The EU's Shift in Trade Policy

Cambios de la Unión Europea en su política de comercio

Mudanças da União Europeia na sua política de comércio

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Abstract

While the EU officials touted multilateralism under the WTO's patronage as the silver bullet towards trade liberalization 20 years ago, the 2006 Communication "Global Europe – Competing in the world" ushered in a shift in trade policy. It notably acknowledges that preferential trade agreements (PTAs) enable to go further and faster in promoting openness and deep integration. This sudden turnaround was ultimately consolidated through the 2015 release of the "Trade for all" whose primary motives were to adjust for the rise of global value chains and to respond to the fierce criticism on the Commission's non-transparent handling of commercial policy. By addressing WTO-X and WTO+ policy provisions in tandem with traditional tariff removal, Europe's PTAs aim at delivering reciprocal and effective opening guided by a high level of ambition. A paramount objective in this context is evidently improved access to vast international markets and fast growing regions in order to bolster the competitiveness of European enterprises, exemplified by landmark undertakings with North-American allies and initiatives in the burgeoning Asia-Pacific region. Also when consolidation bonds with Africa, Turkey, Russia as well as Latin America and the Caribbean, it transpires that the Commission takes – besides this orientation on primarily economic criteria – its partners' readiness and broader political conditions into account as well. Facing the prospect of an impending failure of the Doha Round, it appears that Brussels endeavors to prophylactically install its own safety net

Keywords
• *trade policy*
• *preferential trade agreements (PTAs)*
• *trade liberalization*
• *economic integration*
• *multilateralism*

of PTAs, gearing up for a potential collapse of the multilateral trading system altogether. The article ultimately shows that the EU's shift in trade policy denoted an essential stepping stone toward launching the negotiations on a bilateral trade and investment agreement between Washington and Brussels, which would signify the centerpiece of the EU's 21st century network of preferential trade agreements.

Resumen

Mientras que los funcionarios de la UE promocionaron, con apoyo de la OMT, al multilateralismo como el santo remedio para lograr la liberalización del comercio hasta hace veinte años, el comunicado "Europa global: compitiendo en el mundo" de 2006 dio lugar a un cambio en la política comercial. El comunicado reconoce especialmente que los acuerdos de comercio preferenciales (ACP) permiten avanzar más y con mayor rapidez hacia la apertura y la integración profunda. Este cambio radical y repentino terminó de consolidarse durante el lanzamiento de "Comercio para todos", cuyos objetivos principales eran adaptarse al aumento de las cadenas de valor mundiales y responder a las críticas feroces acerca de la falta de transparencia de la Comisión en el manejo de la política comercial. Al abordar las cláusulas de las políticas OMT-X y OMT+ en conjunto con la tradicional eliminación de tarifas, los ACP de Europa se proponen lograr una apertura recíproca y efectiva motivada por altos niveles de ambición. En este contexto, un objetivo crucial es mejorar el acceso a grandes mercados internacionales y a regiones de rápido crecimiento con el fin de potenciar la competitividad de las empresas europeas. Los emprendimientos con aliados norteamericanos y con iniciativas en la pujante región Asia-Pacífico son ejemplos de este objetivo. Además del fortalecimiento de los vínculos con África, Turquía, Rusia, América Latina y el Caribe, se puede observar que la Comisión (orientada principalmente por criterios económicos) también tiene en cuenta la disposición y las condiciones políticas generales de sus socios. Frente a la posibilidad de fracaso inminente de la Ronda de Doha, Bruselas intenta instalar, como medida preventiva, su propia red segura de ACP, preparándose para el colapso potencial del sistema comercial multilateral en general. Por último, este trabajo demuestra que el cambio en la política comercial de la UE significa un paso fundamental hacia el lanzamiento de las negociaciones para un acuerdo de comercio e inversión bilateral entre Washington y Bruselas, lo cual sería el plato fuerte de la red de acuerdos de comercio preferenciales de la UE del siglo XXI.

Palabras clave
• *Gestión pública*
• *Funciones directivas y gerenciales*
• *Habilidades directivas*
• *Tecnologías gerenciales*
• *Técnicas directivas*

Resumo

Enquanto os funcionários da UE promoveram, com apoio da OMT, o multilateralismo como a grande solução para conseguir a liberalização do comércio até há vinte anos, o comunicado "Europa global: concorrendo no mundo" de 2006 gerou uma mudança na política comercial. O comunicado reconhece especialmente que os acordos de comércio preferenciais (ACP) permitem avançar mais e com maior rapidez em direção à abertura e a integração profunda. Esta mudança radical e repentina acabou de se consolidar durante o lançamento de "Comércio para todos", cujos objetivos principais eram adaptar-se ao acréscimo das cadeias mundiais de valor e responder às críticas ferozes respeito da falta de transparência da Comissão na gestão da política comercial. Ao abordar as cláusulas das políticas OMT-X e OMT+ em conjunto com a tradicional eliminação de tarifas, os ACP da Europa propõem-se conseguir uma abertura recíproca e efetiva motivada por altos níveis de ambição. Neste contexto, um objetivo crucial é melhorar o acesso a grandes mercados internacionais e a regiões de rápido crescimento com o fim de potenciar a competitividade das empresas europeias. Os empreendimentos com aliados norte-americanos e com iniciativas na pujante região Ásia-Pacífico são exemplos deste objetivo. Além do fortalecimento dos vínculos com a África, a Turquia, a Rússia, a Ámerica Latina e o Caribe, pode-se observar que a Comissão (orientada principalente por critérios económicos) também leva em conta a disposição e as condições políticas gerais dos seus parceiros. Perante a possibilidade de fracasso iminente da Rodada Doha, Bruxelas tenta colocar, como medida preventiva, sua própria rede segura de ACP, preparando-se para o colapso potencial do sistema comercial multilateral em geral. Por último, este trabalho demonstra que a mudança na política comercial da UE significa um passo fundamental em direção ao lançamento das negociações para um acordo de comércio e investimento bilateral entre Washington e Bruxelas, o que seria o mais importante da rede de acordos de comércio preferenciais da UE do século XXI

Palavras-chave
• *política de comércio*
• *acordos de comércio preferenciais (ACP)*
• *liberalização do comércio*
• *integração económica*
• *multilateralismo*

1. Introduction

While in 1999, the former EU Trade Commissioner Pascal Lamy still exalted multilateralism under the WTO's auspices as the sole concept towards trade liberalization (Langhorst, 2007), its 2006 Communication "Global Europe – Competing in the world" heralded in a change of paradigm after all. It declares that "Free Trade Agreements (FTAs), (…), can build on WTO and other international rules by going further and faster in promoting openness and integration (…). Many key issues, including investment, public procurement, competition, other regulatory issues and IPR enforcement, which remain outside the WTO at this time can be addressed through FTAs" (EC, 2006, p.10). This abrupt turnaround in trade policy was mainly prompted by the fear of losing the ability to compete on global markets, should the EU not accelerate access for its companies to third country markets (ETUC, 2006). For this purpose, the document appropriately defines market potential (economic size and growth prospects), the level of protection against EU export interests (tariffs and non-tariff barriers) and the degree of affiliation with EU competitors as core criteria for the choice of suitable PTA candidates (EC, 2006)T. In this context, the Commission deliberately recommended to put ASEAN, South Korea and Mercosur followed subordinately by India, Russia and the Gulf Co-operation Council on its shortlist. Yet, the Communication underlines that those bilateral PTAs are not meant to undermine the WTO but rather perceive them as vital supplements in a trade policy mix directed to sustain the competitiveness of European firms abroad. The Commission then presented with "Trade for all" its new trade and investment strategy in October 2015 (EC, 2015a). Also, there'll be updates of the initial 2006 game plan for market access as well as the trade policy related components of its overarching economic policy strategy entitled "Europe 2020" from 2010 (EC, 2006, 2010). This revision officially discloses Europe's endorsement for unrestricted international trade premised on several motives as elucidated below.

2. Objectives and research methodology

There are manifold objectives underlying this case study whose research methodology is qualitative by nature. Firstly, the pivotal motives for the European Commission's latest update of its trade and investment strategy in October 2015 in form of "Trade for all" shall be explored within Chapter 3. Secondly, the aim of Chapter 4 is to investigate the root causes for the EU's mounting inclination towards bilateralism and conspicuous estrangement from multilateralism. Chapter 5 is then supposed to bolster this assertion by means of concisely outlining the current status of the EU's endeavor to forge preferential trade agreements all around the globe. The EU's trade policy is extremely relevant because it is almost cyclical news. April 2018 is in this sense to be considered as reference point since plenty of the events described below may further develop in the near future. Last but not least, the contextual structure of this case study facilitates to test the following hypothesis: The EU's shift denotes an essential stepping stone toward a potential future transatlantic trade and investment partnership which would epitomize the crown jewels in the EU's 21st century network of preferential trade agreements.

3. Responding to the rise of global value chains and the public outcry for more transparency

Notably, trade is not just a medium of exporting sophisticated finished EU products but sits at the heart of their creation in the first place due to the rise of global value chains and ensuing exchange in intermediates. Resorting to protectionism and consequently raising the costs of imports would only undermine companies' competitiveness to sell their products abroad. Aiming at a permanent leadership position in the fragmentation of value chains, "Trade for all" illustrates Brussels keen aspiration to not solely further liberalize the trade in goods but also in services, facilitate digital trade, support the mobility of professional, tackle regulatory fragmentation, protect innovation, safeguard access to raw material, the swift management of customs and thwart aggressive tax avoidance practices.

At the moment, the EU elaborates jointly with 23 WTO member states on the ambitious plurilateral Trade in Services Agreement (TiSA) which affects approximately 70 % of world trade in services and could thus become a stepping stone for the whole WTO membership in advancing liberalization of services and rules (BMWi, 2018b). The same applies to the plurilateral negotiations on the Environmental Goods Agreement (EGA) whose goal is to deregulate the market for those associated vital green technologies and enabling services involved (EC, 2015b). Removing corresponding trade barriers under the WTO umbrella is supposed to bolster and encourage the present double-digit growth figures in this highly innovative sector.

As the digital revolution is sweeping aside geographic barriers, it offers on the one hand unique new opportunities for EU businesses and consumers on the grounds of a global e-commerce market, estimated to be worth over EUR 12 trillion (EC, 2015b)T. On the other hand, the digital economy has entailed a new set of trade barriers, i.e. non-transparent rules, government interference, unjustified data localization and storage requirements. Those impediments to the free flow of data across borders in turn hamper the evolution of European firms' vital global value chains, wherefore Brussels intends to address them both multilaterally and bilaterally.

Speaking of global value chains, the Commission has already adopted concrete measures for the sake of the inter-operability of its diverse agreements through facilitating cumulation of origin (EC, 2015b)T. Commonly, goods are exclusively eligible for duty-free access to the EU market in the context of a free trade area, given that a minimum share of their value or certain key operational steps are linked to the partner country. Once the cumulation of origin is permitted, diverse inputs can be sourced from those other states which are also engaged in a free trade area with the EU and thus capitalize on duty-free access.

Regulatory divergences across the globe imply considerable additional costs for enterprises and erect figuratively an insurmountable market access barrier especially for SMEs by compelling them to modify their products and/or submit to duplicative conformity assessments. The Commission therefore fervently advocates international regulatory cooperation as well as the removal of those technical barriers to trade trough trade agreements (EC, 2015b).

Bridging skills gaps is moreover essential for businesses to optimally realize international fragmentation of their production processes, wherefore officials are determined to incorporate mobility provisions on intra-corporate transfers of personal, visa facilitations as well as recognition of professional qualifications into the EU's more recent trade and investment agreements.

Underpinning a third of the old continent's jobs and 90 % of its exports, intellectual property is key to the EU's value chain economy (EC, 2015b). Being particularly vulnerable to poor protection in other jurisdictions or, in some instances, even subjected to forced technology transfer, Brussel's updated trade policy aims to enforce the whole spectrum of IPRs, i.e. patents, trademarks, copyrights, designs and geographical indications.

The EU's revised strategy was also a direct response to recent fiery discussions on trade policy, with many asking whether it is designed to support the interests and principles of European citizens or exclusively serves profit margins of multinational enterprises. Especially the passionate debate around the Transatlantic Trade and Investment Partnership (TTIP) unveiled a broad public concern about its potential ramifications on jobs as well as the EU's social and regulatory model. Moreover, European consumers want to be reassured that imported goods were generated under fair working conditions without harm to the environment. The Juncker Commission eventually fulfilled its pledge to enhance transparency and open up its actions to public scrutiny by publishing key texts and directives from all negotiations including TTIP, TiSA, etc (EC, 2015a).

4. Forging bilateral relationships instead of blind faith in multilateralism

The repercussions of the 2008 financial crisis clearly emphasized the importance of trade for Europe's economy, when the continent's attendant recession was manifestly mitigated through demand from growing economies overseas. Although already one in seven jobs depends on exports these days, trade and investment will most probably epitomize an even more important source for the European Union's prosperity in the long term (EC, 2015b). Notably, roughly 90 % of global economic growth in the next 10 to 15 years is predicted to be generated outside Europe's borders.

The EU is patently disenchanted with the long-standing gridlock of the Doha Round, wherefore the Commission increasingly opts for alternative fora outside the WTO in its endeavor to put its stamp on the liberalization of international trade (Bagwell, Bown, & Staiger, 2016). Facing the prospect of an imminent failure of the Doha Development Agenda (DDA), I suspect that Brussels additionally attempts to prophylactically install its own safety net of PTAs, bracing itself for a conceivably ensuing collapse of the multilateral trading system altogether. This allegation does actually not seem too far-fetched in view of the disillusioning outcome of the Buenos Aires Round in December 2017. DIHK (German Chamber of Industry and Commerce) chief executive of foreign trade, Volker Treier, who in the run-up to the conference had even deemed a WTO exit of the Americans as "not completely unlikely", stated subsequently that "we Europeans should now go even further in alliances with other economic regions" (Moses, 2017, p.1). Along with excessive fees removal beyond the MFN (Most Favored Nation) level, these PTAs contain WTO-X and/or WTO+ policy provisions which have hitherto not been entrenched in WTO agreements at all and/or where the contracting parties' commitments exceed the WTO's basic coverage, respectively. Some even engender cooperation in policy domains such as poverty alleviation, rural development and tourism (Whalley, 2008). The EU basically expects from its PTAs to deliver reciprocal and effective opening guided by a high level of ambition. Another rationale for the EU's intensifying pursuit of free trade agreements is improved access to important international markets as well as fast growing regions, strengthening the competiveness of European businesses and boosting prosperity and employment on the continent (BMWi, 2018c). Apart from this orientation on primarily economic criteria, Brussels is also supposed to take its partners' readiness and broader political context into account. "While FTAs in force covered less than a quarter of EU trade ten years ago, that is now the case for more than a third of EU trade. It could reach two thirds if all ongoing negotiations are concluded" (EC, 2015b, p.9). Nonetheless, the Commission is at least supposed to conduct its PTAs in a manner that supports the notion of multilateralism through coherent provisions across various bilateral agreements and mechanisms that enable other inclined nations to join further down the line, exemplified by TiSA.

5. Current bilateral and regional initiatives

5.1. Opening doors to the Asia and the Pacific region

Opening doors to the fast growing Asia and Pacific region is central to the Brussel's vetted interests. The EU has already established its footprint in Asia in the form of its EU-South Korea free trade agreement. This first trade deal with an Asian nation has been provisionally applied since July 2011 and was formally ratified in December 2015 (EC, 2018k)C. The EU represents South Korea's third largest export market for goods, whereas this East Asian peninsula ranks as the EU's ninth largest export destination for goods. This ambitious FTA has eliminated 99 % of the previous duties on industrial and agricultural goods in a progressive step-by-step approach within the first five years. It tackles likewise NTBs (non-tariff barriers) – specifically in the automotive, pharmaceutical, medical devices and electronics sectors – through enhancing market access in services and investments as well as incorporating provisions in domains such as intellectual property rights, competition policy, government procurement, transparency in regulation and sustainable development. It has turned the long-standing EU trade deficit into a surplus as EU exports in goods have skyrocketed by 55 % already within the first four years (EC, 2015b). Though, the FTA does not include investment protection because it had been concluded before the Lisbon Treaty conferred the

European Commission with this competence. Since also some provisions could be tweaked to improve its efficiency, a revision of the agreement is on the table.

A major objective of its strategic priorities was accomplished, when the EU finalized negotiations for a trade agreement with Japan on 8 December 2017 after 19 tedious rounds of talks over the course of almost five years (BMWi, 2018a). While the sudden conclusion took many commentators by surprise, I strongly believe that it was fueled by both sides' eagerness to swiftly wrap up the talks in direct response to US protectionism. Not least because the Trump administration backed out of the Trans-Pacific Partnership (TPP) and put the TTIP on indefinite hold at the same time. Once having undergone legal scrubbing, the Commission targets to submit the treaty to the European Parliament by summer 2018 at the latest. The EU-Japan Economic Partnership Agreement (EPA) is not only an overt demonstration of libertarian solidarity but also showcases sophisticated dovetailing of market opening with abidance of high standards for the sake of protecting consumers, workers and the environment. Erixon (2013) forecasted already at the onset that the potential benefits are sizeable and exceed any other bilateral trade agreement the EU has signed with a third country. A plausible prediction, considering that both economies together account for about a quarter of the world's GDP whereby Japan represents EU's second-biggest trading partner in Asia after China (EC, 2018g). In total, €66.6 billion in Japanese imports and European exports worth of €58.0 billion were documented in 2016, dominated by intra-industry trade in motor vehicles, machinery, pharmaceuticals, optical and medical instruments (EC, 2017b)¥□wl. FDI flows even surpassed these trade figures, totaling to €175.8 billion and €87.7 billion of inward and outward stocks in 2015, respectively (EC, 2018g). Besides enhanced bilateral trade and investment, the EPA particularly champions "greater economic integration, closer cooperation between EU and Japanese firms, and closer cooperation between the EU and Japan in international regulatory and standardization bodies" (EC, 2015b, p.31)¾Zpl. Sautter (2016) carried out an in-depth analysis of the EPA on the behest of European Commission. His economic evaluation confirms the rationale for the EU-Japan FTA in its own right since "Japan remains a sizeable market for exports, a source of investment and R&D". Furthermore, he reckons that "Europe's need for investment and high value-added export markets and Japan's investment-led trade strategy, combined with Abenomics reform to open up the economy, are complementary (…) especially with regard to job creation", whilst he excluded "negative impacts on any vulnerable groups on the side of the EU, (…) any loss in fiscal revenues, or impact on the informal economy for the EU" (Sautter, 2016, p.248).

Featuring a hefty trade deficit – €169.7 billion in exports in contrast to €334.9 billion in imports – China denotes the EU's prime source of imports and its second-biggest export market (EC, 2018e). All the more it is worthwhile mentioning that these two giants launched negotiations for a Comprehensive Agreement on Investment in 2013 whose objective is to a) improve investment opportunities for stakeholders on both sides by creating investment rights and guaranteeing non-discrimination; b) provide a high level of investment protection and c) improve transparency, licensing as well as authorization procedures (EC, 2018d). China has even proposed to intensify the relationship via an FTA, whereas the EU remains reluctant to enter into this bold venture until a broad array of domestic economic reforms will have been realized in the one party state. Despite of some noticeable progress since its WTO accession in 2001, Western counterparts still rebuke the PRC for industrial policies and NTBs in discrimination of foreign entities, strong government intervention (e.g. in form of subsidies or cheap financing) in favor of state-owned companies and poor IPR protection or even forced technology transfer. This explains why the 2016 Communication on "Elements for a new strategy on China" presses for reciprocity, a level playing field and fair competition across all areas of co-operation (EC, 2016). Mapping out a policy framework for EU engagement with China for the next five years, the Commission nevertheless advices to round off the negations on the bilateral investment agreement in a timely manner. Aside from seizing improved access to the People Republic's much touted emerging market, the EU seems on this occasion tempted by the prospect of snatching contracts of China's substantial "One belt, one road" project.

The soaring ASEAN (Association of Southeast Asian Nations) region offers undoubtedly great potentials for economic cooperation with Europe. Not only enviable growth rates but also increasingly interwoven Southeast Asian supply chains underlie the Commission's initiatives for bilateral PTAs with individual ASEAN members as building blocks towards a region-to-region trade and investment agreement. Following the 2014 EU-Singapore Free Trade Agreement (EUSFTA), the latest deal settled with Vietnam has set a second benchmark for any future engagement with other ASEAN countries (BMWi, 2018b). Those are Malaysia with whom stalked negotiations are ought to be rekindled and likewise military controlled Thailand, where a revival is out of the question until a democratically elected government will have been inaugurated. In addition, trade talks with the Philippines and Indonesia were kicked-off in 2016.

Even though India has embarked on a process of economic reform and progressive integration with the global economy, its trade regime and regulatory environment persists to pose restrictions (EC, 2018f). Whilst negotiations for an FTA began as early as 2007, stark differences in expectations on both sides have resulted in these talks having been stalled since 2012 (BMWi, 2018b). With its dynamically growing market of over 1.35 billion people, comparatively high degree of protectionism and complementary trade baskets, India remains nonetheless an attractive target for a future EU trade and investment partnership.

Furthermore, the Commission aspires for stronger economic ties with Australia and New Zealand in order to erect a solid platform for anchoring EU companies in the Asia-Pacific region and its wider value chains (EC, 2015a). Irrespective of unlocking substantial trade and investment opportunities, PTAs with these like-minded nations would certainly assist in both countering the rising tide of global protectionism and supporting the rules-based trading system. Due to the recent signing of the TPP (Comprehensive and Progressive Transpacific Partnership Agreement) – albeit without the US – EU officials have from my point of view received fresh impetus for both bilateral treaties because it basically impairs the relative competiveness of European businesses on the markets of the two Commonwealth members. While negotiations with New Zealand have already started in 2017, the ones with Australia are still pending (EC, 2018b, 2018i). Datou, Willcox, Deynoot, and Nicholas (2018) assume that the EU Council will not endorse the corresponding obligatory mandate until having wrapped up the Mercosur (Mercado Común del Sur or Joint Market of the South) deal since its associated beef quotas will allegedly influence the EU's initial concessions granted to this other cattle rich country.

5.2. Consolidation bonds with Latin America and the Caribbean

Apropos Mercosur, whose imports (28 % machinery; 24 % chemicals and pharmaceutical products; 17 % transport equipment) from and exports (24 % foodstuffs, beverages and tobacco; 18 % vegetable products including soya and coffee; 6 % animal derived products) to the EU amounted to €41.5 billion and €40.6 billion in 2016, respectively (EC, 2018h). With stocks of €387 billion in 2014, the EU signifies the preeminent foreign investor in the Latin American region and merited €115 billion in return. On top of the supremely complementary inter-industry trade relationship, those notable figures hint at the extraordinary potentials which could be unleashed through a consolidated partnership with this market of almost 300 million consumers where EU companies and investors currently still face high tariff and non-tariff barriers. The year 2016 saw the resumption of talks encompassing the four founding members of Mercosur (Argentina, Brazil, Paraguay, and Uruguay) as part of a bi-regional Association Agreement, whereas its newest members, Bolivia and Venezuela, chose not to be involved at the outset (BMWi, 2018b; EC, 2018h) 139. The anticipated declaration of intent on the imminent conclusion of negotiations did however not materialize in the margins of the latest WTO conference in December 2017 (Zeit, 2017). Though progress has been achieved in Buenos Aires, the bilateral talks have not yet reached expected breakthrough (Moses, 2017).

The trade section of the EU's Association Agreement with Central America – encompassing Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama – entered into force provisionally in 2013, marking the very first time that Brussels has struck this kind of deal with an entire region (BMWi, 2018b). In the same year, the EU's plurilateral agreement with Colombia and Peru entered provisionally into force whose participants signed the accession of Ecuador three years later. The EU's FTA with Mexico of 2000 and the Association Agreement with Chile of 2002 actually constituted the vanguard involving Latin American countries (EC, 2015b)T. It is not quite a stretch that those are now outdated and ought to be modernized in order to emulate the exhaustive removal of trade barriers obtained by contemporary FTAs.

5.3. Europe's heterogenic neighborhood

Africa has been at least the fastest growing continent over the past decade and is projected to accommodate a quarter of the world population by 2050, compared to around 16 % in 2016 (Eurostat, 2017a). The EU has obviously high stakes in leveraging new economic opportunities and eradicating poverty in the light of the recent stampede of African migrants to Europe's shores. As the black continent accounted for eight percent of EU-28 exports and seven percent of EU-28 imports in 2016 (Eurostat, 2017a), the EU is dedicated to foster sustainable economic transformation and industrialization in Africa. To this end, negotiations on regional Economic Partnership Agreements (EPAs) with West Africa, East Africa and Southern Africa have been concluded, waiting to be ratified (BMWi, 2018b; EC, 2018a; Lehnerer, 2017).

Turkey is the EU's fifth largest export market (€84.7 billion) and sixth largest provider of imports (€69.7 billion), while the EU constitutes Turkey's unassailable number one import and export partner (EC, 2017c; Eurostat, 2017b). Despite of having been have been linked via a customs union (CU) since 31 December 1995, it exclusively covers industrial goods and lacks a mechanism for settling disputes, wherefore the trade and investment relationship with the EU's closest emerging economy remains sub-optimal (EC, 2015b)T. Those circumstances evoked the Commission's 2016 proposal to modernize the CU through expanding the bilateral trade relations to areas such as agriculture, services, public procurement and sustainable development (EC, 2017c).

Exchanges with Russia are primarily of inter-industry type, showing exports of €86.2 billion (machinery, transport equipment, chemicals, pharmaceuticals and manufactured products) and imports of €145.1 billion (raw materials: especially oil and gas) in 2017, making it the EU's third and fourth most crucial source of imports and export client, respectively (EC, 2018j; Eurostat, 2017b). Apart from being Russia's chief trading partner, the EU also embodies with three quarters of total FDI stocks the Federation's biggest investor. On top of the 1997 Partnership and Cooperation Agreement (PCA), EU-Russia trade relations have also been framed by WTO rules since its accession in 2012. In 2014, the Council suspended the talks on a new comprehensive framework for bilateral trade and investment due to the Kremlin's appalling military interference in Ukraine which culminated in the annexation of the Crimean peninsula. Even though closer economic ties remain in the EU's strategic interest, "the prospects for this will, however, be determined primarily by the course of Russia's domestic and foreign policy, which so far gives no signs of the necessary changes" (EC, 2015b).

5.4. Landmark undertakings with North–American allies

The 15 February 2017 witnessed a reinforcement of transatlantic economic integration when the European Parliament approved CETA. The Comprehensive Economic and Trade Agreement entered into force provisionally on 21 September 2017, taking full effect once the national parliaments of all EU member states will have ratified it (BMWi, 2018b). €31.4 billion of imports and €37.7 billion of exports were recorded in 2017, characterized by intra-industry trade in prevailingly machinery (23.6 % of EU exports to Canada and 13.7 % of its imports), transport equipment (18.7 % of EU exports and 11.4 % of its imports) as well as chemical and pharmaceutical products (16.7 % of EU exports and 7.5 % of its imports) (EC, 2018c). I foresee a drastic ramping-up of these business interactions because CETA pledges to thoroughly mitigate non-tariff barriers to trade besides abolishing virtually all existing customs duties between the EU and Canada. The landmark agreement not only creates better opportunities for European producers of industrial goods, agricultural produce and services. It also reaffirms social and environmental standards and provides for a modern form of investment protection (BMWi, 2018b). It serves as a future benchmark in terms of cutting red tape because companies will no longer be subjected to duplicative product testing requirements, lengthy customs procedures and expensive legal fees. This will especially benefit SMEs on either side which inherently can least afford the cost of cumbersome bureaucratic obstacles. EU firms moreover gain the best access to bid on the country's public procurement contracts at the federal, provincial and even municipal level that has ever been granted to companies from outside Canada (EC, 2017a). CETA also excels in implementing an Investment Court System (ICS) – instead of the highly controversial investor-state dispute settlement (ISDS) mechanism – whose remit is to appoint independent judges, work transparently via public hearings and enshrine the right of governments to regulate in the public interest (BMWi, 2017b).

Not only account the EU and the US economies together for about half the entire world GDP but also nearly a third of world trade flows as either of them epitomizes the largest trade and investment partner for almost any other country around the globe (EC, 2018l). It is therefore hardly remarkable that the latest data verifies the US's position as Europe's leading export market (EU exports of €375.8 billion) and source of FDI (inward stocks of €2391.1 billion). In view of EU imports of €256.2 billion and outward stocks of €2744.0 billion this of course applies in reverse as well. Mutual investment is in fact a paramount driving force of the transatlantic relationship as a third of the trade across the Atlantic actually consists of intra-company transfers (WTO, 2017). Against the backdrop of these collossal trade and financial activities, it is perplexing that the thrilling prospect of a bilateral trade and investment agreement has not come to fruition yet. Considering the already low duties on mutual imports, the silver bullet for taping into these unique economic potentials lies in overcoming non-tariff barriers, mostly stemming from customs procedures and behind the border regulatory restrictions. Having been long in the making, negotiations on a potential Transatlantic Trade and Investment Partnership (TTIP) agreement were eventually launched in 2013 after US President America Barack Obama, European Commission President José Manuel Barroso and European Council President Herman Van Rompuy consensually endorsed an expert committee's proposal to seek for a comprehensive agreement that addresses a broad range of bilateral trade and investment issues, including regulatory issues and contributes to the development of global rules.

It was originally scheduled that the bulk framework of the agreement had to be fixed until the end of 2015. The goal was to conclude the deal by all means under an espousing President Obama before a new US administration with possibly different motives, attitudes and demands would take over in January 2017. However, partly incompatible positions on both ends as well as other reasons led to retrospectively fatal delays in the timeline. New York hosted the latest of the overall 15 TTIP rounds in October 2016 whereas the actual drafting work was sustained at technical level until January 2017 (BMWi, 2017a). A concurrent joint USTR-EC state of play report assessed that in spite of significant strides with regard to finding common ground, agreement had yet to be reached on any of the treaty's 27-30 chapters at that time (Malmstroem & Froman, 2017). The talks were abruptly suspended in January 2017 when with President Trump's inauguration the new US administration took office and are yet to be resumed. The primal motive for a reinforcement of the transatlantic trade and investment relationship remains still compelling even though it is premature to prognosticate whether or when negotiations could resume.

6. Conclusion

While the former EU Trade Commissioner Pascal Lamy extoled multilateralism under the aegis of the WTO as the royal road towards trade liberalization still 20 years ago, the 2006 Communication "Global Europe – Competing in the world" ushered in a change of paradigm after all. It notably acknowledges that PTAs enable to go further and faster in promoting openness and deep integration, certainly not meant to undermine the WTO but directed to sustain the competitiveness of European firms abroad. This sudden turnaround was ultimately consolidated through the 2015 release of the EU's latest trade and investment strategy "Trade for all". Primary motives behind this latter revision were to adjust for the rise of global value chains and to respond to the fierce criticism on the Commission's non-transparent handling of trade policy, pulling the strings behind closed doors. In the light of the stalling Doha Round, it can be inferred that Brussels increasingly opts for alternative fora outside the WTO in its efforts to put its stamp on the liberalization of international trade. Facing the prospect of an impending failure of the DDA, it appears that Brussels endeavors to prophylactically install its own safety net of PTAs, gearing up for a potential collapse of the multilateral trading system altogether. Alluding to the disappointing outcome of the latest round in Buenos Aires, DIHK chief executive of foreign trade proposed that "we Europeans should now go even further in alliances with other economic regions". In tandem with excessive tariff removal beyond the MFN level, these PTAs comprise WTO-X and/or WTO+ policy provisions which have hitherto not been embedded in multilateral agreements at all and/or where the participants' commitments exceed the WTO's basic coverage, respectively. It is not a coincidence that Cecilia Malström's ventures are supposed to deliver reciprocal and effective opening guided by a high level of ambition. A paramount objective in this context is evidently improved access to vast international markets and fast growing regions in order to bolster the competiveness of European enterprises, exemplified by landmark undertakings with North-American allies and initiatives in the burgeoning Asia-Pacific region. Also when consolidation bonds with Africa, Turkey, Russia as well as Latin America and the Caribbean, it transpires that the Commission takes – besides this orientation on primarily economic criteria – its partners' readiness and broader political conditions into account as well. It can be ultimately be deduced that the EU's shift in trade policy denoted an essential stepping stone toward launching the negotiations on a bilateral trade and investment agreement between Washington and Brussels, which would signify the centerpiece of the EU's 21st network of preferential trade agreements. Furthermore, the article concludes that the fundamental motive for revitalizing TTIP negotiationsremains compelling even though it is premature to prognosticate whether or when the talks could resume.

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