Trade Policy", *The World Economy*, Vol. 25, pp. 1399-1413

Mashayekhi, M, L. Puri and T. Ito (2005). "Multilateralism and Regionalism", in M. Mashayekhi and T. Ito, *Multilateralism and Regionalism: The New Interface*, UNCTAD: New York

Moeller, J. O. (2007). "ASEAN's Relations with the European Union: Obstacles and Opportunities", *Contemporary Southeast Asia*, Vol. 29, No. 3, pp. 465-82.

Panagariya, A. (1999). "The Regionalism Debate: An Overview", *The World Economy*, vol. 22, no. 4, pp. 477-511

Polaski, S. (2008). *India's Trade Policy Choices*, Washington D.C.: Carnegie Endowment for International Peace.

Viner, J. (1950). *The Customs Union Issue*, New York: Carnegie Endowment for International Peace

Woolcock, S. (2007). "*European Union policy towards Free Trade Agreements*", ECIPE Working Paper No. 03/2007.

Appendix

All sources: Authors' calculations from COMTRADE (2008)

Table A.1. Exports of the EU with Target FTA Partners (millions $)

	ASEAN	MERCOSUR	S. Korea	India	China	Russia	GCC
2000	37.724	21.935	15.064	12.368	23.512	20.353	27.314
2001	38.482	21.702	13.895	11.175	27.086	27.569	30.508
2002	37.768	17.257	16.322	12.444	32.669	31.962	33.744
2003	43.457	17.345	18.185	16.107	46.024	41.390	42.115
2004	53.330	22.844	22.190	21.181	59.932	56.999	51.073
2005	55.844	25.644	24.998	26.215	64.310	70.081	62.579
2006	61.939	29.656	28.783	30.447	80.219	92.311	70.002

Table A.2. Share in EU's Total Exports (%)

	ASEAN	MERCOSUR	S. Korea	India	China	Russia	GCC
2000	4,75	2,76	1,90	1,56	2,96	2,56	3,44
2001	4,79	2,70	1,73	1,39	3,37	3,43	3,79
2002	4,41	2,02	1,91	1,45	3,82	3,73	3,94
2003	4,34	1,73	1,82	1,61	4,60	4,14	4,21
2004	4,43	1,90	1,84	1,76	4,98	4,73	4,24
2005	4,20	1,93	1,88	1,97	4,84	5,28	4,71
2006	4,15	1,99	1,93	2,04	5,37	6,18	4,69

Table A.3. Imports of the EU with Target FTA Partners (millions $)

	ASEAN	MERCOSUR	S. Korea	India	China	Russia	GCC
2000	64.034	22.638	24.591	11.804	68.316	48.922	20.914
2001	59.043	23.021	20.566	11.977	72.739	48.141	17.794
2002	63.896	23.715	22.830	12.802	84.576	50.648	17.379
2003	74.283	29.173	29.074	15.788	119.048	66.394	22.832
2004	85.913	35.269	37.650	20.185	158.488	100.384	31.759
2005	87.907	37.928	41.292	23.480	196.335	132.631	46.405
2006	103.951	44.402	58.323	29.034	284.954	149.713	46.418

Table A.4. Share in EU's Total Imports (%)

	ASEAN	MERCOSUR	S. Korea	India	China	Russia	GCC
2000	6,96	2,46	2,67	1,28	7,42	5,32	2,27
2001	6,70	2,61	2,33	1,36	8,25	5,46	2,02
2002	7,17	2,66	2,56	1,44	9,49	5,68	1,95
2003	6,98	2,74	2,73	1,48	11,18	6,24	2,14
2004	6,69	2,75	2,93	1,57	12,35	7,82	2,47
2005	6,01	2,59	2,83	1,61	13,43	9,07	3,17
2006	5,94	2,54	3,33	1,66	16,29	8,56	2,65

Table A.5. Exports of the EU with Previous FTA Partners (millions $)

	Chile	Mexico	S. Africa
2000	3.161	12.991	10.725
2001	3.283	13.565	11.034
2002	2.951	14.306	11.475
2003	3.293	16.078	15.032
2004	3.878	18.289	19.953
2005	4.827	20.816	22.448
2006	5.363	23.952	25.529

Table A.6. Share in EU's Total Exports (%)

	Chile	Mexico	S. Africa
2000	0,40	1,64	1,35
2001	0,41	1,69	1,37
2002	0,34	1,67	1,34
2003	0,33	1,61	1,50
2004	0,32	1,52	1,66
2005	0,36	1,57	1,69
2006	0,36	1,60	1,71

Table A.7. Imports of the EU with Previous FTA Partners (millions $)

	Chile	Mexico	S. Africa
2000	4.680	6.707	13.328
2001	4.546	6.825	14.218
2002	4.568	6.151	14.224
2003	5.566	7.333	16.745
2004	8.962	8.545	19.614
2005	9.767	11.163	20.779
2006	15.548	13.768	23.180

Table A.8. Share in EU's Total Imports (%)

	Chile	Mexico	S. Africa
2000	0,51	0,73	1,45
2001	0,52	0,77	1,61
2002	0,51	0,69	1,60
2003	0,52	0,69	1,57
2004	0,70	0,67	1,53
2005	0,67	0,76	1,42
2006	0,89	0,79	1,32