TRADE POLICY, PYRAMID & GLOBAL VALUE CHAINS

EU trades most within Europe, then EFTA, then Asia & N. America
→ although varies between nations

- X composition roughly the same, shares of manufacture 80-90%
  - Lot of machinery & transport equipment
    (N. America & Asia)
- IM composition varies a lot
  - Primary goods from natural resource abundant countries
    (Africa, CIS, Middle-East, Latin America)
    taxed at much higher rate than manufactured goods
  - food never dominant but ½ of IM from Latin America
  - a lot of fuel as energy poor

Agricultural trade: massively distorted by subsidies to EU farmers, high barriers against IM
→ if CAP fully liberalized, no distortions, EU would be net IM of food

Custom Unions – first big step towards economic integration
→ required political coordination as it defines external dimension → Treaty of Rome gave more power to institutions in terms of trade

◊ Common External Tariffs:

- EU tariffs very low after a lot of cuts in GATT/WTO rounds
- Agricultural tariffs not included in these rounds, so much tighter tariffs

◊ 'Hub-And-Spoke' Bilateralism trade arrangements:
→ Exporters depend a lot on EU but EU doesn't really give af
2 circles around which network of bilateral arrangements with almost every nation in Europe & Mediterranean

- 'Neighbourhood' aka Proximity Policy: ring of geographically close friends through <u>Association Agreements</u>
  - bilateral relations allowing progressive liberalisation of trade
  - may prepare EU membership: proves intentions of further cooperation
  - i.e. Euro-Med, ACP
  - Former Colonies: African Caribbean Pacific
    - Started with asymmetric trades, EU tariff = 0 but nations had theirs
    - Renegotiated a lot, modernization in 2000
    - Cotonou Agreement: ACP take of tariffs too (in progress)

→ opening competition super important for development, not only for EU !

-

- Global Partner through Cooperation Agreements:
  - multilateral
  - i.e. General Agreement on Tariffs & Trade (later on WTO)
    - goods & services & general trade issues
    - has 4 key principles:
      i. Reciprocity – symmetric rights & obligations, mutual benefits
      ii. Consensus – all decisions require unanimity
      iii. Tariff-binding – tariff bound at negotiated rate, can't higher it up
      iv. Non-discriminatory – foreign goods treated same within borders + 'Most-Favoured Nation' treats countries same as best partner, uniformity