

EU'S REGIONAL TRADE STRATEGY, THE CHALLENGES AHEAD

Paolo Guerrieri
Irene Caratelli

I. INTRODUCTION

The aim of this article is to investigate the evolution of European Union's (EU) regional integration policy towards third countries and regions. Several factors changed and are changing the environment, the determinants and the scope for which Regional Trade Agreements (RTAs) are negotiated worldwide.¹ A major factor of such development is represented obviously by the globalization process which had a great impact both economically and politically on the world order. Indeed, globalization emphasised for instance the competition

Paolo Guerrieri is Professor of International Economics at the University of Rome "La Sapienza", Italy and at College of Europe, Bruges, Belgium.

Irene Caratelli is a Researcher at the Istituto Affari Internazionali (IAI) in Rome, Italy.

¹It would be more appropriate to refer to Preferential Trading Agreements (PTAs) rather than Regional Trade Agreements, since RTAs are increasingly concluded among non-contiguous countries. In this article however under the common definition of Regionalism we include *bilateral*, *regional* and *plurilateral* agreements. RTAs is thus a general definition which includes different kinds of agreements which have considerable differences among them. The most common are Free Trade Agreements (FTAs), which represent today almost 70% of the existing RTAs, in which trade restrictions are removed among member countries but each member maintains its own trade policies toward non-members. Custom unions—almost 8% of existing RTAs—are FTAs where members also adopt a common external trade policy. Deeper forms of integration include common markets and economic unions where respectively we have free movements of factor of production and some degree of harmonization of national economic policies. For a useful taxonomy on PTAs see Aggarwal and Fogarty (2004).

between the major global actors as well as the emergence of new ones, particularly in the Pacific Basin. Since power relations between countries and regions are increasingly determined by the economic strength, as well as the penetration of the markets, etc; globalization had an impact that went far beyond the economic sphere embracing also the political order. The drastic transformation that occurred can be appreciated when we think that during the Cold War era power competition at the global level was mostly centred on traditional military and defence issues. As a result, EU's position and role in the world trading system is being seriously challenged and we'll try to see both *if* and *how* it is adjusting to such new environment. EU's trade integration strategy will thus be the focus here, bearing in mind that other actors are becoming major promoters of RTAs as well. We believe that this entails a great change since EU's traditional *monopoly* on RTAs is being seriously challenged.

The article is divided in four sections: we will start addressing the factors that changed the environment in which RTAs are negotiated nowadays, respect to previous waves of Regionalism (section 1). Then, we will offer an overall picture of the network of agreements that the EU has built over time, high lighting their main features (section 2). Subsequently, we will outline the composite mix of motivations and interests that guided and continue to stimulate European regional trade activity, since such motivations changed over time (section 3). All this enables us to drive some conclusive remarks related to the challenges ahead in the last paragraph.

II. SHOULD WE CONSIDER THE CURRENT PROLIFERATION OF RTAs AS A NEW PHENOMENON?

Since its early days EU's trade policy has been carried out through a multilevel endeavour: reducing trade and investment barriers internally, striking RTAs and participating actively in multilateral trade negotiations within the framework of the

General Agreement on Tariffs and Trade (GATT) before, and the World Trade Organization (WTO) afterwards.

The focus here is on EU's regional trade policy and on the factors that changed the environment, the determinants and the scope for which regional agreements are negotiated.²

The current proliferation of regional-type agreements is not a novelty in the recent history of the world economy. It is the third wave after that in the 1930s, based on discriminatory and highly protectionist trade blocs, and the other from the late 1950s through the early 1970s, aimed at discouraging imports and encouraging the development of domestic industries, mostly in developing countries. The latter wave was an extension of domestic import substitution and planning policies to the regional level and was usually proposed to achieve scale economies for protectionist policies (Sideri, 1996). They very often failed miserably.

In the second wave of Regionalism the EU was definitely the most active actor and its system of preferences generated longstanding criticism. Such criticism was spread at different levels: first, it was argued that the EU created a "pyramid of preferences," or privileges, which was in contrast with GATT/WTO rules and principles. Excluded countries feared both the costs of being left out of such system, and that negotiations at the regional level could divert resources and attention from the multilateral route. In addition, since in many cases preferences brought "ambiguous benefits" even those countries to which the EU granted a preferential treatment complained paradoxically. Finally, the so-called pyramid of preferences created some problems among EU countries themselves, which had to harmonise different interests towards third countries and regions.

²Breslin and Hettne (2001) distinguish between Regionalism—defined as a state led project of cooperation, whose aim is to pool sovereignty to enhance sovereignty; and Regionalization—identified as a process driven by market forces of trade and investment flows.

Despite the criticism and the problems experienced in previous waves of RTAs, over the past two decades regional agreements have been experiencing a spectacular growth and the regional option has become an attractive tool for virtually all WTO Members.³ The EU is neither the sole, nor the most active actor any more.

There are, however, crucial differences between the second and the third wave of regional agreements, indeed until the 1980s most RTAs were promoted by the EU and they were either arrangements with former colonies, or neighborhood affairs contributing to the widening and deepening of the European integration process.

Over the past two decades instead not only EU's regional initiatives changed in ambition and scope, but many other countries have been involved in regional initiatives. The United States converted itself from multilateralism to ardent regionalism, and is now very actively promoting and participating in the new wave of regional initiatives, mainly by entering into FTAs.⁴ Developing countries as well continue to engage actively in talks among themselves and with developed countries.⁵ Regional initiatives are being promoted also in Asia, and this is certainly a very important development which will have great consequences in the near future. The progressive integration and the increasing weight of China in the world economy entails great challenges for countries *in* and *outside* Asia; indeed, regional initiatives among Asian countries are proliferating also to try to counteract China's growing power.

Not only the number of countries searching for RTAs has expanded over time, so that virtually each WTO member is part

³The OECD (2003) estimated that preferential trade agreements account for 43% of world trade and this figure is going to be something like 55% in 2005 if all RTAs under negotiation will be realized.

⁴The US has FTAs with: Israel, Canada, Mexico, Jordan, Singapore, Chile and five Central American countries and negotiating new bilateral agreements with many countries, particularly toward developing ones.

⁵Agreements involving developing countries represent today more than one-half of all the RTAs in effect or under negotiation, and almost 85% of the agreements that are currently under negotiation at world level involve developing countries (Schott, 2004).

of at least one agreement (either FTA, custom union, etc.), but in the present wave of Regionalism the *aim* and the *content* of agreements has drastically changed compared to previous experiences.

The content has changed since today many RTAs extend into areas of domestic disciplines going beyond *shallow integration* pattern (i.e. removing border barriers), being deeper integration agreements.⁶ The *shallow integration* pattern required members not to do specific things—the advantage being that this was an easier process with immediate results, achieved between a greater number of countries participating to the trade agreements. While *deep integration* means the “explicit actions by governments to reduce the market segmenting effect of domestic regulatory policies through coordination and cooperation” (Hoekman and Konan, 2001, p. 2). The focus of trade negotiations (both regionally and multilaterally) has thus been gradually turned from the more traditional trade barriers to the “new trade issues” in order to manage with international spillovers—in the case of investment policies; or with global concerns—as in the case of environment or labor standards.⁷ Among the new trade issues we distinguish that of first generation—Intellectual Property Rights (IPRs) and Services; second generation—Investment, Competition policies, Government Procurement and Trade Facilitation; and third generation ones—Environmental and Labor Standards policies.⁸

⁶Tinbergen (1954) coined the terms *negative* and *positive* integration, which could be considered very similar to the *shallow* and *deep integration* definitions.

⁷However, Schiff and Winters (2003) state that trade barriers are still high enough to impart a “significant bias to international trade. Preferential reductions in these tariffs—through RIAs—will further distort trade and probably impose costs; even a discriminatory tariff of 5 percent can have significant effects on import sourcing if goods are highly substitutable. If discrimination extends to areas such as standards testing and enforcement, or to public procurement, trade diversion is likely to be even more significant” (p. 210).

⁸Not surprisingly, among those actors strongly advocating for the promotion of a *deep integration* agenda in trade negotiations are multinational enterprises (MNEs), since differences in national regulations segment markets and make internationally integrated production costly (Brenton, 2000).

Given the strong expansion of the regional integration activity and the active participation of all the major global actors, as well as the critical difference between the second and the third generation of RTAs, given the deep integration pattern, the EU has to answer to past and new challenges with innovative methods and strategies identifying clearly the guiding principles and objectives of its policy taking into account the strategies of the other global players.

III. THE COMPLEX NETWORK OF EU'S AGREEMENTS

The European Union is a major player in international trade being the source of about a quarter of all international trade flows. The Union is the world's leading exporter and the second largest importer—it ranks behind the United States but is well ahead of the dynamic Asian economies, Japan and China.⁹ On the whole, EU's external trade relations point out some interesting factors: trade among the EU, the US and Japan is declining in relative terms and in general the concentration of trade of the EU with other industrialized countries—inside and outside the EU—has been reduced; the share of Asian countries in trade relations with the EU is significantly increasing; and finally the EU is the main trading power for both former African colonies and the Mediterranean basin (Van Dijck and Faber, 2000).¹⁰ Actually, by the early 2000s the United States, developing Europe and developing Asia have become three major trade partners of the EU of more or less equal size. This creates an entirely new context for the design and execution of the EU regional trade policy. Accordingly, European's network of RTAs has been evolving

⁹In 2003 China became the EU second biggest trading partner (after the United States) and, according to China's statistics, the EU became China's second biggest trading partner (roughly on the same level as the United States, behind Japan).

¹⁰However the share of exports to Africa in overall EU exports to the rest of the world declined sharply; the same could be said for the share of the Middle East in total external trade of the EU (Van Dijck and Faber, 2000).

and experiencing significant changes (see Appendix). Here we offer a picture of the network of agreements that the EU has built over time, highlighting their main features. Such arrangements spread over Europe, the Middle East and North African region, Latin America, and Asia. A section will be devoted also to the developing countries, which spread among different continents.

Regional ties in Europe

After a relatively short period of progressive integration since the end of the Cold War, eight of the ten countries benefiting of the Europe Agreements (EAs) became full members of the EU, and the other two (Bulgaria and Romania), are going to enter by 2007.¹¹ The way through accession of the Central Eastern European Countries (CEECs) passed through three stages:

- (a) trade and cooperation agreements;
- (b) the Europe Agreements, which embodied a closer cooperation and a preparation for membership;
- (c) the pre-accession stage. EAs required the EU and CEECs to liberalize trade gradually in industrial products in an asymmetric way—in favor of CEECs—over a transition period.¹²

In addition, EAs required CEECs to adopt and implement the *acquis communautaire*, that is, Europe's corpus of legislation and regulation. Implementing the *acquis* is a precondition for accession

¹¹Europe Agreements cover a large number of issues:

- (i) trade liberalization and other trade-related issues;
- (ii) political dialogue;
- (iii) legal approximation;
- (iv) cooperation in industrial, environmental, transportation and customs areas.

¹²Estonia being the exception: in 1990s Estonia decided to open unilaterally its trade regime, thus the EU-Estonia agreements was in favor of the Union which maintained various quotas with respect to agricultural imports for example (Feldmann and Sally, 2002; Feldman, 2003).

to the EU, which requires extensive efforts to harmonize legislation and regulations in many areas.¹³ Thus, it has not been a simple nor a low-cost process for Eastern European countries. The integration process has been complex also for Europe implying a multilevel endeavor: the redirection of EU's external trade patterns; the promotion of a progressive economic and regulatory integration; as well as the re-formulation of many internal policies (like the Common Agricultural Policy, CAP) (Smith, 2004).

The policy of the EU towards the South East European Countries (SEECs)¹⁴ is driven by the overarching objective of integrating the political, economic, and legal systems of these countries to those of the EU. To this end, the Union is promoting:

- (a) Stabilization and Association Agreements (SAAs);
- (b) trade preferences;
- (c) financial and technical assistance.

The SAAs are based on three pillars:

- (a) trade liberalization (in Goods, Services, Government Procurement, Intellectual Property Rights, Competition, etc);
- (b) political dialogue;
- (c) legal approximation.¹⁵

¹³The Phare program has been an important instrument to prepare transition countries for accession promoting institution-building and facilitating the adoption of the *acquis* (Feldman, 2003).

¹⁴Albania, Bosnia-Herzegovina, Croatia, Former Yugoslav Republic of Macedonia FYROM, Serbia-Montenegro. Albania (2000), Croatia (2000) and FYROM (2003) are WTO members, while Bosnia-Herzegovina and Serbia-Montenegro started their accession process.

¹⁵The EU signed a Stabilization and Association Agreement with the Former Yugoslav Republic of Macedonia which entered into force on May 2004; the SAA with Croatia is under ratification; and negotiations are ongoing with Albania. Croatia in 2005 will start negotiations for the accession in the EU. The trade-related provisions of the agreement with Croatia are being enforced by means of interim agreement.

The aim of such agreements is to establish FTAs which should be based progressively on full reciprocity, being at present asymmetrical. However, the judicial and administrative capacity to implement the increasingly onerous obligations of FTAs will be a major problem for the Balkans.¹⁶

The EU had already liberalized its import towards the SEECs and in 2000 it granted trade concessions to such countries so that almost 95% of the exports from the region enter duty-free into the Union.¹⁷ Through the Stabilization and Association Agreements the trade concessions are going to become reciprocal, thereby gradually opening up the markets of the region to EU products. SEECs also created a network of bilateral free trade agreements in order to deepen integration among themselves.¹⁸

In the 1990s the EU also negotiated the European Economic Area (EEA) Agreement with the members of the European Free Trade Association (EFTA).¹⁹ The Agreement establishes the liberalization of movement of goods, persons, services and capital (even though agriculture and fisheries are included in the Agreement only to a very limited extent) and its main goal is the participation of EFTA countries to the European Single Market.

¹⁶Based on http://europa.eu.int/comm/trade/issues/bilateral/regions/balkans/index_en.htm, accessed July, 2004.

¹⁷The EU maintains tariff quotas only on imports of wine, baby beef, and certain fishery products. Quotas are also applied on textiles imports from Serbia-Montenegro.

¹⁸In 2001 the countries of the region (Albania, Bosnia-Herzegovina, Croatia, Former Yugoslav Republic of Macedonia FYROM, Serbia and Montenegro, plus Romania and Bulgaria and Moldova) signed "Memorandum of Understanding on Trade facilitation and liberalisation", under the auspices of the Stability Pact for South Eastern Europe. In this Memorandum, the countries involved committed themselves to concluding, before end 2002, a network of bilateral free trade agreements. Integration among these countries is deepening and FTAs have actually been signed.

¹⁹EFTA was established in 1960 by: Austria, Denmark, Norway, Portugal, Sweden, Switzerland, and the United Kingdom. Iceland joined in 1970, Finland in 1986, and Liechtenstein in 1991. Today EFTA members are: Iceland, Liechtenstein, Norway, and Switzerland (but the latter decided not to participate to the EEA after a referendum). Austria, Finland, Norway, and Sweden negotiated accession agreements immediately after the EEA was established.

One of the primary obligations of the EEA Agreement is to ensure equal conditions of Competition, thus the Agreement regulates areas which have an impact on the competitive position of enterprises such as consumer protection, environment, and certain elements of corporate law.²⁰

The EEA Agreement gives EFTA members the right to be consulted by the Commission during the formulation of Community legislation, but not the right to say in the EU decision-making, which is kept exclusively for Member States. Under many respects, one could argue that the EEA provides a model of *deep integration* with attempts to retain the political autonomy and actually EEA's goal was to participate to the Single Market, not assuming the responsibilities of EU membership.

The presence in the Middle East and North African region

The relations between the EU and the 10 countries situated in the Mediterranean basin are governed by the Euro-Mediterranean Partnership (EU-MED) launched in 1995.²¹ The Partnership launched at the Barcelona Conference in 1995 was launched based on three pillars:

- (a) political and security cooperation;
- (b) economic and financial cooperation;
- (c) social and cultural cooperation.

²⁰In addition to the obligation to accept Community *acquis* in the fields of the four freedoms, the Agreement contains provisions to allow cooperation between the Community and the three EEA-EFTA States in a range of activities: in research and technological development, information services, the environment, education, social policy, consumer protection, small and medium-sized enterprises, tourism, the audio-visual sector, and civil protection.

²¹Mediterranean countries are: Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, the Palestinian Authority, Syria, Tunisia, and Turkey. In origin Mediterranean countries were 12, but since May 2004 Cyprus and Malta joined the EU.

The second pillar of the EU-MED initiative envisages the creation of a FTA by 2012. Negotiations for the establishment of Association Agreements (AAs) are the step to establish the free trade area. The only country with which it has not been signed an AA is Syria, but negotiations started on October 2004 and they seem to be in the closing stages.²²

The Achilles' heel of the Partnership is that it is limited to non-agricultural products; therefore MED countries suffer the drawbacks of the CAP.²³ As far as market access is concerned, restrictive rules of origin and lack of cumulation constrain the degree of effective market access in EU's market. Even though partners decided to harmonize rules of origin, difficulties in this process are still hampering MEDs'.²⁴ Substantial technical barriers to trade remain due to differences in regulatory requirements and the need to duplicate testing and conformity assessment when selling in overseas markets.²⁵ In the Service sector, partners make reference to the

²² Association Agreements (AAs) have already been signed with eight of the Mediterranean countries and negotiations are under way with Syria (Turkey has a custom union with the EU). AAs between the EU and each of the Mediterranean partners provide the institutional framework for bilateral relations in the political, economic, social and cultural fields. Agreements draw on both European Community and Member States' competencies, and in order to enter into force they need to be ratified by the partner country, the European Parliament, and all EU Member States, a process which may take several years. In certain instances, the European Community and the partner have agreed to an interim agreement that covers only trade matters and that can enter into force rapidly (European Commission, 2003), Euro-Med Partnership, Regional Strategy Paper.

²³ The consequences are of two kinds: the exclusion can diminish the potential gains of the agreement, and can slow the economic development in the Mediterranean countries because they are encouraged to reinforce tradition low-value added productivity sectors.

²⁴ In 2002 partners decided to harmonize rules of origin in order to enable MED to participate to the pan-European of System of rules of origin, allowing the cumulation of origin throughout the region. "Cumulation of origin rules would therefore improve both access to the EU market and sourcing possibilities and thus intraregional trade among the MPCs [Mediterranean Partner Countries], which currently accounts for only 5 per cent of their total trade" (Baert, 2003).

²⁵ To improve regulatory harmonization, in 2002 partners launched the Euro-Mediterranean Market Mechanism, during the Fourth Euro-Mediterranean Conference for Industry, the goal being to determine the most important areas where partners should start to promote a harmonization policy.

commitments, schedules and exceptions that made in the General Agreement on Trade in Services (GATS)²⁶ the same could be said for Government Procurement.²⁷ Investment is governed by Bilateral Investment Treaties (BITs) between each EU member and the MED²⁸—but apparently the level of protection of investment is quite scarce (Baert, 2003). To promote Competition policy the EU included in the agreements the principles embodied in EU's legislation pertaining to anti-competitive practices like: state aids considered to be market-distorting, cartels, monopolies, etc.²⁹ Environmental provisions seem to be equivalent to those established at the WTO level.

To give an evaluation of the results achieved so far it could be argued that EU-MED relations have both a lack of coverage and a lack of depth, thus the Partnership resulted in weak effects. The level of trade between MED partners is low, and Foreign Direct Investment (FDI) inflows into the region failed to match expectations. This is also due to the fact that EU-MED relations evolved principally on a bilateral basis (the EU versus each MED country) and it has not been able to foster integration among the Mediterranean countries. The Partnership is characterized by a “hub and spoke” integration pattern, the hub having considerable advantages as a location for economic activity and being able to push firms and investments out of

²⁶The issue of trade in services is quite intricate both because it involves sectors of strategic importance for the domestic economy, and because services liberalization outcomes spill over into other areas such as the intellectual property rights and foreign direct investment (Tussie and Lengyel, 2002).

²⁷The EU is interested in deepening service liberalization (apart the right of establishment issues—i.e. mode 4—which is one its most sensible issues towards Mediterranean partners); while Mediterranean countries seem to be less interested in taking new commitments in the services sector. For those MED which are not WTO members an agreement similar to GATS is included in the Association Agreement.

²⁸This is due to the fact that EU member states have not agreed yet to share the competence at the Community level, so investment remains one of the few areas where there is an inter-governmental approach.

²⁹For the Mediterranean countries a major problem is on the one side the difficulties in implementing such rules and regulations; and on the other side the lack of “competition culture.” So far no rules have been adopted, but in perspective they are deep and far-reaching rules.

the spokes.³⁰ The South-South dimension of this area needs to be enhanced.³¹ In addition, administrative and regulatory barriers are prevalent in the MED, therefore the elimination of such restrictions can determine great benefits in qualitative and quantitative terms.

The EU-Mediterranean Partnership was not intended as a simple market access agreement. The project was that the FTA would go beyond a *shallow integration* process addressing a range of trade related regulatory policy issues. However, on the whole EU-MED Partnership cannot be considered as a *deep integration* process, because most issues addressed in the agreements don't deviate from the WTO approach, and when possible the parties made reference to WTO agreements. Needless to say that it would be extremely important to devote more efforts to deepen integration linkages.³²

Apart the EU-MED Partnership, in the MENA region (Middle East and Northern Africa) the EU concluded a Cooperation

³⁰“A hub and spoke system essentially consists of a set of bilateral trade agreements. Because there is discrimination between members of such a system, less liberalization is likely to result than under an FTA. Moreover, it may be more difficult to reduce the extent of sectoral exclusions and loopholes over time. Because a hub-and-spoke system involves separate agreements between the hub country and the spoke countries, there is more scope to exclude the sensitive sectors from the coverage of each bilateral agreement. [. . .] Under a hub-and-spoke system, the potential for maintaining policies that imply an effective reduction in liberalization of internal trade will also be greater. If each country maintains contingent protection options (AD, safeguards) against member countries, powerful import-competing industries in the hub country will have an interest in including wide-ranging safeguard clauses and relatively stringent rules of origin.(Hoekman and Kostecki, 2001, pp. 358–9/61).

³¹However, a positive signal came from the conclusions—on January 11, 2003—of the negotiations of the Agadir agreement for the creation of a regional free trade agreement among its four partner countries: Egypt, Jordan, Morocco, and Tunisia, that is expected to be signed next March.

³²Hoekman and Konan (2001) investigating the effect of the creation of the FTA between the EU and Egypt, arguethat “Given Egypt's diversified trading patterns, a shallow PTA with the EU (limited to elimination of Egyptian tariffs) will lead to a small welfare decline. This reflects the fact that Egypt already has duty-free access to the EU for manufactures the loss in tariff revenues that will be incurred outweighs any trade creation that will result. Large welfare gains from a EU FTA are conditional upon the elimination of regulatory barriers and red tape. If *deep integration* efforts are pursued that deliver such an improvement in the business environment, the welfare gains may be substantial, from 4 percent to upwards of 20 percent growth in real GNP” (p. 2).

Agreement in 1989 with the Gulf Cooperation Council (GCC).³³ Several reasons stimulated the Union to promote closer relations with such countries: enhancing trade relations, promoting market access, and strengthening the stability of the region. The agreement also committed the parties to enter into negotiations for the creation of a FTA. Two years later, in 1991, the Council of the EU adopted a negotiating mandate setting as a precondition to the FTA the establishment of a customs union by the GCC countries. Ten years later, in 2001, the Council approved a new mandate. While the first one was mainly focused on goods, the latter one is broader and includes liberalization of trade in: Goods, Services, Public Procurement, Competition and Intellectual Property Rights.

With the formation of the customs union, the GCC is now able to move ahead with the negotiations for the establishment of a FTA.³⁴ No target date has been set for the establishment of the FTA. The primary objective of the EU in the GCC area is to strengthen commercial and economic relations through trade liberalization, and reinforcing cooperation in trade related areas. However, EU's interests in the area are not simply commercial but also strategic since these countries are important energy suppliers and the security issue is also crucial.

Latin America

The EU and MERCOSUR (*Mercado Común del Sur*)³⁵ signed an Inter-Institutional Agreement in 1992, and the Interregional Framework Cooperation Agreement (IFCA) in 1995, which

³³The GCC was established in 1981 by six countries, namely: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates (UAE).

³⁴The GCC's common external tariff has been introduced in January 2003 (5%).

³⁵The 1991 Treaty of Asunción established the birth of MERCOSUR between: Argentina, Brazil, Paraguay, and Uruguay. The ambition of MERCOSUR member countries is to become a common market, in the short term the objective is simply to establish a complete and effective custom union. On January 1, 1995 the Common External Tariff (CET) was established, but the custom union should be fully implemented only in 2005. The MERCOSUR agreement doesn't envisage the creation of central institutions, but simply of intergovernmental organs with decisions made by consensus.

entered into force in 1999. The goal of such agreement was to prepare the negotiations for the Interregional Association Agreement, to achieve a greater level of political and economic co-operation and integration within the MERCOSUR group itself, and with the EU.³⁶ The most distinguishing feature of MERCOSUR-EU negotiations is that it envisages a first ever reciprocal inter-regional North-South association between two custom unions, based on a sort of WTO-plus agreement covering all the most important issues: Services, FDI, Intellectual Property Rights, etc, one of the most contentious issues being agriculture. Negotiations began in 2000, and in the first phase partners were concentrated in eliminating non-tariff barriers. From 2000 up to now several rounds of negotiations took place, in order to enable partners to submit their offers in all the main negotiating issues (Agriculture, Goods, Investment, Competition, Services, Government Procurement, Trade Facilitation, technical issues, etc.). The crucial request-and-offer phase failed in October 2004 at the end of which partners should have reached a final agreement, giving substance to the most important issues that need to be tackled to sign the Association Agreement. Negotiations are thus still ongoing.

In 2000 the FTA between EU and Mexico entered into force. This was the first transatlantic pure FTA for the EU. What was most remarkable was that it entailed a very *deep integration* scheme, including: Goods, Services—the first post-GATS regional agreement in services for the EU—IPRs, Government Procurement, Competition, Investment provisions, Technical barriers to trade, and Sanitary and Phytosanitary measures. The EU-Mexico agreement was also the fastest regional trade negotiation

³⁶The main elements of the latter agreement are: i) political dialogue, at various levels (heads of state, governments, ministers, and senior officials level); ii) cooperation; iii) trade issues.

ever concluded by the EU with a third party. Several reasons attracted EU's attention towards Mexico:

- (a) the domestic reform process during 1980s gave to this country a new dynamism becoming a promising market;
- (b) the desire to exploit Mexico as a stepping stone into the North American Free Trade Agreement (NAFTA) (Sampson and Woolcock 2003); and
- (c) in 1990s the country established a complex regional trade network.³⁷

The EU concluded an Association Agreement also with Chile, in 2002. The FTA is a WTO-plus agreement covering all the major issue still excluded from the WTO discipline: Goods, Services, IPRs, Government Procurement, Competition, and Investment provisions. Both the agreement with Mexico and Chile have two distinguishing features:

- (a) the speed with which they have been signed; and
- (b) the depth of the issues tackled, which shows that commercial relations alone cannot explain EU's interests.

Strategic considerations were paramount for the Union, and competition with the United States (NAFTA, in particular the Free Trade Area of the Americas—FTAA) is a key factor that can explain the more recent trade approach of the EU towards the Southern Cone.

Developing Countries

The Generalized System of Preferences (GSP) scheme of the EU was launched in 1971. The unique characteristic being

³⁷Mexico concluded agreements with: Chile (1991); APEC (1993); the United States and Canada (1994); Colombia (1995); Venezuela (1995); Bolivia (1995); Costa Rica (1995); Nicaragua (1998); Uruguay (1998).

the non-reciprocity of the concessions since beneficiaries are not required to reciprocate the tariff concessions to EU's products.³⁸ EU's GSP system is implemented following cycles of ten years. The present cycle (which began in 1995 and will expire on December 2005) applies to imports from developing countries that pay duty on entering EU's market and that are not already duty-free under Most Favored Nation (MFN) agreements.

In June 2005 new guidelines were adopted for the period 2006–20016. The GSP system being simpler, since the number of GSP arrangements declined from five to three:³⁹

- (1) the coverage of the general GSP scheme will be extended to more products (roughly 300) mostly in the agriculture and fishery sectors;
- (2) the “Everything But Arms” (EBA) Initiative;⁴⁰
- (3) a new “GSP Plus” will give tariff preferences to vulnerable countries that have effectively implemented key international conventions on sustainable development, labor

³⁸Among the GSP beneficiaries are: China (33.1 % of the total volume of EU GSP imports), India (11.5 %) and Indonesia (4.8 %) were the main exporters to the EU in 2002, with Bangladesh (3.6 %) ranking 8th as the first representative of the beneficiaries of the Everything But Arms Initiative. In the case of the ACP countries, the main exporters were Nigeria (16 % of total EU ACP imports), followed by Ivory Coast (9 %) and Angola (7 %).

³⁹There were five different GSP schemes before:

- (i) the general GSP scheme;
- (ii) the special GSP scheme for the protection of labour rights;
- (iii) the special GSP for the protection of the environment;
- (iv) the special GSP to combat drug production and trafficking;
- (v) the special GSP scheme for least developed countries (LDCs): the Everything But Arms (EBA) Initiatives.

⁴⁰EBA grants duty and quota free access for all imports except for arms and ammunition and sensitive goods as rice, bananas, and sugar. Duties on those products will be gradually reduced until duty free access will be granted for bananas in January 2006, for sugar in July 2009, and for rice in September 2009. In the meantime, there will be duty free tariff quotas for rice and sugar.

rights, and good governance (reduction to zero duty for a total of 7200 products).

The new system is made fairer by focusing preferential access on countries that have a lower share of EU imports. GSP treatment will be withdrawn for certain product groups for one or several countries when these products are competitive on the Community market and no longer need the GSP.⁴¹ In addition, countries with preferential access to the EU market under a bilateral agreement will be removed from the list of GSP beneficiaries since they already enjoy a better access to the EU market.

What emerges from EU's experience with the GSP system is that administrative rules ensure that only a fraction of imports from developing countries actually benefit from GSP treatment. Sapir (1998) reported that 79% of dutiable import from GSP beneficiaries in 1994 qualified for preferential access to the EU market, yet only 38% actually entered the EU market with a duty less than the MFN rate. This is due to the impact of both rules of origin and tariff quotas for certain products, which set limits on the amount of imports which can receive beneficial access to the European market (Brenton, 2000). Thus now greater flexibility is envisaged for rules of origin: regional cumulation should be enhanced to allow members of a regional group (like ASEAN, SAARC, and others) to make better use of the preferences, thus promoting regional cooperation. In particular, regional cumulation should be relaxed through the elimination of the value added rule criterion. In addition, cumulation across regions will be introduced if interested countries request it (so countries from SAARC could cumulate origin from ASEAN, for example).

⁴¹Graduation will be applied when a group of products from a particular country exceed 15% of total EU imports of the same products under GSP over the last three consecutive years. For textiles, the threshold would be 12.5%.

Relations between the EU and the large group of Africa-Caribbean-Pacific (ACP) countries are governed by the Cotonou Agreement (signed in 2000 and concluded for a 20 year period), which replaced the Lomé IV *bis* Convention in the regulation of commercial, technical, and financial cooperation between the EU and the ACP countries.⁴² Between 2002 and 2008 partners of the Cotonou agreements agreed to turn their previous non-reciprocal arrangement into a fully reciprocal North-South RTA forming Economic Partnership Agreements (EPAs, which provide the gradual openness of ACP markets to the goods coming from the EU). The objectives and principles of negotiations on the EPAs will focus on: a) fostering regional integration among the ACPs; b) building up institutional capacities; c) promoting the progressive liberalisation of trade in Goods and Services; and d) establishing simple and transparent rules for doing business.⁴³

Since EPAs disintegrate ACP's ability to negotiate as a bloc, many fear that the ACPs will be more vulnerable in respect to EU's power. However, EPAs have been designed also because after half a century it seems that the development strategy of the EU failed to reach the expectations. Indeed, despite the "favorable" treatment granted to the ACPs, their share in the market of the Union dropped over the last decades.

Relations between the EU and South Africa deserve a particular mention since the latter country is a member of the ACP Group but it has also signed a bilateral agreement (Trade, Development, and Cooperation Agreement signed in 1999) whose ratification is still ongoing. In the meantime, the trade

⁴²Lomé I (1975–80), Lomé II (1980–85), Lomé III (1985–90), Lomé IV (1990–95), Lomé IV *bis* (1995–2000). Before 1975 relation between the EU and ACP were governed by the Yaoundé Agreements. Both Yaoundé and Lomé Conventions were primarily developmental in focus, but were also reflecting historical colonial legacies.

⁴³The EU is willing to negotiate within EPAs also the Singapore Issues—Investment, Competition, Trade Facilitation and Government Procurement—but ACPs seem unwilling to do so. The core negotiations with individual ACP regions will begin next year.

provisions of the agreements are provisionally applied, and their main objective is to create a FTA in a transitional period of 12 years, in an asymmetrical way (pending issues that remain to be solved are: agriculture, rules of origin, antidumping, etc).

Relations with Asia

Historically Asia has not been at the top of European's regional trade policy activity; however it is gaining more and more attention in parallel with the growing importance of some of its actors, particularly China. Building stronger trade policy relations with Asia is one of the key foreign policy challenges facing the EU in the near future.⁴⁴

The Trans-Regional EU-ASEAN Trade Initiative (TREATI), launched in July 2003, has the aim to enhance trade relations among the partners. The partnership foresees a gradual deepening of the cooperation among the two blocs, starting with: trade and investment facilitation and promotion, industrial products standards, sanitary and phytosanitary standards, custom procedures, intellectual property rights, tourism, trade and environment, and forestry products. In the long term the EU would like to sign an agreement with ASEAN countries; maybe trying to reproduce EU-MERCOSUR project in South-East Asia.

But EU linkages with most Asian countries are still very weak. The Asia-Europe Meeting (ASEM)⁴⁵ was launched in 1996 and is

⁴⁴ Asia as a whole accounts for 21% of the EU's external exports, and is the EU's third-largest regional trading partner, after European countries outside the EU (31%) and NAFTA (28%). This means that the region is ahead of the Mediterranean, South and Central American, Gulf, and ACP countries combined (17.1%). Asia is also the fourth-largest regional destination for outward investment from the EU, accounting for 6.8% of total EU outward FDI in 1999—coming after NAFTA (67.5%), Central and South America (15.1%), and Europe outside the EU (7.5%).

⁴⁵ Asian countries involved in the ASEM are: Brunei, China, Indonesia, Japan, South Korea, Malaysia, the Philippines, Singapore, Thailand, and Vietnam. The EU did not want to include Laos, Cambodia and Myanmar in the ASEM framework for their lack of respect of human rights.

scheduled every two years (there are summit-level meetings and ministerial-level meetings). ASEM is an informal process of dialogue which entails: a) political dialogue; b) economic cooperation;⁴⁶ c) cooperation on other social and cultural issues. The partnership embodied in the ASEM process was designed to be based upon a broad common commitment to: market economy; open multilateral trading system; non-discrimination; and “open regionalism.” The EU did not follow its tradition approach and did not establish any common institution or entity. It has been argued that the ASEM initiative was a response to the rejection of the observer status to the EU in the Asia-Pacific Economic Cooperation (APEC) forum.⁴⁷ However, much still needs to be done to establish something close to APEC.

Until the 1990s Asia distinguished from most other major areas by its *non* participation in regional integration arrangements. Recently, however, we have seen a sharp upturn both in interest and activity in the formation of RTAs in the Asia-Pacific region. This phenomenon has been as much a reaction and response to several factors: first, the proliferation of regional initiatives by all the major global actors, i.e., not only by the EU but also by the United States, Latin America, and African countries; second, being considered as a proper answer to prevent what happened with the financial crisis of late 1990s, since more concerted regional action are considered good means to prevent and maage similar crisis; third, concerns about the potential standstill or even breakdown of the multilateral trading negotiations (Schott, 2001); and finally, the awakening of the Chinese economy and its increasing role in the

⁴⁶Every year there is a meeting between the private sector representatives of the two regions within the Asia-Europe Business Forum (ASBF).

⁴⁷APEC is a multilateral forum encompassing the Pacific Rim as opposed to just East Asia. It is also atypical for a regional institution in that it is informal and loosely structured. The APEC forum has pioneered the idea of “open regionalism”, i.e. the principle that regional agreements must adhere to GATT/WTO consistency. In 1994, member countries committed to achieve free trade and investment by 2010 for developed countries and by 2020 for developing countries.

global trading system. Indeed, some Asian regional initiatives are design precisely to counteract China's growing power.

IV. DETERMINANTS AND SCOPE OF EU'S PYRAMID OF PREFERENCES

The spectacular growth of RTAs over the past decade has been determined by a variety of causes and many of them are not strictly economic. Also for this reason the costs arising from the formation of RTAs have been often regarded as the price to achieve non-economic objectives.

Drawing on the current literature one could indicate four main factors that contributed to foster regional integration agreements. First, RTAs are often driven by foreign policy and national security considerations, which have changed over time, but have been increasing recently with the terrorist threat for instance. Second, the shift of US attitude towards regionalism in the 1980s, was driven both by the frustration with the slowness of multilateral negotiations, and the approval of the Single European Act (and related fears of the creation of a "Fortress Europe"). Third, since the major global actors were creating regional trading blocs, excluded countries felt the pressure to participate because the cost of remaining left out could grow enormously both economically and politically (the "domino effect," [Baldwin, 1995]). Fourth, globalization has been pushing the private sector to lobby for the elimination of barriers arising from regulatory issues, which seem to be easier to address in RTAs (see Hoekman and Kostecki, 2001).

These explanations apply also to the European experience; but other elements have to be considered, since the EU is a peculiar actor, not being a "traditional state." This entails for instance that the Union has always exploited its trade policy strength to remedy to its weakness in the foreign and security policy domains. According to several authors, European's integration strategy has been stimulated by three main aims:

- (a) foreign policy concerns;
- (b) commercial diplomacy objectives;
- (c) development policy goals (Sapir, 1998; Pelkmans and Brenton, 1999).

Two other important determinants are now contributing to European's regional trade strategy:

- (a) the construction of a "hub and spoke regulatory regionalism"; and
- (b) competition with other major global actors.

These are, in our understanding, the main factors that can help us to describe the developments of EU's regional trade integration policy.

First generation determinants

The *raison d'être* of many RTAs concluded by the EU with third countries and regions is highly "political" rather than dictated by economic and commercial interests. Actually "trade policy has always been the principal instrument of foreign policy for the EU" (Sapir, 1998), and the European Union has always used integration agreements as essential elements to secure regional stability on its borders. The use of regional integration agreements as a foreign policy device was the result of the peculiar nature of the EU as an international actor. In this regard the EU-MED Partnership is a good case study to illustrate the point.

Three important elements induced the EU to tighten its relations with the Mediterranean basin. First, security concerns: fundamentalism in the 1990s made the issues of stability in the region a guiding objective for the EU. As we know, nowadays the effort to promote stability and security in the area is even more crucial given the challenges arising from the global threat of terrorism. Second,

migration flows: immigration entails both a social and a security problem, which the EU wanted to solve through the trade integration instrument, even though it is still an open question whether RTAs can help to solve the migration problem.⁴⁸ Third, the pressure of the Southern members of the EU. Indeed, EU's policy towards the CEECs had a great impact on the balance between EU-15 member countries since it exacerbated the struggle between the Northern and Southern members of the Union.⁴⁹ In this perspective EU-MED Partnership could be considered also as a response to the fears of both Southern European countries and Mediterranean ones to the Europe Agreements.⁵⁰ Thus the balancing of the internal interests among EU members has a relevant role both in its trade and foreign policy. Nevertheless, EU-MED Partnership has also been influenced by the pressure of Mediterranean countries themselves, affected by the re-direction of EU resources towards Eastern Europe.

Apart the motivations that induced the EU to build the Partnership with the Mediterranean countries, the question is whether EU's policy towards the area has been able to reap some of its objectives. Actually, the Partnership gave meager results in economic and commercial terms, and the two issues of security and migration are still alive and hinder the confidence of third countries.

⁴⁸Standard trade theory holds that trade and migration are substitutes so that increased trade integration is likely to reduce income wage differentials and decrease labor migration flows. More recent analysis however have shown that North-South trade and migration may well be complements so that integration may not lower migration, especially of unskilled labor (Schiff and Winters, 2003).

⁴⁹Northern EU members are concentrated on the policy towards Eastern countries; while Southern ones are mostly concerned of the Mediterranean Basin. In particular, Germany worked and lobbied to obtain a coherent policy towards Eastern European countries which brought to the conclusion of the European Agreements. While Spain, Portugal France and Italy were the sponsors of the necessity of strengthening relation with the Mediterranean advocating the establishment of a zone of peace and prosperity.

⁵⁰EU-MED Partnership has also been influenced by the pressure of Mediterranean countries themselves, affected by the re-direction of EU resources towards Eastern Europe. Therefore, EU-MED Partnership could be considered also as a demonstration of the Domino Theory of Regionalism (Baldwin, 1995).

Thus, it could be argued that the EU has not been able to use effectively RTAs as a device to promote its foreign policy goals in the area. But, on the one hand, it's difficult to say what would have happened if MED countries were left apart; and on the other hand it should be said that it's not so easy to reap the gains of RTAs, because there are no automatic outcomes and regional integration agreements are highly affected by political tensions. This means that without political stability there is little hope of economic growth which in turn should help to tackle both the security and the migration problems.

On the whole it seems that EU's policy in the Mediterranean region has not been able to reach expectations due to lack of strong political commitment that according to Bouzas (1999) is a key condition for a successful RTA.⁵¹ Even though EU's exploitation of trade policy as a foreign policy device was a process determined by necessity in some ways, the EU anticipated the present trend of other major global actors, "trade policy is increasingly a central part of foreign policy" (Messerlin, 2004, p. 3).

The second driving force of EU's regional strategy is commercial diplomacy. In this case it has been argued that European RTAs were used to improve market access for EU suppliers in third countries or regions. Actually, the relevance of EU's regional agreements network seems much greater if compared with other regional blocs and countries since it covers virtually all countries in the world. However, the major trading partners are excluded from such network. Therefore, the geographic coverage of European's arrangements greatly amplifies their importance (OECD, 2000). Preferential trade accounts roughly for 25% of EU's total trade; and in terms of value more than 60% of imports enter the

⁵¹The author continues: "Although the basis of and motivations for such a commitments may differ, a PTA will most likely fail in its absence. [. . .] The strength of PTA members' political commitment will be dependent upon the broader governance and economic policy environment" (Bouzas, 1999, p. 198).

Community without preferences (OECD, 2000). There are nine WTO members to which the EU grants exclusively MFN treatment in all product categories.⁵² It maybe important to stress that these partners accounted for 45.2% of EU's total merchandise imports in 2001 (WTO, July 2003).⁵³ The reason of this paradox depends on four main explanations. First, countries which benefit of the highest levels of preferences are also the ones whose products constitute the smallest share of EU imports.⁵⁴ Second, the share of preferential partners is declining due to the "erosion" of preferences given the success of multilateral trade negotiations within the WTO. Third, the existence of RTAs does not imply that products traded among members enter importing country under the preferential regime.⁵⁵ Fourth, most RTAs include a transitional period (that can last up to ten years), for the adoption of tariff reductions on their most sensitive products (notably textile and clothing and agricultural ones) (WTO Secretariat 2002). Therefore the EU has been able to reap very poor benefits through the commercial-regional factor so far.

Nowadays, the region where the EU is driven mainly by a commercial interest is certainly Asia, given the latter's role as one of the main engines of the world economy, and the strong influence of large European corporate interests which want to abolish regulatory barriers to trade (Brenton, 2000). However, the patterns of European Regionalism will not suit the Asian

⁵²Australia; Canada; Chinese Taipei; Hong Kong China; Japan; South Korea; New Zealand; Singapore, and the United States.

⁵³The United States alone is EU's leading trade partner, accounting for 24.7% of exports in 2000, and 19.2% of imports, about the same as in 1999 (WTO, July 2003).

⁵⁴Farrell (1999) points out that: "Extra-community trade is determined by a hierarchy of preferential trading relations, where the highest levels of preference have been granted to countries or regions whose product constitute the smallest share of EU imports. In practice, the largest share of EU foreign trade is with countries where no preferential agreements exist, such as the United States" (pp. 15-16).

⁵⁵Often importers prefer not to take advantage of preferential treatment because the MFN duty results to be less costly compared to the complications of complying with rules of origin and other requirements (Grether and Olarreaga 1998).

countries since the political conditionality the EU imposes towards many of its partners—good governance, democracy, transparency in political processes, respect of human rights, etc.—is not going to be accepted by the Asian countries. Even more so since they have an alternative partner, the US, which is not only a geographically closer partner, but is also less eager to exercise this kind of “political influence” (Aggarwal and Fogarty, 2004).⁵⁶

The third driving force of EU's strategy is the development policy which has been accomplished first through non-reciprocal trade agreements with its former colonies and then through increasingly reciprocal RTAs with other developing countries. Fierce debates surround the effectiveness of such agreements. In practice, since the mid-1960s countries which have benefitted from non-reciprocal RTAs have all lost market shares in the EU (Brenton, 2000).⁵⁷

The effective benefits of the preferential system of the EU has been hindered by a number of reasons:

- (a) the progressive erosion of developing countries' margins of preferences, thanks to the success of multilateral and regional integration agreements;
- (b) the exclusion of “sensitive” products of greatest export interest to developing and least developed countries (such as sugar and dairy products); and
- (c) the impact of barriers like rules of origin (RoO), tariff quotas, and tariff peaks.

⁵⁶EU policy toward Asia has long emphasized human rights and good governance, but ASEAN observers view that practice with suspicion. Many fear EU attempts to impose Western values and discredit disfavoured regimes. Indonesian President Megawati Sukarnoputri alluded to the issue in her ASEM keynote address, encouraging Europe to “accept and respect differences.” (Ciorciari, 2003).

⁵⁷Africa in particular needs more action: 34 African countries ranked among the least developed countries in the world in 2000, while in 1996 there were 27. In addition, aid to Africa has fallen in the decade 1989–1999 from US\$24.2 to 14.2 billion; and FDI flows fell by 40% in 2001 (before the September 11 crisis) (Gavin and Langenhove, 2003).

However, North-South trade blocs in which high income countries—such as the EU—and developing ones are equal partners should be distinguished by preferential agreements implied by colonial preferences. Reciprocal North-South RTAs can be considered beneficial to LDCs and transition economies since they could contribute to cement policy reforms and enhance credibility. The hypothesis is that reduced policy uncertainty, in terms of trade and investment policy, can have significant effects. Therefore, regional agreements involving developing countries can have political incentives that could outweigh the economic ones. However, a country's policy credibility will not benefit just from entering a RTA if its government is not already committed to reform.

Second generation determinants: Hub-spoke regulatory-regionalism and competitive-regionalism

The EU has been establishing a sort of “hub and spoke” pattern of regionalism with third countries and regions. In this system the EU is the core and the “spokes” refer and depend just from the “hub,” not having regional agreements among themselves. The “hub” decides issues, modalities and timing of the negotiations to create a regional agreement.⁵⁸ A hub and spoke regionalism entails that the hub has a political, strategic and/or economic leverage on a great number of areas and/or it could work to exclude some countries or regions from its club (Baldwin, 2000). Since, RTAs are seen as means to establish EU procedures as international norms, the hub and spoke pattern of RTAs could give the EU a great advantage if it serves to harmonize the regulatory measures of the spokes to its standards and regulations. According to Van Dijck and Faber (2000): “It may even be part of the trade strategy of a dominant partner in the PTA to set

⁵⁸In addition the hub has the unique access to the markets of all spokes, which contributes to its attractiveness as an investment location, and industries in the hub can better exploit economies of scale and increase competitiveness.

regional standards and rules in such a manner that they contribute to the diversion of trade to the benefit of the dominant partner and that the expense of other countries inside and outside the PTA” (pp. 36–37). Further, Schott (2001) points out that it would be dangerous for the United States not participating to RTAs, because it would increase transaction costs and establish precedents that differ from US practices. The risk is that procedures could be extended to other areas (and RTAs) and become the base for WTO accords.

As far as the competitive regionalism is concerned, while in the first and second waves of regionalism Europe used to set the pace, in the last wave particularly the US is challenging its “monopoly.” For many years the United States has eschewed preferential arrangements, and when it began to establish RTAs it followed a “market-driven” (or shallow) approach to trade relations. Things have been changing however during the past decade. After the NAFTA, the United States launched a bold program to create a FTAA—which should encompass 34 countries by January 2005—as well as and the United States-Middle East Free Trade Area (MEFTA) initiative—that would include more than 20 nations of the region by 2013. The latter projects aim to safeguard, apart the commercial interests, the United States political and security concerns.⁵⁹

⁵⁹In a speech to members of the newly formed coalition (MEFTA), former US Trade Representative, Robert Zoellick, said that the US could soon begin free trade talks with the United Arab Emirates and Oman as part of its plans for a regional free trade agreement in the Middle East by 2013. The United States already has FTAs with Israel, Jordan, Morocco, and Bahrain. Zoellick told the groups that a MEFTA-US partnership could help fight terrorism and ease anger simmering over US foreign policy in the region. The United States has also identified Qatar and Kuwait as candidates for free trade pacts.

Agreements with larger Saudi Arabia and Egypt are more remote prospects that depend on Saudi Arabia's WTO accession negotiations with the United States and on the progress of Egypt's economic reforms. Zoellick also expressed hope for a peace agreement that would permit US free trade with a Palestinian state some day, saying that potential free trade partners in the Arab world must end their boycott on trade with Israel.

In the aftermath of the Cancun Ministerial Meeting (September 2003) former US Trade Representative, Robert Zoellick, announced that the United States planned to move more ambitiously to bilateral and preferential trade agreement with those countries that were willing (so called “can do” countries).

The desire to counteract the new US regional strategy has encouraged in our view several initiatives taken by the EU. This is more evident in Latin America, where the driving force of many RTAs was driven by the need of the EU to compete with US strategy in the continent since the creation of NAFTA, and the start of the FTAA negotiations. The Inter-regional agreement with MERCOSUR is seen by Europeans as the best device to balance US influence in the Southern Cone, and avoid potential losses of market share when (and if) the FTAA will take effect. The driving motivations that guided the agreements with Mexico and Chile bear resemblance to MERCOSUR negotiations. Undeniably, negotiations with Mexico were reinforced and an agreement was reached only after the accession of Mexico to NAFTA, because it caused the loss of market shares for the EU in the Mexican market.⁶⁰

The competition between the two global actors centres greatly also on the agenda setting for the terms and conditions on trade related or behind the border issues. Indeed, one of the reasons why the United States started to engage in RTAs was determined by the fact that regional agreements go often beyond market access, because each agreement is a stepping stone in the building of the rules for the future (Zoellick, 2001, p. 5; Baert, 2003).

⁶⁰“Given that the EU share of total Mexican trade shrunk from 10.6% in 1991 to 6.5% in 1999, and given the considerable gap between Mexico’s average applied most favoured nation tariff (8.7%) and the preferential NAFTA tariff (less than 2%), there was also a clear concern about trade diversion” (Sampson and Woolcock 2003 p. 12). The EU included in the FTA with Mexico the same *deep integration* addressed in the NAFTA agreement. That’s why EU-Mexico’s FTA covers an “unprecedented” 95% of total current trade, but most importantly 62% of agricultural trade which is remarkable for the Union.

As a result, consciously or unconsciously, it seems as if the EU started to fear that the regional strategy of the United States could hamper both its regional influence and its commercial interests. In this perspective, the competition between these two economic giants bears resemblance to the rivalries of two leading firms in an oligopolistic market.

The RTA system of the EU: a puzzled strategy

These five “categories” through which we tried to explain the rationale of EU’s web of trade agreements—foreign policy, commercial diplomacy, development objectives, hub and spoke regulatory power, and competition—could let us think that the EU had a sound unified strategy with many distinct individual goals but integrated into an overall effective policy framework. Nothing may be so far from reality. Beyond the multiplicity of determinants, EU’s current regional pattern reveals a very puzzled overall strategy.

The impact of RTAs has often been constrained by two kinds of limits, which are spread at different levels: first, the agreements themselves, due to the lack of coverage and the exclusion of sensitive issues (like agriculture); and second, the unfinished trade strategy of the EU, since many of its goals have remained very often “paper commitments.”

The reason lies in the fact that the geopolitical interests of each (or at least of the main) members of the EU influenced its trade and foreign policy concerns towards third countries and regions. This entails that the regional trade policy of the Union has been changing time after time not only due to political or economic shocks but also to successive enlargements. For instance, Germany and Austria were powerful advocates of the Europe Agreements with Central and Eastern European countries, which led to the recent enlargement of the EU. The UK and The Netherlands have pushed for promoting an FTA

with post-apartheid South Africa; the Southern member states worked to develop trade linkages with Mediterranean countries; and finally Portugal and Spain are active players in pushing for closer ties with Latin America. Hence, the peculiar features of the EU as an international actor need more careful attention. It has been argued that the complexity of EU's international role and its trade policy stems from the "number of games" that it has to cope with. The Putnam's two-level game framework could be applied to an ordinary country to analyze its interaction between domestic and international factors on international bargaining (Evans et al. 1993; Milner, 1997; Putnam, 1998), but it's not applicable to the EU. Considering the wide range of interests the Union has to handle it is helpful to understand the lengthy and complex process in its trade policy making. Such interests are spread at three stages: firstly, private and corporate actors and national governments within themselves; secondly the member countries altogether and EU's institutions; thirdly, bilaterally and regionally the Union developed a complex network of agreements but its trade policy is also increasingly shaped by its obligations under the WTO. Hence, the Union should often be treated as a three-level game (Collinson, 1999; Meunier, 1998), its "win set" being the product of a pre-negotiation among the member countries before negotiating with other partners (Young, 2002).

However, the EU has changed its regional trade policy approach in two ways:

- (a) launching the European Neighbourhood Policy (ENP),
and
- (b) trying to promote the integration of its partners and negotiating inter-regional agreements rather than bilateral ones.

The ENP should address the shortcomings of EU's past experience with neighboring countries in the East and in the South of its borders. Even though the ENP entails a completely new approach, up to now is more a good framework the substance and relevance cannot be determined yet.

Second, in the last decade the EU worked to encourage integration among its partners and it seems interested in trying to enhance their bargaining power.⁶¹

The aim being to export the European model to other areas and to build a regional system on a number of "integrated areas." In the future this trend may lead to reduce the number of players negotiating at the world level because maybe we will start talking of world regions rather than countries. The EU is trying to set a model of inter-regionalism in its negotiations with MERCOSUR. The relevance of the inter-regional strategy in our view is interesting because it indicates that the EU is searching and developing new patterns of integration. Up to now the relatively limited extent of collaboration within such agreements has admittedly denied them of current global significance. However the network links that have been instituted may prove their future worth. Even more so since inter-regionalism approach could be more consistent with a system where there are no hegemon (Aggarwal and Fogarty, 2004).⁶²

⁶¹We can see the EU pursuing these objectives in the Mediterranean, in the Gulf Cooperation Council, with the ACPs. While MERCOSUR countries started the integration process and then engaged with the EU for the establishment of an Inter-regional Association Agreement.

⁶²Frequently RTAs have a leading or hegemonic actor within it (Aggarwal and Fogarty, 2004). In Europe there is the EU; in the Western Hemisphere the United States; in Asia the growing power of China is threatening the historical dominance of Japan (and regional initiatives are proliferating also to try to counteract China's growing power). When there is an unbalanced power among partners, the hegemon is able to enforce the rules and/or behind the border issues and partners are willing to respect them because the gains of being part of the club are high. Bhagwati and Panagariya (1996) already pointed out that we could witness to the emergence of two major "hegemon-centred" trading blocs, based on the EU and the United States.

V. CONCLUSIVE REMARKS: THE CHALLENGES AHEAD

As we know there are a number of advantages or benefits that could be achieved through regional agreements since they accelerate and deepen trade liberalization, on a bilateral or pluri-lateral basis, facilitating progress on issues that are too complex or too sensitive to be addressed in multilateral trade negotiations. The idea being that RTAs could be considered as laboratories where is possible to cooperate on issues such as Investment; Competition policy, Technical Standards, etc.⁶³ In addition, there could be a positive interaction between the regional and the multilateral spheres, since RTAs could:

- (a) induce member countries to implement trade reforms that in turn could favor multilateral liberalization (Summers, 1991; Francois, 1997; Whalley, 1996);
- (b) reduce the number of actors within the WTO (Krugman, 1993);
- (c) eliminate political rivalries between countries and help them to establish cooperative policies;
- (d) achieve governance objectives, i.e., they entail non-economic benefits like: peace, stability, security, etc., apart from strictly economic and commercial interests.

The positive impact of regional integration is particularly strong when regional agreements provide for a *deep integration*, going beyond the elimination of import and export tariffs barriers, and

⁶³Many authors point out that when the regional integration strategy entails a *deep integration* agenda RTAs could work as a laboratory to experiment cooperation on very relevant and complex issues (Lawrence, 1996; Hoekman and Kostecki, 1996). According to Lawrence (1996), "Regional arrangements, dealing with international governance need not be second best—they could be first best" (p. 26).

establishing common regulatory frameworks between regional partners.

These benefits have a particular relevance for the EU given its peculiarity as an international actor. Nevertheless, EU's preferential system in its present design has great limits as we pointed out. If nothing is going to change we highlight two major risks in the future: first, that EU's regional trade policy will remain a complex system with a weird policy between *shallow* and *deep integration* in most cases; second, problems will arise deriving mainly from the creation of competing blocs of influence among the two major actors.

As to the first risk in spite of the relevance accorded to the so called "beyond the border issues," the content of European bilateral/regional economic agreements has been relatively "shallow" to date. The regulatory content remains rather low in most cases. Key provisions limiting domestic regulatory capacities are either non-existent or consist mainly of treatment obligations, either national or MFN. As we have pointed out, the impact of many European RTAs has often been constrained by rules of origin, a lack of coverage, etc. Since EU regional agreements often failed to crack the hardest nuts in the "sensitive areas," in some cases the results were no more successful, or even less successful, from those obtained at the multilateral level (OECD, 2002).

Most of the agreements that include some deeper regulatory commitments are not, as might be expected, agreements promoted by the EU, but rather US-led and WTO agreements (Torrent and Molinuevo, 2004). Under the influence of NAFTA, US integration agreements show a trend to include within their scope more and deeper obligations on regulatory matters than those promoted by the EU. As a matter of fact, the only EU-led agreement comparable to NAFTA is the recently signed with Chile. Therefore, it is a myth that all regional agreements today lead to deeper

integration, it depends very much on the agreements considered. If nothing is going to change EU's system of preferences will thus remain a system which entails something more than a *shallow integration*, but something less than a *deep integration* model in most cases.

The fears of those stating that RTAs could become a "spaghetti bowl" of complex overlapping regulations and commitments which are both difficult to disentangle, and which make it difficult to proceed in broader trade liberalisation (Bhagwati and Panagariya, 1996) may have some arguments at this point. If European RTAs do not entail a further step in comparison to the multilateral route—i.e., are not laboratories of *deeper integration*—we see little rationale in engaging in such agreements. The reason is that in this case the RTAs' costs could really outweigh their benefits, and their relevance as economic and governance tools may become limited. In other words, European RTAs should be "WTO-plus," and this pattern should prevail over less ambitious initiatives. If the EU intends to maintain its preferential relations, it should improve their effectiveness to take advantage of the "competitive liberalisation" (Bergsten, 1996), exploiting RTAs as tools to sustain economic growth and social stability.

As to the second risk stated above one could outline that the competition between the EU and the US in the regional trade strategy is increasing both for economic and political objectives. The United States itself started to engage in RTAs for competitive reasons, i.e., given the fears determined by the progressive integration reached by the EU, and the fears of "Fortress Europe," as well as the slowness in multilateral trade negotiations during late 1980s. Today the EU feels like a monopolistic incumbent which has to confront with an increasing competition which threatens its supremacy. If this trend will continue in the near future, the EU and the United States could end creating separate and even

overlapping opposite “regional blocs.” Today this is a more theoretic fear than a concrete threat, but in this case the multilateral system would be replaced by power-based relations where each actor has its own sphere of economic and political influence. The risk is even more worrying since the multilateral trading system is in deep trouble today. Whether the threat of the creation of two conflicting hegemon-centred regional blocs is credible depends on how the EU and the United States will continue to shape their regional trade policies, as well as on the commitment of the two major actors towards the multilateral trading system. In other words, the antidote to the risk of creating two antagonist trading blocs is given by the level of engagement and commitments taken at the multilateral level by both actors. Therefore, the issue of the compatibility between regional agreements and the multilateral regime should be directly addressed in the present phase without relying on wishful thinking appeals to the virtues of the “new” or “open” Regionalism.

REFERENCES

- Aggarwal, V. K. and Fogarty, E. 2004. *EU Trade Strategies, Regionalism and Globalisation*. Palgrave: Macmillan.
- Baert, T. 2003. The Euro-Mediterranean Agreements. In G. P. Sampson, S. Woolcock (eds.), *Regionalism, Multilateralism, and Economic Integration. The Recent Experience*. Tokyo: United Nations University Press.
- Baldwin, R. E. 1995. A Domino Theory of Regionalism. In R. E. Baldwin, P. Haaparanta, and J. Kiander (eds.), *Expanding Membership in the European Union*. Cambridge: Cambridge University Press.
- Bergsten, C. F. 1996. Open Regionalism. Institute for International Economics, Working Paper 97-3, Washington, D.C.

- Bhagwati, J. N., and Panagariya A. eds. 1996. *Free Trade Areas or Free Trade? The Economics of Preferential Trading Agreements*. Washington, D.C.: AEI Press.
- Bouzas, R. 1999. Regional Trade Agreements, Lessons from Past Experience. In M. R. Mendoza, P. Low, and B. Kotschwar (eds.), *Trade Rules in the Making, Challenges in Regional and Multilateral Negotiations*. Organization of American States, Washington, D.C.: Brookings Institution Press.
- Brenton, P. 2000. The Changing Nature and Determinants of EU Trade Policy. The Centre For European Policy Studies (CEPS) Working Document, No. 150, October: Brussels.
- Ciorciara, J. D. 2003. Hostage to a Junta: EU Policy Toward Southeast Asia. *The Journal of European Affairs*, 1(1, July): 2003.
- Collinson, S. 1999. Issue-Systems, Multilevel Games and the Analysis of the EC's External Commercial and Associated Policies: A Research Agenda. *Journal of European Public Policy*, 6(2, June):206–24.
- DG Trade. 2004. trade-info.cec.eu.int/doclib/docs/2005/july/tradoc_111588.pdf
- Evans, P. B., Jacobson, H. K., and Putnam R. D. eds. 1993. *Double Edge Diplomacy: International Bargaining and Domestic Politics*, Berkley: University of California Press.
- Farrell, M. 1999. *EU and WTO Regulatory Frameworks*, London, Great Britain: European Dossier Series, Kogan Page.
- Feldmann, M. 2003. The Association Agreement between the European Union and Poland. In G. P. Sampson and S. Woolcock (eds.), *Regionalism, Multilateralism, and Economic Integration. The Recent Experience*, Tokyo, Japan: United Nations University Press.
- Feldmann, M., and Sally, R. 2002. From the Soviet Union to the European Union: Estonian Trade Policy, 1991–2000. *The World Economy*, 25:79–106.

- Francois, J. F. 1997. External Bindings and the Credibility of Reform. In A. Galal and B. Hoekman (eds.), *Regional Partners in Global Markets: Limits and Possibilities of the Euro-Med Agreements*, London: ECES (The Egyptian Centre for Economic Research), and CEPR (Centre for Economic Policy Research).
- Gavin, B. and Van Langenhove, L. 2003. Trade in a World of Regions. In Sampson G. and Woolcock, S. (eds.), *Regionalism, Multilateralism and Economic Integration. The Recent Experience*. Tokyo: United Nations University Press.
- Giordano, P. 2003. The external Dimension of MERCOSUR: Prospects for North-South Integration with the European Union. Inter-America development Bank, INTAL (Institute for the Integration of Latin America and the Caribbean), ITD (Integration, Trade and Hemispheric Issues Division), STA (Statistics and Quantitative Analysis Unit), Occasional Paper 19, Buenos Aires.
- Grether, J. M., and Olarreaga, M. 1998. Preferential and Non-Preferential Trade Flows in World Trade. World Trade Organization, Economic Research and Analysis Division, Staff Working Paper ERAD-98-10.
- Hoekman, B., and Kostecki, M. M. 2001. *The Political Economy of the World Trading System, The WTO and Beyond*, Second Edition. Great Britain: Oxford University Press.
- Hoekman, B., and Konan D. E. 2001. Deep Integration, Non-Discrimination, and Euro-Mediterranean Free Trade, and World Bank Working Paper 2130 (and Discussion Paper 2095, Centre for Economic Policy Research, London, 1999).
- Krugman, P. 1993. Regionalism versus Multilateralism: Analytical Notes. In J. De Melo and A. Panagariya (eds.), *New Dimension in Regional Integration*, New York: University Press.

- Lawrence, R. Z. 1996. *Regionalism, Multilateralism, and Deeper Integration*, Washington, D.C.: The Brooking Institution.
- Messerlin, P. A. 2004. G2 and G20, Please Tango!, Paper presented at the International Workshop jointly organised by the Istituto Affari Internazionali and the Embassy of the United States: "Transatlantic Relations and the Re-launching of the WTO Round After Cancùn", Rome, May 14 2004.
- Meunier, S. 2004. What Single Voice? European Institutions and EU-US Trade Negotiations. *International organization*, 54(1), Winter, 103–135.
- Milner, H. V. 1997. *Interests, Institution and Information: Domestic Politics and International Relations*, Princeton, NJ: Princeton University Press.
- OECD. 2000. *The European Union's Trade Policies and their Economic Effects*, Paris, France: Organisation for Economic Cooperation and Development.
- OECD. 2002. *Regional trade Agreements and the Multilateral System*, Consolidated Report, Organisation for Economic Cooperation and Development Trade Directorate, Trade Committee, Consolidated Report, Paris, France, 20 November.
- OECD. 2003. Regionalism and the multilateral Trading System, The Role of regional Trade Agreements, Policy Brief, August 2003, OECD Observer.
- Pelkmans, J., and Brenton, P. 1999. Bilateral Trade Agreements with the EU: Driving Forces and Effects. In O. Memedovic, A. Kuyvenhoven, and W. T. M. Molle (eds.), *Multilateralism and Regionalism in the Post Uruguay Round Era*. pp. 87–120. EU-LDC Trade and Capital Relations Series. Boston, Dordrecht and London: Kluwer Academic.
- Putnam, R. 1998. Diplomacy and the Logic of Two Level Games. *International Organisation*, 42, Summer, pp. 427–60.

- Sampson, G.P., Woolcock, S. 2003. *Regionalism, Multilateralism, and Economic Integration*. The Recent Experience, Tokyo, Japan: United Nations University Press.
- Sapir, A. 1998. The Political Economy of EC Regionalism, *European Economic Review* 42:717–32.
- Schiff, M., and Winters, A. L. 2003. *Regional Integration and Development*, Washington: The World Bank and Oxford University Press.
- Schott, J. 2001. Prospects for Free Trade in the Americas, IIE August (152 pp.), Washington, D.C.
- Schott, J. 2004. *Free Trade Agreements, US Strategies and Priorities*, In J. Schott (ed.), Washington, D.C: Institute For International Economics.
- Sideri, S. 1996. Globalization and Regional Integration, Working Paper Series No. 235, The Hague: Institute of Social Studies.
- Smith, M. 2004. The European Union as a Trade Policy Actor, In B. Hocking and S. McGuire (eds.), *Trade Politics*, London and New York: Routledge, Taylor and Francis Group, Chapter 20:289–303.
- Summers, L. H. 1991. Regionalism in the World Trading System, *Policy Implication of Trade and Currency Zones: A Symposium*, Kansas City, MO: Federal Reserve Bank.
- Tinbergen, J. 1954. *International Economic Integration*, North-Holland: Amsterdam.
- Tussie, D. and Lengyel, M. F. 2002. “Developing Countries”: Turning Participation into Influence. In B. Hoekman, A. Mattoo, and P. English (eds), *Development, Trade and the WTO. A Handbook*, Washington, DC: The World Bank.
- Torrent, R. and Molinuevo, M. 1994. Beyond Trade in EU Mercosur Relations: Towards a new Model of North-South agreements. In P. Guerrieri and A. Valladao (eds.), *Implementing a EU-Mercosur Agreement: Non Trade issues*, Paris: Charre Mercosur de science Po, Paris.

- Van Dijck, P. M., and Faber, G. 2000. The EU in the World Economy: New Policies and Partnerships. In Pitou Van Dijck and Gerrit Faber (eds.), *The External Economic Dimension of the European Union*, The Hague: Kluwer Law International.
- Whalley, J. 1996. Why do Countries Seek Regional Trade Agreements? NBER Working Paper 5552, National Bureau of Economic Research, Cambridge, Mass: Harvard University.
- WTO Secretariat. 2002. Regional Trade Integration Under Transformation, Seminar on *Regionalism and WTO*, Geneva 26 April 2002.
- WTO. July 2003. Trade Policy Review, European Union, Report by the Secretariat, World Trade Organization, Trade Policy Review Body.
- Young, A. 2002. What Game? By Which Rules? Adaptation and Flexibility in the EC's Foreign Economic Policy, Paper N. 25 Presented to the Conference. In M. Knot and S. Princen (eds.), *The European Union in International Affairs*, National Europe Centre, Australian National University, 3–4 June. Forthcoming. Understanding the EU's External Relations, Routledge.
- Zoellick, R. B. 2001. American Trade Leadership: What Is at Stake? Speech at the Institute for International Economics, Washington, DC: 24 September.

APPENDIX

List of the Regional-Preferential Trading Agreements of the EC

1. AGREEMENTS NOTIFIED UNDER THE GATT ART. XXIV

EUROPE

- Andorra ► Custom Union
- Turkey ► Custom Union
- S. Marino ► Custom Union (WTO not notified)
- Bulgaria ► Europe Agreement
- Romania ► Europe Agreement
- Norway, Iceland, Liechtenstein ► European Economic Area (EEA)
- Switzerland ► Free Trade Agreement
- Denmark (Faroe Islands) ► Free Trade Agreement

BALKANS

- Croatia ► Interim Agreement on Trade and Trade Related Matters
- Former Yugoslav Republic of Macedonia FYROM ► Interim Agreement on trade and Trade Related Matters
- Albania, Bosnia-Herzegovina, Kosovo ► Autonomous Trade Measures for the Western Balkans

EURO-MEDITERRANEAN PARTNERSHIP

- Algeria ► Cooperation Agreement
- Egypt ► Association Agreement
- Israel ► Association Agreement
- Jordan ► Association Agreement
- Lebanon ► Association Agreement
- Morocco ► Association Agreement
- the Palestinian Authority ► Association Agreement
- Tunisia ► Association Agreement
- Syria ► Cooperation Agreement

LATIN AMERICA

- Mexico ► Free Trade Agreement

- Chile ► Association Agreements

AFRICA

- South Africa ► Trade Development and Cooperation Agreement

2. AGREEMENTS NOTIFIED UNDER GATS ART. V

EUROPE

- Norway, Iceland, Liechtenstein (EEA)
- Bulgaria
- Romania

LATIN AMERICA

- Mexico

3. AGREEMENTS FOR WHICH THE EC HAS RECEIVED A WTO WAIVER

COTONOU AGREEMENT (EU-African, Caribbean and Pacific, ACP) (Partnership Agreement)

Angola, Antigua and Barbuda, Bahamas, Barbados, Belize, Benin, Bissau, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Congo (Brazzaville), Congo Democratic Republic, Cook Islands, Djibouti, Dominica, Dominican Republic, Equatorial Guinea, Eritrea, Ethiopia, Federated States of Micronesia, Fiji, Gabon, Gambia, Ghana, Grenada, Guinea, Guyana, Haiti, Ivory Coast, Jamaica, Kenya, Kiribati, Lesotho, Liberia, Madagascar, Malawi, Mali, Marshall Islands, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Niue, Papua New Guinea, Republic of Nauru, Republic of Palau, Rwanda, Samoa, Sao, Senegal, Seychelles, Sierra Leone, Solomon Islands, Somalia, South

Africa, St. Christopher and Nevis, St. Lucia, St. Vincent and the Grenadines, Sudan, Suriname, Swaziland, Tanzania, Togo, Tomé and Príncipe, Tonga, Trinidad and Tobago, Tuvalu, Uganda, Vanuatu, Zambia, Zimbabwe

4. AGREEMENTS UNDER NEGOTIATIONS

- Turkey ► Decision of the EC-Turkey Association Council on the Liberalisation of Services and Public Procurement
- Albania ► Stabilisation and Association Agreement

LATIN AMERICA

-MERCOSUR (Argentina, Brazil, Paraguay, Uruguay) ► Inter-regional Association Agreement

MENA Region

- Gulf Cooperation Council (GCC) (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates) ► Cooperation and Free Trade

ECONOMIC PARTNERSHIP AGREEMENTS (EPAs) WITH ACP COUNTRIES

-Western Africa

CEDEAO Benin, Burkina Faso, Capo Verde, Ivory Coast, Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, Togo)

- Central Africa

CEMAC (Cameroon, Central African Republic, Chad, Republic of Congo, Gabon, Equatorial Guinea) and Sao Tome and Principe

-Eastern and Southern Africa

COMESA (Burundi, Comores, Djibouti, DR Congo, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Uganda, Zambia, and Zimbabwe)

-SADC (Angola, Botswana, Lesotho, Mozambique, Namibia, Swaziland, Tanzania)

-14 ACP Pacific Countries (Cook Islands, Fidji, Kiribati, Marshall Islands, Federated States of Micronesia, Nauru, Niue, Palau, Papua New Guinea, Solomon Islands, Samoa, Tonga, Tuvalu, Vanuatu)

-CARIFORUM (Antigua and Barbuda, The Bahamas, Barbados, Belize, Commonwealth of Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, St. Kitts and Nevis, S. Lucia, St. Vincent and the Grenadines, Suriname, and Trinidad and Tobago).

Source: DG Trade (June 2004)

Copyright of International Trade Journal is the property of Routledge and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.