



PRESS RELEASE OF THE WORKING PAPER 2/01

EU trade policies towards neighboring countries

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OBJECTIVE

The objective of this paper is to review the complex EU trade policies towards neighbouring countries. It tries to answer questions such as: Do EU's northern, eastern and Southern trade partners form a homogenous group? Which are the main differences? What is the ENP's trade policy impact? What are the differences between shallow and deep trade integration? What is the trade effect of other EU policies e.g. CAP? What is the difference between bilateral and multilateral EU trade policy approach? What are the main policy proposals?

MAIN RESULTS

This working paper reveals that a geographical approach when assessing EU trade policies towards neighboring countries is not very helpful. On the contrary, an approach based on income and comparative advantages offers more insights. Based on this approach, we distinguish among four different types of EU neighbors: (a) Developed countries: (b) Emerging upper middle

income countries (c) Hydrocarbon countries and (d) Lower middle income countries. The ENP's trade policy impact is characterized by both achievements and failures. The positive aspects of ENP are due to its differentiated character. In contrast to the rigid Copenhagen Criteria that characterized enlargement policy, the ENP involves tailor-made agreements and conditions. Furthermore, the ENP is a structural foreign policy that forces European neighbors to adopt EU norms and institutions. Four types of arrangements appear to have crystallized between the EU and its partners over the last decades: (a) Participation in the Single Market including labour mobility, but exclusion from the Common Agricultural Policy (CAP); (b) Customs union excluding Agriculture and Movement of Labour; (c) "Shallow" bilateral free trade agreements (FTAs) and (d) No formalised bilateral agreements. The third category includes the weakest trade policy agreements which are currently in force in the neighborhood. The concept of Deep and Comprehensive Free Trade Agreement is relatively new in EU external trade policy and has been offered to EU neighbors as the major economic integration instrument within the framework of European Neighborhood Policy and Eastern Partnership. The DCFTA even if "deep" and "comprehensive" enough does not include the automatic guarantee of success. Very much depends on political will and administrative capacity to implement all its provisions in a timely and accurate manner. The EU's recent emphasis on bilateral agreements rather than multilateral seem easier to conclude, but they have limitations as well. Bilateral agreements, for example, cannot solve systemic issues such as rules of origin, antidumping, agricultural and fisheries subsidies. In addition, to many small and weak developing countries, entering into a bilateral agreement with the EU means less leverage and a weaker negotiating position as compared to multilateral talks.