

THE FORMATION AND TRANSFORMATION OF TRADE RELATIONS
IN THE EUROPEAN UNION (1958-2018)

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IN THE EUROPEAN UNION (1958-2018)**

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ABSTRACT

THE FORMATION AND TRANSFORMATION OF TRADE RELATIONS IN THE EUROPEAN UNION (1958-2018)

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This thesis explores the formation and transformation of the European Union's (EU) trade relations in its integration process, mainly considering the enlargements it has completed so far. Therefore, it seeks to answer how the six founding-core members and the newcomers, who joined the EU after its establishment, have shaped the trade relations of the EU between 1958 and 2018. The methodology is to demonstrate the trade policy formation and its reflection on the EU's actual trade relations by presenting detailed descriptive statistics about continuities and changes in (i) the EU's trade volume in both extra and intra-EU trade, (ii) main trading partners, (iii) sectoral distribution of trade, which is mainly distributed in agricultural, manufactured and energy products. Based on a detailed study of the EU's trade relations and trade policy, this thesis argues that the six founding-core members of the EU, together with the UK, have shaped and directed the trade relations of this trading bloc until 2018. Furthermore, in scrutinizing the formation of the EU's trade relations, it is revealed that the EU has followed the cyclical

trend of liberal trade policies pursued in the liberal world order, which also favored the interests of this core-founding group.

Keywords: European Union, trade relations, enlargement, liberal trade policies, trade policy

ÖZ

AVRUPA BİRLİĞİ'NDE TİCARİ İLİŞKİLERİN OLUŞUMU VE DÖNÜŞÜMÜ (1958-2018)

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Bu tez Avrupa Birliği'nin (AB) bütünleşme süreci içerisinde ticari ilişkilerinin oluşumunu ve dönüşümünü, bugüne kadar gerçekleştirdiği genişlemeleri dikkate alarak incelemektedir. Bu nedenle, AB'ye kuruluşundan sonra katılan yeni üyeler ile altı kurucu çekirdek üyenin, 1958 ile 2018 yılları arasında AB'nin ticari ilişkilerini nasıl şekillendirdikleri sorusuna cevap aramaktadır. AB'nin ticaret politikasının oluşumu ve bu politikaların yansımaları; (i) hem AB dışı hem de AB içi ticaret hacminde, (ii) ana ticaret ortaklarında, (iii) tarımsal, sanayi ve enerji ürünleri kapsamında ticaretin sektörel dağılımındaki süreklilikler ve değişimlere dair ayrıntılı tanımlayıcı istatistikler sunarak gösterilmektedir. AB'nin ticari ilişkileri ile ticaret politikalarının oluşumunun ayrıntılı bir incelemesine dayanan bu tez, AB'nin altı kurucu çekirdek üyesinin, Birleşik Krallık ile birlikte, 2018 yılına kadar bu ticaret bloğunun ticari ilişkilerini şekillendirdiğini ve yönlendirdiğini savunmaktadır. Ayrıca, bu tez ticari ilişkilerinin oluşumu ve dönüşümü sürecinde Birliğin söz konusu çekirdek kurucu grubunun çıkarlarını da

destekleyen liberal dünya düzenindeki döngüsel liberal ticaret politikalarını da takip ettiğini göstermektedir.

Anahtar kelimeler: Avrupa Birliđi, ticari ilişkiler, genişleme, liberal ticaret politikaları, ticaret politikaları

To My Dear Family

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LIST OF ABBREVIATIONS

ACP	African, the Caribbean and Pacific
B-H	Bosnia-Herzegovina
BITs	Bilateral Investment Treaties
CAFTA	Central America Free Trade Agreement
CCP	Common Commercial Policy
CEECs	Central and Eastern European Countries
CETA	Comprehensive Economic and Trade Agreement
CIS	Commonwealth of Independent States
CT	Treaty Establishing a Constitution for Europe
CVD	Countervailing Duties
DCFTAs	Deep and Comprehensive Free Trade Areas
DSM	Dispute Settlement Mechanism
EBRD	European Bank for Reconstruction and Development
EFTA	European Free Trade Area
EEC	European Economic Community
EC	European Community
ECSC	European Coal and Steel Community
ECU	European Currency Unit
ECJ	European Court of Justice
EAEC	European Atomic Energy Community
EEA	European Economic Area
EECs	Eastern European Countries
EMU	European Monetary Union
EP	European Parliament
EPA	Economic Partnership Agreements
ERM	Exchange Rate Mechanism

ERT	European Round Table for Industry
EU	European Union
ETUC	European Trade Union Confederation
FDI	Foreign Direct Investment
FTAs	Free Trade Agreements
GATs	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GSPs	Generalized System of Preferences
GVCs	Global Value chains
QMV	Qualified Majority Voting
ITC	International Trade Centre
IIT	Intra-Industry Trade
IMF	International Monetary Found
IPE	International Political Economy
IR	International Relations
MFN	Most Favoured Nation
NGOs	Non-Governmental Organizations
NIEO	New International Economic Order
NM	North Macedonia
NTT	New Trade Theory
OECD	Organization of Economic Cooperation and Development
OEEC	Organisation for European Economic Cooperation
PTAs	Preferential Trade Agreements
RTAs	Regional Trade Agreements
SAAs	Stabilisation and Association Agreements
SAP	Stabilization and Association Process
SEA	Single European Act
SEM	Single European Market

SP	Stability Pact
TNCs	Trans National Companies
TRIPRs	Trade Related Intellectual Property Rights
TRIMs	Agreement on Trade Related Investment measures
ToL	Treaty of Lisbon
TTIP	Transatlantic Trade and Investment Partnership
UNCTAD	United Nation Conference on Trade and Development
UNICE	Union of Industrial and Employers' Confederation of Europe
UK	United Kingdom
USA	United States of America
USSR	Union of Soviet Socialist Republics
VERs	Voluntary Export Restrictions
WWII	Second World War
WTO	World Trade Organization
DE	Germany
FR	France
NL	Netherlands
IT	Italy
UK	United Kingdom
BE	Belgium
ES	Spain
SE	Sweden
PL	Poland
AT	Austria
CZ	Czech Republic
IE	Ireland
DK	Denmark
HU	Hungary
FI	Finland

SK	Slovakia
PT	Portugal
RO	Romania
EL	Greece
SI	Slovenia
LT	Lithuania
BG	Bulgaria
LU	Luxemburg
EE	Estonia
LV	Latvia
MT	Malta
CY	Cyprus
HRV	Croatia

CHAPTER 1

INTRODUCTION

1.1. Introduction

The European Union (EU) has undergone a significant transformation in the past half-century, as did its trade relations. In retrospect, the process through the creation of a “United Europe” derives from a six-membered “customs union” that can be regarded as the most influential regional integration affecting the global economy, predominantly trade, hitherto. The EU’s¹ evolution initially started as a post-war European project to recover the devastated Europe. It has attracted many scholars to identify, criticize, and particularly conceptualize the developments within this journey. The bulk of those studies can be grouped mainly in two domains; deepening (more integration) and widening (the enlargement) of the EU and their overall effect on the EU as a bloc or individual member states and regions. Studies also focus on exploring the consequences of European politics emanating from those two domains, not only within the EU but also in the rest of the world.

Simultaneously, some scholars also focus on particular issues deriving from the EU integration through its either widening or deepening, such as, institutional framework, monetary policies, identity, and trade relations. Besides, in general, the integration policies of the EU and the way to do so has also provided a bulk of theorizing endeavors in the studies of “International

¹ For the sake of brevity, the phrase “European Union” (EU) is to be used throughout the thesis, which also covers its previous status of the “European Economic Community” (EEC) and “European Community” (EC).

Relations” (IR) under the title of “Integration Theories,” such as; neo-functionalism, inter-governmentalism, multi-level governance.

In this thesis, I focus on a particular subject which is the formation and transformation of trade relations in the EU within the context of the widening (enlargement) of the European Union.

It is considered in this thesis that liberalism is the prevailing approach in the world trade that has been reinforced after the Second World War (WWII) with its domination in Western countries, and later became globally unchallenged with the collapse of the USSR and the economic model it supports. Furthermore, the EU’s establishment provides a coherent and significant example to examine the reflections of the liberal-Kantian perspective in the EU’s trade relations. According to the liberal thought within the studies of IR, the Kantian-triangle of “the spread of democracy, economic interdependence, and the international organizations” contributes more to settle long-lasting peace among nation-states and to overcome conflicts.² Consequently, some insights from the liberal thought of IR studies are to be applied throughout this thesis, predominantly the concepts of the escalation of the economic interdependence of states and non-state actors in the post-war period. Particularly, the surge of those concepts is to be worked out primarily within the frame of “International Political Economy” emerged by the 1970s as a subfield of the study of “International Relations.” This thesis also considers that the development of “trade theories” and “regional integration and preferential trade schemes” have also captured significant attention in the liberal economic thought. Therefore, this study is to concentrate on those subjects to locate the EU’s integration and the formation of its trade relations in that conceptual framework.

The EU was designed to preserve peace and long-term stability in the European continent after WWII by combining the countries, particularly

² Bruce Russett, “Liberalism,” in *International Relations Theories Discipline and Diversity*, second ed., Tim Dunne, Milja Kurki, Steve Smith (eds), Oxford University Press, 2010, p.95-115.

Germany and France, around the shared economic interests and by doing so also allowing the necessary conditions for capital accumulation both for the six countries from Western Europe and for the USA. To provide the recovery of the European economy that was devastated after the war was essential not only for the European states but also for the USA to provide durable and sustainable markets for its exports. Accordingly, a solution was developed to create a customs union among the European states around the shared belief of the advantages of a liberal- free trading area that would also give rise to a more integrated Europe in an indefinite future. This liberal approach was partly achieved among the founding-core group with the establishment of the “Customs Union” to complement the creation of the “Single Market” encompassing a uniform trade policy.

Other than uniformity in the trading rules among its member states aiming to create a free trade area, the significance of trade policies derives from the EU’s relations with the non-EU states that shapes its “external trade” relations. It is considered in this thesis that the examination of the scope and pattern of the “intra-EU trade” that constitutes the trade intersections among the members also provides useful information to evaluate the “external trade” relations of the EU more comprehensively. To analyze the linkage between the EU’s extra and intra-trade is to be achieved by exploring the importance of the internal market for the “interdependency” it created among the member states.

Indeed, from the very beginning, a “United Europe” was designed to have its roots in the “Common Commercial Policy” powerfully bounded up with the requisites of the liberal thought. To put it legally, this was articulated with the “Treaty of Rome” by stating that, “the common commercial policy shall be based on uniform principles, particularly in...the achievement of uniformity in measures of liberalization.”³

³ The Treaty of Rome, Article 113.

However, the implementation of trade policies in the EU did not occur in a vacuum but altered in time parallel to its integration, both within its borders and with the rest of the world. Nevertheless, over time, through the influence of conjunctural developments in the global economy, the trade policies of the liberal order evolved from protecting domestic producers from the severe impacts of imports' competition and promoting national firms' export capabilities to creating a fully competitive free trade area providing the benefits of economies of scale globally.

Therefore, in this dissertation my research question is how the six founding-core members and the newcomers, who joined the EU after its establishment, have shaped the trade relations of the EU between 1958 and 2018. Accordingly, I will focus on the role of the founding-core group (Germany, France, Italy, the Netherlands, Belgium-Luxemburg, and the UK), in the EU's trade governance and relations through different periods of enlargement process of the EU. The EU's and particularly the founding-core group's role in the global trade will be traced given that the EU as a giant trading bloc has acquired a significant share in the world trade through its integration process.

For instance, at the beginning of its occurrence, the EU's share as a single bloc in total world exports was 24% in 1958. Although recording vicissitudes in its shares in the world trade, the Union persistently preserved its influence in the world markets. In 2018, although with a decline, the EU recorded a share of approximately 15% of total world exports. Hence, from the very start, trade is situated at the core of the EU's global influence.

Trade is the oldest and most integrated policy area in which the EU has "exclusive competence." The governance of trade policy traces back to the foundation agreement, the Treaty of Rome, by which the authority on trade policy-making has been delegated to the European level from the national. In due course, the privileged state of trade matters is expanded in the EU parallel with two significant developments. The first factor is the enlargements the EU has concluded, which resulted in deploying more authority at the EU level in an

enlarged Union. The second factor is the growing importance and coverage of trade issues witnessed globally.

Although the authority of trade policy-making has been deployed in the supra-national level of the EU, the European Commission, by locating the “Common Commercial Policy” (CCP) under the rule of “exclusive competence,” the formation of the EU’s trade policy is a very complex area, composed of an interplay between the formal institutions of the EU, member states and non-state actors. Therefore, it is quite normal to expect that this complexity would increase with each enlargement of the Union.

By the time, the “enlargement” policy has encompassed many economically divergent newcomers, persuading differentiated trade policy objectives, ranging from highly developed Northern European countries to the less developed Mediterranean ones and the former Soviet Bloc countries that had applied socialist economic policies. When the strains of enhanced global competition and conjunctural economic developments are taken into account together with those challenges, how trade policies are shaped at the EU level and how new entries can be voiced in the policy-making constitute substantial inquiries. Moreover, the newcomers’ impact on every aspect of the EU’s trade relations, from trade figures to product coverage and trading partners, is another significant inquiry to search for in due course of enlargements.

1.2. Literature Review

1.2.1. The Development of International Trade Theories

The motto of “free trade” and its advantages to the economy have preserved its validity within the liberal thought for over two centuries. Accordingly, to search how liberal approaches to international trade have dominated the literature, one should trace back to the eighteenth century. Adam Smith’s “The Wealth of Nations” (1776) and David Ricardo’s “The Principle of Political Economy and Taxation” (1817) are not only the most prominent and

classical analyzes of their time but also “they herald the formulation of a theory of free trade, based on the unprecedented success of England in the respective fields of industry and trade.”⁴

In fact, classical economic liberalism is rooted in the seventeenth and eighteenth centuries, led by Francois Quesnay (1694-1774), “who condemned government interference in the market with the motto of [‘]laissez-faire, laissez passer[’], meaning that [‘]let be, let pass[’].”⁵ Nevertheless, it was “in the spirit of telling the state that [‘] Hands off, Leave us alone![’].”⁶ This view also became the theme of Smith as the father of modern economics and “then followed by Ricardo, Hayek, and Friedman whom all display respect and admiration and almost affection for the market, sharing different degrees of distaste for the state, or at least for its abusive potential.”⁷

In international trade, Adam Smith’s theory of “absolute advantage” was a strong reaction to the restrictive and protectionist mercantilist trading views of his times.⁸ Nevertheless, in “The Wealth of Nations,” Smith condemned the prevailing theory of mercantilism, “for restricting economic competition, which led to production inefficiencies.”⁹ In this theory, he argued that “the necessity of free trade as the only sound guarantee for the progressive expansion of trade and increased prosperity of nations.”¹⁰ The theory of “absolute advantage” in international trade depends on Smith’s approach towards “the division of labor, in

⁴ Suanda Sen, “International Trade Theory and Policy: A Review of the Literature,” *Levy Economics Institute of Bard College*, Working Paper No.635, November 2010, p.2.

⁵ David N. Balaam and Bradford Dillman, *Introduction to International Political Economy*, Sixth Edition, Pearson, 2014, p.27.

⁶ *Ibid.*

⁷ *Ibid.*

⁸ Mehmet Ragıp Görgün, “Classical International Trade Theories,” in *Recent Economic Approaches and Financial Corporate Policy*, (Edited by: Serap Coban, S.Waleck Dalpour, Cumali Marangoz, Emre Bulut), IJOPEC Publication, London, 2019, p.249.

⁹ Balaam and Dillman, *Introduction to International Political Economy*, p.57.

¹⁰ Görgün, “Classical International Trade Theories,” p.249.

the nascent large-scale industries of his homeland England, provided the base for lowering labor costs that ensured effective competition across countries.”¹¹ Smith argues that “[i]f trade with another nation is established, an extension of the division of labor will be possible because the international market is bigger than the domestic market alone.”¹² Thus, “absolute advantage” establishes the basis for gains from international trade that enables each country to specialize in producing a specific commodity that it produces cheaper when compared with other countries.¹³ Other products that the country produces relatively more expensive would be imported from the countries with low production costs.¹⁴ According to Cohn, although Smith was a strong supporter of free trade, for national security concerns and other country’s unfair trade restrictions, he believed in the need to impose limits on free trade but with “extremely circumscribed and limited to actions that would promote the functioning of the market.”¹⁵

Following Smith, “it was left for [David] Ricardo [1772–1823] to sort out the basic premises of a theory of free trade, which Smith had initiated.”¹⁶ Although Ricardo was also the champion of free trade as Smith, particularly his opposition to Corn Law¹⁷ “made him part of minority in Britain in his time.”¹⁸

¹¹ Sen, “International Trade Theory and Policy,” p.2.

¹² Reinhard Schumacher, “Adam Smith’s Theory of Absolute Advantage and the Use of Doxography in the History of Economics,” *Erasmus Journal for Philosophy and Economics*, Volume 5, Issue 2, Autumn 2012, p.59.

¹³ Halil Seyidoğlu, *Uluslararası İktisat Teori, Politika ve Uygulama*, 8.Baskı, Güzem Yayınları, İstanbul, 1991, p.21.

¹⁴ *Ibid.*

¹⁵ Theodore H. Cohn, *Global Political Economy Theory and Practice*, Longman, 2000, p. 85.

¹⁶ Sen, “International Trade Theory and Policy,” p.2.

¹⁷“The Corn Laws were a system of tariffs and regulations that restricted food imports into Great Britain and is a classic IPE case study in the conflict between liberalism and mercantilism, market and state”(Balaam and Dillman, 2014, p.33).

¹⁸ Balaam and Dillman, *Introduction to International Political Economy*, p.32.

For Ricardo, “free trade, as opposed to the mercantilist policies of protection, was seen as a route to achieve production efficiency at a global level.”¹⁹

Ricardo’s trade theory depended on the belief that international trade was governed by the “comparative cost advantage” rather than the “absolute cost advantage.” Thus, a country will specialize in that line of production in which it has a greater relative or comparative advantage in costs than other countries and will depend upon imports from abroad of all such commodities in which it has relative cost disadvantage.²⁰

Ricardo argued that every country has a comparative advantage, a good or service they can produce at a lower cost than any other country. Consequently, countries become specialized in line with their comparative advantage that maximizes production, by which trade can make every country better off. What determines the comparative advantage of a country has differentiated approaches from the economists; for Ricardo, it was the labor time to measure production cost.²¹

Following Ricardo, at the beginning of the 20th century the Swedish economists Eli Heckscher and Bertil Ohlin searched for the basis of trade between two countries by focusing on differences in supply conditions. They developed a theory (the H-O theory) that highlighted the variations among countries of supplies of specific main categories of productive factors (labor, capital, and land, none of which is specific to any one sector).²² Their comparative theory was derived from Ricardo’s comparative advantage but differed from it by paying attention, particularly on the abundance or scarcity of

¹⁹ Sen, “International Trade Theory and Policy,” p.2.

²⁰ David Ricardo’s Theory of Comparative Cost Advantage, web page, <http://www.economicdiscussion.net/economic-theories/comparative-costs-theory/david-ricardos-theory-of-comparative-cost-advantage-economics/30673>; accessed on 29.10.2019.

²¹ Sen, “International Trade Theory and Policy,” p.2.

²² Factors of Production (4 Factors), web page, <http://www.economicdiscussion.net/production/factors-of-production-4-factors/3613>; accessed on 29.10.2019.

given factors of nations. They suggested two kinds of comparative advantages of countries in trade, whether their production depends on labor-intensive or capital-intensive products. On the other hand, Wassily Leontief questioned in 1947 the H-O theory as the United States (US) had more capital than most other nations, the majority of its exports were of labor-intensive goods; conversely, the majority of US imports were of capital-intensive goods.²³ This finding was contradictory to the H-O theorem and referred to as the “Paradox of Leontief” in trade theory.²⁴

Another important figure in developing international trade theory was Gottfried Haberler (1900-1995), who has “played a central role in the formulation and development of the modern pure theory of international trade.”²⁵ He reinterpreted “the doctrine of *comparative costs in opportunity-cost terms* and has been very much concerned with trade policy as well as trade theory.”²⁶ He challenged Ricardo’s labor theory, and his works “on international trade theory replaced the theory of comparative advantage within the framework of opportunity cost rather than the real cost.”²⁷ According to his theory, other costs, such as capital, national resources, and entrepreneurship, have to be considered opportunity costs in trade relations.

Over time, with the developments in world trade, the classical liberal trade theory began to be questioned with the works of economists such as Krugman and Lancaster in the late 1970s. “The New Trade Theory (NTT)” developed by those economists was motivated by the failure of traditional theories to explain

²³ Leontief Paradox Theory, web page, <http://www.economicdiscussion.net/theories/leontief-paradox-theory-an-overview/6563>; accessed on 29.10.2019.

²⁴ The Leontief Paradox to Heckscher-Ohlin Theory, web page, <http://www.economicdiscussion.net/the-heckscher-ohlin-theory/the-leontief-paradox-to-heckscher-ohlin-theory-economics/30829>; accessed on 29.10.2019.

²⁵ Robert E. Baldwin, “Gottfried Haberler’s Contributions to International Trade Theory and Policy,” *The Quarterly Journal of Economics*, Volume 97, Issue 1, February 1982, p.141.

²⁶ *Ibid.*

²⁷ Filip Daniela, “Jacob Viner and Gottfried von Haberler two theories of Customs Union, a precise answer for the European Union,” *Universitat De Barcelona, Department of Economy History, Institutions Policy and Worldwide Economy*, February 2017, p.5.

some of the most significant facts about post World War II trade data for three major facts:²⁸

1. The ratio of trade to GDP has increased.
2. Trade has become more concentrated among industrialized countries.
3. Trade among industrialized countries is largely intra-industry trade.²⁹

Particularly the classical trade theory was unable to explain trade between similar countries with similar products that constitute the “intra-industry trade” (that is to be further analyzed in Chapters 4 and 5 of this thesis within the frame of the EU’s trade relations).

The neoclassical trade models were considered inadequate to accommodate those developments in world trade. According to the prevailing trade theories firstly, “the trading opportunities are greater the bigger are the differences between the productive endowments of countries.”³⁰ Secondly, “the countries specialize in different sectors according to their comparative advantage and thus exchange different products.”³¹

According to Suanda Sen, three issues are derived from the developments in the world economy that diverge the “New Trade Theories” from the previous ones: “*imperfect markets, scale economies, and product differentiation.*”³² Generally, new trade models based on the view of supporting “imperfect markets” that also paved the way for a “strategic behavior” in trade policies in an

²⁸ Raphael Bergoeing and Timothy J. Kehoe, “Trade Theory and Trade Facts,” *Federal Reserve Bank of Minneapolis*, Research Department Staff Report 284, October 2013, p.1.

²⁹ *Ibid.*

³⁰ *Ibid.*

³¹ *Ibid.*

³² Sen, “International Trade Theory and Policy,” p.6.

attempt to justify interventionist trade policies.³³ In contrast to traditional trade theory, supporters of the new view denied that free trade has been always advantageous, and they conceptualized their views within the frame of “strategic trade theory.”³⁴ This new theory also heralded the neomercantilist approaches in making trade policies by supporting the exports of countries to compete in the world markets.³⁵

It was recommended that the government should intervene to shift resources from “sunset to sunrise industries,”³⁶ thus generating “high-value products.”³⁷ However, as those strategic policies can be identified as the *beggar-thy-neighbor policies* that increase the welfare of the implementing states at the cost of others, “they risk a trade war that leaves everyone worse off.”³⁸

For the *scale economies*, it was suggested that the reduction of cost on a global scale could be reached by “dislocating production from areas/countries to where it is less cost-efficient.”³⁹ “Implicit in the argument is a case for free trade that relies on the potential gains to all trading nations by achieving increasing returns on a global scale.”⁴⁰

On the other hand, *product differentiation* constituted the third deviant of the NNT from the old ones that rested upon the emergence of the intra-industry trade, particularly among countries with similar development levels.

³³ Deraniyagala and Fine, “New trade theory versus old trade policy,” p.812.

³⁴ Bilgin Orhan Örgün, “Strategic Trade Policy Versus Free Trade,” *Procedia - Social and Behavioral Sciences* 58, 2012, p.1284.

³⁵ *Ibid.*

³⁶ A sunrise industry is a new, emerging industry often using new, innovative technology. Whereas, a sunset industry is an industry that is declining that has passed its peak/boom periods and may result in structural unemployment if due to changes in technology or automation.

³⁷ Krugman 1994, p.249, cited in Sen, “International Trade Theory and Policy,” p.10.

³⁸ Paul R. Krugman, Maurice Obstfeld, Marc J. Melitz, *International Trade Theory & Policy*, Eleventh Edition, Pearson, 2018, p.327.

³⁹ Krugman 1981; Ethier 1982 cited in Sen, “International Trade Theory and Policy,” p.8.

⁴⁰ Sen, “International Trade Theory and Policy,” p. 8.

Nevertheless, the conclusions and assumptions put forward by the classical trade theories have begun to be criticized by economists who “address[ed] the complexities of international trade and show[ed] that deviations from free trade [could] often enhance growth and welfare.”⁴¹ Despite the surge of those approaches in that period, “the forward march of neoliberalism in international trade policy has continued unabated”⁴² simultaneously.

In that vein, the emergence of the new trade theories occurs at times when there was a shift to neoliberalism from the Keynesian economic policies that were implemented in the post-war period, particularly in the USA and the United Kingdom. Using the phrase “new” in trade theories is just an attempt to figure out the gaps and shortcomings in the traditional trade theories in adapting them to the conjunctural developments in the global trade, with a commitment to the continuation of the liberal trade order.

To sum up, it can be observed in the historical development of the trade theories that, whether they are the old or the new version, they serve mainly the orthodox liberal economic thought that free trade and its advantages to the economy preserve its validity. While there have been periods that the capitalist economies experienced economic crisis, beginning from the 20th century till today, and supporters of liberal economic thought have been seriously criticized “for their failure to predict or sufficiently deal with such things as the financial crisis and poverty in less developed countries,”⁴³ the advocators of free trade, although weakened, are likely to remain popular.

⁴¹ Krugman 1984, cited in Sonali Deraniyagala, “Neoliberalism in International Trade,” *NEOLIBERALISM A Critical Reader*, Edited by Alfredo Saad-Filho and Deborah Johnston, Pluto Press, London, 2005, p.100.

⁴² *Ibid.*

⁴³ Balaam and Dillman, *Introduction to International Political Economy*, p.26.

1.2.1.1 Regional Integration and the Customs Union

In the case of “regional integration,”⁴⁴ much theoretical work has been done with the belief among economists that “economic integration was beneficial.”⁴⁵ The view was deriving from the prevailing perception that “...free trade maximized world welfare, restricted trade impacted negatively on world welfare and economic integration reduced the restrictions, and hence brought the world closer to free trade.”⁴⁶ However, studies analyzing the overall effects of the “economic integrations,” particularly the “customs unions” in the liberal trade theory, have begun to take a new shape with Jacob Viner’s work of “The Customs Union Issue” in 1950, in which Viner first outlines the terms “trade creation” and “trade diversion” effects of the customs unions.⁴⁷ Essentially, economic integration schemes, such as preferential trade agreements and customs unions, were not always regarded as beneficial in the universal understanding of the classical economists. For instance, Adam Smith was not an advocator of preferential trade agreements. He stated that “a great trader purchases his goods always where they are cheapest and best, without regard to any little interest of this kind.”⁴⁸ For instance, Adam Smith strongly opposed the Methuen Treaty

⁴⁴ Main stages of regional integrations are classified as follows: 1- Free Trade Area (FTA), an area where tariffs and quotas are abolished for imports from area members which retain national tariffs and quotas against third countries, EEC between 1957-1968, 2- Customs Union (CU), a FTA setting up common tariffs and quotas for third countries, EEC since 1968, 3- Common Market (CM), a CU abolishing non-tariff barriers to trade as well as restrictions on factor movement, Single Market since 1993, 4- Economic Union (EUN), a CM with significant degree of co-operation in economy policies and harmonization of relevant domestic laws, the EU since 1993, 5-Total Economic Integration (TEI), a EUN with all relevant economic policies conducted at the supra national level, monetary union for some of the EU members. Itai Agur, Ettore Dorrucchi and Francesco Paolo Mongelli, “How Did European Institutional Integration and Intra-European Trade Interact?,” *Economie internationale* 109 (2007), p.111.

⁴⁵ Ali M El-Agra, “The theory of economic integration,” in *The European Union Economics and Policies*, edited by Ali M. El-Agraa, 9th Ed., Cambridge University Press, UK, 2011, p.100.

⁴⁶ *Ibid.*

⁴⁷ Jacob Viner, *The Customs Issue*, edited and with an introduction by Paul Oslington, Oxford University Press, New York, 2014.

⁴⁸ Crig VanGrasstek, *The History and Future of The World Trade Organization*, WTO Publications, 2013, p.463, https://www.wto.org/english/res_e/booksp_e/historywto_e.pdf

with Portugal signed in 1703 that regulated the trade between Portugal and Britain, where there was no tax on Portuguese wines and English textiles.⁴⁹ Another economist JR McCulloch was particularly incensed by the treaty, as “it forced him to purchase inferior and more expensive Portuguese wine, rather than the French wine that he was rather fond of.”⁵⁰ Those arguments of the classical thought affected Viner’s elaborations when he distinguished between the “trade-diverting” and “trade-creating” effects of customs unions, “each of which originated in a discriminatory agreement’s twin effects of shift[ing] sources of supply ... either to lower- or higher-cost sources.”⁵¹

Interestingly, the spread of those trade agreements traced back to the middle of the 19th century.⁵² The most prominent of these agreements was the Cobden-Chevalier Treaty concluded in 1860 between Britain and France, including a “most-favored-nation (MFN)” clause.⁵³ Those kinds of agreements received support from liberal economics because they were considered likely to provoke reductions in general tariff levels, and thus the benefits of trade creation believed to exceed the diversion losses.⁵⁴ Following the Chevalier Treaty of 1860 “[o]ver a period of 15 years, this led to the conclusion of 56 similar PTAs in

⁴⁹ Paul Oslington, “Contextual History, Practitioner History, and Classic Status: Reading Jacob Viner’s The Customs Union Issue,” *Journal of the History of Economic Thought*, Cambridge University Press, Volume 35, Issue 4, December 2013, p.3.

⁵⁰ *Ibid.*

⁵¹ *Ibid.*

⁵² Markus Lampe, “Explaining Nineteenth-Century Bilateralism: Economic and Political Determinants of the Cobden-Chevalier Network,” *Discussion forum: World Trade Report 201, The WTO and preferential trade agreements: From co-existence to coherence*, 2011, web page https://www.wto.org/english/res_e/publications_e/wtr11_forum_e/wtr11_11jan11_e.htm; accessed on 30.10.2019.

⁵³ *Ibid.*

⁵⁴ Oslington, “Contextual History,” p.3.

Europe, liberalizing trade to an extent that was internationally unmatched until the end of the Tokyo Round of the GATT.”⁵⁵

Viner’s intellectual commitment to classical liberalism was clear from his published works that also paved the way for his skeptical attitude to the customs unions. He discussed the concept of customs unions as “one of a number of arrangements for reducing tariff barriers between political units while maintaining barriers against imports from outside regions”⁵⁶ which means that, whereas some countries benefit from the customs union, others will be harmed. In that vein, Viner showed that customs unions’ effects could be positive trade creating or negative trade diverting depending on the circumstances in which they were formed. Accordingly, a perfect customs union was defined as an arrangement that met the following conditions:

- 1- The complete elimination of tariffs between the member territories,
- 2- The establishment of a uniform tariff on imports outside the union,
- 3- Apportionment of customs revenue between the members on an agreed formula.⁵⁷

Before the print of “The Customs Union Issue” in 1950, the multilateral trade liberalization process was marked with the signing of “The Havana Charter”⁵⁸ in 1948. Referring to the related articles of the Charter, he evaluated

⁵⁵ Lampe, “Explaining Nineteenth-Century Bilateralism.”

⁵⁶ Oslington, “Contextual History,” p.9.

⁵⁷ *Ibid.*

⁵⁸ The Havana Charter was the “Final Act of the United Nations Conference on Trade and Employment” provided for the establishment of the International Trade Organization that set out the basic rules for international trade and other international economic matters. It was signed by 56 countries on 24 March, 1948. Although it never came into effect, the negotiations did produce the signing of the GATT that entered into force 1 January 1948, which laid the foundation for the prevailing multilateral trading system.

the creation of the preferential trade agreements, as “an escape from most-favored-nation obligations.”⁵⁹

As Viner was committed to multilateralism, he was thus the first in a long line of economists to express the concern that customs unions and FTAs would be “stumbling blocks” to multilateral agreements.⁶⁰

Since then, GATT and its successor, the WTO, took the place of the Havana Charter, and free trade agreements became more significant than customs unions but with unchanging basic rules. The discussions around the preferential trade agreements and the multilateral trade system have begun to take part in the literature intensely within the debate of “*multilateralism versus regionalism*” that is to be examined in Chapter 3 of this thesis.

Generally, customs unions and preferential trade agreements are accepted to constitute the basis for “the second-best theory” in the liberal economic thought⁶¹ where the first-best policies are to be the implementation of laissez-faire policies in trade. Richard Lipsey and Kelvin Lancaster defined the second-best theory in 1956, and stated that, “there can be no doubt that the theory of customs union provides an important case study in the application of the general theory of second-best.”⁶² In the first-best, the optimal government policy is laissez-faire, and for trade policy, it is the free trade.⁶³ In general, the second-best theory provides a rationale for states to apply many different types of protection in an economy when there exist market imperfections or distortions.⁶⁴

In that regard, customs unions and preferential trade agreements, according to the classical liberal economy, would be constructed in imperfect

⁵⁹ Viner, *The Customs Issue*, p.159.

⁶⁰ VanGrasstek, *The History and Future of The World Trade Organization*, p.464.

⁶¹ Seyidođlu, *Uluslararası İktisat Teori, Politika ve Uygulama*, p.354.

⁶² Richard Lipsey and Kelvin Lancaster, “The General Theory of Second Best,” *Review of Economic Studies*, vol. 24, issue 1, 1956, p.13.

⁶³ Steven M. Suronovic, “The Theory of the Second-Best,” *International Trade Theory and Policy*, web page, <http://internationalecon.com/Trade/Tch100/T100-2.php>; accessed on 1.11.2019.

⁶⁴ *Ibid.*

market conditions, distorting trade for the ones remains outside the union or agreement. Contrary to their basic argument of a multilateral free trading environment that would occur in a non-discriminatory manner within the first-best theory frame, the second-best alternative provides a rationale for the function national economy under imperfect market circumstances.

To sum up, preferential trade agreements and customs unions are not wholly welcomed by the classical liberal thinkers beginning from Adam Smith. Advocators of free trade gather around the liberal multilateral system and become supporters of preferential trade systems only if they are organized in a way that trade creation effects are greater than that of trade diversion or to be applied in an imperfect market condition. The establishment of customs unions and preferential trade agreements can only be considered within the frame of “the second-best theory,” where the trade creation or trade diversion effects of the customs unions constitute a controversial area. Subsequently, the European integration as a customs union is to be explored within the multilateral trade governance and then the discord it brought, in Chapter 3 of this thesis.

1.2.2. Three Variants of Liberal Trade Policies Since 1945

With the end of World War II, the international relations were captured between two blocks of countries that created a Cold War period. The roots of creating those blocs heavily based on a differentiated political economy approach, either planned-socialist or capitalist economies, “where the capitalist model preserved its main aim throughout the cold war, the socialist economic model varied greatly over time.”⁶⁵ In the capitalist world, belief in the liberal free-trade approach has shaped their trade relations. However, with the collapse of the Soviet Bloc and the socialist model they had implemented, previous socialist countries joined to this liberal trading world and became the members of

⁶⁵ Charles S. Maier, “The World Economy and the Cold War in the middle of the 20th Century,” *The Cambridge History of the Cold War*, vol.1, Melvyn Leffler and Odd Arne Westad, eds. vol. 1, Cambridge, 2009, p.46.

the WTO (China also became a member in 2001 and Russian Federation in 2012), the institutionalized form of the (neo)liberal approach to trade. Furthermore, many others became members of the European Union. Although capitalist economic model and the liberal free-trade approach it has been supporting preserved its validity, it has been tested with several economic crises beginning with the 1970s, continued in each succeeding decades, recently with the 2008 financial and subsequent 2009 Euro-zone crisis in the EU.

Essentially, we cannot talk about a single approach within liberal thought that would provide a proper reply to the best way to support and sustain the perfect functioning of a free-market economy (as noted in the previous section). Accordingly, three variants of liberalism can be classified.⁶⁶ The first approach supports the freedom of markets and the private sector but with minimum intervention from the state when needed, *orthodox liberalism*.⁶⁷ Contrary to the orthodoxies, supporters of the second category of liberalism, *interventionist liberals*, believe the need of state intervention in the market for its better functioning.⁶⁸ The last category of *institutionalist liberals* suggests “an outside involvement to the proper functioning of a market economy that can be achieved with the development of strong international institutions.”⁶⁹

The tradition of orthodox liberalism dates back at least to the seventeenth century.⁷⁰ However, the other two variants’ influence is witnessed particularly in the twentieth century. Moreover, a new version of liberalism, defined as “neoliberalism,” has marked the global economy since the 1980s that opposes to any state intervention with emphasizing the significance of “deregulation of

⁶⁶ Cohn, *Global Political Economy*, p.82.

⁶⁷ *Ibid.*

⁶⁸ *Ibid.*

⁶⁹ *Ibid.*

⁷⁰ *Ibid.*

markets, privatization, and promotion of free trade and foreign investments,” and constitutes an extreme variant of orthodox liberalism.

Except for those differentiated approaches to the better functioning of a capitalist economy, three main distinctions come to the fore in implementing trade policies within the liberal thought: 1-protectionism, 2-neomercantilism, and 3-neoliberalism. Main distinction among those trade policies can be defined as “protectionism is aimed at restricting import competition, whereby neomercantilism at promoting exports and neoliberalism at maximizing imports and exports.”⁷¹ It can be stated that interventionist liberals are more prone to the protectionist and neomercantilist approaches to trade, where orthodox and institutional liberals may give their consent for the neoliberal trade perspective. Furthermore, according to De Ville and Orbie,

[w]hile neoliberalism is most accord with (Ricardian) economic trade theory, neomercantilism best suit how trade negotiations have generally been approached: as a reciprocal exchange of ‘concessions’, whereby states try to maximize market access for exporters in exchange for as little competition for domestic industries as possible in order to reach trade surpluses.⁷²

Despite its unchallenged dominance, liberal trade policy practices have been restructured according to the requisites of the prevailing economic conjuncture. In retrospect, following the end of WWII, the application of liberal trade policies in the capitalist world can be laid down in a nutshell.

The liberal order, settled after the Second World War, was cemented under the Bretton Woods institutions (the IMF for finance and the GATT for trade) with the USA’s supremacy that prevailed until 1971. According to Spero and Hart, this liberal system rested on three political foundations:⁷³ “The

⁷¹ Feride De Ville and Jan Orbie, “The European Commission’s Neoliberal Trade Discourse since the Crisis: Legitimizing Continuity through Subtle Discursive Change,” in *The British Journal of Politics and International Relations*, 16(1), 2014, p.163.

⁷² *Ibid.*

⁷³ Joan Edelman Spero and Jeffrey A. Hart, *The Politics of International Relations*, seventh ed., Wadsworth, 2010, p.2.

concentration of power in a small number of states [Western Countries], the existence of a cluster of important interests shared by these states [liberalism], and the presence of a dominant power willing and able to assume a leadership role [the USA].”⁷⁴

In scrutinizing the liberal trade order in the post-war period, it is worth mentioning the interventionist policies after World War II inaugurated by British liberal economist John Maynard Keynes made their mark on Western economies. The Keynesian view that governments should play a major role in economic management marked a break with the laissez-faire economics of Adam Smith, which suggests that economies function best when markets are left free of state intervention,⁷⁵ as noted above. However, those policies should be gradually reduced as national economies began to recover and become competitive.⁷⁶ Those interventionist policies resulted in the acceptance of exceptional practices in the liberal economic policies, such as domestic trade protection and capital controls.⁷⁷

In that vein, the implementations of those interventionist policies lead to regarding the mid-1960s as

a golden age of steady economic growth in both the USA and Western Europe[, particularly in] the UK, France, West Germany, Sweden, ...[where] the role of the state was emphasized to a greater degree, creating something akin to a democratic-socialist system.⁷⁸

⁷⁴ *Ibid.*

⁷⁵ John Maynard Keynes web page; <https://www.maynardkeynes.org/maynard-keynes-economics.html>, accessed on 21.11.2019.

⁷⁶ Balaam and Dillman, *Introduction to International Political Economy*, p.37.

⁷⁷ *Ibid.*

⁷⁸ Balaam and Dillman, *Introduction to International Political Economy*, p.37-38.

Nevertheless, during that period, the implementation of Keynesian economic policies made the US enjoy supremacy in the world trade by sustaining a considerable surplus. The USA's role of being the leading supplier of many countries' constituted a stimulus for their economic recovery, particularly for the European economy. Thus, the USA's exports reached a level of 28% of the world total in 1958. When the national industries and economies began to recover, particularly the EU and Japan, they also developed their export capabilities. As a result, they began to challenge the US supremacy in world trade by the 1970s with the competitive advantages they gained under American support. During that period, two major advantages supplied by the USA came to the front in making those countries able to buy from the US: the fixed exchange rate system settled under the Bretton Woods system, Dollar-Gold standard,⁷⁹ and the allocation of credits, particularly the Marshall payments to the Western European countries.

However, sustaining this liberal order under the USA's hegemonic power was no more applicable for the US administration, especially after the massive cost of the Vietnam War to its economy. At the same time, President Nixon attacked Keynesianism and the social model it has generated by "seeking to put more emphasis on economic growth instead of stability."⁸⁰ Thus, in 1971, the US replaced the fixed exchange rate system with a flexible exchange rate system, "which led to increased speculation on currencies and more money circulating in the international economy."⁸¹

While reaching the 1970s, states were driven by their domestic agendas to either sustain or increase the protection of their industries and growing

⁷⁹ In the post-war period, with the Bretton Woods system, a gold standard was put into use as a fixed-exchange-rate mechanism that fixed the rate of an ounce of gold at \$35. The values of other national currencies would fluctuate against the dollar as supply and demand for those currencies change.

⁸⁰ Balaam and Dillman, *Introduction to International Political Economy*, p.38.

⁸¹ *Ibid.*

economies.⁸² Together with the oil crises of 1973-75 and the rise of other commodity prices, there began a period of high inflation and unemployment, causing “stagnation” in the liberal economies that also triggered protectionist movements in the global trade. Following the success of post-war interventionist liberalism or its widely known description of “embedded liberalism”⁸³ in the 1960s, an imperative conversion in the global economy observed in the 1970s caused the economic system to be restructured.

Despite the severe economic conditions and rising protectionist measures in the international trade during the 1970s (are to be laid down below), the world witnessed significant developments in the advanced technologies, transportation, and communication. Nevertheless, all gave rise to a “more integrated world that led to higher volumes of international economic interaction, growing penetration of national economies by international trade, investment, and monetary flows.”⁸⁴

Accordingly, those developments also paved the way to developing new approaches to conceptualize the world events most predominantly witnessed from the 1970s. Of the most important was the emerging of a new field of study, the “International Political Economy” (IPE) in the early 1970s within the study of “International Relations” as “a response to the developments in the real world”⁸⁵ that “has reflected not ideas but events.”⁸⁶ IPE was defined by its leading developers, Robert Gilpin and Robert Keohane, as “the reciprocal and dynamic interaction in international relations of the pursuit of wealth and the pursuit of power and the intersection of production and exchange on the one hand and

⁸² *Ibid.*

⁸³ John Gerard Ruggie, “International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order,” *International Organization*, Volume 36, Issue 2, International Regimes, 379-415, 1982, p.382.

⁸⁴ Spero and Hart, *The Politics of International Relations*, p.5.

⁸⁵ John Ravenhill, “International Political Economy,” *The Oxford Handbook of International Relations*, Edited by Christian Reus-Smit and Duncan Snidal, 2008, p.540.

⁸⁶ Susan Strange, “Political Economy and International Relations,” in *International Relations Theory Today*, edited by Ken Booth and Steve Smith, Polity Press, 1995, p.154.

power on the other.”⁸⁷ Although there existed diverged conceptual frameworks within the IPE literature, mainly the American and the British divide, the central argument those schools gathered around was the recognition of the IPE as “a marriage of two disciplines of economics and politics into a single field of inquiry.”⁸⁸ Moreover, there was also a divide in the American IPE between the liberals and realists, predominantly dependent on whether the economics dominates politics or vice versa.⁸⁹ On the other hand, the British IPE has been the supporter of the critical approaches to the world orders that “was a more relaxed attitude toward Marxism or other leftist doctrines, which reinforced a critical disposition toward markets and their consequences.”⁹⁰

Of the many controversial areas, it is worth stating that trade constitutes one of the dividing lines between the American and British IPE. According to the American IPE, “international trade is the most central issue-area explored in the IPE literature,”⁹¹ and they ignore the views that “trade is, at most, a secondary activity in terms of the dynamics of the contemporary global political economy.”⁹²

This approach in the American IPE was a response to Susan Strange works in the British IPE that regarded trade as “secondary structural power.”⁹³

⁸⁷ Richard Higgot, “International Political Economy,” in AJ and M.Light (eds) *Contemporary International Relations: A Guide to Theory*, 1994, p.158.

⁸⁸ Benjamin J. Cohen, *The Multiple Traditions of American IPE*, Routledge Handbook of International Political Economy (IPE) Edited by Mark Blyth, 2009, p.23.

⁸⁹ Benjamin J. Cohen, “The Multiple Traditions of American IPE,” in M.Blyth (ed), *Handbook of International Political Economy*, Routledge, 2010, p.30.

⁹⁰ Benjamin J. Cohen, “The Transatlantic Divide: Why Are American and British IPE so Different?,” *Review of International Political Economy*, Vol. 14, No. 2 (May 2007), p.213.

⁹¹ Craig Murphy and Roger Toose, “Getting Beyond the “Common Sense” of the IPE Orthodoxy”, in *The New International Political Economy*, (eds) Craig Murphy and Roger Toose, Lynne Rienner Publishers, 1991, p.16.

⁹² *Ibid.*

⁹³ Susan Strange, *States and Markets*, Pinter Publishers, London, 1988.

For Strange, the first structural power⁹⁴ was composed of security, production, finance, and knowledge structures, where those four primary structures played a large part in shaping the secondary structures, such as trade, transport, and energy.⁹⁵

One of the significant developments in the global economy beginning with the 1970s, that also attracted the attention of Robert Keohane and Joseph Nye, was the changing pattern of interactions occurred not only among national states but also with the participation of non-state actors like individuals or organizations, which should be considered as “transnational” activities.⁹⁶ In a transnational interaction, at least one actor is not an agent of a government or an intergovernmental organization.⁹⁷ Consequently, since the 1970s, further expansion of the “transnational corporations-TNCs,”⁹⁸ and their growing impact on the international economy and relations, as well as nation-states,⁹⁹ was observed. Mainly, the period witnessed a process where those corporations’ role in shaping states’ international relations, directing the necessary legal arrangements, and limiting politicians’ maneuver reached the levels that cannot be denied.¹⁰⁰

⁹⁴ “Structural power confesses the power to decide how things shall be done, the power to shape frameworks within which states relate to each other, relate to people, or relate to corporate enterprises. The relative power of each party in a relationship is more, or less, if one party is also determining the surrounding structure of the relationship.” Strange, *States and Markets*, p.25.

⁹⁵ *Ibid.*

⁹⁶ Robert Keohane and Joseph Nye, “Transnational Relations and World Politics: An Introduction,” *International Organization*, Vol.25, Nm.3, Transnational Relations and World Politics, 1971, p.329-349.

⁹⁷ *Ibid.*

⁹⁸ “A TNC is an enterprise that undertakes foreign direct investment, owns or controls income-gathering assets in more than one country, produces goods or services outside its country of origin, or engages in international production.” Thomas J. Biersteker, *Distortion of Development? Contending Perspectives on the Multinational Corporation*, Cambridge, Mass.: MIT Press, 1978, p. xii.

⁹⁹ Keohane and Nye, “Transnational Relations and World Politics: An Introduction.”

¹⁰⁰ Davut Ateş ve Gülizar Samur Gökmen, “Bir Akademik Disiplin Olarak Uluslararası Politik Ekonominin Sınırları,” *Sosyal Bilimler Dergisi*, Cilt: XV, Sayı 1, 2013, p.51.

The activities of those corporations were crossing the states' borders with the support of developments in technology, communication, transportation, where they all decreased the costs of transactions. The result was the further interaction of the markets and thereof interdependence. The role of those transnational companies in the EU's trade relations and policy-making beginning from the 1980s with the creation of the Single Market is to be explored in Chapters 3, 4, and 5 of this thesis.

Actually, "before World War II, many states had invoked high tariffs, boycotted other states' exports, or even gone to war in response to other states' mercantilist policies."¹⁰¹ However, despite the severe economic conditions of the 1970s, "these measures were less politically useful and acceptable because of their costs to society were too high."¹⁰² Because of rising interdependence among states and the risk of applying isolationist and protectionist measures, states began to invoke neomercantilist policies in their trade governance, which were also not prohibited by the international trading system created after WWII.¹⁰³ In that vein, neomercantilism can be defined as "a set of subtle and craftily designed policies that had the effect of reducing their vulnerability to international competition without undermining their overall commitment to freer trade under GATT."¹⁰⁴

Such neomercantilist measures were mainly invoked by states to "generate economic growth, control business cycles and eliminate unemployment" that can be classified as government spending for various programs, regulation of industries, capital controls, subsidies for industries and exports, state-distributed banking credits for exports.¹⁰⁵ Other than those

¹⁰¹ Balaam and Dillman, *Introduction to International Political Economy*, p.62.

¹⁰² *Ibid.*

¹⁰³ *Ibid.*

¹⁰⁴ *Ibid.*

¹⁰⁵ *Ibid.*

measures targeting to promote exports, to protect the domestic producers from the destroying effects of imports were also in use. Hence, there was a surge for non-tariff measures containing complex government regulations for technical standards (for health and safety, i.e.), licensing, labeling, and quotas for imports. Besides, “The Voluntary Export Restrictions (VERs)” also marked that period (that is to be further analyzed in Chapter 4) as a “gentlemen agreement” limiting exports in specific sectors between the exporter and importer countries. The other important legislation put into force in that period by the USA was the “Special 301 Program of Trade Act 1974.” The act aimed to protect the domestic producers from unbalanced imports.¹⁰⁶ Over time, the implementation of the same act by the US administration in Trump’s Presidential period has been actively and aggressively put in force once again, which produced severe consequences for the global trade that is to be worked out in Chapter 6 of this thesis.

Meantime other than those novel developments in the global scene, the overabundance of international institutions and their regimes also marked the period. The proliferation of international institutions also paved the way to a new theoretical approach within liberalism defined as “liberal-institutionalism,” as noted above, that was later transformed into “neoliberal institutionalism.” Essentially, liberal-institutionalism has been recognized as “the best revision of neo-functionalism, which included the study of international regimes as well as the condition of interdependence upon which regime causality was explicitly premised.”¹⁰⁷

¹⁰⁶ Sean Flynn, “What is Special 301, A Historical Primer, Special 301, Trade Disputes,” 1 May 2013, Program on Information Justice and Intellectual Property at American University Washington College of Law, web page, <http://infojustice.org/archives/29465>; accessed on 12.1.2020.

¹⁰⁷ Jennifer Sterling-Folker, “Competing Paradigms or Birds of a Feather? Constructivism and Neoliberal Institutionalism Compared,” *International Studies Quarterly*, Vol. 44, No. 1 (March 2000), p.103.

Mitrany's functionalism influenced neoliberal institutionalism as a theoretical predecessor and with "its reliance on that same functional institutional logic."¹⁰⁸ The neoliberal institutionalism suggested that, "the major industrials shared a number of common interests, chief among them was the capitalist pursuit of profit and therefore the motivation to adapt whatever methods would most efficiently maximize it."¹⁰⁹

Meanwhile, it is appropriate to figure out the developments in regions other than participating in the liberal world order in the post-war period. In fact, many developing countries "chose not to participate in the Bretton Woods system and pursued economic development through import-substituting industrialized policies."¹¹⁰ Their relation with the developed countries was heavily resting upon their raw material exports. However, those countries were discontent with the prevailing order as they regarded the governance of the system to be shaped in an unbalanced way. Consequently, "in the 1970s, they sought to improve their bargaining position and to gain economic benefits by uniting and using their control of raw materials such as oil."¹¹¹ Their views resulted in a general movement defined as "The New International Economic Order (NIEO)" and targeted a revision in the international economic system favoring the "Third World Countries," replacing the Bretton Woods system. The NIEO movement resulted in a two-time increase in the world oil prices during the 1970s by which the developed countries were hit hard.

Therefore, when reaching the end of the 1970s in an economic environment of low economic growth and increasing competitiveness, Keynes's ideas began to be replaced by Friedrich Hayek and Milton Friedman's,¹¹² who

¹⁰⁸ *Ibid.*, cited Keohane, 1984:79, p.209.

¹⁰⁹ *Ibid.*

¹¹⁰ Spero and Hart, *The Politics of International Relations*, p.432.

¹¹¹ *Ibid.*

¹¹² Balaam and Dillman, *Introduction to International Political Economy*, p.38-39.

were advocates of Adam Smith's liberal views of laissez-faire. Consequently, in the efforts of re-restructuring the capitalist market economies, it was observed that there has been "a resurgence of economic liberalism: that is the resurrection of the ideology and practice of free-market economics and private enterprise."¹¹³ However, as noted previously, although Smith was a strong supporter of free trade, he "tempered his arguments for limited government intervention."¹¹⁴ In that respect, the return of orthodox liberalism, as suggested, has been very different from Adam Smith's arguments,¹¹⁵ as the latter indicates a very extremely limited state intervention that would promote the functioning of the market where its contemporary form strongly opposes.

Meanwhile, the Prime Minister of Britain, Margaret Thatcher, and the President of the USA, Ronald Reagan, firstly approved those renewed liberal perspectives to "revitaliz[e] the confidence of businessmen in government, largely rejecting the attempt to ease the effects of liberalism."¹¹⁶

Moreover, the neoliberal surge "in the 1980s was strongly influenced by the economic collapse of developing countries, which until then had followed protectionist import-substitution policies."¹¹⁷ "This collapse was interpreted as being directly caused by interventionist trade policies."¹¹⁸ It was thought that the best way for the world to tackle such problems was unrestricted global trade,

¹¹³ Bastiaan van Apeldoorn, *Transnational Capitalism and the Struggle over European Integration*, London: Routledge, 2002, p. 1.

¹¹⁴ Cohn, *Global Political Economy*, p.85.

¹¹⁵ *Ibid*, p.88.

¹¹⁶ *Ibid.*, p.88.

¹¹⁷ Sonali Deraniyagala, "Neoliberalism in International Trade: Sound Economics or a Question of Faith?," in *Neoliberalism Critical Reader*, (eds) Alfredo Saad-Filho and Deborah Johnston, Pluto Press London, 2005, p.101.

¹¹⁸ Bela Balassa, "Interests of Developing Countries in the Uruguay Round," cited in Deraniyagala, *Neoliberalism in International Trade*, 1988, p.101.

which constituted the essence of neoliberalism.¹¹⁹ Not surprisingly, free trade was the indispensable part of the “Washington Consensus”¹²⁰ that “was propagated at the height of the neoliberal resurge represented in 1989.”¹²¹ In that context, the neoliberal perspective in shaping international trade can be classified as follows:

Free trade optimizes global resource allocation; maximizes consumer welfare; leads to increased productivity growth and promotes economic growth; government intervention in trade policy is generally distortionary, reducing welfare and growth; countries with liberal trade regimes grow faster than countries with closed regimes; trade liberalization by lowering tariffs and non-tariffs should be the focus of the trade policy.¹²²

Since then, the introduction of neoliberal approaches to trade has been institutionalized with the establishment of the World Trade Organization (WTO) (that is to be further analyzed in Chapter 3 of this thesis). The WTO was created with the goal “to ensure that trade flows as smoothly, predictably and freely as possible.”¹²³ Besides, the WTO targeted harmonizing the trading rules, as applying the same rules regardless of origin and capacity in the global trade would enhance the free trade.¹²⁴

¹¹⁹ Anwar Shaikh, “The Economic Mythology of Neoliberalism,” in *Neoliberalism Critical Reader*, (eds) Alfredo Saad-Filho and Deborah Johnston, Pluto Press London, 2005, p.41.

¹²⁰ “The term “Washington Consensus” comes from a set of ten recommendations identified by economist John Williamson in 1989. 1) fiscal discipline; 2) redirecting public expenditure; 3) tax reform; 4) financial liberalization; 5) adaption of a single, competitive exchange rate; 6) trade liberalization; 7) elimination of barriers to foreign direct investment; 8) privatization of state-owned enterprises; 9) deregulation of market entry and competition, and 10) secure property rights.”

Carlos Lopes, “Economic Growth and Inequality: The New Post-Washington Consensus,” *RCCS Annual Review*, edited by the Centre for Social Studies of the University of Coimbra (Portugal), Issue 4, 2012.

¹²¹ Deraniyagala, “Neoliberalism in International Trade,” p.99.

¹²² *Ibid.*

¹²³ The WTO web page; https://www.wto.org/english/thewto_e/thewto_e.htm; accessed on 12.12.2019.

¹²⁴ Giancarlo Gandolfo, *International Trade Theory and Policy*, Second edition, Springer-Verlag Berlin Heidelberg, 2014, p.286.

However, after the spread of neoliberal policies, successive crises were experienced both in the developing (1980 debt crisis of Latin American countries and 1990s crises of East-Asia Countries and Russian Federation), and developed countries (2008 financial crisis and 2009 Euro-zone crisis). The last crisis of 2008 shared a similarity with the 1929 Great Depression, which all occurred after the implementation of classical laissez-faire liberalism, although neoliberalism constitutes a more extreme variant. Accordingly, the consequences of the 2008 financial crisis have been more severe when compared with the one in 1929. Particularly its impact on the global trade is detected that, it triggered a downturn in global trade relations, worsened the trade balance of many countries (except for a few, notably China) and, produced a trading setting which is lacking a stable and predictable environment for traders that was initially aimed to be assured with the establishment of the WTO. Besides, the “Trade Wars” inaugurated by the USA in 2017, with the Trump administration came to power, also heralded curial consequences for the global trade that prompted the enjoyment of unilateral protectionist policies that reminds a resemblance with that of the 1970s severe trading conditions.

To sum up, major developments in global trade and crisis in the world economy have shaped three variants of liberal trade policies. What is striking for my research question is that the implementation of liberal trade policies has preserved largely its place in trade policymaking since the 18th century. However, there has been a cyclical trend from a ‘laissez-faire’ attitude towards interventionist and protectionist approaches, and then again, the resurgence of laissez-faire policies (but in a global context and more radical) that recently resulted again protectionist policies in trade for some.

Since 1945 the management of those cyclical trends in the global economy has also changed due course, particularly by considering the enormous growth in the many nations’ trade relations. Accordingly, the coverage and concept of the regulation of free trade transformed simultaneously from solely reducing most of the industrial products’ tariffs (the textile and clothing sector was not included in the liberal system before the WTO) to the inclusion of all

industrial products tariffs and to a lesser degree of agricultural products, and non-tariff barriers that were left to protectionist measures previously. Besides, the management of the liberal order acquired a binding status above the member states, with the transfer of the authority to the WTO to monitor its members' trade policies, and give consent to the punishment of trade measures when they are regarded to be incompatible with the rules of the prevailing system. Predominantly, the growth in member states (23 signatories of GATT in 1948, raised to 164 members of WTO in 2016) of this regulating trade structure shaped along with the requisites of neoliberalism, proves the ability of the thought to spread all over the world through the system it created by making markets and states more interconnected and thus interdependent.

Finally, contrary to those global approaches to the governance of trade relations, regionalism was also on the rise simultaneously. The growing attractiveness of regionalism attracted many studies to explore whether there has been a rivalry or a correlation between regionalist and multilateralist approaches of many states' trade relations. The most potent and influential has been the European regional integration that has marked and shaped the world trade since its establishment, by widening and deepening policies it implemented over time that constitutes the subject matter of this thesis.

1.3. The Research Question and Methodology

The objective of this thesis is to examine how the six founding-core members and the newcomers, who joined the EU after its establishment, have shaped the trade relations of the EU between 1958 and 2018. Thus, the methodology is to demonstrate the trade policy formation and its reflection on the EU's actual trade relations by presenting detailed descriptive statistics about continuities and changes in (i) the EU's trade volume in both extra and intra-EU trade, (ii) main trading partners, (iii) sectoral distribution of trade, which is mainly distributed in agricultural, manufactured and energy products.

The related data is retrieved from three different databases. Other than evaluating on the raw data collected, to process the gathered data from those sources is essential for my research question to present changes and continuities both for the role of the six founding-core members and the newcomers in the trade domain.

Through detailed descriptive statistics, this thesis is to point out the significance of the role of the newcomers and the founding-core members of the EU in a comparative manner through the EU's trade policy formation and transformation within the framework of liberal trade theory and variants of liberal trade policy.

I specifically looked into "trade in goods" (merchandise trade) in this thesis, because the data regarding "trade in services" does not date back as long as the data covering trade in goods for late acceptance of transactions in the service sector as "trade" after the establishment of WTO in 1995. Besides, to examine "trade in services" is a vast and complex subject that embraces diversified technical and detailed issues; and this necessitates a separate study to be covered by future research.

As the investigation period covered within the confines of this thesis is pretty long, with sixty years and including a massive content, the study of the EU's trade relations is to be divided mainly into two periods. In the first place, the analyses of trade relations from 1958 until the financial crises of 2008 are to be worked out. The study is to proceed from 2008 up to 2018, the latest data available at the time of writing this thesis.

As a final point, following presentation of continuities and changes in trade relations and policy of the EU, this thesis is to resume assessing the prospects for the EU's trade relations in an unpredictable trading environment recently.

1.4. Data Sources for Detailed Descriptive Trade Statistics

I applied a unified approach in this thesis, by combining both the methods of “quantitative” and “qualitative” research “to valid descriptive and causal inference in qualitative research,”¹²⁵ where this approach fits the purpose of my study that examines the EU’s evolving trade relations and trade policy.

Trade statistics are an instrument of the prime importance of this thesis as they lay the foundations for exploring the EU’s trade relations. As the duration covered in this thesis is more than half a century, to provide integrity within the trade data collected throughout the study is challenging. Notably, before the 1980s the problem is much more serious that this reality necessitates invoking more than a single database to obtain data regarding the EU’s merchandise trade. Accordingly, the *first dataset* is the World Trade Organization (WTO) database called “time series” that has collected the world trade since 1948 on an individual country base. In that vein, for the period between 1958 and 2000, the WTO database provides useful historical statistical information on export and import figures of member states. Besides, the WTO’s time series provides the necessary information to investigate the EU’s product coverage of its trade relations based on primary product classification divided into three major groups: agricultural, manufactured and energy products.

The *second dataset* is the “Eurostat” database, the traditional source of trade statistics of the EU. “The Statistical Yearbooks of Eurostat for External and Intra-European Union Trade” are other convenient references; particularly for intra-EU trade from 1980, the primal data can be reached for the subject. The Statistical Yearbooks are also useful tools to explore the EU’s main trading partners since 1958.

Moreover, with the representation of “Trade Map” in 2000, this database is the *third dataset* that this thesis depends on to discuss the EU’s trade relations.

¹²⁵ Gary King, Robert O. Keohane and Sidney Verba, *Designing Social Inquiry SCIENTIFIC INFERENCE IN QUALITATIVE RESEARCH*, Princeton University Press, New York, 1995, p.ix.

“Trade Map” is developed by the “International Trade Centre” (ITC) and UNCTAD, together with the WTO’s collaboration as a source of trade statistics.

In this study, two major indicators come to the front in presenting the changes and continuities in the EU’s trade relations: (i) extra-EU trade and (ii) intra-EU trade. The phrases of “extra-EU trade,” “extra-trade,” or “external trade” refer to transactions of the EU with non-members as a single bloc. In calculating extra-EU trade, the transactions among the member states within the single market are omitted from both the EU total and the world total. In other words, extra-EU trade is used in the context of external trade, “where goods moving in and out of the EU are being measured and where the EU as a whole is considered in relationship to the rest of the world.”¹²⁶ Accordingly, extra-EU transactions are the sum of the extra transactions of its member states at that particular time under investigation. On the other hand, the phrases “intra-EU trade” and “intra-trade” refer to all transactions occurring within the EU, in the single market. Consequently, the individual member states’ total export and import figures cover the sum of their intra and extra-EU trade.

As published by the “Eurostat,” statistics on extra and intra-trade are compiled on the basis of Community regulations, where the same regulations are generally the basis for the compilation of statistics published nationally by each member state.¹²⁷ However, “methodological differences do arise because of which Community statistic and national statistics do not match exactly.”¹²⁸ Besides, the statistical information gathered from different sources on a particular issue may also differentiate and do not match exactly, depending on various methods applied to gather the same data. Moreover, as those data are subject to

¹²⁶ Euro Stat web page, <https://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Extra-EU>; accessed on 28.01.2019.

¹²⁷ *Ibid.*

¹²⁸ Euro Stat “External and intra-EU trade-statistical yearbook data 1958-2009,” p.6

regular updating, they can frequently be changing. In this thesis also some slight differences can be observed regarding the same data collected from different sources. For example, slight numeric differences can be witnessed in similar trade data calculations when invoking two different databases, WTO and the Trade Map. However, as those derivations are minor and insignificant, they do not affect the overall evaluation of the EU trade in question substantially.

Furthermore, generally trade relations of the EU covering its exports, imports, and product coverage are calculated upon the currency unit of US Dollar that is also the basis of statistics in the WTO and Trade Map database. On the other hand, when invoking the Eurostat statistics, the currency unit of the Euro is applied, for instance, in analyzing the main trading partners and intra-EU trade. To provide integrity through the thesis and not confront any challenges in the currency exchanges, analytical analysis is to be done with the calculations in percentages to observe the changes in the shares of that specific area when the figures are in Euro.

Moreover, by the end of 2019 the data collection from the related databases was concluded. Because of the regular updating of the data covered in these data bases, numeric differences may occur in the following periods.

1.5. Scope of the Thesis and Organization of the Chapters

This thesis starts with an analysis of the trade theories' historical development and their evolution parallel to that of liberal economic thought in a nutshell. Following the development of the liberal trade theories in time, the situation of the regional integrations, mainly the "customs unions," in the liberal economic thought, is to be illuminated by paying attention to the leading thinkers in that area. A brief outlook of the liberal trade policies and their evolvement since 1945 within the global political economy constitutes the second part of this introduction Chapter. To scrutinize the developments in the liberal trade order

and divergent trade policies are to contribute in analyzing the formation and transformation of the Union's trade relations in a global context.

The second chapter is devoted to analyzing the EU's discrete enlargements briefly in the chronological order and examining both existing and new members' motivations to integrate.

Chapter three discusses the formation of the EU's trade governance since its establishment until today in the light of the EU's legal documents. As the EU's trade governance is considered to be better scrutinized under particular topics, the analysis focuses on three main subjects in their historical developments. In that vein; the scope of the "Common Commercial Policy" (CCP), particularly the issue of competences; the policy-making procedure; the main features of the CCP that constitute the Union's multilateral and regional approaches to its trade governance are to be illuminated. Nevertheless, the EU's position in the multilateral trading environment and its legal status in the WTO are aimed to search under the topic of EU's multilateralism. The Free/Regional Trade Agreements that conduct the EU's bilateral trade relations are to be further worked out in that part to discuss the regional dimension of the EU trade policy formation in historical context. Furthermore, whether the newcomers of the EU have produced any particular influence on the trade governance, via in the EU's related formal institutional settings, or in informal groupings that should have the ability to put any pressure on that route are to be examined.

Chapter four is to cast light on the EU trade relations from its establishment in 1958 until 2008, the financial crisis. In that frame, the EU's extra-trade figures, the EU's shares in the world markets, the main product groups, and the outstanding trading partners are to be explored during that period. Besides, the examination of intra-EU trade constitutes another research in that part to observe the dynamics of the single market and dependencies of some member states on the internal market for their exports. The period has been classified into three major eras considering the enlargement epochs of the Union, which enables the study to reach a more comprehensive and detailed evaluation of trade relations in those particular times. In the first part of the evaluation, how

a common market in the post-war period with six members -Germany, France, Italy, Belgium-Luxemburg, the Netherlands - turned into a *rising trade bloc* until the 1990s with 12 members is to be shown. Second, the 1990s period is labeled as *the golden years* for the EU with 15 members, having the biggest shares in world total exports and imports since its creation. The third and the last period is the epoch from 2000 to 2008, which shows *the signs of fatigue* with 27 members just before the economic crises hit the continent. Besides those analytical frameworks, the major developments in the EU's political economy are to accompany those figures that took place in those particular epochs. This qualitative and quantitative search is to pave the way to scrutinize the formation of the EU's trade relations during the periods under investigation. Furthermore, this chapter aims to explore whether and to what extent the newcomers with the successive enlargements have produced any impact in the formation and transformation of trade relations of the EU between 1958 and 2008.

The fifth chapter resumes analyzing the EU's trade relations from 2009 to 2018, the latest available trade statistics when writing this thesis. Following the similar research pattern in Chapter 4, the Union's external and internal trade figures, together with the main product groups and the main trading partners, are to be further exposed during that period that can be labeled as *the time of crises*. The post-crisis period is the main subject matter of this chapter. Nonetheless, before those analytical researches, the financial crisis of 2008, then succeeding Euro-zone crisis in 2009, and their overall effect on the formation of the EU trade policy and its relations are to be briefly illustrated.

After exploring the trade relations of the Union in the time of crises, Chapter six is devoted to analyzing future prospects for the Union's trade relations within the confines of recent developments in the global trade. Under this topic, particular emphasis is to be given to "the trade wars" inaugurated by the US administration since 2017 that would remind the protectionist actions in the world trade taken in the 1970s. Moreover, it is also aimed to scrutinize the impact of the "Brexit" phenomena on the future of EU-27 trade relations in this

chapter. The chapter's last topic is devoted to elaborate on the possible impacts of upcoming enlargements of the EU on its future trade relations.

The last chapter of this thesis, the conclusion, clearly underlines how the formation and transformation of the EU's trade relations have been done and points out the extent of the roles of the newcomers.

CHAPTER 2

A GLANCE AT THE EUROPEAN ENLARGEMENT

2.1. Introduction

All along, “widening and deepening” have been the two main concepts to describe European integration. The struggle in these two political domains has marked the history of the Union. However, in the EU’s widening, the concept has generally been more applauded and faced fewer controversies. The widening of the EU consists of its enlargement via accepting new members that resulted in an increase in the member countries: from six members in 1958 to 28 members in 2018 (before the Brexit). This chapter is devoted to analyzing the EU’s discrete enlargements, in a nutshell, to cast light on the background official policy evolution.

In chronological order, first, the enlargement in 1973 with the accession of three countries, the UK, Ireland, and Denmark, is to be analyzed, particularly giving attention to the UK’s approach to European integration. The examination of Mediterranean enlargement follows the 1973 enlargement, with Greece, Spain, and Portugal’s accession in the 1980s, putting forward the democracy criteria first on the scene by the EU side. The third EFTA enlargement with Austria, Finland, and Sweden in 1995 has been regarded as the less problematic one, and it resulted in a short period compared with the others, given the economic development of those countries and their overall contribution to the EU.

The eastern enlargement of the EU in 2004 and 2007 (Croatia’s accession in 2013 can be put in this category) after the collapse of the USSR and socialism has been the most attention-grabbing among other enlargements of the EU both in theoretical and empirical grounds.

The chapter focuses on four different enlargement periods in light of both the existing member states and newcomers' motivations.

2.2. The First Enlargement

From the very beginning in the design of a “United Europe” after the Second World War, the UK was present in every step of the discussions and efforts, although not sharing the same views on the architecture. In the early post-war period, for France and Germany, the overriding priority was to avoid war over the disputed territory of Alsace-Lorraine and control the raw materials, coal and steel in particular, necessary to make war. While on the other hand, Britain, whose economic development had been based on the maintenance of maritime trade, prioritized opening trade arrangements.¹²⁹ Therefore, the UK initially was not a member of the European Coal and Steel Community (ECSC) created in 1951, embracing “innovative supranational elements where the UK’s position was still that *no iota of British sovereignty* could possibly be negotiated away.”¹³⁰ Consequently, the UK wanted only intergovernmental cooperation for security and trade. Instead of focusing on Europe, “Britain saw its future in its “special relationship” with the United States and its preferential trade arrangements with current and former colonies in the Commonwealth.”¹³¹ Although the UK was not a member of the ECSC, the country sent its representative to the Spaak Committee¹³² for the negotiations in the founding of the “European Economic

¹²⁹ Christopher Preston, *Enlargement & Integration in the European Union*, Routledge, London and New York Preston, 1997, p.24.

¹³⁰ Frank Emmert and Sinisa Petrovi, “The Past, Present, and Future of EU Enlargement,” *Fordham International Law Journal*, Volume 37, Issue 5, 2014, p.1361.

¹³¹ *Ibid.*

¹³² The Spaak Committee was set up by the Messina Conference in Brussels started on 9 July 1955 and ended on 20 April 1956, with the participation of Delegations from the six Member States of the European Coal and Steel Community (ECSC). The outcome of the negotiations in the Spaak Committee was laid down with Messina resolution in 1955. The University of Luxembourg’s CVCE, web page, <https://www.cvce.eu/en/recherche/unit-content/-/unit/02bb76df->

Community-EEC” and the “European Atomic Energy Community -EAEC or Euratom.” The differences between the six and the UK became evident in the Messina Conference that the UK was in favor of a free trade area, and the former was in the formation of a customs union.¹³³ These differences culminated in the withdrawal of the UK representatives from discussions¹³⁴ and paved the way for the creation of the European Economic Community with the absence of the UK.

When Britain was unable to prevent “the inner six” from going forward with the EEC-or Common Market- it gathered the remaining “outer seven” into the European Free Trade Area (EFTA),¹³⁵ an intergovernmental organization where decisions were made by unanimity, if at all, and no uncontrollable commission of technocrats could try to challenge national sovereignty and interest.¹³⁶

Under the UK’s given political and economic reservations, it is important to evaluate the reasons for the country’s application to the EEC for three times after its establishment. In 1961 and, the second, in 1967, both were rejected with France’s veto, particularly with the veto of De Gaulle, who was irritated because of the close ties between the USA, Commonwealth, and the UK. In 1969, the green light was given to negotiations for British membership after De Gaulle’s resignation that year. Thus, the United Kingdom, in the end, joined the European Economic Community on 1 January 1973 with Denmark and Ireland.¹³⁷

[d066-4c08-a58a-d4686a3e68ff/a6582956-7045-47d0-819b-7971d7d11d4b](https://doi.org/10.1017/9781017000000.d066-4c08-a58a-d4686a3e68ff/a6582956-7045-47d0-819b-7971d7d11d4b); accessed on 19.3.2019.

¹³³ Ali M El-Agra, “A history of European integration and evolution of the EU,” in *The European Union Economics and Policies*, edited by Ali M. El-Agraa, Eight Ed., Cambridge University Press, UK, 2011, p.25.

¹³⁴ *Ibid.*

¹³⁵ Besides the UK, the founding members of the EFTA were Austria, Denmark, Norway, Portugal, Sweden, and Switzerland.

¹³⁶ Emmert and Petrovi, “The Past, Present, and Future of EU Enlargement,” p.1362.

¹³⁷ “Although the accession of the UK, Denmark, and Ireland in 1973 was the first actual enlargement, several countries knocked on the door in Brussels before those did. Israel inquired

The late acceptance of the EEC by the UK was primarily motivated by economic considerations. The EEC's initial success, which was reflected in the six's high growth rates, surprised British policymakers, and an application for British entry for economic reasons began to be taken seriously.¹³⁸ Nevertheless, by the late 1950s, it became increasingly clear that the British economy needed additional stimulation, and "the UK was at risk of being left behind."¹³⁹

From 1950 to 1958, the UK economy only grew by an annual average of 2.7%. By contrast, Germany's economy had grown by an annual average of 7.8% during the same period, and by 1958 Germany had surpassed Britain as Europe's export champion. At 5.8%, even Italy and France, at 4.6%, had consistently outperformed Europe's former industrial powerhouse.¹⁴⁰

Previously, it was thought that the Commonwealth was a significant vehicle of British international influence.¹⁴¹ However, by the mid-1960s, it was clear that the Commonwealth could not be the economic driver of an alternative international organization.¹⁴² At the end of the 1950s, although the UK still had a high proportion of its trade with the countries of its former empire, the fastest growth in trade was among industrialized countries.¹⁴³ The economic dimension of accession remained mostly central in many of the arguments in the period from

about membership in October 1958, Greece in June 1959, and Turkey, for the first time, in August 1959" (footnote 31, Emmert and Petrovi 2014, p.1361).

¹³⁸ Ian Bache, Stephen George, and Simon Bulmer, *Politics in the European Union*, New York: Oxford University Press, 2011, p.537.

¹³⁹ Emmert and Petrovi, "The Past, Present, and Future of EU Enlargement," p.1362.

¹⁴⁰ *Ibid.*, p.1361-62.

¹⁴¹ Hugh Gaitskell, "The Common Market," in Holmes, Martin, ed., *The Eurosceptical Reader*, Basingstoke: Macmillan, 1996, p.28, cited in Anthony Forster, *Euroscepticism in Contemporary British Politics, Opposition to Europe in the British Conservative and Labour Parties since 1945*, by Routledge, New York and London, 2002, p.21.

¹⁴² Arthur Aughey, "The Party and Foreign Policy," in Norton, Philip, ed., *The Conservative Party*, London: Prentice Hall, 1996, p.207, cited in Forster, *Euroscepticism in Contemporary British Politics* 2002, p.21.

¹⁴³ Bache et al., *Politics in the European Union*, p.537.

1961 to 1969. Therefore, an economic cost-benefit analysis of whether it was the UK's economic interest to join was the focus point.¹⁴⁴ For Moravcsik, "the British membership bid was...aimed primarily at the advancement of enduring British commercial interests."¹⁴⁵

It is also important to note that the struggle among the British politicians whether to be a part of this supranational association (pro-Europeans) or not (Eurosceptics) had also marked the process of the UK's divergent stance in the European affairs, which also resulted in its withdrawal from the Union recently.

British ambivalence, or rather the perpetual tug-of-war in Britain between pro-European leaders, who are willing to accept limited transfers of sovereignty to Brussels for the common goals of European integration, and Eurosceptics, who believe that Britain is better off outside the European Union, has been the hallmark of the UK's relationship with "the Continent" ever since.¹⁴⁶

According to Forster,

...the absence of an organised opposition to closer European integration and, above all, the absence of advocacy of realistic alternatives to membership, as well as complacency, were the keys to explain the loss of the control of the agenda so quickly in the 1960s in the UK.¹⁴⁷

Nevertheless, after two years of becoming a member, on 5 June 1975, skeptics managed to hold a referendum on the UK's continued membership of the European Community. However, "the outcome was a major defeat for the skeptics since the electorate voted by seventeen million to eight million in favor of membership."¹⁴⁸ Moreover, the US's support is also worth mentioning for the

¹⁴⁴ Forster, *Euroscepticism in Contemporary British Politics*, p.21.

¹⁴⁵ Bache et al., *Politics in the European Union*, p.537.

¹⁴⁶ Emmert and Petrovi, "The Past, Present, and Future of EU Enlargement," p.1362.

¹⁴⁷ Forster, *Euroscepticism in Contemporary British Politics*, p.30.

¹⁴⁸ *Ibid.*, p.48.

UK's participation in the EEC. Being the USA's biggest ally, the British membership was seen instrumental in the US that would lead for it to have a voice in European affairs, particularly to balance France's national interests.

Their relations with the UK strongly shaped the other three applicant countries' policies towards European integration.¹⁴⁹ "The trade dependence of Denmark, Norway, and Ireland on the UK meant that they had little choice but to follow the UK an application be lodged."¹⁵⁰ For three, EEC membership was a way of retaining trade links with the UK and a larger, regional grouping that would reduce their historical dependence on the UK.¹⁵¹

Denmark was one of the largest food exporters in Europe that made it vulnerable to the possibility of a common market with agricultural preference and the British plans for a free trade area in industrial goods while maintaining an imperial preference for agriculture.¹⁵²

The UK and Germany were two major markets of Denmark and "the key Danish objective during this period was to prevent any barriers being erected between the two groups."¹⁵³ Therefore, the Danish policy of seeking to have its main export markets in one bloc paved the way for Denmark to join the EEC with the UK.¹⁵⁴

In common with Denmark, Norway's close links with the UK and concerns about the EEC's political goals led her to join the first EFTA and then apply for the EEC, when the UK did in 1961.¹⁵⁵ Nonetheless, as the referendum's

¹⁴⁹ Preston, *Enlargement & Integration in the European Union*, p.37.

¹⁵⁰ *Ibid.*, p.27.

¹⁵¹ *Ibid.*, p.37.

¹⁵² *Ibid.*, p.41.

¹⁵³ *Ibid.*

¹⁵⁴ *Ibid.*, p.42.

¹⁵⁵ *Ibid.*, p.43.

result for the accession of Norway to the EEC was negative, the country could not become a member on that date. However, this did not prevent Norway from applying for the second time for membership with the other EFTA countries in the 1990s.

On the periphery of Europe, Ireland was protective of its political sovereignty and believing in economic self-sufficiency that caused the country to look inwards via hiding its industries behind protective tariff barriers.¹⁵⁶ Thus, the country was outside the plans for a new architecture of a ‘United Europe’ and not invited to the ECSC. However, when Europe began to enjoy the benefits of post-war economic growth and the Irish economy stagnated,¹⁵⁷ Ireland’s policy orientation began to change in 1959 with a new government putting Europe in the center stage of Irish foreign policy. On the other hand, the UK’s position of being the leading trade partner had utmost importance for Ireland that paved the way for a declaration made by the Irish government in 1961 to let the six-member states know that in the event of a Britain application for EEC membership Ireland would do also.¹⁵⁸

Nonetheless, the first enlargement negotiations of the EU set the framework for future enlargement rounds.¹⁵⁹ Moreover, although late, the UK’s accession to the Union with its pro-liberal trade policy contributed to the development and preservation of the liberal trade relations and governance in the Union. Furthermore, as “new members bring their own networks of external relations,”¹⁶⁰ the UK’s commercial ties in the historical context and its trading experience contributed to the further liberalization of trade within the Union.

¹⁵⁶ Ireland, Department of Foreign Affairs and Trade web page <https://www.dfa.ie/media/dfa/alldfawebsitemedia/ourrolesandpolicies/irelandintheeu/ireland-in-the-eu-history.pdf>; accessed on 11.04.2019.

¹⁵⁷ *Ibid.*

¹⁵⁸ *Ibid.*

¹⁵⁹ Preston, *Enlargement & Integration in the European Union*, p.45.

¹⁶⁰ *Ibid.*, p.159.

2.3. The Mediterranean Enlargement

A policy orientation of the three Mediterranean countries, Greece, Spain, and Portugal (GSP), towards to the European Community (EC) occurred in the 1970s, in the time of the relative hegemonic decline of the US and the ascendancy of the EC, with the collapse of the dictatorships and the establishment of democratic regimes in those countries.¹⁶¹ During that period, the long-standing authoritarian regimes of Salazar in Portugal (1926-74) and Franco in Spain (1936-76) came to an end together with the seven-year (1967-74) dictatorship of the Greek colonels.¹⁶² Actually, in the immediate postwar years, the USA concentrated on two things to consolidate its hegemony: establishing a free market economy throughout the world and the containment of the Soviet Union and communism.¹⁶³ According to Tayfur, the Americans were particularly sensitive about Western Europe, as the Southern part of Europe was somewhat different from its Western part with their economic structures that were not as developed as those of the latter.¹⁶⁴ “On the other hand, in spite of the US rhetoric of democracy, the authoritarian regimes in GSP countries remained in power in exchange for their commitment to the market economy.”¹⁶⁵

Although three Mediterranean countries Greece, Spain, and Portugal, did not become members of the EU jointly, their participation in the Union should be regarded as the “Mediterranean Enlargement” as the EU’s second enlargement. Although some views suggest these as separate, “it is more correct to consider them as part of a single process underpinned by the same structural dynamics.”¹⁶⁶

¹⁶¹ Fatih Tayfur, *Semiperipheral Development and Foreign Policy: The Cases of Greece and Spain*, Thesis submitted for Ph.D. Degree of the University of London, 1997.

¹⁶² Tayfur, *Semiperipheral Development and Foreign Policy*, p.83.

¹⁶³ *Ibid.*

¹⁶⁴ *Ibid.*, p.87.

¹⁶⁵ *Ibid.*

¹⁶⁶ John O’Brennan, *Eastern Enlargement of the EU*, Routledge New York, London, 2006, p.1.

Nevertheless, the second enlargement of the EEC in the 1980s towards Southern Europe differed from the first one by emphasizing the political conditions (democracy and the rule of law) of the candidate countries. Adherence to the norms of democracy has been a common stated requirement of all Europe's organizations in the post-war period, such as; NATO, Council of Europe, and EEC. In 1973 with the Declaration on European Identity, nine members stated that, "they [were] determined to defend the principles of representative democracy, of the rule of law, of social justice-which is the ultimate goal of economic progress- and respect for human rights."¹⁶⁷ Moreover, in the European Council Meeting in 1978, it was also declared that "respect for and maintenance of representative democracy and human rights in each Member State [were] essential elements of membership of the European Communities."¹⁶⁸ Thus, those principals were linked to European integration and were re-articulated in the Copenhagen criteria in 1993 for the future memberships.

As for Greece's situation, the country had been an associated country since 1961 with the Association Agreement that had already pointed to the possibility of full membership. However, after the military coup of April 1967, any progress on membership negotiations was suspended.¹⁶⁹

Attitudes within the Community towards the possibility of Greek membership were vague, where Germany and the UK concerned the linkage with security issues, worried that its membership might upset the delicate balance the Community had tried to strike between Greece and Turkey. Only France,... was actively in favor of Greek membership.¹⁷⁰

¹⁶⁷ The University of Luxembourg's CVCE (The Virtual Centre for Knowledge on Europe) web page, https://www.cvce.eu/content/publication/1999/1/1/02798dc9-9c69-4b7d-b2c9-f03a8db7da32/publishable_en.pdf; accessed on 14.4.2019.

¹⁶⁸ University of Pittsburg the Archive of European Integration (AEI) web page, http://aei.pitt.edu/1440/1/Copenhagen_1978.pdf; accessed 14.4.2019.

¹⁶⁹ Emmert and Petrovi, "The Past, Present, and Future of EU Enlargement", p.1366.

¹⁷⁰ Preston, *Enlargement & Integration in the European Union*, p.50.

Since democracy is one of EU membership requirements, “it was easy to exclude Portugal and Spain after World War II from participating in the European integration process.”¹⁷¹

Having remained neutral in World War II, Spain and Portugal did not undergo fundamental reforms in the post-war period, and they remained under fascist dictatorial rulers with their economies remained stuck on the level of developing nations.¹⁷²

Spain submitted its application to the EEC for three times, first in 1962 and second in 1964 and the last one was in 1977 after the death of General Franco in 1975.¹⁷³ However, Spain once more experienced a military coup in February 1981 that caused a break in its relations with the EEC.

At the same time, Portugal finally had its first democratic elections in 1975. Within a short timeframe, the EEC received three applications from the Southern part of the continent. A fourth country, “Turkey had been placed in a holding pattern in 1962 but had also been given a promise of accession by 1995.”¹⁷⁴ In a report submitted to the European Parliament, the applications were described by evaluating the political concern of the accessions as follows:

-On 12 June 1975, the Greeks submitted a formal application for full membership of the EEC. This application has been favorably received, mainly for political rather than economic reasons, and negotiations are presently in progress.

-On 28 March 1977, Portugal lodged an official application for membership of the EEC; ...Mainly for political reasons this application has been generally welcomed by the present Members of the Community although doubts have been expressed concerning the Portuguese economy’s ability to withstand the pressures EEC membership will bring.

¹⁷¹ *Ibid.*, p.1366.

¹⁷² Emmert and Petrovi, “The Past, Present, and Future of EU Enlargement,” p.1366.

¹⁷³ *Ibid.*, p.1367.

¹⁷⁴ *Ibid.*, p.1367.

-The Association Agreement signed between the EEC and Turkey in 1962 envisages eventual full membership in 1995.

- The Spanish government submitted a formal application on 28 July 1977.¹⁷⁵

However, Greece's negotiations were substantially quicker than the ones with Portugal and Spain, and Turkey was not even considered for a long time.¹⁷⁶ Thus, Greece became a member on 1 January 1981 before other Mediterranean candidates. Particularly, Spain's membership was a ruff process, when taking into account its much larger agricultural sector and its prospect consequences on the Common Agriculture Policy. To mediate this impact, France, in particular, pursued a policy of delaying the entry of Spain and Portugal.¹⁷⁷ Finally, it was 1986 that both countries became members of the EC.

For those Mediterranean countries, it was vital to join the EC mainly for economic reasons. For the EC, although the accession of those countries was regarded as political rather than economic initially, at the end of the day, the core six's economic considerations, particularly France, overshadowed their participation and caused a delay in their membership.

2.4. The EFTA Enlargement

The EFTA enlargement coincided with the golden years of the Union in terms of its trade capacity in the world total. The relations between EFTA countries and the EC were settled with the signing of a Free Trade Agreement in 1972, by which the elimination of duties on all industrial goods traded by 1977 was ensured. Moreover, in 1984, the Luxemburg Declaration "led to a large number of agreements between the EC and EFTA states" regarding a more

¹⁷⁵ Emmert and Petrovi, "The Past, Present, and Future of EU Enlargement," p.1367.

¹⁷⁶ *Ibid.*, p.1368.

¹⁷⁷ *Ibid.*, p.1370.

consistent trading environment with the aim of “facilitating inter-bloc trade but also strengthen Europe’s economic core, centered on West-Germany.”¹⁷⁸

The completion of the single market at the end of 1992 further strengthened the Union and its trade capacity, “elevated the EU to the next level of economic integration, and widened the gap with the countries remaining in the European Free Trade Area (EFTA).”¹⁷⁹

To alleviate fears in these countries that the Internal Market would become a “Fortress Europe” with high barriers to entry for outsiders, the EU negotiated the European Economic Area (EEA) Agreement with its EFTA neighbors to provide mutual access not only for trade in goods but for all factors of production, as well as a level of harmonization of laws.¹⁸⁰

Nevertheless, the EEA provided both all membership rights and obligations for the EFTA countries, but without having access to the EU decisions and institutions. For Preston, the EEA concept allowed Norway, Sweden, Finland, and Switzerland to pursue an integration strategy without raising sensitive political issues.¹⁸¹

However, the EEA’s rejection in a referendum held by Switzerland in 1992 made the project insignificant as the country was the driving force behind the deal and “[w]ithout Swiss membership, the EAA lost even more of its appeal.”¹⁸²

On the other hand, novel developments in the international arena, such as the collapse of the USSR and the end of the Cold War, all paved the way for other EFTA countries, Austria, Finland, Norway, and Sweden, to seek full membership in the EU. The process ended up with the membership of three

¹⁷⁸ Preston, *Enlargement & Integration in the European Union*, p.88.

¹⁷⁹ Emmert and Petrovi, “The Past, Present, and Future of EU Enlargement,” p.1371.

¹⁸⁰ *Ibid.*, p.1371.

¹⁸¹ Preston, *Enlargement & Integration in the European Union*, p.91.

¹⁸² Emmert and Petrovi, “The Past, Present, and Future of EU Enlargement”, p.1372.

countries in 1995, while as for Norway, the membership was rejected via a referendum for the second time. In his study, Andreas Bieler argues that;

the process leading to Austria's and Sweden's accession has to be analyzed against the background of globalization, a structural change experienced since the early 1970s, and characterized by the transnationalisation of production and finance and a shift from Keynesianism to neoliberalism.¹⁸³

Historically, membership was not appropriate for both countries for two reasons. First, their accession to a supranational organization would imply a loss in their neutrality and possible participation in measures, such as one-sided embargoes of weapon exports.¹⁸⁴ Second, as both countries were implying social welfare economic programs, their membership would also threaten the social-democratic achievements in both countries and harm their state authority and advanced state intervention, by directions from a supranational authority heavily relying on neo-liberal policies.¹⁸⁵ Therefore, the reasons underlying those countries' changing attitudes towards the EU membership need to be analyzed. According to Bieler, the decision towards membership was mainly taken firstly for economic reasons, and then the neutrality was re-defined to make it compatible with membership.¹⁸⁶

The changes in the international security structure-Gorbachev's liberal foreign policy and a general decline in Soviet power in the case of Austria, and, in the case of Sweden, the end of the cold war-, were, however, necessary background conditions, which facilitated the redefinition of neutrality and pro-EU strategies feasible.¹⁸⁷

¹⁸³ Andreas Bieler, *Globalisation and Enlargement of the European Union, Austrian and Swedish social forces in the struggle over membership*, Routledge, London and New York, 2000, p.i.

¹⁸⁴ *Ibid.*, p.1.

¹⁸⁵ *Ibid.*

¹⁸⁶ *Ibid.*, p.7.

¹⁸⁷ *Ibid.*, p.137.

For the economic reason, it is argued that the hegemonic powers of the multinational forces in Sweden and internationally oriented ones in Austria persuaded and pushed for becoming a member of the EU.¹⁸⁸ The change in their attitude is grounded on the presumption that the “membership can offer the best way to continue the accumulation of capital after the Keynesian arrangements at the national level of the post-war era had run out of steam.”¹⁸⁹

For Finland, the country’s neutrality was also important alike Austria and Sweden. Moreover, Finland’s trade and strategic relationship with the USSR, as defined by the 1948 “Treaty of Friendship, Cooperation and Mutual Assistance” was significant for its trade links with the USSR, “which served to cushion its economy more than Sweden’s case.”¹⁹⁰ Thus, the collapse of the USSR has strengthened the economic rationale for closer engagement with the single market, as observed in other EFTA applicants.¹⁹¹

From the EU’s perspective, EFTA was recognized as a significant trading partner. Although prioritizing the Internal Market process during this period, EC-EFTA relations were not regarded as critical.¹⁹² However, this situation changed considerably with Delors’ initiative for creating an economic space, encompassing the EC and the EFTA,

...as a way of meeting EFTA’s desire for closer engagement with the EC without raising the politically sensitive issue of enlargement at a time when the EC’s agenda was in danger of becoming overcrowded.¹⁹³

¹⁸⁸ *Ibid.*, p.121

¹⁸⁹ *Ibid.*

¹⁹⁰ Preston, *Enlargement & Integration in the European Union*, p.92.

¹⁹¹ *Ibid.*

¹⁹² *Ibid.*, p.89.

¹⁹³ *Ibid.*

Overall, the average duration of EFTA enlargement negotiations was the shortest in the history of the Community.¹⁹⁴ In his study, Preston has brought up some reasons to clarify the situation.¹⁹⁵ First, with the EEA process, nearly 60% of the *acquis* had already been accepted by the EFTA countries. Second, the EU side also showed more flexibility in the interpretation of the *acquis* than was the case in previous enlargement rounds. This flexibility was large because none of these compromises would affect any major existing EU interests. It was unlike the Mediterranean enlargement that was nearly blocked because of the agriculture sector. Moreover, as net contributors to the budget, the EFTA countries were also more warmly welcomed than previous applications, except for the UK.

2.5. The Eastern Enlargement

Approaching the 2008 economic crisis, the last stop was the eastern enlargement of the EU, which is also defined as the “Bing-Bang enlargement” in the literature.¹⁹⁶ After the collapse of the socialism in the USSR at the end of the 1980s, the eight former Soviet bloc “Central Eastern European Countries (CEECs)” together with two Mediterranean islands Malta and Cyprus, became the members of the EU in 2004. Following those ten new members, Bulgaria and Romania became members only after three years in 2007 and Croatia in 2013.

“Enlargement has always been an integral part of the integration process and policy-making in the EU, even if for much of its history, it appeared to be limited to a succession of discrete episodes.”¹⁹⁷ However, in eastern enlargement,

¹⁹⁴ *Ibid.*, p.108.

¹⁹⁵ *Ibid.*

¹⁹⁶ Karen E. Smith, “Enlargement, the Neighborhood, and European Order,” in *International Relations and European Union*, eds. by, Christopher Hill and Michael Smith, 2nd Edition, Oxford University Press, 2011, p.312.

¹⁹⁷ Ulrich Sedelmeier, “Eastern Enlargement: Towards a European EU?,” in H. Wallace, W. Wallace and M. Pollack (eds.), *Policy-Making in the European Union*, Oxford: Oxford University Press, 2005, p.420.

the EU was confronted not only with an unprecedentedly long list of applicants by the end of the Cold War, but also with countries at very different stages of socio-economic development.¹⁹⁸ “The period that the Soviet Bloc countries had been cut off from the European integration process by virtue of their geopolitical position”¹⁹⁹ was more than 40 years as of 1989. However, the signs of good relations and cooperation between the Eastern and the Western part of the continent had their roots at least a decade earlier and had reached peak levels by the accession of some to the EU. It was a rocky road for both sides to develop, consolidate, and sustain the political, economic, and security relations with the other part of the continent. It appeared that it was the only option for the EU to accept these new liberal-democracies as the new members. On the other hand, it can also be discussed that, besides the political and security aspects of eastern enlargement, it was also a need, not an obligation for the EU, to find new markets for their goods and new investment areas for their capital, in their big competition with the USA and Japan.²⁰⁰ Nevertheless, to bring stability to the Eastern part of the continent was the fundamental need for the capitalist vision of the existing EU members.

For the newly liberal democracies, the road was even rockier. Mainly, after having implied state-controlled economies much depended on the Soviet economy for nearly half a century, the adaptation of a neo-liberal model created by the European Single Market entailed to conform to the EU norms in a short time, when compared with the gradual process of these rules in their Western partners, made this process harder.

As a first step, in formalizing new relations with the newly independent CEECs, the EU offered “Trade and Cooperation Agreements” on a bilateral basis. This view was led by the EU Commission, with coordinating the aid from the

¹⁹⁸ Sedelmeier, “Eastern Enlargement: Towards a European EU?,” p.420.

¹⁹⁹ O’ Brennan, *Eastern Enlargement of the EU*, p.1.

²⁰⁰ Jane Hardy, “Crisis and recession in Central and Eastern Europe,” *International Socialism*, Issue:128, 14 October 2010, <https://isj.org.uk/crisis-and-recession-in-central-and-eastern-europe/>

Western industrialized countries (G24) to the CEECs that resulted in the establishment of the EU PHARE program and the “European Bank for Reconstruction and Development (EBRD)” in London.²⁰¹ However, “although large amounts of money and innumerable trips by Western experts were deployed to support the transition in the CEECs, the results were a bit mixed.”²⁰² Thus, to provide a long-term strategy became inevitable in the region to reach successful reforms and Brussels began to develop a new policy, a “veritable pre-accession strategy.”²⁰³

The turning point of the relations with the former Socialist countries was the Associate Agreements that were also called as “Europe Agreements.” At first, the EU had concluded those agreements with Poland, Hungary, and later with Czechoslovakia in 1991, the most advanced CEECs in democratic and market reforms.²⁰⁴ Subsequently, these agreements were followed by Bulgaria, Romania, the Baltic States, and Slovenia as part of the EU’s pre-accession strategy.

The de facto integration of the CEECs in Western Europe started with those “Europe Agreements,” concurrently to political change and economic transformation at the beginning of the 1990s. “Of all fields’ integration, trade was the first to start: trade-creating and trade-diverting effects of joining the EU had emerged before full membership of the newcomers was attained.”²⁰⁵ In that regard, trade flows were already grown considerably following the removal of tariffs and other barriers in the 1990s, where trade in industrial goods was

²⁰¹ Emmert and Petrovi, “The Past, Present, and Future of EU Enlargement,” p.1376.

²⁰² *Ibid.*, p.1376-77.

²⁰³ *Ibid.*, p.1378.

²⁰⁴ Ivaylo Gatev, “The EU and Eastern Union,” in *The European Union and Global Governance*, by Dr Jens-Uwe Wunderlich, David J. Bailey, Routledge, 2011.

²⁰⁵ Andras Toth, Laszlo Neumann and Hortenzia Hosszu, “Hungary’s Full-Blown Malaise,” in *A Triumph of failed ideas-European models of capitalism in the crises*, European Trade Institute, Brussels, 2012.

liberalized mainly. However, agriculture remained heavily controlled owing to the barriers imposed by the Common Agricultural Policy.²⁰⁶

In spite of the somewhat mixed results of the PHARE and other pre-accession support instruments, the CEECs had made remarkable progress concerning the re-orientation of their economies from East to West. In their race for opportunities, international and domestic investors became early movers and essentially treated the CEECs as if they already enjoyed the political stability and legal certainty that EU membership was going to provide.²⁰⁷

According to the success of CEECs in their efforts to adopt the Western liberal economy and rules, as the Commission was monitoring them from 2000, “accession of a first group by the year 2002 seemed realistic, and that group kept growing, eventually including all candidates except Bulgaria and Romania.”²⁰⁸ Bulgaria and Romania waited just for an additional three years for membership to the EU when their progress was regarded to be sufficient to become members.

Finally, Croatia’s accession in 2013 has been the last enlargement of the EU since so far. The domestic and international circumstances, most probably the 1991-1995 war with Serbia, did not allow the country to be part of the 2004 and 2007 enlargements.²⁰⁹ The relations with Croatia were established with “the Stabilisation and Association Agreement (SAA)” signed in 2001, which replaced previously applied Europe Agreements. Nevertheless, the SAAs were a new model that the EU has concluded with the Western Balkan countries. Following the SAA, Croatia was granted candidate country status in 2004, and the accession negotiations with the EU began on 3 October 2005 together with Turkey. Initially, Croatia aimed to complete the accession negotiations together with

²⁰⁶ The European Round Table of Industry (ERT) web page, https://www.ert.eu/sites/ert/files/generated/files/document/2001_-_opening_up_the_business_opportunities_of_eu_enlargement.pdf; accessed on 28.4.2019.

²⁰⁷ Emmert and Petrovi, “The Past, Present, and Future of EU Enlargement,” p.1383.

²⁰⁸ *Ibid.*, p.1384.

²⁰⁹ *Ibid.*, p.1386.

Romania and Bulgaria.²¹⁰ However, the negotiations turned out to be tougher than expected due to various state institutions' insufficient administrative capacities.²¹¹ Another reason for the delay in the accession was the Slovenia's blockade in the negotiations, because of a border dispute between Croatia and Slovenia. Thus following those shortcomings, Croatia managed to become the 28th member of the EU in July 2013.

Other than Croatia and Turkey, the Commission also held the accession negotiations of Iceland, after the application of the latter for EU membership in July 2009. Iceland did not apply for membership before as a part of EEA as "the country's reliance on its fish stocks and its consequential hostility to the EU's Common Fishery Policy prevented Iceland to apply for membership."²¹² The reason why Iceland applied to the EU was depending on the country's economic strains, as the 2008 financial crisis had particularly damaged its financial sector. Because of its financial sector's demise, Iceland sought outside help to stabilize its economy.²¹³

However, after a new government took over in May 2013, Iceland put the accession negotiations on hold. In March 2015, Iceland's government requested that, "Iceland should not be regarded as a candidate country for EU membership."²¹⁴

Meanwhile, it is appropriate to mention the underlying motivations for the EU for its eastern enlargement in business circles. The European Round Table for Industry (ERT) position takes particular attention to the Union's widening towards the East, as being one of the most important and influential interest

²¹⁰ *Ibid.*, p.1390.

²¹¹ *Ibid.*

²¹² Ian Barnes and Pamela Barnes, "Enlargement," in *European Union Politics*, Third Edition, Edited by Michelle Cini and Nieves Perez-Solorzano Borrigan, Oxford University Press, 2010, p.432.

²¹³ *Ibid.*

²¹⁴ European Commission web page, https://ec.europa.eu/neighbourhood-enlargement/countries/detailed-country-information/iceland_en; accessed on 20.4.2019.

groups on European affairs. In that respect, the ERT played a significant role in the eastern enlargement, devised together with the Commission. Actually, in 2001 ERT published for the second time a policy paper on the analysis of the economic costs and benefits of the EU enlargement on eastwards.²¹⁵ The first report of 1999 was also sharing the same purpose, which was entitled “East-West Win-Win Business Experience,” but with the 2001 report, their message was powerful. They took attention to the EU’s enlargement process that was losing political momentum in the face of opposition from special interests, where a more substantial political commitment and strategy were required. The ERT also added in the report that they expected the EU to deliver on its promises for the sake of both the existing Union and those countries aspiring to membership. The text below from the report, lays down the ERT’s desire in eastern enlargement, and its motivation in cooperation with the Commission.

Most ERT members have substantial investments in the applicant countries, and we have seen the positive impact of European integration on growth, trade, and employment in both West and East. Most ERT Members or their local managers also participate in local Business Enlargement Councils (BECs), where we have a dialogue and action programs with national governments to prepare for admission to the EU and to improve the investment climate.²¹⁶

2.6. Conclusion

In this chapter, a glance at the EU’s enlargement is casted to explore the motivations of both sides the existing members and newcomers. Predictably, in every enlargement, the overall motivation mainly derives from the prospect of economic benefits for both sides, depending on the fundamentals of liberalism.

²¹⁵ European Round Table for Industry, ‘Opening up the business opportunities of the EU enlargement’, Message from ERT to the European Council in Gothenburg, June 2001, ERT Position Paper and Analyzes of the Economic Costs and Benefits of the EU Enlargement. Web page, [https://www.ert.eu/sites/ert/files/generated/files/document/2001 -
_opening_up_the_business_opportunities_of_eu_enlargement.pdf](https://www.ert.eu/sites/ert/files/generated/files/document/2001_-_opening_up_the_business_opportunities_of_eu_enlargement.pdf); accessed on 28.4.2019.

²¹⁶ *Ibid.*, p.4.

For the existing members of the EU, particularly, to widen the internal market and benefit from the scale of production to overcome the rush, competitive problems in the global scene, in due course, provide an important motivation. By doing so, enlargements supply new markets and low-cost outsourcing places for the existing member states.

Moreover, new members would also imply liberal democracies by providing a predictable and stable economic environment for the European business circles and capital accumulation. On the other hand, to obtain economically powerful members that can contribute to the Union's budget and the overall EU's trading performance constitutes the other outstanding motivation in enlargement policies.

For the newcomers briefly, it can be stated that firstly for the UK, the economic gains it would have provided from being a part of the European common market; otherwise the fear of being left alone and dropping back from its European counterparts have championed the controversial arguments inside the country. Nevertheless, Ireland and Denmark's membership was linked also through the UK's position. Second, for the Mediterranean countries, Greece, Portugal, and Spain, the EU membership was vital, as they were less developed candidates and struggling with the residues of the dictatorial regimes and economic problems. The prosperous EFTA enlargement was a win-win situation for both. Finally, the last enlargement of the EU to the East can be regarded as the only choice for those newcomers to be a part of the liberal Western world after the collapse of the Soviet Bloc.

CHAPTER 3

THE EUROPEAN UNION'S TRADE GOVERNANCE

3.1. Introduction

This chapter looks into the evolution of trade governance and policy-making procedures within the EU's legal documents, starting from the Treaty of Rome to the final legal document of the Treaty of Lisbon. First, the scope of the "Common Commercial Policy²¹⁷ (CCP)," particularly in the area of competences is to be analyzed to observe if any changes occurred in the area of competences for trade issues with the involvement of the newcomers. Second, in retrospect, the policy-making procedure in the CCP is to be laid down by giving particular attention to the adjustments in the voting mechanisms inside the EU institutions. Third, an inquiry for the main features of the CCP is to be worked out to lay down the basics of the two separate policy domains of the Union that embrace its "multilateralism and regionalism." Nevertheless, the EU's legal status in the multilateral trading environment, in the WTO, comprises another research in this part, with analyzing the EU's approach to the multilateral negotiations. The examination of the EU's Free Trade Agreements (FTAs) conducts its regionalism and to be worked out separately in historical context. The last topic of this chapter is devoted to studying the EU's prevailing legal document, the Lisbon Treaty, to investigate, if any, the changes concerning trade governance.

²¹⁷ "Commercial policy is an umbrella term that describes the regulations and policies that dictate how companies and individuals in one country conduct commerce with companies and individuals in another country. Commercial policy is sometimes referred to as trade policy or international trade policy." Will Kenton, "Commercial Policy," *Investopedia web page* <https://www.investopedia.com/terms/c/commercial-policy.asp>; accessed on 21.03.2019.

Accordingly, in this thesis, both phrases of "commercial policy" and "trade policy" are to be invoked together wherever it will be more appropriate to use one of them.

3.2. The Scope of the Common Commercial Policy and the Competences until Lisbon Treaty

“The Common Commercial Policy (CCP) of the EU is seen as an outward-oriented complement to the central economic dimension of European integration.”²¹⁸ Meantime as “the economic significance of trade policy has increased, the political importance attached to trade policy by major political actors has expanded considerably.”²¹⁹ However, the development of a truly uniform trade policy faced specific challenges.²²⁰ The uniformity of import conditions was finally achieved with the completion of the internal market by 1993 after the severe international economic climate in the 1970s and 1980s that led to rising protectionist pressures in Europe.²²¹

Actually, it was agreed in the Treaty of Rome that, authority on commercial policy making has been delegated to the community level from the national, to the exclusive competence of the Union, meaning that member states are not allowed to regulate and implement their own trade policies with outside the world, but have to obey the rules decided in the supranational level, in the European Commission.²²² Thus, when a new member succeeds to this trading bloc, it is expected from the newcomer to comply with the all legislation of the Union called as the “Acquis Communautaire,” where the CCP is no exception and located in the center policy domain of the EU. Only afterwards its accession, the newcomer has the ability, if anyhow, to performance any effect in the policy-

²¹⁸ Werner Raza, *European Union Trade Politics: Pursuit of Neo-Mercantilism in different Arenas?* 2012, p.1.
https://www.researchgate.net/publication/253888057_European_Union_Trade_Politics_Pursuit_of_Neo-Mercantilism_in_different_Arenas

²¹⁹ *Ibid.*

²²⁰ Sieglinde Gstöhl, “The European Union’s Trade Policy,” *Ritsumeikan International Affairs*, Vol.11, 2013, p.2

²²¹ *Ibid.*

²²² For the sake of brevity, the phrase “The Commission” refers to “The European Commission” throughout the thesis.

making in the related EU institutions, particularly in the Commission tilted with the power of regulating the Union's trade policy. Therefore, with each enlargement whether the newcomers have the power to express any influence regarding the decision-making in the supranational level is an important inquiry to search.

Trade is the oldest and most integrated policy area in which the EU has exclusive competence. Meanwhile, since the Treaty of Rome, the scope of trade has expanded in two important dimensions: First, the members of the customs union have increased to 28 from the core-six (recently 27 with the withdrawal of the UK). Second, the coverage of the trade policy has broadened to include not only border measures restricting trade in goods, but also policies affecting trade in services and a vast range of trade related regulatory measures, such as intellectual property rights and investments measures, particularly after the establishment of the World Trade Organization (WTO) in 1995.

In the preamble of the Rome Treaty, the purpose of creation such a community was declared with a separate emphasize to the importance of a CCP.

The founders of six countries lay foundation of the ECC by, 'RECOGNISING that the removal of existing obstacles calls for concerted action in order to guarantee steady expansion, balanced trade and fair competition,...'DESIRING to contribute, by means of a common commercial policy, to the progressive abolition of restrictions on international trade.²²³

Thus, in the 'Principles' part of the Treaty, Article 3 regulates the activities of the Community in respect to the CCP that shall include, "(a) the elimination, as between Member States, of customs duties and of quantitative restrictions on the import and export of goods, and of all other measures having equivalent effect;" "(b) the establishment of a common customs tariff and of a common commercial policy towards third countries."²²⁴ In order to implement a

²²³ The Treaty of Rome, https://ec.europa.eu/romania/sites/romania/files/tratatul_de_la_roma.pdf

²²⁴ *Ibid.*

harmonious commercial policy the key provisions were laid down in seven articles, between Articles 110 and 116. With the Treaty of Rome, a period for 12 years for the complementation of the customs union was envisaged and it was fulfilled in 1968 before the planned time schedule.

Actually, Article 113 of the Treaty of Rome starts with emphasizing that, [t]he common commercial policy shall be based on uniform principles, particularly in regard to changes in tariff rates, the conclusion of tariff and trade agreements, the achievement of uniformity in measures of liberalisation, export policy and measures to protect trade such as those to be taken in the event of dumping or subsidies.

Nevertheless, the statement of “*the achievement of uniformity in measures of liberalization*” has been constantly repeated in the following legal texts of the EU: The Maastricht,²²⁵ the Nice,²²⁶ and finally in the Lisbon Treaty.²²⁷ In fact, from the very start the liberal stand of the EU in trade policy-making has been reflected in the main legal texts of the Union, as a way of recognition binding upon its members and as an announcement to the world.

In the pre-Lisbon period according to Article 133 provisions (Nice Treaty) the CCP was divided into two areas: the Conventional Commercial Policy and Autonomous Commercial Policy.²²⁸ The Conventional Commercial Policy, that is also the subject matter of this thesis, operates in the sphere of public international law, and serves to define the EU’s position towards other countries or international organizations. In particular, in applying its common commercial policy, “the Union acts to conclude, amend, or rescind international agreements and to adopt unilateral measures vis-a`-vis its international counterparts.”²²⁹

²²⁵ The Treaty on European Union: CCP, Title VII, Article 113 (Maastricht consolidated version).

²²⁶ The Treaty of Nice: CCP, Title IX, Article 133.

²²⁷ The Treaty of Lisbon: Part V, Title II, CCP, Article 207.

²²⁸ Raza, *European Union Trade Politics*, p.6.

²²⁹ Till Müller-Ibold, “Common Commercial Policy After Lisbon The EU’s Dependence on Secondary Legislation,” in *European Year Book of International Economic Law: Special*

When any matter was not already governed by international agreements, Article 133 EC Treaty vested the Community with the power to pursue an “Autonomous Commercial Policy.”²³⁰ It stated that, “The Commission shall submit proposals to the Council for implementing the common commercial policy.” This power extended to implementing rights and obligations under international agreements when implementing measures would directly affect the rights of EC citizens.²³¹ To be brief, that kind of legislation is required as a secondary implementing legislation. As a result, the functional scope of autonomous commercial policy measures was often limited by obligations established in international agreements.²³² The existing basic commercial policy regulations were adopted on this basis, and they deal with a range of typical situations, including five basic regulations on; imports, exports, protection against dumped imports, protection against subsidized imports, and Community procedures in the field of the common commercial policy to ensure the Community’s rights under international trade rules as established by the World Trade Organization (Trade Barriers Regulation).²³³

With the Lisbon Treaty, according to Müller-Ibold the CCP continues in the same way as it was before, but putting great emphasis on the Union’s need to create strict substantive and procedural standards to regulate the conditions under which the EU can adopt commercial policy measures in advance.²³⁴

The “exclusive competence” incorporated in the CCP has a significant weight. It means that Member States no longer have the power to introduce their own legislation in those areas and may only act within the limits of strictly

Issue: Common Commercial Policy After Lisbon, edited by Bungenberg, M. and Herrman, C., Springer, Berlin, 2013, p.145.

²³⁰ *Ibid.*, p.149.

²³¹ *Ibid.*

²³² *Ibid.*

²³³ *Ibid.*, p.149-150.

²³⁴ *Ibid.*, p.161.

defined management and implementing powers delegated back to the national governments by the EU through the related legislation.²³⁵ For many years there has been a debate over the scope of exclusive competence in the field of trade, for example, most prominently with the introduction of new trade related economic issues. Services, intellectual property rights and investments were those new fields, where in fact, previously considered to be non-trade issues, and directly linked to trade topic in time. Furthermore, the voting system or method, that paves the way to reach a decision in the related policy domain in the Council of Ministers, constitutes the clarification of the competences. Those voting systems could be “unanimity, simple majority, 4/5 majority or qualified majority.”²³⁶ Then, when the Qualified Majority Voting (QMV) is applied in a particular area of the EU decision-making this area is marked within the frame of an “exclusive competence.” The QMV is a “procedure under which member states are assigned different voting weights, based approximately on the size of their population and by which roughly two-thirds of the votes are needed in order to a propose to be accepted.”²³⁷ This voting system is to be further analyzed in the following part of this Chapter, particularly with paying attention to its effects on decision-making in the Council of Ministers.

The Treaty of Rome had regulated the “exclusive competence” in trade issues afterwards the transitional period of eight years with unanimously voting. The Article 113 of Treaty of Rome regulated the CCP satisfying the exclusive competence to the European level that almost remained the same until the Treaty of Lisbon of 2019:

1-After the expiry of the transitional period, the common commercial policy shall be based on uniform principles,

²³⁵ European Law Monitor web page, <https://www.europeanlawmonitor.org/eu-policy-areas/in-what-areas-can-the-eu-legislate.html>; accessed on 3.3.2019.

²³⁶ The Luxemburg University Research Infrastructure web page, https://www.cvce.eu/content/publication/2007/3/9/ef616bf0-47c7-47b0-9dd3-ba1906f4e52d/publishable_en.pdf; accessed on 3.3.2019.

²³⁷ Meunier and Nicolaidis, “The European Union as Trade Power,” p.285.

particularly in regard to tariff amendments, the conclusion of tariff or trade agreements, the alignment of measures of liberalization, export policy and protective commercial measures including measures to be taken in cases of dumping or subsidies. 2- The Commission shall submit proposals to the Council for the putting into effect of this common commercial policy. 3- Where agreements with third countries require to be negotiated, the Commission shall make recommendations to the Council, which will authorize the Commission to open the necessary negotiations. The Commission shall conduct these negotiations in consultation with a special Committee appointed by the Council to assist the Commission in this task and within the framework of such directives as the Council may issue to it. 4- The Council shall, when exercising the powers conferred upon it by this Article, act by means of a qualified majority vote.²³⁸

As noted earlier, the CCP incorporates a field of exclusive competence. However, the exception was the “mix-competences,” meaning that the competence was shared among the Community and the member states, which was mainly a result of the introduction of “new issues” in the trade agreements with the third countries. As those newly introduced issues connected to the trade concerns, anyhow, trade agreements increasingly began to cover a wider range of topics including services, intellectual property rights, e-commerce and investments. Because of those new concepts having their place in the trade agreements, “the Communities competence to negotiate and implement trade policies became less clear.”²³⁹ The challenges to exclusive competence covering those new issues in CCP mainly derived from the developments in the global economic scene started with the 1970s prolonged until the 1990s, particularly to the establishment of the WTO. Under the WTO, those trade-related issues have been brought on the international trade agenda with the regulations through “General Agreement on Trade in Services (GATs),” “Agreement on Trade

²³⁸ The Treaty of Rome, https://ec.europa.eu/romania/sites/romania/files/tratatul_de_la_roma.pdf; accessed on 03.05.2019.

²³⁹ Marius Brühlhart, and Alan Matthews, “EU External Policy,” in *The European Union Economics and Policies*, Edited by Ali M. El-Agraa, Eight Ed., Cambridge University Press, UK, 2007, p.479.

Related Intellectual Property Rights (TRIPRs)” and “Agreement on Trade Related Investment measures (TRIMs).” Consequently, the WTO agreement was signed both with the representatives of the Council and member states.²⁴⁰ Therefore, to avoid any further disputes in the area of competences, initially with the Amsterdam Treaty in 1997 the Commission was granted power to negotiate agreements on services and intellectual property rights, but based on unanimity. The Nice Treaty in 2001 further tilted the balance towards exclusive competence by extending majority voting to these areas (certain exceptions such as agreements that relate to trade in cultural and audiovisual services, education, social and human health services as well as transport services, which remain outside the scope of Article 133).²⁴¹ Furthermore, according to Meunier and Nicolaidis, the prospect of the imminent enlargement of the EU to many countries paved the way for “a sense of urgency to revisiting the trade competence issue.”²⁴² “An arrangement originally designed for six members would likely no longer be adequate when the single voice has to present 25 or 27 different countries.”²⁴³

Until the Amsterdam summit, the legal norm of the Treaty of Rome governing the CCP (ex. Art 113 TEC) remained almost unchanged.²⁴⁴ How the scope and legal basis of the CCP mostly preserved its validity for a long time depends on two essential features that occurred outside the scope of the CCP. The first one is the creation of a single market that has sustained a fully harmonized import and export conditions within the Union. The second issue is the

²⁴⁰ *Ibid.*

²⁴¹ *Ibid.*

²⁴² Sophie Meunier and Kalypso Nicolaidis, “The European Union as Trade Power,” in *International Relations and European Union*, Edited by, Christopher Hill and Michael Smith, 2nd Edition, Oxford University Press, 2011, p.280.

²⁴³ *Ibid.*

²⁴⁴ Sophie Meunier and Kalypso Nicolaidis, “Who speaks for Europe? The Delegation of Trade Authority in the EU,” in *Journal of Common Market Studies*, Vol. 37, No. 3, September 1999, cited in Raza, *European Union Trade Politics*, p.7.

establishment of the WTO in 1995 that has altered every signatory country's trade policy with its binding nature on all its members where the EU is not an exception. Consequently, the EU's trade governance with the outside world since then depends on the rules framed by this inter-governmental organization.

The major changes in the trade policy have been regulated with the Lisbon Treaty (ToL) which came into effect by 2009. Those changes are to be explored in the following part of this Chapter.

To sum up, the liberal stance of the EU in its common commercial policy-making has been codified in every Treaty of the Union that constitutes the basis for its legal framework. Then "it seems to be generally accepted among EU trade policy makers that liberal trade theory and the economic benefits it promises should form the legitimate conceptual framework for EU trade politics."²⁴⁵

3.3. The Policy-Making Procedure in the Common Commercial Policy

According to Meunier and Nicolaidis, the EU trade policy-making process is better clarified in three stages.²⁴⁶ This process covers how to decide, negotiate and conclude international trade negotiations in the multilateral trade organizations (WTO) or with the third countries via Free Trade Agreements (FTAs). In the first instance, the determination of a negotiation mandate is required. As the Commission is vested with the power to propose legislation and act as the guardian of the EU treaties, this privilege gives it the right to elaborate proposals for the initiation and content of international trade negotiations. There is also an advisory committee called the Trade Policy Committee, where it plays a crucial role in helping member states to influence EU trade policy, although its role is consultative only. The Council then agrees by a QMV on a negotiating

²⁴⁵ Raza, *European Union Trade Politics*, p.2.

²⁴⁶ Meunier and Nicolaidis, "The European Union as Trade Power," p.283-86.

mandate to hand out to the Commission. The Nice Treaty 2001 intended to adopt a new voting system for Council decisions to balance the new weighting of votes resulting from the enlargement from 15 to 25 Member States would entail. Nonetheless, the main criticism for the new QMV introduced through the Nice was the system with a high threshold including three criteria for the decisions to be adopted in the Council: 74% of Member States' weighted votes cast by a majority of Member States and, optionally, a check that the majority represented 62% of the EU's total population. Therefore, the new voting method named 'double-majority voting' has been regulated in the Lisbon Treaty to overcome these drawbacks. In contrast to the previous majority rules, which are regarded to better protect smaller and the medium-sized Member States, the new system focuses on the demographic weight of member states.²⁴⁷ The adoption of acts by the Council now requires the approval of 55% of member states (16) (72% if the act has not been proposed by the Commission), which must represent at least 65% of the EU's population. To limit the possibility of larger states joining together to stop proposals, a blocking coalition must include at least four member states representing at least 35% of the EU's overall population.²⁴⁸ In cases where not all member states participate in voting (e.g., acts adopted only by euro area or the Schengen Member States, or within enhanced cooperation), the qualified majority is calculated only based on the participating member states.²⁴⁹ Although the new system has been introduced as to have the intention to increase the speed and efficiency of Council decision-making and to make the process more transparent and legitimate, it was postponed for five years, after the entry of the Lisbon Treaty into force, as of 1 November 2014.

²⁴⁷ European Parliament, *Changed rules for qualified majority voting in the Council of the EU, At a glance*, December 2014, European Parliamentary Research Service. Web page https://www.europarl.europa.eu/RegData/etudes/ATAG/2014/545697/EPRS_ATA%282014%29545697_REV1_EN.pdf; accessed on 21.03.2019.

²⁴⁸ *Ibid.*

²⁴⁹ *Ibid.*

According to a study done by a consultancy firm on the EU issues,²⁵⁰ although it is not expected to witness a fundamental change in the Council's "culture of compromise" with the new voting system, the new framework has the potential to create different dynamics. For example, the study suggests that, as the "population size" is getting more prominence in this system, the four largest EU countries' strength is reinforced. To a more considerable extent, Germany, along with the UK (at the time of research, no "Brexit" issue was on the agenda), France, and Italy have become the biggest winners in this transition. Beyond this group, all others shrink in relative terms, but this impact is significantly magnified for medium and small countries. Moreover, blocking minorities are meant to become more difficult to form under the new voting framework. Although the system is designed to safeguard the small member states against an alliance of the largest ones, it rarely blocks a text completely in Council.

As it can be detected from the figure below, with the new system, the voting balance in the Council has shifted the power to the core three founding members (Germany, France, and Italy) together with the UK, contrary to the old system where the weight of votes was distributed relatively in a more balanced way. For instance with the new system based on share of population, Germany has 15,93%, France 12,93%, the UK 12,61%, Italy 11,81%, Spain 9,24%, Poland 7,62% and Romania 3,97% voting weights in the Council.

²⁵⁰ Fleishmanhillard, 2014, Bruxelles2 Pro web page http://club.bruxelles2.eu/wp-content/uploads/2014/11/New-Council-voting-rules-kick-off_1-Nov-14.FINAL.pdf; accessed on 18.03.2019.

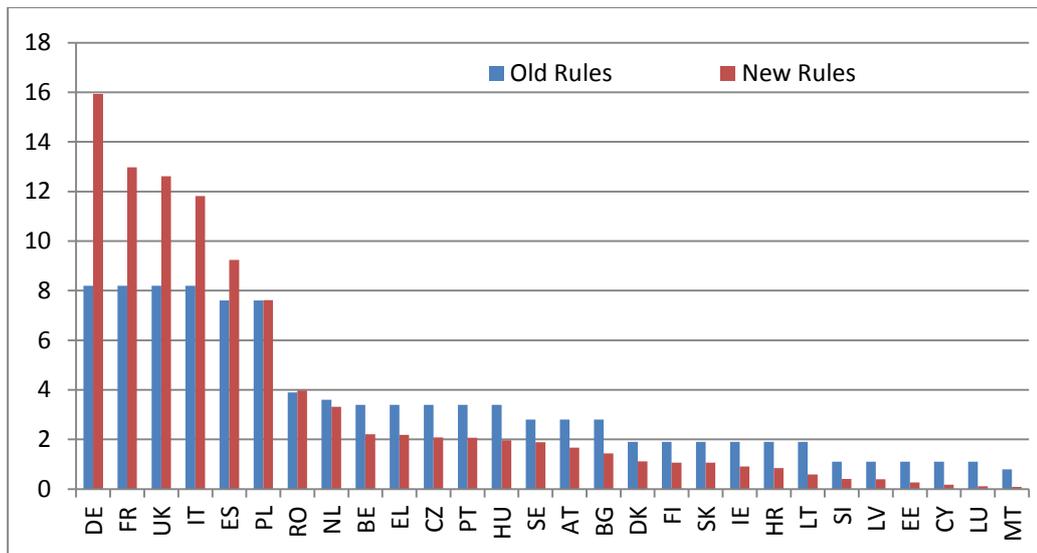


Figure 1: Comparison of voting weights prior to and after 1 November 2014 in the Council (%) Source: European Parliament, At a Glance, December 2014 ²⁵¹

Following the adoption of the negotiation mandate, the second stage in the trade policy-making is the negotiation process. Nevertheless, “the actual conduct of international trade negotiations for the EU is carried out by members of the Commission, acting under the authority of the Trade Commissioner.”²⁵² For instance, in the WTO meetings, the Commission speaks as one voice for the entire EU, while the representative delegates of member states can only join those meetings as an observer. The third and last stage in the trade policy-making process is the conclusion of the negotiations, where the trade agreements must be ratified. In the pre-Lisbon period, trade agreements were under the EU competence, and then it was up to the Council to reject or approve the final text according to the QMV, with the exceptions of some services and intellectual property negotiations where unanimity was the rule. However, for the “mixed

²⁵¹ European Parliament, at a glance, web page, http://www.europarl.europa.eu/RegData/etudes/ATAG/2014/545697/EPRS_ATA%282014%29545697_REV1_EN.pdf; accessed on 21.03.2019.

²⁵² Meunier and Nicolaidis, “The European Union as Trade Power,” p.285.

trade agreements” the procedure was more complicated, as they cover a wide range of issues under the trade topic. Their ratification had to be made both by the Council and by the individual member states according to their domestic laws. Henceforth, under Lisbon’s rules, the trade agreements are still required to be ratified by the Council, but together with the Parliament’s assent. For the mixed trade agreements, no ratification of the individual member states is required anymore, leaving no room for surprises at the ratification stage in the member states.

After passing those procedures in the decision-making, it is under the responsibility of the Commission to put the trade policy into effect.²⁵³ This sometimes involves updating the EU’s existing trade laws. There are two ways to do so; *delegated acts and implementing acts*. Regarding the *implemented acts*, the primary responsibility for implementing the EU law lies with the member states.²⁵⁴ However, in areas where uniform conditions for implementation are needed, the Commission (or exceptionally the Council) adopts an implementing act.²⁵⁵ With the *delegated acts* the Commission adopts them based on a delegation granted in an EU law text. In this case, a legislative act cannot change the essential elements of the law, and the legislative act must define the objectives, content, scope, and duration of the delegation of power.²⁵⁶ Moreover, the Parliament and Council may revoke the delegation or express objections to the delegated act.²⁵⁷

In the trade-policy making procedure, as is clear, the Commission has a sole power, which, according to Elsig, creates “autonomy by design,” by a

²⁵³ European Commission, Implementing and delegated acts, web page, https://ec.europa.eu/info/law/law-making-process/adopting-eu-law/implementing-and-delegated-acts_en; accessed on 2.3.2019.

²⁵⁴ *Ibid.*

²⁵⁵ *Ibid.*

²⁵⁶ *Ibid.*

²⁵⁷ *Ibid.*

delegation from member states to supranational institutions.²⁵⁸ With this “autonomy by design” Commission is tilted with three important powers: “agenda-setting power, representational power, and implementation power.”²⁵⁹

However, besides the authority of formal institutions of the EU in the formation of trade policies, some informal institutions also have the ability to express the influence on this legal procedure. Although this chapter aims to analyze the legal forms and system of the EU’s trade governance, it is appropriate here to touch upon briefly those informal settings and their impact on the EU’s decision-making to elaborate on the subject more comprehensively.

Several empirical studies show how the EU’s trade policy is driven by the economic interests of the societal groups managed with the sensitive workings of the Commission as a bridge among those conflicting demands.²⁶⁰ Interest groups have the possibility of imposing their lobbying efforts on their national governments and push them to block trade agreements that run counter to their interests.²⁶¹ As “the Commission is aware of the fact and does not want the Council to reject its proposals, it created a “symbiotic” relationship between the Commission and interest groups.”²⁶² Not surprisingly, this leads to a situation in which “companies and the Commission present the member states with a

²⁵⁸ Manfred Elsig 2007, cited in Cornelia Woll, “EU Foreign Economic Policies: autonomy of EU institutions,” in *Key Controversies in European Integration*, Edited by Hubert Zimmermann and Andreas Dür, Palgrave Macmillan 2012 p.185.

²⁵⁹ Elsig, “European Union trade policy after enlargement,” p.791.

²⁶⁰ See for example, Dür, “Economic interests in the EU trade policy-making”; von Apeldoorn, *Transnational Capitalism and struggle over European Integration*; Bieler, *Globalisation and Enlargement of the European Union*.

²⁶¹ Andreas Dür, “Economic Interests and EU Trade Policy-Making,” paper presented for Panel on: *Economic Interests and European Integration*, Montreal, 17-19 May, 2007, p.8, <http://aei.pitt.edu/7801/1/dur-a-09d.pdf>

²⁶² Sonja Mazey and Jeremy Richardson, “Interest Groups and the Brussels Bureaucracy,” in Jack Hayward and Anand Menon (eds.) *Governing Europe*, Oxford: Oxford University Press, 2003, p.209-212, cited in Dür, ‘Economic Interests and EU Trade Policy-Making’, p.7.

negotiating strategy ‘pre-approved’ by the European industry.”²⁶³ Remarkably, The European Round Table for Industry (ERT) and the Union of Industrial and Employers’ Confederation of Europe (UNICE) have pushed the Commission for wide-ranging negotiations in the Doha Round of the WTO.²⁶⁴ At the national level, particularly all broad employers’ associations, such as the Federation of German Industry, the Confederation of British Industry has backed for more liberalized trade.²⁶⁵ Indeed, not only for trade negotiations for further liberalized market access but, also the enlargement policies of the Commission have also been influenced by those interest groups, such as in the eastern enlargement of the EU that was backed with the ERT. In that respect, much research has been done about ERT’s role in shaping the EU’s policies, especially their relationship with the Commission. For example, Van Apeldoorn argues that; platforms like the ERT play a decisive role in shaping political interest and even the ideologies of the European states and the EU in general.²⁶⁶ Moreover, it is argued that the ERT’s lobbying activities and influence resulted in “a gradual shift towards European policies which increasingly favor large corporations and economic globalization.”²⁶⁷

The ERT’s access to European commissioners is unchallenged, and it also enjoys privileged connections with the members of the

²⁶³ Maria Green Cowles, “The Transatlantic Business Dialogue and Domestic Business-Government Relations,” in Maria Green Cowles, James Caporaso and Thomas Risse (eds.) *Transforming Europe: Europeanization and Domestic Political Change*, Cornell University Press, 2001, p.171, cited in Dür, ‘Economic Interests and EU Trade Policy-Making’, p.7.

²⁶⁴ Dür, “Economic Interests and EU Trade Policy-Making,” p.12.

²⁶⁵ *Ibid.*, p.13.

²⁶⁶ Bastiaan van Apeldoorn, *Transnational Capitalism and the Struggle over European Integration*, Routledge, London 2002 cited, in Ihor Ilko, ‘The European Union’s External Trade Policy after the Treaty of Lisbon: A Neo-Gramscian Perspective,’ *Codrul Cosminului* 21(1), July 2015, p.71, https://www.researchgate.net/journal/2067-5860_Codrul_Cosminului

²⁶⁷ Belen Balanya, Ann Doherty, Olivier Hoedeman, Adam Ma’anit and Erik Wesselius, “Writing the Script: The European Roundtable of Industries,” in *Europe Inc. Regional and Global Restructuring and the Rise of Corporate Power*, Pluto Press, London, 2000, p.3.

increasingly powerful European Parliament. In combination with long-standing linkages between member companies and their national governments, this access to the Brussels bureaucracy has been a critical element of the ERT's lobbying success.²⁶⁸

However, the members of those business organizations are not always work in harmony concerning their differentiated interests. For instance, during the Uruguay Round negotiations, their battle marked the process. The most negative stance was taken by the French in the negotiations, predictably in agricultural issues.²⁶⁹ But, other members of the ERT succeeded to convince their French colleagues that,

European industry should no longer let itself be 'dictated' to by the agricultural lobby... Since then, there seems to be a stronger than ever consensus around an unconditional commitment to global free trade.²⁷⁰

Another critical factor in shaping the ERT structure in creating its power of influence is the national representation of its members within the organization. Although it has been declared by the ERT that, "[m]embership is individual, not corporate, and is by invitation only,"²⁷¹ which country's corporates should be invited to the group have utmost importance in shaping the structure and the power of the organization. It has been arranged in way that those newcomers to the organization would produce the desired influence along with the shared interests of the existing group. An example can be given with the relative decline of French weight when compared with the early years of the organization that was attributed to the rise of British and German industrialists within the ERT, "in

²⁶⁸ *Ibid.*, p.20.

²⁶⁹ van Apeldoorn, *Transnational Capitalism and the Struggle over European Integration*, Routledge, London, 2002, p.165.

²⁷⁰ *Ibid.*, p.165-166.

²⁷¹ European Round Table for Industry (ERT) web page, <https://ert.eu/members/>; accessed on 21.02.2020.

both quantitative and qualitative terms”²⁷² with also their more prone attitude to liberal policies.

In analyzing the recent national representation in the ERT,²⁷³ it is detected that the influence of the core large members’ companies, particularly the German ones, have dominated the biggest influential interest group of Europe, wherefrom the newest members, only Hungary has one representative firm (MOL). This low presentation of the medium and small-sized members’ companies in the ERT would cause the balance to shift in favor of large members’ companies in the trade policy orientation. When the power of the ERT is considered, in order to access to the Commission and to the national governments to pursue the commercial interests of its members, without doubt, the commercial interests of the low or non-presentation of medium and small-sized member states’ firms within the organization have been largely disregarded.

Finally, it can be argued here that the influence of those business circles in implementing of a pro-liberal approach marked the process in the governance of trade policy within the EU.

Accordingly, it can be stated that the actors of trade policy-making in the EU can be divided into two groups. On the one hand, formal EU actors; European Commission, member state representatives in the Council of Ministers and the European Parliament (EP), and on the other hand, private actors, such as business interest groups.²⁷⁴ Thus, decisions result from an organized interplay between the EU’s formal actors, a process in which the Commission proposes both the Council of Ministers and the EP decide (particularly after the ToL) and private actors that try to exert some pressure at various stages of this process.²⁷⁵

²⁷² van Apeldoorn, *Transnational Capitalism and the Struggle over European Integration*, p.96.

²⁷³ European Round Table for Industry (ERT) web page, <https://ert.eu/members/>; accessed on 18.03.2019.

²⁷⁴ Gstöhl, “The European Union’s Trade Policy,” p.6.

²⁷⁵ *Ibid*, p.7-8.

3.4. Main Features of the Common Commercial Policy

The EU's extra-trade, referring to its trade with the third countries, constitutes essential shares in the world trade for this trading bloc. Therefore, in efforts to understand the principles and practice of the Union's extra-trade policy with the rest of the world, attention should be given to its CCP. In that frame, Brühlhart and Matthews explain in their study that CCP of the EU consists of three main features.²⁷⁶

In the *first instance*, the common external tariffs and other border measures affecting trade in goods comprise the formation of the CCP. In retrospect, the developments in measures affecting tariffs and equivalent policies in the world trade and the CCP can be summarized as follows. Following the Second World War, within the world trading system ruled by the GATT, customs duties were in decline with successive multilateral rounds. Through the Kennedy Round (1964-67), a reduction in trade barriers was around by 35% on average, with about two-thirds of the cuts reaching 50%.²⁷⁷ Through the Tokyo Round that took place in the 1970s (1973-79), the reductions resulted in an average one-third cut in customs duties in the world's nine major industrial markets, bringing the average tariff on industrial products down 4,7%.²⁷⁸ Moreover, with Uruguay Round (1988-1994), tariffs on industrial products were reduced by an average of more than one-third, and trade in agricultural goods was progressively liberalized.²⁷⁹

As a result of successive reductions in tariffs at the borders, they were nearly insignificant. Consequently, new border measures were introduced by the

²⁷⁶ Brühlhart, and Matthews, "EU External Policy," p.473-74.

²⁷⁷ WTO web page, https://www.wto.org/english/thewto_e/whatis_e/tif_e/fact4_e.htm; accessed on 26.02.2019.

²⁷⁸ WTO web page, Understanding the WTO, https://www.wto.org/english/thewto_e/whatis_e/tif_e/understanding_text_e.pdf; accessed on 26.02.2019.

²⁷⁹ Norman S. Fieleke, "The Uruguay Round of Trade Negotiations: An Overview", *New England Economic Review*, May/June 1995, p.3.

countries other than customs duties, which were defined as “the non-tariff barriers to trade” to protect their domestic markets and industries from competition deriving from importation; such as Voluntary Export Restrictions (VERs) and Multi-Fiber Arrangements (see Chapters 1 and 4 of this thesis). Furthermore, although the GATT articulated some measures, such as; subsidies, anti-dumping, and safeguard measures, they were inefficiently invoked under the GATT system with the absence of a compulsory mechanism. Subsequently, those kinds of measures were re-articulated within the “binding” nature of the WTO system in 1995 with separate agreements: Agreement on Safeguard, Agreement on Subsidies and Countervailing Duties, Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994 (antidumping). Additionally, as mentioned earlier, the developments in the international trade agenda paved the way to the emergence of the new trade related issues, (trade in services, trade related intellectual property rights, and investments), that were also to be regulated under the WTO system. Besides, some other non-tariff barriers to world trade were put in order under the new agreements, e.g., Agreement on Technical Barriers to Trade and Agreement on the Application of Sanitary and Phytosanitary Measures.

The second feature of the CCP is the highly complex set of trade agreements with the non-members have been negotiated and put into force by the EU. That variety of unilateral and bilateral trade agreements concluded by the Union can be grouped in two topics; the Generalized System of Preferences (GSPs) and Free Trade Agreements (FTAs), where the latter establishes the “regionalism” of the EU.

Moreover, *the third dimension* of the CCP constitutes the EU’s multilateral obligations under the WTO since 1995, affecting it in every aspect. Although, the EU is one of the biggest supporters of a multilateral liberal trading system, its approach towards regionalism has been largely criticized in that context.

Within the frame of the above-mentioned general concepts, it is aimed firstly to cast light on the two dimensions of the EU’s trade policy-making.

Primarily its stance in the multilateral trading system in the WTO, particularly its recognition as a separate unit/member in the WTO trade negotiations, is to be explored. Nonetheless, “having a more than 50 years’ experience on negotiating international trade agreements on behalf of its members made the EU an essential player and a powerful bargainer in the multilateral trading system.”²⁸⁰

The second dimension of the EU’s trade policy-making is its regionalism that consists of negotiating and signing bilateral “Trade Agreements” with the non-members, which are deemed beneficial for the Union’s trade development. On the other hand, there are also unilateral actions in the EU’s trade relations that also constitute its regional approach, such as the GSP Regime. The GSP Regime is an instrument of granting trade preferences to the developing or less developed countries, starting with the implementation of the Lomé Convention in 1975, which derives from the EU member states’ colonial ties with those countries and regions. Accordingly, in this thesis the EU’s bilateral relations are to be worked out, as the Union’s unilateralism involves the agenda of trade together with the development policy that should be subject matter of another research. Other than GSP, “trade defense instruments” also constitute the unilateral dimension of the EU’s trade policy that are: “anti-dumping,” “anti-subsidy,” and “safeguard” measures. The legal background of those trade defense instruments generally involves very technical and detailed implementation rules depending on the related WTO agreements that should also be the subject matter of another research.

3.4.1. The EU and the Multilateral System

The main purpose of the WTO’s creation was to intensify the world trade among its members by limitations of all kinds of economic barriers that were in use in the preceding trading regime of the GATT. More importantly, the WTO’s

²⁸⁰ Meunier and Nicolaidis, “The European Union as Trade Power,” p.294.

establishment has comprised the institutionalized body of neoliberal thought in international trade, “whose primary purpose is to open trade for the benefit of all.”²⁸¹ Although growth and trade liberalization are considered to be the two main pillars of the orthodox liberal economic thought, “the central and defining feature of the revised neoliberal view, however, remains the belief that free trade and global integration is the best way to promote growth and development and to reduce poverty.”²⁸² However, contrary to those arguments, the increase in the imbalances within the distribution of the trade surpluses among the WTO members after applying those neoliberal trade policies marked the global economy. This caused some unintended consequences for some to be analyzed in Chapters 5 and 6 of this thesis.

Accordingly, at the European level also there have many policy papers and declarations announcing the “over-riding aim of the economic policy is to foster the growth,” where this should be done with the opening of the markets and sustaining the liberalization of trade, as “open economies tend to grow faster than closed economies.”²⁸³

The creation of the GATT was at the heart of a need to establish a set of liberal trade rules and a mechanism for resolving trade-related disputes as one of the pillars of the Bretton Woods System, after the Second World War under the hegemonic power of the USA. The GATT was very successful in liberalizing trade in manufactured products with the notable exception of textiles and

²⁸¹ WTO web page, https://www.wto.org/english/thewto_e/whatis_e/wto_dg_stat_e.htm; accessed on 21.3.2019.

²⁸² Sonali Deraniyagala, “Neoliberalism in International Trade: Sound Economics or a Question of Faith?,” in *NEOLIBERALISM A Critical Reader*, Edited by Alfredo Saad-Filho and Deborah Johnston, Pluto Press London, 2005, p.100.

²⁸³ European Commission, “Trade Policy as a core component of the EU's 2020 strategy,” Trade, Growth and World Affairs, Brussels, 9.11.2010 COM(2010) 612 final, web page, <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:0612:FIN:EN:PDF>; accessed on 21.2.2019.

clothing.²⁸⁴ As mentioned above, over the years, the GATT evolved through several rounds of negotiations, dealing with reducing tariffs of goods (often product by product) and non-tariff barriers, such as; anti-dumping measures and export subsidies. The GATT also subsequently “served as the institutional backbone for successive rounds of trade negotiations, which dealt with new trade difficulties as technology, economic practices and political events evolved during the Cold War period.”²⁸⁵

It is also remarkable to notice how the participants of GATT’47 increased from 24 ‘signatories’ to 164 ‘members’ of the WTO (as of 29 July 2016²⁸⁶), and how the post-war multilateral trade agreement transformed into a worldwide organization. The answer lies in the reality that, through the years, the complexity of the trade issues and the growth in the interdependence of the GATT members made some, especially the USA, not satisfied with the system and the mechanism of the GATT as the Cold War progressed. Particularly, the absence of a binding compliance mechanism among the signatories necessitated a “compulsory dispute settlement” mechanism.

Indeed, “the USA sought the creation of a rule-oriented approach (automaticity), along the lines of the NAFTA system, with a defined timetable for dispute resolution and the potential for cross-retaliation.”²⁸⁷ In contrast, “the primary objective of most other members of the OECD, along with many developing countries, was a system that would constrain unilateral action by the

²⁸⁴ Gerrit Faber and Jan Orbie, “The new trade and development agenda of the European Union,” *Journal Perspectives on European Politics and Society*, Volume 9, 2008 - Issue 2: The New Season of EU Development Policy Perspectives on European Politics and Society, p.194.

²⁸⁵ Spero, J. and Hart, J.A. 2003; Cohn, T.H. 2005 cited in, Jennifer Sterling-Folker, “Neoliberalism,” in *International Relations Theories, Discipline and Diversity*, Edited by, Tim Dunne, Milja Kurki and Steven Smith, 2nd Edition, Oxford University Press, 2010, p.129.

²⁸⁶ WTO web page, https://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm; accessed on 26.02.2019.

²⁸⁷ Robert Read, R (2007), “Dispute Settlement, Compensation and Retaliation Under the WTO,” in *Handbook on International Trade Policy*, Edited by William A. Kerr and James D. Gaisford, Edward Elgar Cheltenham, UK, Northampton, MA, USA, 2007, p.3-4.

United States.”²⁸⁸ The outcome of the negotiations was the “Dispute Settlement Mechanism” (DSU), “which dealt with many of the perceived weaknesses of the GATT system as well as, at least partially, satisfying the differing objectives of its leading members.”²⁸⁹ As the world trading system has changed since the post-war period from border protection to a more complicated, complex, and politicized trade protecting mechanisms, those developments necessitated a more comprehensive and liberal legal framework able to bind all its partners. These problems led the WTO’s institutional setting as the GATT’s replacement intended to supervise and liberalize international trade and solve disputes among its members, as the strongest institution of neoliberal policy in terms of world trade. The WTO defines its main function as “to ensure that trade flows as smoothly, predictably and freely as possible.”²⁹⁰ As a result, the WTO provides the institutional and legal foundation for the new multilateral liberal trading system that came into being on 1 January 1995.

The WTO rules and its annex agreements result from the Uruguay Round negotiations between 1986 and 1994 with the inclusion of a major revision of the original text of GATT. The complete set of regulations cover approximately 30,000 pages consisting of about 30 agreements and separate commitments (called schedules) made by individual members in specific areas, such as; lowering tariffs and market-opening in service trade.²⁹¹ At present, WTO is the only international organization responsible for monitoring world trade among its member states, particularly with the authority to judge the trade-related disputes thereof via Dispute Settlement Mechanism. Nonetheless, the WTO annexed agreements cover a wide range of activities regarding the world trading system from trade in goods, including agriculture, textiles and clothing, trade in services,

²⁸⁸ *Ibid.*, p.4

²⁸⁹ *Ibid.*

²⁹⁰ WTO web page, https://www.wto.org/english/thewto_e/whatis_e/inbrief_e/inbr_e.htm; accessed on 08.03.2019.

²⁹¹ *Ibid.*

government purchases, industrial standards and product safety, and food sanitation regulations, intellectual property rights, and much more.

The EU's position in the WTO as a single trading bloc derives from its status of being a "customs union." This entails to analyzing the legal status of the Union according to the multilateral liberal trading system. The most important principle underlying the GATT was and still is the principle of Most Favored Nation treatment (MFN), where it is manifest throughout the GATT and its successor WTO and other all trade agreements part of it.²⁹² It is articulated in GATT 1947 with Article I:1, which provides (inter alia) that;

...any advantage, favour, privilege or immunity granted by any contracting party to any product originating in or destined for any other country shall be accorded immediately and unconditionally to the like products originating in or destined for the territories of all other contracting parties.²⁹³

This provision regulates the non-discriminatory action in the international trade when a country lowers the tariff on a certain commodity, that same low tariff must apply to all of those products irrespective of their origin, as long as they originate in the territory of a member.²⁹⁴ In that vein, contrary to the aim of MFN principle, the creation of free trade areas and customs unions would be considered to reflect a discriminatory action in the liberal and non-discriminatory order of the world trading system aimed be achieved after the post-war period (see Chapter 1). Even though "a large number of different regional integration schemes have been created between parties to the GATT, the multilateral system

²⁹² Henrik Carlborg, *The "Substantially all the Trade"- Requirement of GATT Article XXIV A Lawyer's View*, Thesis for the Degree of Master of Laws, Faculty of Law, Lund University, Semester: Spring 1999 1995, p.21-22.

²⁹³ WTO, GATT 1994, web page, https://www.wto.org/english/res_e/publications_e/ai17_e/gatt1994_art1_oth.pdf; accessed on 8.3.2019.

²⁹⁴ Carlborg, *The Substantially all the Trade*, p.22.

has likewise been strengthened.”²⁹⁵ Nevertheless, it is also true that “the rules of the GATT governing free trade areas and customs unions are the ones that have been most flexibly construed in practice.”²⁹⁶

The establishment of customs unions and free trade areas was first articulated in GATT’47, Article XXIV. Subsequently, when GATT’47 is transferred to the GATT’94, as an organic part of the WTO Agreement, an emphasis is made by “the Understanding of the Interpretation of the Art. XXIV”:

...Recognizing that customs unions and free trade areas have greatly increased in number and importance since the establishment of GATT 1947 and today cover a significant proportion of world trade; Reaffirming that the purpose of such agreements should be to facilitate trade between the constituent territories and not to raise barriers to the trade of other Members with such territories; and that in their formation or enlargement the parties to them should to the greatest possible extent avoid creating adverse effects on the trade of other Members.²⁹⁷

Having said that, “whether Article XXIV should be given a narrow or broad construction, most views probably favor the former and thus the trade covered by an agreement should be as large as possible.”²⁹⁸ This is related to the view that Article XXIV is an exception to the general rule in Article I that WTO members should not discriminate between other members, but instead apply the same tariffs to all products, whatever WTO country they originate in.²⁹⁹ For instance, in a non-paper submitted to the WTO Committee on Regional Trade Agreements in 1997 (WT/REG/W/19), Hong Kong-China states the issue below.³⁰⁰

²⁹⁵ *Ibid.*, p.7.

²⁹⁶ *Ibid.*, p.8.

²⁹⁷ WTO web page, https://www.wto.org/english/docs_e/legal_e/10-24.pdf; accessed on 8.3.2019.

²⁹⁸ Carlborg, *The Substantially all the Trade*, p.45.

²⁹⁹ *Ibid.*

³⁰⁰ WTO documents online, <file:///C:/Users/USER/Downloads/W19.pdf>

The most important of these obligations is the MFN rule in Article I of the GATT. Article XXIV is an exception to the MFN rule and should be recognized as such in analysis of any issues related to this Article. Consequently, Article XXIV provisions should be construed narrowly, and not so as to compromise the MFN rule. The view has been advanced that existing regional trade agreements (RTAs) which have been examined in a WTO working party are now “tolerated” by the GATT/WTO, and that such RTAs should have a bearing on the question of what is compatible with GATT/WTO, and hence the interpretation of Article XXIV.

In the records of the WTO Committee on Regional Trade Agreements, similar interpretations have been submitted by other WTO member countries to give the provisions of Article XXIV a clear nature. The view that favors the narrow interpretation suggests that Article XXIV agreements could be compared to the granting of waivers under Article IX:3 of the WTO agreement, where this would call for a stringent interpretation of Article XXIV indeed.³⁰¹ Not surprisingly, the EU has disputed these views. First, the Union argued that,

the approval of a free trade agreement or a customs union could not be considered as a “waiver”, while waivers are sometimes granted to Members who are undisputedly in violation of their WTO obligations, but who can give convincing reasons why they nevertheless should be allowed to continue their offending practices.³⁰²

The EU also defended itself, stating that “the drafters of the GATT and the successive participants in multilateral negotiating rounds had accepted that RTAs, be they customs unions or FTAs, could play a supporting role in the development of the multilateral system.”³⁰³

³⁰¹ Carlborg, *The Substantially all the Trade*, p.45.

³⁰² *Ibid.*

³⁰³ WTO documents online, WT/REG/M/17, paragraph 24, <file:///C:/Users/USER/Downloads/M17.pdf>

To put it briefly,

[a]s far as Article XXIV is concerned, the WTO membership does not want clear rules. In that particular context, states want to retain maximum freedom of action. It may be because regional integration agreements are of a highly political nature or for some other reason, but the fact remains that nobody seems to want Article XXIV to be given a clearer substantive meaning.³⁰⁴

Despite the largely accepted broad approach to the interpretation of Article XXIV, this tendency did not prevent other WTO members from making claims for compensation under Article XXIV for the EU's enlargements. This might be interpreted in a way that the article aims to balance the "trade diversion" effect of the enlargements for the outsiders. In fact, the GATT 1994 Paragraph 6 of Article XXIV establishes the procedure to be followed when a member forming a customs union proposes to increase a bound rate of duty that constitutes a trade loss for the non-members of the union. This gives the right other WTO members to start negotiations to achieve mutually satisfactory compensatory adjustment with the partners of the customs union. For instance, the enlargement with Spain in 1986 was followed by a trade row between the EU and the USA over the amount of compensation, and the deal was reached after threats of counter retaliations.³⁰⁵ Moreover, the 1995 enlargement with Austria, Sweden, and Finland also led to compensation negotiations that resulted in a deal in December 1995 with the USA, Canada, Australia, and other trading partners that claimed trade loss due to the enlargement.³⁰⁶

Furthermore, a compensation agreement was signed in 2006 between the USA and the EU relating to the EU's expansion in May 2004 from 15 to 25

³⁰⁴ Carlborg, *The Substantially all the Trade*, p.55.

³⁰⁵ Jan Orbie, "European Enlargement and External Trade: Towards a Protectionist Regional Bloc?", *Alternatives, Turkish Journal of International Relations*, Volume 2, Nm.1, Fall 2003, footnote 4.

³⁰⁶ *Ibid.*

members, for changes to offset the tariff increases thereof.³⁰⁷ Nevertheless, the ten new members were required to change their tariff schedules to conform to the EU's common external tariff schedule, increasing some imported products' tariffs. The compensation agreement reduced several agricultural and industrial tariffs to offset tariff increases that the EU implemented due to the enlargement.³⁰⁸

Whether in bilateral, regional or multilateral trade negotiations, Europe formally speaks with one voice and negotiates through one agent, "The European Commission."³⁰⁹ In the frame of the WTO, being an intergovernmental organization, every EU member state is also a WTO member in her own right, but work together to act as a single bloc. The EU itself is also a member, and the European Commission negotiates at the World Trade Organization on behalf of the EU. The Commission coordinates with the EU member states through the "Trade Policy Committee" and conducts the EU policy by following guidelines set down by the member states in the Council of Ministers. The Commission also regularly informs the European Parliament of the key WTO issues.

As mentioned before, the EU has more than 50 years' experience in negotiations in a multinational trading environment, which paved the way for the Union to develop a well-framed bargaining concept. Therefore, the EU's different bargaining positions or behavior in the WTO can be observed depending upon the differentiated interests and influences directed to the Commission by the societal groups and business circles. On the one hand, when the EU seeks for new markets and advanced market access for its exporters, it applies an "*Offensive*" behavior in the multilateral negotiations for further liberalization. However, on

³⁰⁷ European Union, European External Action Service, Treaties Office web page, [Databasehttp://ec.europa.eu/world/agreements/prepareCreateTreatiesWorkspace/treatiesGeneralData.do?step=0&redirect=true&treatyId=1781](http://ec.europa.eu/world/agreements/prepareCreateTreatiesWorkspace/treatiesGeneralData.do?step=0&redirect=true&treatyId=1781); accessed on 21.10.2019.

³⁰⁸ The USTR web page, https://ustr.gov/archive/Document_Library/Press_Releases/2006/March/United_States_European_Union_Sign_Enlargement_Compensation_Agreement.html; accessed on 19.02.2019.

³⁰⁹ Bart Kerremans, "The European Union, its Common Commercial Policy and the World Trade Organization," *The European Union and Global Governance*, Edited by Jens-Uwe Wunderlich and David J. Bailey, 2011, p.200.

the other hand, with the influence of political concerns, the Union applies a “*Defensive*” behavior when it comes to protecting its domestic market for some “*sensitive*” sectors through importation, such as agriculture. The EU’s changing bargaining position mainly depends on the dialectic opposition between the supporters of protectionist and liberalist approaches of the member states and business circles in their ability to access the Commission.

In his study, Elsig explores the controversial debate on the trade-related decision-making in the EU, particularly afterward of eastern enlargement compared with the EFTA enlargement, “where the former promises to transform the political economy of the EU more substantially.”³¹⁰ Furthermore he argues that “protectionist forces have been strengthened relative to liberal forces” with the eastern enlargement.³¹¹ Not surprisingly a country with a relatively important agricultural sector and high market shares within the European single market is expected to be more critical about liberalizing markets for agricultural products.³¹² Regarding the Doha Development Round of the WTO, the EU stance in agriculture was challenging to the other WTO members who were supporters of a more liberal multilateral trading. The main reason for the collapse of the Doha negotiations was the USA and the EU’s reluctance to give up their subsidies in this highly politicalized sector. In that case, new member states, “Poland, Hungary, Slovak Republic and Lithuania led by France was closely monitoring the Commission intending to check it does not propose new concessions in agriculture.”³¹³ However, it was interesting to see the Hungarian position on agricultural support after its accession that has changed significantly, while during the Uruguay negotiations the country was supporting further liberalism of agricultural markets.³¹⁴ On the opposing side, other new members

³¹⁰ Elsig, “European Union trade policy after enlargement,” p.784.

³¹¹ *Ibid.*, p.783.

³¹² *Ibid.*, p.785.

³¹³ *Ibid.*, p.788.

³¹⁴ *Ibid.*, footnotes:7.

the Czech Republic, Estonia, and Latvia have teamed up with Sweden and the UK to push the EU to take up positions that are more liberal during the Doha Round negotiations.³¹⁵

Besides the EU's negotiation position in the WTO between those protectionist versus liberal factions, its situation in the Dispute Settlement Mechanism of the WTO needs a separate inquiry. Actually, the Union's situation in the DSM is a little confusing, anyhow, which also reflects an irony: The EU is a supranational authority enforcing rules over its member states in trade issues and, at the same time, a member of a multilateral organization confronting legally binding rules upon its members on all trade-related matters. It is interesting to observe;

how the EU long used to grappling within its own borders with the problem of how to reconcile free trade provisions with national regulatory interests, has responded when it has found itself in the position of the member whose regulatory policies are open to challenge for compatibility with the rules of the WTO.³¹⁶

In that regard, there have been many cases taken to the WTO- DSM against the EU's trade policies and implementations that are not in full compliance with the WTO rules. The EU is a very active member of the WTO, being a part of the Dispute Settlement mechanism in 376 cases, of which 99 as a complainer, 85 as a respondent, and 192 as a third party.³¹⁷

³¹⁵ *Ibid.*, p.788.

³¹⁶ Gráinne de Búrca and Joanne Scott, "The Impact of the WTO on EU Decision-Making," *The Jean The Jean Monnet Seminar and Workshop on the European Union, NAFTA and the WTO Advanced Issues in Law and Policy*, Monnet Center for International & Regional Economic Law & Justice, Harvard Jean Monnet Working Paper 06/2000, p.3.

³¹⁷ WTO Dispute settlement activity web page, https://www.wto.org/english/tratop_e/dispu_e/dispustats_e.htm; accessed on 28.01.2019.

3.4.2. The EU's Regional Dimension

Trade liberalization has occurred in recent decades in the forms of multilateral, regional, and unilateral.

More open trading arrangements have fed on themselves through political economy forces increasingly disposed to further trade opening and countries have participated in more open trade arrangements, in part so as to avoid being left behind- the domino effect.³¹⁸

There have been many analyses in order to find an adequate answer, why states prefer regional trade liberalization instead of multilateral, non-discriminative and more predictable free trade system involving more markets and alternative trade or investment sources. Essentially, the primary inquiry should be directed to search “what determines the balance of interests that gives rise either to a spaghetti bowl phenomenon,³¹⁹ or a relative lack of discrimination.”³²⁰

The WTO still has its importance in the world trade, despite the insufficient complementation of the last multilateral Round of Doha, and the recently growing tendency towards Regional Trade Agreements (RTAs), where they have become increasingly prevalent since the early 1990s. According to the WTO database,³²¹ the latest figures on the physical number of RTAs (counting goods and services together) are 294 notified to the WTO. Asia, Europe, and Latin America appear to be relatively more active than other regions in respect of

³¹⁸ Richard Baldwin and Patrick Low, *Multilateralizing Regionalism: Challenges for the Global Trading System*, WTO, Cambridge University Press, 2009, p.2.

³¹⁹ “The spaghetti bowl effect is a phenomenon of international economic policy that refers to the complication which arises from the application of domestic rules of origin in the signing free trade agreements across nations.” Jagdish N.Bhagwati, “US Trade Policy: The Infatuation with FTAs,” Columbia University, Discussion Paper Series No. 726, April 1995.

³²⁰ Baldwin and Low, *Multilateralizing Regionalism*, p.4.

³²¹ WTO, Regional Trade Agreements Database, web page, <http://rtais.wto.org/UI/publicsummarytable.aspx>; accessed on 22.04.2019.

resorting to those kinds of agreements. For the sake of brevity, in this thesis, the term “Free Trade Agreements” (FTAs) is to be used as a basis for regionalist trade integrations, where FTAs account for the majority of the RTAs.³²² Recently EU is the leader of the FTAs, with having 99 FTAs, whereas East Asia, South America, the Commonwealth of Independent States (CIS), and North America have 86, 61, 42, and 43 FTAs respectively.³²³

Some frustrations with the WTO’s slowness in reaching agreement due to its many participants and their variable interests, have led some to conclude that “economic integration, regional or bilateral, would result in a quicker pace for negotiations since by definition it would reduce the parties involved.”³²⁴

However, according to the WTO Report published in 2011, the increasing number of FTAs exposes something different as those agreements also respond to a range of economic and political needs where governments are in need to find a coherent way of fashioning trade policy at the regional and multilateral level.³²⁵ On the other hand, some views suggest that the need for diversified trade relations, via bilateral or regional, other than provided with the WTO, can be regarded as “smacking of neocolonialism.”³²⁶

Before analyzing the models, contents of those agreements and with whom they have been signed, first in retrospect, the developments and shifts

³²² “According to typology of RTAs in force, the most common category is the free trade agreement (FTA) which accounts for 84 per cent of all RTAs. Other types are customs unions, and partial scope agreements.” WTO Discussion Paper No.8, 2005, p.3, https://www.wto.org/english/res_e/booksp_e/discussion_papers8_e.pdf.

³²³ WTO Regional Trade Agreements Database, web page, <http://rtais.wto.org/UI/Charts.aspx>; accessed on 22.04.2019.

³²⁴ Ali M. El-Agraa, *The European Union Economics and Policies*, edited by Ali M. El-Agraa, Eighth Ed., Cambridge University Press, 2007, p.17.

³²⁵ WTO World Trade Report 2011, The WTO and preferential trade agreements: From co-existence to coherence, https://www.wto.org/english/res_e/booksp_e/anrep_e/world_trade_report11_e.pdf; accessed on 22.04.2019.

³²⁶ Meunier and Nicolaidis, “The European Union as Trade Power,” p.295.

within the EU trade policy-making regarding the FTAs are to be mentioned below.

The EU is a major beneficiary of the trend towards global non-discriminatory trade liberalization. However, as a leading trading bloc contrary to its stance near to the liberal and non-discriminatory trading environment, the EU also resorts the “Regional Trade Agreements” as a gateway to enter into the new markets. Nonetheless, the Union’s approach towards concluding FTAs did not reflect a stable stance over the last decades. The EU’s ambitious policy on the FTAs at the beginning of the 1990s has slowed down in the mid-1990s and replaced multilateral trade negotiations under the WTO’s umbrella, where the EU has backed multilateralism. From 1999 until the recent policy shift in 2006, the EU exercised a de facto moratorium on new FTA negotiations, which was not a formal policy but was based on a consensus of the member states.³²⁷ In 1999, the Union declared not to start any more FTAs, yet to conclude the existing ones.³²⁸

Nevertheless, later in 2006, the EU started to redirect her route towards FTAs with a Communication namely; “Global Europe: Competing in the World.” It states in the Communication that;

Free Trade Agreements (FTAs), if approached with care, can build on WTO and other international rules by going further and faster in promoting openness and integration, by tackling issues which are not ready for multilateral discussion and by preparing the ground for the next level of multilateral liberalization. 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. But FTAs can also carry risks for the multilateral trading system. They can complicate trade, erode the principle of non-discrimination and exclude the weakest economies. To have a positive impact FTAs must be comprehensive in scope, provide for liberalization of substantially all trade and go beyond WTO disciplines. The EU’s priority will be to ensure that any new FTAs, including our own,

³²⁷ Stephen Woolcock, “European Union policy towards Free Trade Agreements,” *ECIPE Working Paper*, No. 03, 2007, p.2.

³²⁸ *Ibid.*

serve as a stepping stone, not a stumbling block for multilateral liberalisation.³²⁹

According to Bieler, the EU's new bilateral free trade strategy aims to boost "the international competitiveness of European business through the opening up new markets abroad."³³⁰ Furthermore, Bieler states that

Global Europe as a free trade strategy is clearly part of European and global restructuring³³¹ [and], driven by a rationale of increasing international competitiveness of European exports, by focusing on the opening up of other countries.³³² It locks them into a relationship of unequal exchange, in which high-productivity goods and services are traded in exchange for low productivity goods.³³³

As Woolcock figured out, many factors have triggered the move from the "de facto moratorium" to the new approach towards the FTAs with the "2006 Communication."³³⁴ The first factor was the difficulties in reaching consensus in the framework of the Doha Development Agenda of WTO and the EU's failure to achieve its aim of a comprehensive trade agenda. The second factor was the shift in the US trade policy that pushed the EU to respond.³³⁵ Nevertheless, during the 1990s, the US policy considered the FTAs bilateral means to the end of multilateral liberalization and rulemaking.³³⁶ However, from 2000 the US began to see the FTAs more as an alternative to multilateral liberalization and thus

³²⁹ European Commission, *Global Europe: Competing in the world*, Brussels, 4.10.2006, <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2006:0567:FIN:en:PDF>; accessed on 20.03.2019.

³³⁰ Andreas Bieler, "The EU, Global EU, and processes of uneven and combined development: the problem of transnational labour solidarity," *British International Studies Association*, First published online 29 May 2012, p.165.

³³¹ *Ibid.*, p.179.

³³² *Ibid.*, p.181.

³³³ *Ibid.*, p.181-182.

³³⁴ Woolcock, "European Union policy towards Free Trade Agreements," p.5.

³³⁵ *Ibid.*

³³⁶ *Ibid.*

engaged with an active agenda of FTAs ranging from CAFTA (Central America Free Trade Agreement) to South Korea.³³⁷ A third factor behind the EU regional policy shift was the growing pressure from the EU exporters and investors to strengthen their presence in the Asia region, namely for India, ASEAN, and South Korea. The final factor shaping the EU's regional policy was the change in the staff of the Commission.³³⁸ Actually, the de facto moratorium on the new FTAs was closely associated with Pascal Lamy, the EU's Commissioner for Trade from 1999 to 2004, who was dedicated to liberal, open and multilateral trade system, and subsequently became the General Secretary of the WTO between 2005 and 2013.³³⁹

As claimed by the European Commission in 2013 with a Memo, over the next years, 90% of world demand is to be generated outside the EU, and that is why it is a key priority for the EU to open up more market opportunities for European business by negotiating new Free Trade Agreements with key countries.³⁴⁰ According to the Commission's calculations, if the EU were to complete all the current free trade talks as of December 2013, an addition of 2,2% to the EU's GDP or €275 billion should be realized. This is equivalent to adding a country as big as Austria or Denmark to the EU economy.³⁴¹

The other important point regarding the content and the model of the FTAs concluded by the EU is the variety of models, unlike the USA that uses the NAFTA as a model for all its FTAs.³⁴² Actually, "the EU has developed many different types of FTAs, and maintain[ed] a very complicated hierarchy in its

³³⁷ *Ibid.*

³³⁸ *Ibid.*

³³⁹ *Ibid.*

³⁴⁰ European Commission, The EU's bilateral trade and investment agreements – where are we?, web page, http://europa.eu/rapid/press-release_MEMO-13-734_en.htm; accessed on 21.3.2019.

³⁴¹ *Ibid.*

³⁴² Woolcock, "European Union policy towards Free Trade Agreements," p.5.

external trade relations.”³⁴³ The new version of the FTAs applied by the EU is defined as “the New Generation FTAs” that have been put into force after the 2006 Communication. Those agreements are somehow deeper and complex with various normative requirements; look like other than solely acquiring trade-enhancing policies. In that respect, the agreement with South Korea constitutes the first example of those new generation FTAs, and the first trade deal with an Asian country.

As trade agreements have become increasingly complex, involving normative requires and non-trade related issues (such as, human rights, social standards and climate change regulations), according to Olivier De Laroussilhe this normative pressure in trade relations entails the question that, “are trade agreements overburdened with normative requirements at risk of making the European trade policy illegible?”³⁴⁴ Subsequently, he replies to the question by making a quotation to a former EU trade Commissioner, replying that “...trade agreements are foremost...trade agreements. They indeed aim to promoting the offensive interests of the European economy and business.”³⁴⁵ Furthermore, as those normative regulations and high-level standards were governed and standardized along with the common rules of the European Single Market, the firms operating in the Union have already been encountered with increased costs of production derived from the implementation of those norms when compared with their competitors doing business in other parts of the world. As a result, they push and promote similar norms and standards in the non-EU markets via FTAs, both acquiring privileged market access for European exporters and setting the business environment like that of the European market for their competitors in those markets.

³⁴³ Der-Chin Horng, “The EU’s Policy on the New Generation Free Trade Agreements,” *Academic Journal, EurAmerica*, Vol. 42, Issue 4, 2012, p.752.

³⁴⁴ Olivier De Laroussilhe, “New Challenges for the European Union’s trade policy”, *Foundation Robert Schuman, Policy Paper, European Issues*, no. 502, 12th February, 2019, p.8.

³⁴⁵ *Ibid.*

The report prepared by the Commission on the Implementation of EU Free Trade Agreements in 2017 classifies those agreements in four main groupings depending upon their context and policy orientation.³⁴⁶

1. “First-generation” FTAs; are agreements negotiated before the 2006 “Global Europe Communication” and Stabilization and Association Agreements (SAAs) with Western Balkan countries concluded between 2009 and 2016. They typically cover only trade in goods, and even agricultural products were often only added to their scope at a later stage.
2. Deep and Comprehensive Free Trade Areas (DCFTAs); are the EU’s Association Agreements with Georgia, the Republic of Moldova (Moldova), and Ukraine with the aim to deepen political association and prepare for gradual economic integration between the EU and its three Eastern partners in the framework of the Eastern Partnership as part of the European Neighborhood Policy.
3. “New generation” FTAs; are comprehensive agreements negotiated after 2006 with selected third countries. Of the applied agreements, the ones with South Korea, Colombia, Peru, Ecuador, Central America, and Canada belong to this category. These agreements typically go beyond tariff cuts and trade in goods and also cover services and public procurement. (The Economic and Partnership Agreement with Japan that entered into force by February 2019 can be put in that category.)
4. Economic Partnership Agreements (EPAs); are being implemented with 29 African, Caribbean and Pacific countries. Under EPAs, the EU grants duty-free, quota-free access for all products of the ACPs, while the latter commit to liberalize around 80% of trade over a period of 15 to 20 years.

Meanwhile, many trade agreements are on the table with the third countries, being either negotiated, updated, or pending. For instance, Mercosur (Brazil, Uruguay, Paraguay, and Argentina), Malaysia, India, Indonesia,

³⁴⁶ European Commission, Report on Implementation of EU Free Trade Agreements, 2017, web page, http://trade.ec.europa.eu/doclib/docs/2018/october/tradoc_157468.pdf; accessed on 21.3.2019.

Australia, New Zealand, Thailand and Philippines (being negotiated), Mexico and Azerbaijan (being updated), Singapore and Vietnam (pending).³⁴⁷

Within the light of those commercial arrangements, the share of preferential trade agreements in the Union's commercial transactions rose from 25% prior to 2006 to 40% at present.³⁴⁸

Finally, it is important to note that, contrary to their diversified approaches to other policy-making areas in trade, in the case of new generation FTAs, “new members of the EU support the general approach towards selectively strengthening market access.”³⁴⁹ As a matter of fact;

[n]ew member states are not guided by particular geostrategic or other foreign-policy driven interest based on colonial history nor are they driven by a particular development agenda (e.g. EU relations with African, Caribbean and Pacific states). New members welcome a more economy; less politics focused approach to PTAs [Preferential Trade Agreements].³⁵⁰

As noted above in Chapter 1, starting by Viner, classical liberals discuss the “trade creation” and “trade diversion” effects of the RTAs. They only support those preferential agreements when they occur in imperfect market conditions as a second-best theory and benefits of trade creation believed to exceed the diversion losses, where multilateralism constitutes the best choice with its non-discriminative behavior in trade. According to a study done by the World Bank, “Vinerian analysis was developed in a world where trade agreements were “shallow” and focused only on bilateral tariff liberalization.”³⁵¹ In a shallow trade

³⁴⁷ European Commission, Negotiations and Agreements, web page, https://ec.europa.eu/trade/policy/countries-and-regions/negotiations-and-agreements/#_being-negotiated; accessed on 3.2.2019.

³⁴⁸ De Laroussilhe, “New Challenges for the European Union's trade policy,” p.2.

³⁴⁹ Elsig, “European Union trade policy after enlargement,” p.789.

³⁵⁰ *Ibid.*

³⁵¹ Aaditya Mattoo, Alen Mulabdic and Michele Ruta, “Trade Creation and Trade Diversion in Deep Agreements,” *World Bank*, June 3, 2019, p.2.

agreement, “[t]he resulting tariff preferences are likely to increase trade between members (trade creation), but they can also lead members to substitute imports previously sourced from non-members for within PTA products (trade diversion).”³⁵² However, as the scope of trade agreements enhanced to many fields other than solely tariff reductions, as observed in the EU’s comprehensive trade agreements, the study suggests that;

[d]eep agreements can reduce trade costs and discrimination beyond tariff liberalization and hence are expected to lead to even more trade creation. But differently from tariffs, provisions relating to competition policy or subsidies tend to be nondiscriminatory in nature and may reduce trade costs and discrimination also vis-à-vis outsiders, creating a positive spillover effect, or “negative” trade diversion (Baldwin and Low, 2009; Baldwin, 2014). Ultimately, the verdict on what forces dominate is empirical and will crucially depend on the content of the trade agreements outsiders, creating a positive spillover effect, or “negative” trade diversion (Baldwin and Low, 2009; Baldwin, 2014).³⁵³

Calculating the overall “trade creation” or “trade diversion” effect of an FTA is challenging both for the members involved and for the outsiders. Although the EU has a wide range of FTAs spread to all over the world but designed in a selective and diversified manner, their trade creation effect for the members inside and trade diversion effect for the members outside is generally more distinct, that is to be analyzed in Chapters 4 and 5 of this thesis.

3.5. The Treaty of Lisbon

The necessity of a new treaty depended on the idea that the EU needs a “Constitution” proposed during the negotiations of the Nice European Council in 2000. This motion depended on the prospect of an eastern enlargement as many European decision-makers believed in the need for substantial institutional

³⁵² *Ibid.*

³⁵³ *Ibid.*

reform to perform this enlargement efficiently. However, in 2004 with the rejection of France and the Netherlands, the “Treaty Establishing a Constitution for Europe (CT)” did not come to life. Thus a new treaty, “The Treaty of Lisbon,” was realized replacing the “failed constitution” that came into effect on 1 December 2009. In fact, the new Treaty was covering 96% of the failed CT, leaving aside the controversial “constitutional aspects” of the previous one.³⁵⁴

The Treaty of Lisbon (ToL) introduced a couple of important changes to the way the EU operates in trade issues, by extending its exclusive competence to a number of new areas and changing the mechanism of decision-making for the enlarged Union in the severe global trading environment (see the above section). Accordingly, the changes brought by the Lisbon would be classified into three mainframes.

At first, as noted in the previous section, an extension and clarification of the EU competence are observed in the CCP. With Article 207(1) of Lisbon, trade-related services, trade-related intellectual property rights and foreign direct investment (FDI) have been brought into the exclusive EU competence, which means that the trade agreements, including those subjects, no longer need to be ratified by the national parliaments. It is important to note that this provision causes individual member states to have lost their authority to sign Bilateral Investment Treaties (BITs) in favor of the EU level. “Prior to the Lisbon Treaty, each member state was able to sign its own BITs with non-members and utilize differences in national investment laws/regulations to offer better conditions for foreign firms.”³⁵⁵

Second, with article 207 (2), the role of the European Parliament (EP) has been increased by having the same power as the Council as a co-legislator. First,

³⁵⁴ Open Europe web page <http://archive.openeurope.org.uk/Content/Documents/PFs/guide.pdf> ; accessed on 20.03.2019.

³⁵⁵ Ihor Ilko, “The European Union’s External Trade Policy after the Treaty of Lisbon: A Neo-Gramscian Perspective,” *Codrul Cosminului* 21(1), July 2015, p.87, <https://www.researchgate.net/journal/2067-5860-Codrul-Cosminului>.

it grants the EP joint powers with the Council to adopt trade legislation.³⁵⁶ “Before the ToL the Council had wide powers to adopt regulations governing trade with the EP included only through the non-binding consultation procedure.”³⁵⁷ Second, now all trade-related decisions have to be co-ratified by both the European Parliament and the Council. Together they shall adopt the measures defining the framework for implementing the common commercial policy. As the Lisbon removed mixed competence for almost all trade agreements, except for non-trade related intellectual property rights and issues linked to transport policy, less mixed competence also implies less power for national parliaments and from Lisbon “it is up to the European Parliament to rebalance this.”³⁵⁸

Although the Treaty of Lisbon clarified the specific question directly (see Article 207(1), which explicitly subordinates all areas of international trade to the common commercial policy), the problems’ are now arising elsewhere, in particular as regards the ‘new’ interaction between the institutions.³⁵⁹

Recently, the EP now equals the power of the Council to change European Commission proposals. However, “in the implementation of trade legislation, e.g., anti-dumping decisions, its role is still very limited.”³⁶⁰ Generally, the EP has followed “the European Commission’s pro-trade agenda although it has sometimes taken a more defensive position.”³⁶¹ After the Lisbon, the continuity

³⁵⁶ Stephen Woolcock, “EU Trade and Investment Policymaking After the Lisbon Treaty,” *Intereconomics*, London School of Economics, UK, 2010-1, p.23.

³⁵⁷ *Ibid.*

³⁵⁸ Karin Ulmer, “Lisbon Treaty and impact on EU Trade Policy,” *Aprodev Briefing -EU Trade Policy under Lisbon Treaty*, Brussels, March 2010, p.5.

³⁵⁹ Godalieve Quisthoudt-Rowohl, “Trade Policy Under the Treaty of Lisbon,” in *European Year Book of International Economic Law: Special Issue: Common Commercial Policy After Lisbon*, edited by Bungenberg, M. and Herrman, C., Springer, Berlin, 2013, p.109.

³⁶⁰ Lore Van den Putte, Ferdi De Ville and Jan Orbie, “The European Parliament’s New Role in Trade Policy: Turning power into impact,” *Centre for European Policy Studies*, No. 89 / May 2014, p.1

³⁶¹ *Ibid.*

in the attitude of the EP to the Commission's decisions has been observed, particularly with its consent for the most controversial trade agreements with important players such as with South Korea in 2017, with Japan in 2018, and with Canada in 2017. However, "[t]he real test for the EP's role in EU trade policy will come in the years to follow"³⁶² following the last election of the Parliament members in 2019.

Lastly, it is important to note briefly another important aspect in the EU debate regarding the legitimacy in its policy-making after the ToL with the enhanced Parliament control in the external trade. "Accusations of the EU's absence of political legitimacy fought a particular echo in the area of external trade policy because of its traditional reliance on delegation, executive authority and technicality."³⁶³ Although some views suggest that it is rational to insulate the trade policy-making from interest group pressures in the national governments, as suggested with the "collusive delegation" clause, it is also arguable whether the trade officers in the Commission are purely insulated from any pressure group.

Third, the CCP has been added to the heading of "The Union's External Action" which means now CCP has to operate in a broader framework of EU's external action.³⁶⁴ Thus for the first time, the trade issues became an integral part of the EU's foreign policy. Woolcock argues that, although the EU was using trade less to pursue specific short-term foreign policy objectives, the question will whether Lisbon means that trade becomes more of an instrument of the EU foreign policy.³⁶⁵ However, trade has been the central dynamic issue of the EU's

³⁶² *Ibid.*

³⁶³ Sophie Meunier, "Trade Policy and Political Legitimacy in the European Union," *Comparative European Politics*, (1): 2003, p.2.

³⁶⁴ Ilko, "The European Union's External Trade Policy after the Treaty of Lisbon," p.68.

³⁶⁵ Woolcock, "EU Trade and Investment Policymaking After the Lisbon Treaty," p.24.

existence from the very beginning. Therefore, with Lisbon, this reality has been re-clarified by locating the CCP under a new emphasis.

Moreover with the ToL, by giving the right to any member state to secede from the Union, “the international economic integration literature faced a new content of “withdrawing”³⁶⁶ then “joining/ acceding.”³⁶⁷ How to provoke this provision is a little confusing in practice as there has been no model or experience for a member’s withdrawal. Therefore, the process constitutes challenges for both sides as witnessed in Brexit.

3.6. Conclusion

This chapter demonstrates that the desire to pursue liberal trade policies preserves itself in the EU’s trade governance, both in the legal documents and the formation of its international relations that all follow the trade policy orientation of the liberal world. Regarding the scope of the trade policy, the enhanced competences are observed to derive from an enlarged Union’s needs and the novel developments in the global trading environment, with a further need to centralize the trade policy-making authority in a more competitive world. Those developments also pave the way to reshape the Council of Ministers’ voting system to balance the power in trade matters in favor of larger member states. The continuation of a liberal approach in trade governance has been provided by the larger states, particularly as shown with the core three founding members (Germany, France, and Italy) together with the UK, in the EU’s trade relations. To balance this, it can be stated that Parliament’s power has been enhanced currently in trade issues. However, as the design of the assembly depends on political groupings other than national presentation favoring smaller

³⁶⁶ Greenland, as an autonomous territory within the Kingdom of Denmark, was a part of the EEC/EU between 1973 and 1985, until it withdrew from the EU following a referendum held in 1982. Greenland’s withdrawal mostly depended on the concerns about losing control over fishing rights, the island’s main source of revenue.

³⁶⁷ Ali M. El-Agraa and Anthony J. Jones, “Macroeconomics of Regional Integration: Withdrawal from a Customs Union,” *Journal of Economic Integration*, Vol. 23, No. 1, March 2008, p.76.

member states in the Parliament is hard to ensure. In addition, since so far, the Parliament sustained its pro-Commission stand with its consent on most controversial trade agreements.

In the multilateralism versus regionalism debate, although it declares its support for multilateral trade environment and the WTO officially, the Union's pro-regionalist stance marks its position in the global trade since 2006 to find new markets for its exporters where the liberal multilateral system was not able to create adequate market opportunities.

Moreover, there have been some views that there is a slight protectionist turn in the EU's trade policy following the eastern enlargement. As this chapter has demonstrated, such an argument is not supported by the EU's current dominant liberal trade norms. Contrary, the newcomers' inadequacy (except for the UK), particularly the EECs, is shown in this chapter in shaping the trade governance and policy-making procedures of the EU in the formal and informal settings.

CHAPTER 4

THE EUROPEAN UNION'S TRADE RELATIONS FROM 1958 TO 2008

4.1. Introduction

This chapter is devoted to present the European Union's trade relations beginning from its establishment in 1958 until 2008. It is aimed to explore the reflection of the insights given in Chapters 2 and 3 of this thesis on actual terms. Within that period, the EU's total trade figures, including extra and intra-EU trade, the EU's shares in the world market, the main product groups in its trade relations, and main trading partners, are to be worked out. While the period under investigation is pretty long for 40 years, it has been classified into three major eras of the Union. In the first part of the evaluation, how the establishment of a "customs union" in the post-war period with six founding members turned into a *rising trade bloc* until the 1990s with 12 members is to be shown. Second, the 1990s period is labeled as *the golden years* for the EU with 15 members, acquiring significant shares in the world total exports and imports. The third and last period is the epoch from 2000 to 2008, which shows the *signs of fatigue* with 27 members just before the 2008 economic crises hit the continent.

In doing so, whether and to what extent the newcomers with the successive enlargements have produced any impact in the formation of the EU's trade relations are to be worked out.

Along with those analytical analyzes, the European political economy is to be scrutinized in a nutshell together with the structural changes that have taken place within the global political economy in those particular periods to elaborate the findings coherently and comprehensively. Through this approach, how the EU

traced the developments in the liberal trade order and acted correspondingly is to be explored.

4.2. Evaluation of the EU's Trade Relations

4.2.1. A Bird's Eye View to the World Trade

A bird's eye view of the world trade trends, by focusing on the most influential traders' figures and their shares in the world total in a long time series, provides preliminary information before analyzing the EU's trade relations in detail. It is intended with this preliminary data to locate and then scrutinize the European Union's trade relations in a broader context.

To begin with, it can be noticed that the global export figures have risen in a terrific steady way in 60 years from 1958 to 2018 (see Tables 1 and 2). Some significant players preserved their status during this period, although with a trend to decline, and some new trading powers come to stage. In the case of the USA, although the volume of its exports has been in a steady escalation since 1958, it is observed that there is a steady contraction in its world share, particularly against the rising export power of the EU since its establishment, of Japan between 1970 and 2000, and of China in the last decade. Nevertheless, it is also worth to remind the USA's export performance just after the Second World War, which covered more than one-fourth of the total world exports.

Japan's export performance gains strength by the 1970s, which reaches its peak in the middle of the 1990s. However, in the 2000s, this tendency lost its momentum, and its export share in the total world decreases. Although Canada's export performance has not faced any particular vicissitudes, since the middle of the 1980s, the country lost the momentum in its exports with a drop in its share of the world total. Even though China is a latecomer to the global economic scene, it becomes an important actor in world trade since the middle of the 1990s. Especially its membership to the WTO in 2001 has accelerated this tendency. China's export share in total tends to increase, and its share would be considered

enough to be influential in the world markets. Furthermore, its rising power in South Asia has the utmost importance in the region's economic development. Another Asian country, South Korea, has a remarkable trade performance beginning from the 1990s that shows a remarkable and upwards performance in its share in total world exports in time.

In the case of the EU, parallel to its enlargement from 6 to 28 members, it is inevitable that the Union's trade performance records a sound increase and paves the way for this regional organization to be the biggest trading bloc in total world exports and imports. Initially, just after its creation, its share reaches 24% in the world export markets. With the 1970s, the situation is reserved with a swift decline in its export markets that faced the levels of 16% share in the world total in 1985. However, since then, with a recovery in its trade performance, the EU again reaches an upwards trend in its shares in the total exports of the world markets.

To interpret this success just through the rising number of new members would not be adequate, but also through a more integrated trading bloc with the creation of the Single Market. Nevertheless, as shown in Table 2, the EU's exports share in the total world peaks during the 1990s with 20%. A downturn tendency is perceived beginning from the 2000s that also proceeds despite the participation of ten new members in 2004. While approaching 2018, the Union has to face lower shares in the total world exports, particularly after the 2008 global financial crisis, making the Union record the levels of 15%.

Table 1: Total Merchandise Trade of Major Countries-Exports (Bn. ECU/Euro**)

Year	World (1)	EU(2)	USA	Canada	China	Japan	S. Korea
1958	64,2	15,3	17,8	5,3	:	2,8	0,0
1960	78,5	19,2	20,5	5,8	:	3,9	0,0

Table 1 (cont'd)

1970	200,8	44,8	43,2	16,7	:	18,9	0,8
1985	2.369,5	380,3	272	113,7	35,8	224,4	38
1990	2.264,0	415,4	299,6	98,8	49	213,9	52,3
1995	2.766,5	573,3	431,4	144,5	111,5	316,7	97,4
2000	5.102,4	942,0	811,7	297,7	264,8	479,8	178,1
2005	5.895,4	1.071,4	709,1	288,9	599,5	443,0	219,8
2009	6.407,5	1.094,4	744,5	225,7	885,7	390,2	235,3
2013*	10.989,9	1.736,4	1.187,8	343,8	1.663,3	538,4	421,4
2018*	12.630,9	1.957,8	1.408,4	381,2	2,121,8	625,0	512,1

Source: Eurostat External and Intra-EU Trade-statistical yearbook, Data 1958-2009, 2010 ed., *Eurostat Database,** From 1958 to 1970 included, the convention is 1 ECU=1 US \$.

(1) World Trade is the sum of EU trade with extra-EU countries and extra-EU trade with the world. (2) EU is: EU6 (1948-1972), EU9 (1973-1980), EU10 (1981-1985), EU12 (1986-1994), EU15 (1995-2003), EU25 (2004-2006), EU27 (2007-2012), EU28 (2013-2018) Coverage for EU: 1- Prior to 90: the former German Democratic Republic is excluded, 2-Beginning 1999 data for Belgium and Luxembourg are reported separately. Coverage for the World: Hong Kong, China's re-exports are included. Beginning 93; figures are affected by the EU Intrastat system of recording trade.

Table 2: Major Countries' Export Shares in World Total Exports (%)

Year	EU	USA	Canada	China	Japan	S. Korea
1958	23,9	27,8	8,2	:	4,3	0
1960	24,5	26,1	7,4	:	5,0	0
1970	22,3	21,5	8,3	:	9,4	0,4
1985	16,1	11,5	4,8	1,5	9,5	1,6
1990	18,3	13,2	4,4	2,2	9,4	2,3
1995	20,7	15,6	5,2	4,0	11,4	3,5

Table 2 (cont'd)

2000	18,5	15,9	5,8	5,2	9,4	3,5
2005	18,2	12,0	4,9	10,2	7,5	3,7
2009	17,1	11,6	3,5	13,8	6,1	3,7
2013*	15,8	10,8	3,1	15,1	4,9	3,8
2018*	15,5	11,2	3,0	16,8	5,0	4,1

Source: Eurostat External and Intra-EU Trade-Statistical Yearbook, Data 1958-2010, 2011 ed. *Eurostat Database

Regarding the total world imports (see Tables 3 and 4), the tendency in the development of imports is approximately similar that has been observed in the total world exports. On the individual base, the EU's imports have risen steadily since the end of the Second World War parallel to its exports until the 1970s, and then a slowdown is witnessed until the 1990s. After an upwards move in its import share in the 1990s, a downwards trend just as in its exports' shares is observed after the 2008 financial crises.

The USA's position in the total world imports somehow differs from the EU. Contrary to its position in the world exports, the USA's imports perform more or less in a constant state. However, as observed, in some periods, the USA's import share in the world total records a hike; for instance, in 2000, this level reaches 24%. Since 1980, the USA is the only country pursuing a trade strategy based on its trade partners' dependency on its huge domestic market. Consequently, the USA has experienced a persistent and growing trade deficit since then. However, after the 2008 financial crisis, its import figures begin to drop.

China has come to stage in the global trade with influencing total world importation by the 2000s, just as in its exports. Contrary to the EU and the USA's situation, China records a surplus in its trade since it has a voice in the world trade. Although China is a net exporter, its share in the total world imports cannot be disregarded, which is 14% recently. This situation is parallel with the Japan's,

as the country is also a net exporter. However, while considering the low share of Japan's importation in the total world imports, its influence is relatively less than the above-noted world-leading traders. Moreover, South Korea also displays a trade surplus since 2000, having similar shares in total world imports as of its exports, ever-increasing in each year. A decline in the import shares of Canada is detected notably a sharp drop from 1985.

Table 3: Total Merchandise Trade of Major Countries-Imports (Bn. ECU/Euro**)

Year	World (1)	EU (2)	USA	Canada	China	Japan	S. Korea
1958	68,6	15,7	14,5	5,4	:	2,8	0,4
1960	82,1	19,3	16,2	5,9	:	4,2	0,3
1970	210,9	45,6	42,7	13,8	:	18,8	2,0
1985	2.518,8	399,5	450,4	98,6	54,3	166,5	37,6
1990	2.404,9	461,5	387,2	101,8	40,5	178,1	57,3
1995	2.851,8	545,3	566,5	135,6	89,7	246,0	101,3
2000	5.384,8	1.033,4	1.297,6	281,0	216,6	392,3	169
2005	6.253,0	1.183,5	1.363,3	275,3	470,7	399,6	203,5
2009	6.823,8	1.199,2	1.128,6	250,7	682,1	382,5	246,2
2013*	11.171,5	1.686,9	1.751,8	347,8	1.468,2	627,3	388,2
2018*	13.031,6	1.980,8	2.212,8	389,4	1,811,4	633,6	453,1

Source: Eurostat External and Intra-EU Trade-Statistical Yearbook, Data 1958-2009, 2010 ed., *Eurostat Database,** From 1958 to 1970 included, the convention is 1 ECU=1 US \$

(1) World Trade is the sum of EU trade with extra-EU countries and extra-EU trade with the world. (2) EU is: EU6 (1948-1972), EU9 (1973-1980), EU10 (1981-1985),

EU12 (1986-1994), EU15 (1995-2003), EU25 (2004-2006), EU27 (2007-2012), EU28 (2013-2018) Coverage for EU: 1- Prior to 90: the former German Democratic Republic is excluded, 2-Beginning 1999 data for Belgium and Luxembourg are reported separately. Coverage for the World: Hong Kong, China's re-exports are included. Beginning 93; figures are affected by the EU Intrastat system of recording trade.

Table 4: Major Countries' Import Share in World Total Imports (%)

Year	EU	USA	Canada	China	Japan	S. Korea
1958	22,8	21,1	7,9	:	4,2	0,5
1960	23,5	19,7	7,2	:	5,1	0,3
1970	21,6	20,2	6,5	:	8,9	0,9
1985	15,9	17,9	3,9	2,2	6,6	1,5
1990	19,2	16,1	4,2	1,7	7,4	2,4
1995	19,1	19,9	4,8	3,1	8,6	3,6
2000	19,2	24,1	5,2	4,0	7,3	3,1
2005	18,9	21,8	4,4	7,5	6,4	3,3
2009	17,6	16,5	3,4	10	5,6	3,6
2013*	15,1	15,7	3,1	13,1	5,6	3,5
2018*	15,2	17,0	3,0	13,9	4,9	3,5

Source: Eurostat External and Intra-EU Trade-Statistical Yearbook, Data 1958-2010, 2011 ed. *Eurostat Database

To sum up, starting from 1958 with the establishment of the EU until the end of 2018, the influential trading actors that preserved their dominance in the world trade have been the EU and the USA, although with a trend to decline due course. Until the 1970s, the Western bloc countries, the USA, the EU, and Canada enjoyed the biggest shares in the world markets that also dominated the world trade. However, the world trading order that has been settled after the Second World War was disrupted first with Japan's rise by the 1970s, then with China mainly approaching the new millennium. Thus, the emergence of new

trading powers and regions, mainly from Asia, has shrunk the world markets of old players and deteriorated many countries' trade balances. Moreover, the impact of the 2008 global financial crisis had its long term effect on the trade relations of many countries. The tables above aim to explore the general trend in the global trading partners only focusing on the major ones, as there occurred new trading areas in the world trade with emerging powers from Latin America countries, such as Mexico and Brazil, Russia from also Asia region can be count at the first side. As noted, before starting to analyze the EU's trade relations in a long period, with this brief preliminary overview, it is intended to frame the general world trading environment that the EU has been located.

4.2.2. The Rise of a Trade Bloc: from EU6 to EU12 (1958-1986)

4.2.2.1. Panorama of 1958-1986

In retrospect, the establishment of the EU should not be analyzed apart from the USA's dedicated policy towards the continent for the recovery of the European states to prepare the conditions for accumulation that was interrupted with the Second World War. Nevertheless,

[p]ostwar Europe had immense unsatisfied demands for foodstuffs, capital goods, and other merchandise produced in the United States and only limited capacity to produce goods for export; its consolidated trade deficit with the rest of the world rose to \$5.8 billion in 1946 and \$7.5 billion in 1947.³⁶⁸

In that regard, as noted in Chapter 1, under the provisions of the Marshall Plan³⁶⁹ the USA extended \$13 billion in intergovernmental aid to finance Europe's deficits.³⁷⁰ The American planners believed the power of trade to heal

³⁶⁸ Barry Eichengreen, *Globalizing Capital A History of the International Monetary System*, Second Edition, Princeton University Press, 2008, p.96.

³⁶⁹ The Marshall plan, officially known as The European Recovery Program, was named after George Marshall the US Secretary of State who first announced the plan.

³⁷⁰ Eichengreen, *Globalizing Capital A History of the International Monetary System*, p. 96.

all wounds with extensive trading links that would also heighten the interdependence of the French and German economies to prevent them from going to war again.³⁷¹ Moreover, in their belief,

[t]rade would fuel recovery and provide Europe with the hard-currency earnings needed to import raw materials and capital goods. Once an open multilateral system was restored, Europe could export its way out of Dollar shortage and out of its problems of postwar reconstruction.³⁷²

According to El-Agraa, “the USA did not insist on unity for only the European’s sake, indeed, the USA also asked that its multinational companies should have free access to European markets.”³⁷³ The USA saw the Marshall Plan as a device for fostering the integration of Europe and required as a condition for the disbursal of aid not only the dismantling of intra-European trade restrictions and the coordination of national recovery plans but also agreement on the part of the recipients on how to allocate the payments.³⁷⁴ After the end of the Second World War, several attempts to revitalize the international trade in the European continent were made. Bilateral payment agreements were signed between various European countries to revive international trade.³⁷⁵ However, as these initial agreements were founded on exchange-rate controls, and in addition, trade and payments had to be balanced within the credit limits set by those agreements; in 1950, the Organization for European Economic Cooperation (OEEC) was founded to replace these bilateral payment agreements by a multilateral system

³⁷¹ *Ibid.*, p.97.

³⁷² *Ibid.*

³⁷³ El-Agraa, *The European Union Economics and Policies*, 2007, p.25.

³⁷⁴ European University Institute web page, <https://archives.eui.eu/en/isaar/31>; accessed on 08.03.2019.

³⁷⁵ The University of Luxembourg-CVCE- web page, <https://www.cvce.eu/en/education/unit-content/-/unit/02bb76df-d066-4c08-a58a-d4686a3e68ff/ab473e40-d7d8-419b-b507-ac6d7a7ffe76>; accessed on 08.03.2019.

capable of revitalizing the European economy.³⁷⁶ When the United States and Canada joined in 1960, it became later the Organization for Economic Cooperation and Development (OECD) and later expanded even further.³⁷⁷

The idea of a “United Europe” was not a new discovery for the continent, as Europe has experienced many economic and political initiatives along that path throughout its history. However, particularly in the post-war period, this solution was mostly, if not all, recognized to provide a lasting peace among the European states. “However, economic reasons were also a contributing factor.”³⁷⁸ Nevertheless, the idea was already suggested in 1915 by the German philosopher Friedrich Naumann as, “European nation states were no longer large enough to compete on their own in world markets; therefore, they had to unite in order to guarantee their survival.”³⁷⁹

“Despite the fact that there was no shortage of plans for creating a united Europe, it was not until 1945 that a combination of new forces [as mentioned above the USA factor] and an intensification of old ones prompted action.”³⁸⁰ Before the establishment of the EEC in 1958, many attempts and initiatives in political, security and economic domains were embodied among the European states after the war. Finally, the creation of the EEC, as a customs union among the six European countries put the last point to the ambitious of a United Europe until now.

It was clear that the creation of a customs union would result in an uneven distribution of benefits and losses between the member states; although the precise distribution of those benefits and losses could not be predicted in advance, there were reasonable grounds for believing that West Germany industry might gain more than French industry would. That is why French negotiators were anxious to ensure that other commitments were made in the Treaty

³⁷⁶ *Ibid.*

³⁷⁷ *Ibid.*

³⁷⁸ El-Agraa, *The European Union Economics and Policies*, 2007, p.24.

³⁷⁹ *Ibid.*, p.24.

³⁸⁰ *Ibid.*

of Rome, to develop policies in areas in which their country could be expected to benefit more than West Germany, particularly agriculture. But the reason why the plunge was taken to create the EEC was that all six states expected their economies to be better off as a result of creating internal market, even if some benefited more than others.³⁸¹

Meanwhile, it is appropriate to mention the global economic environment in the post-war period where the European Common Market was situated. The Keynesian welfare economic policies were influential in the Western world, particularly in the USA, all stimulated growth in production, wages, and demand (see Chapter1). There was also an increase in state expenditures at the state level to create a “welfare state,” particularly to keep the demand up. The growth in productivity and profits found its echo at the international level that also stimulated trade, mostly in its Western partners, experiencing extreme rising in the trade volumes (see Tables 1 and 3 above). Nevertheless, the economic liberalism in the post-war period was defined as the “embedded liberalism” to differ from the 19th century liberal international economic order where the latter “represented laissez-faire liberalism and the other did not.”³⁸² In that vein, van Apeldoorn suggested that;

[t]he European integration process in these first decades was on the one hand premised on a regime of trade liberalization, opening up the national economies of Europe, but on the other hand, went together with a build-up of the (Keynesian) welfare state³⁸³. ..[T]he project of European integration was first of all conceived as one of creating a big- and partially protected by tariffs and supported by industrial policy- home market for European industry in which European champions would be able to successfully confront the non-European competition.³⁸⁴

³⁸¹ Bache et al., *Politics in the European Union*, p.385.

³⁸² Ruggie, “International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order,” p.382.

³⁸³ van Apeldoorn, *Transnational Capitalism and the Struggle over European Integration*, p.64.

³⁸⁴ *Ibid.*, p.8.

It is argued that the aim of creating “European champions” was a part of “neomercantilist” approach within the EU. According to Bellofiore et al., neomercantilism “has been institutionalized in the phases that, from the founding of the Common Market in 1957, led to the creation of the European Union (EU),”³⁸⁵ to establish a strong regional economy, but with a regional defensive strategy.³⁸⁶

Therefore it is appropriate to define the variations in the implementation of the EU’s liberal trade policies that can be grouped in three domains parallel to what has been observed in the post-war period in the liberal trade order, as noted in Chapter 1: protectionism, neomercantilism, and neoliberalism.

According to Bellofiore et al., “the root causes of stagnation today are to be found in the evolution of neomercantilism within Europe as it unfolded after 1945.”³⁸⁷ It is argued that France’s reaction to the likelihood renewed Germany’s economic dominance in the inter-war years was a financial and economic deal based on Europe’s cartelized vision similar to the then ruling International Steel Carter.^{388/389} After the war under the hegemony of the USA, “the cartelized conception of Europe mutated into the creation of a common economic space for European oligopolies.”³⁹⁰ Actually, the push towards a renewed intra-European neomercantilism came from the constraint represented by the persistent German

³⁸⁵ Ricordo Bellofiore, Francesco Garibaldi and Joseph Halevi, “The global crises and the crises of European neo-mercantilism,” in Panitch, L, Albo, G and Chibber, V (eds.) *Socialist Register 2011: The Crisis This Time*, Vol.47.,2010, p.120.

³⁸⁶ van Apeldoorn, *Transnational Capitalism and the Struggle over European Integration*, p.80.

³⁸⁷ Bellofiore et al., “The global crises and the crises of European neo-mercantilism”, p.126.

³⁸⁸ “The International Steel Cartel of 1926 was a necessary step toward a coordinated system of cartels to govern steel exports. Like the present industrial policies of the European Community, however, differences in the aims of the domestic industries caused rivalry among the members of the 1926 agreement. Although the cartel was not able to fix its members' production shares, it was able to limit trade between them, which allowed for the formation and operation of their domestic cartels.” Daniel Barbezat, “Cooperation and Rivalry in the International Steel Cartel, 1926–1933,” *The Journal of Economic History*, 49(2), 198, 435-447. doi:10.1017/S0022050700008044.

³⁸⁹ Bellofiore, et al., “The global crises and the crises of European neo-mercantilism,” p.126.

³⁹⁰ *Ibid.*

surpluses.³⁹¹ Although with the Marshall plan, the trade deficits in the European intra-trade was smoothed out, by the 1960's balance of trade constraints became the chief factor governing European economic policy.³⁹²

The policy of prioritizing exports over domestic demand in order to secure a positive trade balance characterized the whole of the 1960s, during which France (in 1963-64), Italy (in 1963-5), and Germany (in 1965) all adopted stop-go³⁹³ policies in order to attain export surpluses.³⁹⁴

Accordingly; Germany, Italy and France defined the essence of European neomercantilism where Holland and Belgium adjusted their trade strategies to the German, to some extent to France in the case of Belgium.³⁹⁵ Austria also depended mostly on Germany in her trade, and at the same time, the greater part of the extra-Scandinavian trade of the Northern countries was an important part of Austria's trade.³⁹⁶

The Mediterranean members (Spain, Portugal, Greece) were not able to join this mercantilist bloc as the negative trade balance they have had systematically, a situation that has been observed by the UK in the 1970s.³⁹⁷ In that vein, it is argued that "this is where precisely the European problems begin."³⁹⁸

³⁹¹ *Ibid.*, p.127.

³⁹² Riccardo Bellofiore and Joseph Halevi, "Is the European Union Keynesian-able? A skeptical view," in Hein, E. Heise, A. Truger, A. (Eds.), *European Economic Policies - Alternatives to Orthodox Analysis and Policy Concepts*, Germany: Metropolis, 2006, p.239-45, cited in the Bellofiore et al., p.127.

³⁹³ Stop-go policies meant slowing down domestic demand and relying on export growth (Bellofiore et al., p.146).

³⁹⁴ Bellofiore et al., "The global crises and the crises of European neo-mercantilism," p.127.

³⁹⁵ *Ibid.*, p.120-21.

³⁹⁶ *Ibid.*, p.121.

³⁹⁷ *Ibid.*

³⁹⁸ *Ibid.*

In a context where intra-European trade accounts for the greatest part of each country's trade, the absence of an intra-European mechanism for redistributing surpluses requires the deficit countries to undertake the adjustment by going into recession³⁹⁹.....[T]he practice of neo-mercantilism within the EU constitutes the most important factor in generating the EU's internal crises.⁴⁰⁰

In his study Laurent Warlouzet examines the evolution of the EU in the 1970s and 1980s with the effects of globalization by taking into account the economic policies it had implemented in three categories: *socially oriented*, *neo-mercantilist* and *market-oriented*.⁴⁰¹ The first category of public policy is called *socially-oriented* aim "at diminishing inequalities by taking measures supporting the least favored groups and more generally by addressing the negative externalities created by markets."⁴⁰² Not only are policies dominated by a social impetus concerning a whole range of economic policies such as insurance on unemployment, but also redistribution may also occur through taxes, macroeconomic measures, laws on working conditions, regional or development policies.⁴⁰³ The second category of *neomercantilism* "comes from the mercantilist impetus of protecting national companies and of fostering exports."⁴⁰⁴ The prefix "neo" is added to underline the fact that those policies were embedded in an international economic order based on a commitment to free trade. Protectionist measures were, in theory, only temporary and limited, where national governments and institutions may apply for indirect tools to protect their industries, such as technical norms and cartels.⁴⁰⁵ Third, the *market-oriented*

³⁹⁹ *Ibid.*

⁴⁰⁰ *Ibid.*, p.122.

⁴⁰¹ Laurent Warlouzet, *Governing Europe in a Globalizing World, Neoliberalism and Its Alternatives following the 1973 Oil Crisis*, Routledge, London, New York, 2018.

⁴⁰² *Ibid.*, p.7.

⁴⁰³ *Ibid.*

⁴⁰⁴ *Ibid.*

⁴⁰⁵ *Ibid.*, p.8.

public policy promotes free market reform by removing obstacles to the economic liberties of both firms and individuals, where neo-liberal policies are a radical variant of market-oriented policies.⁴⁰⁶

The balance between these three models and four types of economic policies is determined by the relative influence of networks of actors, by the constraints and opportunities offered by the context, but also by dynamics informed by historical institutionalism such as path dependencies created during critical conjunctures all of which constrain future choices for all major policies.⁴⁰⁷

Warlouzet states that the period between 1973 and 1983 was a transformative decade for Western Europe with the effect of the globalization.⁴⁰⁸ The roots of the contemporary economic crises and rise of neoliberal ideas are often traced back to this period after the 1973 oil crises, where the rise of oil prices and new exporters of industrial goods all deployed unemployment, inflation, and deficits.⁴⁰⁹ Moreover, he suggests that, as many other scholars,⁴¹⁰ the nature of European integration changed during that period by becoming more market-oriented.⁴¹¹

Nevertheless, the period from the early 1970s to the 1980s has often been characterized as the “Dark Ages” for the Community.⁴¹² According to Bache, three factors came to fore within that period: the collapse of the international

⁴⁰⁶ *Ibid.*

⁴⁰⁷ *Ibid.*, p.225.

⁴⁰⁸ *Ibid.*, p. 214.

⁴⁰⁹ *Ibid.*, p.1.

⁴¹⁰ See for example, van Apeldoorn, *Transnational Capitalism and the Struggle over European Integration*.

⁴¹¹ Warlouzet, *Governing Europe in a Globalizing World*, p.1.

⁴¹² Bache et al., *Politics in the European Union*, p.133.

monetary system in 1971, the oil crisis, and the concurrence of low growth and high inflation producing economic divergence in the EU.⁴¹³

The turbulent economic events of the 1970s and 1980s put an end to the sense of security and predictability that had marked the previous two decades' economic climate.⁴¹⁴ Beginning with the 1970s, tariffs were reduced with a series of liberalization negotiations of the GATT. Consequently, as only invoked of non-trade barriers were left, national regulations, with which these were bound up, autonomously were in use.⁴¹⁵ Thus, the import-protectionist approaches reached their zenith during that period within the EU member states due to the severe economic conditions and global competition, as observed in other liberal countries.

During that period, it was witnessed that the industrialized countries implemented main restrictions or discriminatory trade instruments in order to protect their domestic markets and industries from the distorting effects of the importation. Mainly the agriculture and textiles and clothing sectors, the two key sectors of merchandise trade to GATT disciplines continued to be highly resistant to free trade policies.⁴¹⁶ Those sectors were very sensitive to domestic politics and had more political motivation for protectionism. However, textiles and clothing sectors were regulated with the WTO and opened to free trade by a time-schedule; the agriculture sector was proved to be much more sensitive for national governments with political concerns.

For instance, in that period of high protectionism in trade for the textiles and clothing sector, the outcome was the conversion of Long term Cotton Textile Arrangement into the Multi-Fiber Arrangement, which was also supported by the

⁴¹³ *Ibid.*

⁴¹⁴ Brown, *Reluctant Partners*, p.123.

⁴¹⁵ van Apeldoorn, *Transnational Capitalism and the Struggle over European Integration*, p.64.

⁴¹⁶ Brown, *Reluctant Partners*, p.114.

European governments.⁴¹⁷ For the agriculture sector, although the USA was in favor of opening markets for the goods it has a competitive advantage, such as wheat and beef, “the EEC on the other hand was wedded to its Common Agriculture Policy with its highly protectionist barriers of import quotas and variable levies.”⁴¹⁸

For the EEC the stabilization of rural production and incomes was politically more important than the liberalization of trade. In its view the best way to manage the markets for agricultural products was the negotiation of market shares through means as commodity agreements.⁴¹⁹

The other discriminatory and restrictive trade instruments implemented by the industrialized countries were the Voluntary Export Restriction (VER) arrangements that they had concluded with some of the newly industrialized countries. In 1988 almost 11 % of EU imports were covered by those measures, and this ratio had fallen to just over 4 % in 1996.⁴²⁰

In that frame, the relations of the USA and the EU with Japan came to the front. Those VER arrangements covered some of the so-called sensitive products of the USA and the European countries, and later on spread to the other newly industrialized countries in Southeast Asia and Latin America, although those restrictions were not in conformity with the GATT 1947 provisions. Under the GATT rules, those import restrictions were to be applied under the safeguard clause of the GATT’47, but with a non-discriminatory way. In order to make the clause more operational, there were attempts in the Tokyo Round of GATT (1973-79) that failed to find solutions to those protectionist measurements in international trade. Those attempts found no ground as “most of the industrially

⁴¹⁷ *Ibid.*, p.115.

⁴¹⁸ *Ibid.*

⁴¹⁹ *Ibid.*

⁴²⁰ Paul Brenton, “The Changing Nature and Determinants of EU Trade Policies,” *CEPS Working Document*, No. 150, October 2000, p.7.

more established countries, particularly the EEC, continued to insist on the freedom to apply import restriction in a discriminatory way.”⁴²¹

For instance, starting with textile restrictions in the late 1950s, Japan had become familiar with the negotiations of voluntary export restrictions, which also covered the steel industry in the 1960s.⁴²²

By the early 1980s, the need for member states to compete in world markets, especially against the US and Japan, was an “overriding concern.”⁴²³ “After the successful early completion of the customs union in 1968 instead of 1970, internal factors and external events conspired against the completion of that single market.”⁴²⁴

The EEC economy was under strain in the 1970s; the world recession associated with the two oil price shocks of 1971 and 1973; rapid changes in technology; and the changing structure of the world economy associated with these changes and the emergence of significant new competitors; first Japan and then the newly industrializing countries of Southeast Asia.⁴²⁵

Moreover, the USA’s remarkable economic recovery from the second oil crisis contrasted starkly with Western European countries’ sluggishness.⁴²⁶ Consequently, as the protectionism rose within and outside the EU, “these economic strains made those states much less willing to agree to integration initiatives in general and harmonization in particular.”⁴²⁷

⁴²¹ *Ibid.*, p.114.

⁴²² *Ibid.*, p.125.

⁴²³ Bache et. all, *Politics in the European Union*, p.153.

⁴²⁴ El-Agraa, *The European Union Economics and Policies*, 2007, p.130.

⁴²⁵ *Ibid.*

⁴²⁶ Bache et al., *Politics in the European Union*, p.157.

⁴²⁷ *Ibid.*

4.2.2.2. The Role of Non-State Actors and the Single Market

Despite the reluctant approach of national governments to more integration, “the big business began to regard the segmentation of the EC market into national markets as hampering their international competitiveness.”⁴²⁸ Not surprisingly, The European Round Table for Industry (ERT) was particularly influential in lobbying national governments and the Commission in that path.⁴²⁹

When integration was at a low point in the early 1980s and growing global (mainly Japanese and US) competition threatened the position of large sections of European industry, leading members of European business community began to perceive the need for a European-level political initiative that was lacking from Europe’s politicians.⁴³⁰

So, the formation of the ERT in 1983 was regarded as an elite platform that was initially gathered around the Europeanist fractions. However, this situation began to change by the 1990s with a turn to neoliberal globalist lines in the ERT, in the context of rising dominance of neoliberalism within the EU political economy after the political failure of the neo-mercantilist project.⁴³¹

In his study, Apeldoorn argues that the surge of neo-liberalism as a restructuring process in the 1980s and beyond was the result of the struggle between the “Europeanist fraction,” pursuing a defensive regionalization strategy in which European champions can be able to confront the competition from non-Europe, and the “globalist fraction” of transnational capital, whose interests and identity are bound up with global transnational capital. Actually, those fractions represent respectively to neo-mercantilist and neo-liberal projects.⁴³²

⁴²⁸ El-Agraa, *The European Union Economics and Policies*, 2007, p.131.

⁴²⁹ *Ibid.*

⁴³⁰ van Apeldoorn, “Transnational Class Agency and European Governance,” p.161.

⁴³¹ *Ibid.*, p.169.

⁴³² van Apeldoorn, “*Transnational Capitalism and the Struggle over European Integration*,” p.8, 51.

[T]he neo-liberal project of Europe -premised upon the principle of economic liberalism- must be seen as arising out of crisis of Europe's post-war embedded liberal order and the Eurosclerosis discourse that developed in response to it.⁴³³

These remarkable developments in the business circles, together with their collaboration with the Commission, paved the way to the creation of the Single Market, which constituted “an extension of the European customs union to encompass the stripping away of non-tariff barriers and free movement in capital and labor as well as goods and services”⁴³⁴ in order to better serve to the needs of the capital.

Nevertheless, the Single European Act (SEA) was the first major revision of the 1957 Treaty of Rome, though there were already provisions for a single market in the EEC Treaty. According to Article 3, not only the removal of all internal tariffs and quotas, but the removal of all other measures having equivalent effect, and ‘of obstacles to freedom of movement of persons, services and capital’ were required.

Along these, necessary institutional changes were also contained in the SEA in 1987, where it also put forward a schedule and proposed a deadline of 31 December 1992.

At the end,

... an imperfect single market was a reality. Helped by a global intellectual and policy orientation that favoured liberal economics, the norms of the single-market programme seemed to have become entrenched, and to be gradually wearing down the resistance of the ideas and interest that defended national protectionism of various types.⁴³⁵

⁴³³ *Ibid.*, p.80.

⁴³⁴ Europe Economics, *Optimal Integration in the Single Market: A Synoptic Review*, A Europe Economics report for BIS, London, April 2013, p.3 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/224579/bis-13-1058-europe-economics-optimal-integration-in-the-single-market-a-synoptic-review.pdf

⁴³⁵ Bache et al., *Politics in the European Union*, p.399.

4.2.2.3. Trade Figures

The individual EU member states' trade figures and their sum consisting of the EU total from 1958 to 1986 are laid down in Tables 5 and 6 below.⁴³⁶ In that period, it is observed that Germany has a leading role in the EU's total trade, recording the highest share in the total. In the case of exportation, both in 1958 and 1973, France follows Germany, but almost acquiring half of its export volume. The Netherlands, Belgium-Luxembourg, and Italy come after France, respectively. In 1974 with its first enlargement towards the UK, Ireland, and Denmark, Germany's leading role does not change where France ranks again second among the member states in exports. The UK follows France in the third rank of the total EU exports in 1974 and 1986. Actually, the accession of these countries, but particularly the UK, contributes to the overall EU's trade power. As shown below, Tables 5 and 6, the total value of the EU export increases by 59% in one year just after the three countries' accessions in 1974. In importation, the increase rate is much higher, with 75,4% in 1974 compared with the previous year. Nevertheless, by 1986 the growth in the UK's export performance takes attention, which is also challenging France's position. Other new members' export performance follows the core six. When Greece becomes a member in 1981⁴³⁷ with the second enlargement, it is placed at the bottom of the list with its low export figures.

To better understand and interpret the EU's trade power, Germany's situation is of the utmost importance. The country's leading role in the trade policy making comes from its power in exportation. The share of Germany in the total EU exports in 1958, 1973, 1974 and 1986 are respectively; 37,8%, 38,3%,

⁴³⁶ As noted in the Methodology part of this thesis, individual member states' total export and import figures are to be examined throughout the thesis that cover their both intra and extra- EU trade. By doing so, it is aimed to observe the total trade performance of each member state.

⁴³⁷ As Greek export and import figures are very low compared to the other members, the 1981 figures are not analyzed separately with its accession. Greek numbers are shown in the following tables regarding the year 1986 together with other Mediterranean enlargements: Spain and Portugal.

31,8% and 30,6%. Although there is a steady decline in its share with the newcomers, this situation does not change Germany's leading position in the Union's total exports. France's share in the total EU exports that ranks second among the members proves Germany's weight. For the years 1958, 1973, 1974 and 1986 the shares of France are respectively; 22%, 20,8% , 16,4% and 15,7%. The UK's position in exports shows a stable position both in 1974 and 1986, following France with shares of 13,6% and 13,4% respectively. The negative trade balance of the total Union in 1958 turns out to be positive in 1973.

Table 5: Exports - Imports of Individual Member States and the EU Total⁴³⁸
(Extra and Intra-trade) (Thousand US Dollar)

Exports	1958	1973	Imports	1958	1973
Belgium-Lux.*	3.054.000	22.455.000	Belgium-Lux.	3.134.000	22.075.000
France	5.128.990	36.668.700	France	5.615.750	37.737.500
Germany*	8.809.520	67.563.300	Germany	7.630.000	54.890.700
Italy	2.577.090	22.226.400	Italy	3.218.930	27.797.800
Netherlands	3.699.210	27.351.900	Netherlands	4.272.630	28.743.700
Total	23.268.810	176.265.300	Total	23.871.310	171.244.700

Source: Data gathered from WTO time series, but calculated and tabled by the author,
*Coverage: Prior to 90: the former GDR is excluded, Prior to 99: included in Belgium-Luxembourg.

The situation is similar in the ranking of the member states for the total EU imports. Germany is the leader, followed by France. In 1986 the UK preserves its position in imports by ranking third as in the exports. But the share of Germany in the total EU imports is lower than its share in exports. For the

⁴³⁸ The total trade value of the EU consists of the sum of individual member states' figures. It covers both extra and intra-EU trade where extra-EU trade refers to trade of the EU member states with the non-EU states, with the rest of the world as a bloc. On the other hand, intra-EU trade refers to transactions take place within the EU, among member states.

years 1958, 1973, 1974 and 1986 the shares of Germany in the total EU imports are respectively; 31,9%, 32,05% , 23,18% and 24,4%. Moreover, Germany is also the only member country that has a regular trade surplus. The Netherlands, Ireland, and Belgium-Luxembourg are the other countries rarely having a surplus in their total trade in those periods. In the case of Denmark, which entered the EU by 1973, it has a trade deficit in its trade relations with a small share in the total trade of the EU around 3%. Regarding Greece’s position as a newcomer in 1981, it has a small share in the EU’s total trade but a huge trade deficit due to high levels of importation. The EU records a negative balance in its total trade in 1974, mostly due to the UK’s huge trade deficit with its accession. However, the balance turns out to be positive in 1986.

Table 6: Exports - Imports of Individual Member States and the EU Total (Extra and Intra-trade) (Thousand US Dollar)

Exports	1974	1986	Imports	1974	1986
Belgium-Luxem.*	28.334.000	68.818.000	Belgium-Luxem.*	29.880.000	68.603.000
Denmark	7.719.010	21.286.000	Denmark	9.926.530	22.878.000
France	46.259.300	124.948.000	France	52.918.100	129.401.000
German*	89.368.400	243.326.000	Germany*	69.661.300	190.872.000
Ireland	2.658.030	12.658.000	Ireland	3.813.630	11.621.000
Italy	30.464.700	97.204.000	Italy	41.089.300	99.376.000
Netherlands.	37.423.100	80.317.000	Netherlands	38.948.600	75.536.000
United Kingdom	38.196.600	107.093.000	United Kingdom	54.190.300	126.330.000
Greece	N.M.	5.648.000	Greece	N.M.	11.350.000
Portugal	N.M.	7.242.000	Portugal	N.M.	9.649.000
Spain	N.M.	27.206.000	Spain	N.M.	35.057.000
Total	280.423.140	795.746.000	Total	300.427.760	780.673.000

Source: Data gathered from WTO time series and tabled by the author, *Coverage: Prior to 90: the former GDR is excluded, Prior to 99: included in Belgium-Luxembourg. “N.M” indicates “non-member”.

To reach tangible data regarding the EU's share as a bloc in the world total export and imports is challenging, particularly before the 2000s. As previously resorted to analyzing the world trends (Tables 2 and 4), the "Statistical Yearbook of Eurostat" is to be invoked again to explore the extra-trade performance of the Union. When the extra-trade of the EU in this period under investigation is to be examined, it can be observed that initially, the EU accounts for high levels of the world share in its trade. In 1958 and 1960 its share is 23,9% and 24,5% in exports, and 22,8 % and 23,5 % in imports respectively. However, beginning with the 1970s, a decline is recorded in the extra-EU share of trade. This can be approached as a reflection of the downturn in world trade, resulting from severe economic conditions and trade protectionist movements witnessed in this period. Hence the share of extra-EU trade in exports is 22,3% in 1970, which declines to 16,1% in 1985. The ratios in imports are 21,6 and 15,9% in 1970 and 1985 respectively. Actually, from 1986 until the middle of the 1990s, the EU share in the world total evens out more stably after the drops in the previous decade.

The EU displays a steady ratio of around 17% in its extra exports and imports between 1986 and 1994. Although there are fluctuations in the share of extra-EU exports in the world trade, the period between 1958 and 1986 can be regarded as *the rising of a trade bloc*, by forestalling the USA that holds more than the one-fourth of the world exports alone after the Second World War. Whether the newcomers with the enlargements have contributed to this trading bloc's trade relations is a critical inquiry to analyze. In other words, what has been the role of core group members versus new members in terms of changes or continuities in their trade status can be questioned to examine how liberalization in trade has prevailed. In that regard, predominantly the UK having a historical experience with its colonies for a long time and supporting free trade, has an important role in the EU's trade relations. However, it records a negative trade balance in this period. Following the UK, only Spain has meaningful export and import volumes in the EU that would contribute to its external trade, but very slightly. Its export share is 3,3%, and in imports this ratio is 4,4 % in the EU total

for 1986. The core founding six countries, together with the UK, represents almost the overall trade of the EU alone with a share of 96,3% and 90,7% in exports, 95,4% and 88,4% in imports respectively for 1974 and 1986. Among the core member states, only Germany performs well, being the leader of trade in the Union and records trade surpluses, although its share in the EU total trade is declining. While reaching the middle of the 1980s, the EU re-shapes its pro-liberal approach in trade and supports further liberalization to better compete in the world markets.

In sum, following its establishment the EU implemented neo-mercantilist strategies and protectionist approaches in its trade relations to create strong European champions, and thus recorded considerable performance in its trading capabilities. However, the severe international economic climate in the 1970s and 1980s; the two oil crises, the breakdown of the fixed external-regime, rising inflation, unemployment and the rising competition pressure from the USA and Japan all paved the way for unilateral protectionist pressures in Europe⁴³⁹ as it did in other liberal countries. All was reflected in the EU's trade relations with a slow-down trend. However, as it is to be revealed in the following part of this thesis, beginning with the 1980s and beyond, the EU gained its initial momentum and displayed particular shares in the world markets this time by applying neoliberal approaches in its trade relations.

4.2.3. Golden Years: from EU12 to EU15 (1990s)

4.2.3.1. Panorama of the 1990s

In the liberal world, although the neoliberal Washington consensus has undergone some revisions since the late 1990s, "faith in the efficiency of free trade still remains largely unquestioned, which augments the earlier propositions

⁴³⁹ Gstöhl, "The European Union's Trade Policy," p.2.

with a newer set of trade policy reforms.”⁴⁴⁰ Those were articulated in the creation of the World Trade Organization in 1994 after an eight-year negotiation period in the Uruguay Round to coordinate the global trade policy with seeking to harmonize the institutional regulatory and legal standards through a variety of agreements and standards.⁴⁴¹

As noted above, the SEA provided the transformation of the common market into a single market on 1 January 1993. By creating new community competencies and reforming the institutions, the SEA opened the way to political integration, economic and monetary union to be enshrined in the Treaty of Maastricht. The Maastricht Treaty was signed in Maastricht on 7 February 1992 and entered into force on 1 November 1993 by which the European Union was established as a political unity and represented a new stage in European integration since it opened the way to political integration.⁴⁴²

With the completion of the single market and creating of a more unified trade bloc in 1993 with the Maastricht Treaty, the EU had its presence in the world trade in the 1990s more influential than ever. Its export share in the world total reached its zenith around 20% in 1995 and 1999, respectively (see Table 2). The 1990s provided the utmost importance for the EU having important shares in the world trade that can be labeled as the *golden years* for its trade relations. During that period, other than the complementation of the single market, thus having a more predictable and common market, the EFTA enlargement consisted of wealthy members having good economic performances compared with the Mediterranean enlargement in the 1980s; also pave the way to reach such figures. Moreover, structural developments in the global scene by the 1990s were also influential, which heralded imperative changes in the political economy of the

⁴⁴⁰ Deraniyagala, “Neoliberalism in International Trade,” p.99.

⁴⁴¹ *Ibid.*, p.100.

⁴⁴² Publications Office of the EU web page, http://publications.europa.eu/resource/cellar/23e2e276-05ee-49f6-b3ca-d6db7e3b2738.0005.02/DOC_2; accessed on 25.09.2019.

post-war system. Predominantly, a new trading environment created with the establishment of the WTO in 1995, as the institutionalized body of neoliberal thought in trade, contributed to this success.

After the collapse of socialism in the USSR, vital developments in the global scene signaled crucial consequences for the EU. First, the unification of Germany with its Eastern part strengthened its position in the EU and, second Eastern European Countries (EECs) that were under the influence of the USSR turned their face to the EU with the slogan “Back to Europe”⁴⁴³ and “Turn to Europe”⁴⁴⁴ to initiate new kinds of relations. Those relations started with the implementation of Europe Agreements in the early 1990s, later resulting in membership in 2004, 2007, and 2013 for some Eastern European countries. For the rest, differentiated trade relations were put into force by the EU with a promise of full membership at an undefined time.

4.2.3.2. Trade Figures

Table 7 below represents the total trade of the EU in 1993 and 1995, where in 1993, the single market is completed, and in 1995, the EFTA enlargement is done. As can be seen, Germany’s leadership is observed with a surplus and a share of 27,6% and 25,1% of the EU total respectively in 1993 and 1995 in its exports. In its imports, those figures decline to 25,6% and 23.3% respectively. The declines in Germany’s share can be traced to the EFTA enlargement, where only Austria has a trade deficit in that group. The entire EFTA group provides around 8% of the total trade of the EU. Other than the core members and the UK, only Spain has a meaningful share in the total EU trade, around 5-6%. In 1995, other than Greece, the UK, Spain, Portugal and Austria

⁴⁴³ Joze Mencinger, “From Socialism to EU Membership,” in *Dollarization, Euroization and Financial Instability, Central and Eastern European Countries between Stagnation and Financial Crisis?*, edited by Joachim Becker and Rudy Weissebacher, Metropolis-Verlag, Marburg, 2007, p.30.

⁴⁴⁴ *Ibid.*

record negative trade balances. However, the EU records trade surpluses in its total trade in 1993 and 1995.

In 1993 and 1995, the share of the core six countries together with the UK represents 88,7 and 86,8 % of the total EU exports, where in imports those shares are 80,5 and 79,3 % respectively. As shown in Tables 2 and 4, the EU's share in the world total exports and imports increases steadily since the middle of the 1980s, reaching its peak with 20,7 %, particularly in exports in 1995. For imports, this ratio reaches to 19,1 % in 1995.

Table 7: Exports - Imports of Individual Member States and the EU Total (Extra and Intra-trade) (Thousand US Dollar)

	1993*		1995	
	Exports	Imports	Exports	Imports
Belgium-Luxembourg*	127.580.000	118.021.000	178.265.000	164.934.000
Denmark	37.754.000	31.309.000	50.906.000	45.939.000
France	221.619.000	217.351.000	301.162.000	289.391.000
Germany	380.096.000	342.611.000	523.461.000	463.872.000
Greece	8.442.000	22.013.000	11.054.000	25.898.000
Ireland	28.992.000	21.161.000	44.705.000	32.340.000
Italy	169.229.000	148.095.000	233.766.000	205.990.000
Netherlands	140.245.000	126.270.000	203.171.000	185.232.000
Portugal	15.428.000	24.212.000	22.783.000	32.610.000
Spain	64.603.000	77.525.000	97.849.000	113.537.000
United Kingdom	181.381.000	209.318.000	237.953.000	267.250.000
Austria	0	0	57.738.000	66.237.000
Finland	0	0	40.490.000	29.470.000
Sweden	0	0	80.440.000	65.036.000
Total	1.375.369.000	1.337.886.000	2.083.743.000	1.987.736.000

Source: Data gathered from WTO time series and tabled by the author * Beginning 93: figures are affected by the Intrastat system of recording trade between EU member States. Under-recorded intra-EU imports have been adjusted by using the value of intra-EU exports to obtain total imports. *Coverage: Prior to 99: included in Belgium-Luxembourg.

At the beginning of a new millennium and before the biggest enlargement, the EU's total trade figures are laid down in Table 8. There have been declines in each member state's shares, particularly in exports, resulting in a total decline in the share of total EU trade in the total world exports to the level of 18,5% in 2000 (see Table 2). Germany's share also declines to 23,8% in exports and 21,29% in imports in the total EU trade.

In 2000, the share of the core six countries, together with the UK, represents the share of 79,2% of the total EU exports while in imports, the ratio is 78,3%.

Actually, a similar decline in Japan's share in the world total is also observed at the outset of the millennium. On the contrary, the increase in the USA's import share is surprising from 19,9% in 1995 to 24,1% in 2000 (see Table 4). In that particular period also small increases in the total export and import figures of Canada and China, although very slightly, are also watched over (see Table 2). However, as is to be revealed, with the new Millennium, things begin to change.

Table 8: Exports - Imports of Individual Member States, the EU Total and Shares in 2000 (%) (Thousand US Dollar)

Share %	Exports	Imports	Exports	Imports
Austria	67.710.475	72.394.154	2,92	3,10
Belgium	188.371.239	177.511.245	8,13	7,60
Denmark	51.292.453	45.557.145	2,21	1,95
Finland	46.102.493	34.442.906	1,99	1,47
France	327.610.932	338.939.622	14,14	14,51
Germany	551.809.817	497.197.415	23,82	21,29
Greece	11.750.572	33.479.875	0,51	1,43
Ireland	77.413.186	51.041.253	3,34	2,19

Table 8 (cont'd)

Italy	240.517.678	238.756.699	10,38	10,22
Luxembourg	8.377.883	11.278.051	0,36	0,48
Netherlands	233.129.752	218.266.960	10,06	9,34
Portugal	24.363.425	39.952.331	1,05	1,71
Spain	115.250.844	156.142.587	4,98	6,68
Sweden	87.132.465	72.879.777	3,76	3,12
United Kingdom	285.425.2645	348.057.557	12,32	14,90
Total	2.316.258.480	2.335.897.578	100	100

Source: Data gathered from WTO time series and tabled by the author.

4.2.4. Signs of Fatigue: from EU15 to EU27 (2001-2008)

4.2.4.1. Panorama of 2001-2008

In the 2000s, other than external challenges in the world markets in the aftermath of implementing neo-liberal policies, internal challenges were also observed within the EU that marked the signs of fatigue for this trading bloc.

Accordingly, the EU's trade policymakers seriously considered the various developments in the world trading system by the new millennium and adjusted their strategies along with. According to Raza, it could be argued that "quite paradoxically, the importance of trade politics increased with the establishment and consolidation of a world market."⁴⁴⁵ Particularly with the establishment of the WTO, border control mechanisms with the tariffs were already insignificant and non-tariff measures, such as subsidies, technical barriers to trade, became strictly regulated. This necessitated the states to use a wide array of new economic policies to foster their external commercial interest in an era where high technology, information technologies, and e-commerce began to

⁴⁴⁵ Raza, *European Union Trade Politics*, p.3.

dominate world economics. It is hardly surprising that the EU was also adapting itself to the developments in the new century by emphasizing on the “acclaimed information and knowledge society.”⁴⁴⁶ This was reflected in the Lisbon Strategy in 2000 that aimed to transform the EU into the most competitive and dynamic economic region by 2010. The strategy was designed to make Europe “the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion.”⁴⁴⁷ However, the Commission Staff Working Document on the Lisbon Strategy evaluation in 2010 states the following.⁴⁴⁸

However, the original strategy gradually developed into an overly complex structure with multiple goals and actions and an unclear division of responsibilities and tasks, particularly between the EU and national levels. The Lisbon Strategy was therefore re-launched in 2005 following a mid-term review. In order to provide a greater sense of prioritization, the launched Strategy was focused on growth and jobs. A new governance structure based on a partnership approach between the Member States and the EU institutions was put into place.

Moreover, during this period also the rejection of the European Constitution put the EU in another internal crisis (see Chapter 3).

4.2.4.2. Trade Figures

The EU’s trade relations between 2000 and 2008 are scrutinized in this part of the thesis. During this period, eastern enlargement of the Union is finalized, resulting in a wider trading bloc with 27 members.

⁴⁴⁶ *Ibid.*

⁴⁴⁷ European Committee of the Regions web page, [https://portal.cor.europa.eu/europe2020/Profiles/Pages/TheLisbonStrategyinshort.aspx](https://portal.cor.europa.eu/europe2020/Profiles/Pages/TheLisbonStrategyinshort.aspx;); accessed on 30.03.2019.

⁴⁴⁸ European Commission Lisbon Strategy evaluation document web page, <http://ec.europa.eu/transparency/regdoc/rep/2/2010/EN/SEC-2010-114-F1-EN-MAIN-PART-1.PDF>; accessed on 20.03.2019.

Having differentiated development levels, whether these new members' economic liberalization has a role in changing the EU's trade relations, is analyzed in Tables from 9 to 12. As shown in Tables 9 and 10 below, despite the accession of 10 new members by 2004, extra-EU trade in exports is on the decline with the share of 17,93%⁴⁴⁹ in the world total with the downturn trend witnessed since 2000. Since then, the decrease in the Union's export shares in the world markets reaches the level of 16% in 2008 (Table 10). The same situation can be observed in imports (Tables 11 and 12), but more stably around 19% of the world total. It is also worth to mention the shares of the core three member states, France, the Netherlands, Italy, and the UK, where a tendency towards a decline in their shares in the EU total exports has been observed since 2001, although slightly. Contrary to those core members' positions, Germany preserves its leadership with a constant share around 25% in exports while approaching the 2008 financial crisis.

Germany's leading position with the new millennium remains almost unchanged but with a remarkable difference. The difference in its export volume with France, the country that follows Germany in the second rank in exports, has been on rise, particularly after 2005. France's export figures were nearly half of Germany's in the previous decade, but they account nearly to one-third with the new millennium. Thus, Germany draws away from the nearest competitor in exports within the Union, but its share in the Union's total exports follows a stable share of around 25% from 2001 until 2008 despite the effect of the enlarged Union. The enhanced capacity and power of Germany's exports can also be explained with the accession of the new members, which become the outward producing places for the German exporters, by representing relatively cheaper production costs.

⁴⁴⁹ Since 2000, the total trade value and the share of extra-EU trade in the world total are calculated upon the data gathered from the Trade Map database. From that part of this thesis, in similar analyzes from different databases slight differences might occur, as can be observed in the export and import shares of the EU that are indicated in Tables 1-4.

Not surprisingly, after Germany, France, the Netherlands, Italy, Belgium, and the UK have the lion's share in exports, followed by Spain, Sweden, and Austria. The country that deserves attention among the newcomers is Poland with its export performance, ranking after Austria. Then the Czech Republic and Hungary follow Poland as those three Central Eastern European Countries diverge from the rest of the group with their economic development levels and exporting capacities.

Table 9: Exports of Individual Member States and the EU Total (Extra and Intra trade) Million US Dollar

Exports	2001	2002	2003	2004	2005	2006	2007	2008
Germany	571.427	615.997	748.531	911.742	977.132	1.121.963	1.328.841	1.466.137
France	289.599	304.892	358.132	413.708	434.354	479.013	539.731	594.505
UK	279.425	285.996	312.060	355.028	392.744	458.599	454.005	482.021
Italy	244.252	254.216	299.466	353.543	372.957	417.153	500.203	541.786
Netherlands	216.158	219.821	264.796	318.040	349.813	400.686	477.641	545.853
Belgium	190.309	215.803	255.554	307.690	335.692	366.835	431.744	471.798
Spain	116.149	125.872	156.005	182.727	192.798	214.061	253.754	279.231
Austria	66.492	73.113	89.257	110.830	117.722	134.170	156.588	172.228
Ireland	82.973	88.479	93.038	104.308	110.003	108.763	122.233	127.111
Sweden	76.303	82.983	102.411	123.310	130.264	147.370	169.061	183.881
Denmark	50.974	55.674	64.614	74.741	82.278	90.887	101.957	116.272
Portugal	24.086	25.826	31.834	44.355	38.672	44.777	52.484	57.246
Finland	44.300	44.518	52.509	60.918	65.238	77.279	89.799	96.896
Greece	10.402	10.327	13.655	15.247	17.434	20.943	23.504	31.127
Luxemburg	8.260	8.593	9.987	12.168	12.715	14.183	16.197	17.381
Poland				73.779	89.378	109.584	138.785	171.860
Hungary				55.468	62.272	74.055	94.591	108.211
Czech R.				65.772	78.209	95.141	120.900	146.087
Slovakia				27.864	31.852	41.686	58.036	70.189
Slovenia				15.879	17.896	20.983	26.551	29.253

Table 9 (cont'd)

Lithuania				9.303	12.070	14.135	17.162	23.770
Estonia				6.531	8.247	10.039	11.739	13.704
Latvia				4.379	5.303	5.891	7.893	9.281
Cyprus				1.171	1.546	1.415	1.486	1.713
Malta				2.632	2.431	2.847	3.158	3.029
Romania							40.265	49.539
Bulgaria							18.575	22.486
EU15 /25 /27 Total	2.271.111	2.412.109	2.851.849	3.651.133	3.939.021	4.472.459	5.256.886	5.832.595

Source: Data gathered from Trade Map, and tabled by the author.

Table 10: Shares of Individual Member States in the EU Total Exports and the Extra-EU Share* in Exports

Exports %	2001	2002	2003	2004	2005	2006	2007	2008
Germany	25,16	25,54	26,25	24,97	24,81	25,09	25,28	25,14
France	12,75	12,64	12,56	11,33	11,03	10,71	10,27	10,19
United Kingdom	12,30	11,86	10,94	9,72	9,97	10,25	8,64	8,26
Italy	10,75	10,54	10,50	9,68	9,47	9,33	9,52	9,29
Netherlands	9,52	9,11	9,29	8,71	8,88	8,96	9,09	9,36
Belgium	8,38	8,95	8,96	8,43	8,52	8,20	8,21	8,09
Spain	5,11	5,22	5,47	5,00	4,89	4,79	4,83	4,79
Austria	2,93	3,03	3,13	3,04	2,99	3,00	2,98	2,95
Ireland	3,65	3,67	3,26	2,86	2,79	2,43	2,33	2,18
Sweden	3,36	3,44	3,59	3,38	3,31	3,30	3,22	3,15
Denmark	2,24	2,31	2,27	2,05	2,09	2,03	1,94	1,99
Portugal	1,06	1,07	1,12	1,21	0,98	1,00	1,00	0,98
Finland	1,95	1,85	1,84	1,67	1,66	1,73	1,71	1,66
Greece	0,46	0,43	0,48	0,42	0,44	0,47	0,45	0,53
Luxemburg	0,36	0,36	0,35	0,33	0,32	0,32	0,31	0,30
Poland				2,02	2,27	2,45	2,64	2,95
Hungary				1,52	1,58	1,66	1,80	1,86

Table 10 (cont'd)

Czech R.				1,80	1,99	2,13	2,30	2,50
Slovakia				0,76	0,81	0,93	1,10	1,20
Slovenia				0,43	0,45	0,47	0,51	0,50
Lithuania				0,25	0,31	0,32	0,33	0,41
Estonia				0,18	0,21	0,22	0,22	0,23
Latvia				0,12	0,13	0,13	0,15	0,16
Cyprus				0,03	0,04	0,03	0,03	0,03
Malta				0,07	0,06	0,06	0,06	0,05
Romania							0,77	0,85
Bulgaria							0,35	0,39
Extra-EU Share*	18,68	19,11	19,23	17,93	17,06	16,56	16,64	16,25

Source: Data gathered from Trade Map, but calculated and tabled by the author. *Extra-EU Share is the share of the EU as a single bloc within the world total. It is calculated by subtraction intra-EU trade from both the EU total and the world total.

In the case of imports, the Union's share in the world markets is more stable than exports, around 19% from 2001 to 2008. Regarding the performance of the individual members states the picture is similar as observed in exports. Germany is the leader, but its strength in imports does not record the same volume as exports. Mainly its import share is on the decline, but very slightly from 21,6% in 2001 to 19,5% in 2008. Similar declines in the import shares are observed in the case of France and the UK. The same countries follow the same ranking in the EU's imports just as in exports, including the outstanding position of Poland, the Czech Republic, and Hungary.

Table 11: Imports of Individual Member States and the EU Total (Extra and Intra trade) Million US Dollar

Imports	2001	2002	2003	2004	2005	2006	2007	2008
Germany	486.022	490.450	601.761	718.150	779.819	922.213	1.059.308	1.204.209
France	358.703	372.059	425.369	502.886	528.461	614.812	679.918	705.344
UK	293.866	303.831	362.517	434.242	475.857	529.902	611.364	695.004
Italy	236.127	246.609	297.403	355.267	384.836	442.565	511.823	560.960
Netherla.	195.562	194.115	233.997	284.014	310.591	358.510	421.368	494.937
Belgium	178.698	198.095	234.922	286.478	319.085	353.094	413.036	466.338
Spain	154.993	165.920	208.549	259.265	289.611	329.976	391.237	418.728
Austria	70.492	72.796	91.595	111.261	119.950	134.356	156.056	175.026
Ireland	63.536	67.121	84.199	100.833	111.351	127.101	152.823	168.982
Sweden	44.625	49.285	56.227	66.845	72.716	84.131	97.423	109.008
Denmark	39.456	40.032	47.166	68.222	63.904	70.707	82.267	94.554
Portugal	33.268	33.440	41.593	50.678	58.473	69.427	81.576	92.190
Finland	28.434	31.299	44.855	52.810	54.894	63.739	76.099	94.347
Greece	51.376	52.214	53.782	62.345	70.284	76.621	87.045	84.953
Luxem.	11.188	11.529	13.646	16.772	17.586	19.640	22.289	25.498
Poland				88.154	101.539	125.645	164.172	210.479
Hungary				60.249	65.920	76.979	94.660	108.785
Czech R.				66.706	76.527	93.429	116.822	141.834
Slovakia				29.457	34.226	44.759	59.208	72.612
Slovenia				17.569	19.626	23.013	29.476	33.986
Lithuania				12.379	15.704	19.388	24.445	31.295
Estonia				9.064	11.018	14.641	16.665	17.335
Latvia				7.311	8.770	11.427	15.185	15.775
Cyprus				5.730	6.382	7.046	8.749	10.849
Malta				4.153	3.865	4.396	4.947	5.141
Romania							69.946	82.965
Bulgaria							30.085	37.015
EU15/25 /27 Total	2.246.345	2.328.796	2.797.582	3.670.841	4.000.994	4.617.518	5.477.993	6.158.148

Source: Data gathered from Trade Map, but calculated and tabled by the author.

Table 12: Shares of Individual Member States in the EU Total Imports and the Extra-EU Share* in Imports

Imports %	2001	2002	2003	2004	2005	2006	2007	2008
Germany	21,64	21,06	21,51	19,56	19,49	19,97	19,34	19,55
France	15,97	15,98	15,20	13,70	13,21	13,31	12,41	11,45
UK	13,08	13,05	12,96	11,83	11,89	11,48	11,16	11,29
Italy	10,51	10,59	10,63	9,68	9,62	9,58	9,34	9,11
Netherlands	3,11	2,94	3,04	3,02	2,93	2,92	2,99	3,03
Belgium	7,96	8,51	8,40	7,80	7,98	7,65	7,54	7,57
Spain	2,46	2,51	2,71	2,76	2,73	2,69	2,78	2,56
Austria	3,14	3,13	3,27	3,03	3,00	2,91	2,85	2,84
Ireland	1,01	1,02	1,09	1,07	1,05	1,04	1,08	1,03
Sweden	1,99	2,12	2,01	1,82	1,82	1,82	1,78	1,77
Denmark	0,63	0,61	0,61	0,73	0,60	0,58	0,58	0,58
Portugal	1,48	1,44	1,49	1,38	1,46	1,50	1,49	1,50
Finland	0,45	0,47	0,58	0,56	0,52	0,52	0,54	0,58
Greece	2,29	2,24	1,92	1,70	1,76	1,66	1,59	1,38
Luxemburg	0,18	0,17	0,18	0,18	0,17	0,16	0,16	0,16
Poland				2,40	2,54	2,72	3,00	3,42
Hungary				0,64	0,62	0,63	0,67	0,67
Czech R.				1,82	1,91	2,02	2,13	2,30
Slovakia				0,31	0,32	0,37	0,42	0,44
Slovenia				0,48	0,49	0,50	0,54	0,55
Lithuania				0,13	0,15	0,16	0,17	0,19
Estonia				0,25	0,28	0,32	0,30	0,28
Latvia				0,08	0,08	0,09	0,11	0,10
Cyprus				0,16	0,16	0,15	0,16	0,18
Malta				0,04	0,04	0,04	0,04	0,03
Romania							1,28	1,35
Bulgaria							0,21	0,23
Extra-EU share*	19,33	18,64	19,23	19,44	19,16	19,56	19,69	19,84

Source: Data gathered from Trade Map, but calculated and tabled by the author, *Extra-EU Share is the share of the EU as a single bloc within the world total. It is calculated by subtraction intra-EU trade from both the EU total and the world total.

Regarding the total trade balance of the Union, it is detected from Table 13 that the member states recording a positive trade balance in their total trade relations are marked with bold. Since 2001, the EU is having a negative balance in its extra- trade. Germany, the Netherlands, Belgium, Sweden, Denmark, Finland have regular positive trade balances between 2001 and 2008, where France, the UK, Portugal, Greece, and Luxemburg have constant negative balances. Italy, Spain, Austria and Ireland seldom have trade surpluses. However, the new members from eastern enlargement, together with Cyprus and Malta, have regular negative balances in their trade relations, where the Czech Republic constitutes the only exception during that period.

Table 13: Balance of Member States' Trade⁴⁵⁰ (Extra and Intra Trade) and Balance of Extra-EU Trade of the EU -Million US Dollar

	2001	2002	2003	2004	2005	2006	2007	2008
Germany	85.405	125.547	146.770	193.592	197.313	199.749	269.534	261.928
France	-69.104	-67.168	-67.238	-89.178	-94.107	-135.799	-140.187	-110.839
United Kingdom	-14.440	-17.835	-50.457	-79.214	-83.113	-71.304	-157.359	-212.983
Italy	8.125	7.606	2.063	-1.724	-11.878	-25.412	-11.619	-19.174
Netherlands	20.596	25.706	30.800	34.026	39.222	42.176	56.273	50.917
Belgium	11.612	17.708	20.631	21.212	16.606	13.742	18.708	5.460
Spain	-38.844	-40.047	-52.544	-76.537	-96.812	-115.915	-137.483	-139.497
Austria	-3.999	316	-2.339	-431	-2.228	-187	533	-2.798
Ireland	19.437	21.358	8.839	3.476	-1.348	-18.338	-30.590	-41.870
Sweden	31.678	33.698	46.184	56.464	57.548	63.239	71.639	74.872
Denmark	11.517	15.641	17.448	6.519	18.374	20.179	19.690	21.718
Portugal	-9.182	-7.614	-9.760	-6.323	-19.800	-24.650	-29.093	-34.944
Finland	15.866	13.219	7.655	8.108	10.344	13.540	13.700	2.549
Greece	-40.973	-41.887	-40.127	-47.098	-52.849	-55.678	-63.541	-53.826
Luxemburg	-2.928	-2.936	-3.659	-4.604	-4.871	-5.457	-6.091	-8.117
Poland				-14.375	-12.161	-16.061	-25.387	-38.619
Hungary				-4.780	-3.648	-2.923	-69	-574

⁴⁵⁰ Balance of trade is the difference in value between the imports and exports.

Table 13 (cont'd)

Czech R.				-934	1.681	1.712	4.078	4.253
Slovakia				-1.593	-2.374	-3.072	-1.172	-2.423
Slovenia				-1.691	-1.730	-2.031	-2.925	-4.733
Lithuania				-3.077	-3.634	-5.253	-7.283	-7.525
Estonia				-2.534	-2.770	-4.601	-4.926	-3.631
Latvia				-2.932	-3.468	-5.536	-7.292	-6.494
Cyprus				-4.559	-4.836	-5.631	-7.262	-9.136
Malta				-1.522	-1.435	-1.548	-1.789	-2.112
Romania							-29.681	-33.426
Bulgaria							-11.510	-14.530
Extra-EU*	-84.208	-31.269	-63.773	-185.747	-240.968	-359.076	-411.847	-570.263

Source: Data gathered from Trade Map, but calculated and tabled by the author.

*Balance of extra-EU trade is calculated by subtraction extra-EU trade in imports from extra-EU trade in exports.

As analyzed in the other periods of the EU's trade relations, the share of core six EU countries, together with the UK, in the total exports and imports of the EU (that covers both extra and intra-EU trade) is laid down in Table 14 between 2001 and 2008. Despite the continuation of a decrease in their total share, these core countries preserve their leading status in the EU's trade relations.

Table 14: Share of Core Six, together with the UK, in the total Exports and Imports of the EU

%	2001	2002	2003	2004	2005	2006	2007	2008
Exports	79,23	78,99	78,84	73,18	73,00	72,86	71,30	70,63
Imports	78,36	78,01	77,55	70,77	70,39	70,18	67,89	67,43

Source: Data gathered from Trade Map, but calculated and tabled by the author.

To sum up, the external and internal challenges the EU has to struggle resulted in a downturn in its trade relations in this period. As this trading bloc enlarged to involve 27 states, this development did not help to contain the downtrend. Contrary, the EU's share in the world markets, predominantly in exports, continued to drop.

4.2.5. Main Product Groups in the European Union's Trade Relations from 1980⁴⁵¹ to 2008

The analysis of the main product groups of the EU trade has been classified into four epochs, according to the successive decades beginning from 1980. To observe, if any, changes in the product coverage of the EU trade provides the necessary information for the impact of the enlargements on sectoral abilities. To begin with, it can be detected that the product coverage of the Union from 1980 to 2008 is similar, particularly for the industrial products in both exports and imports. The situation proves the strength of "intra-industry trade" that is an important feature of the Union's trade relations (see Tables 15-22), particularly for the core countries; Germany, France, the UK, the Netherlands, and Italy. As noted, "Intra-Industry Trade" (IIT) is a trade of products that belong to the same industry, which has been a key factor in the growth of trade in recent decades, mostly observed in developed and industrial countries (see Chapter 1). These trends have mostly been attributed to the fragmentation of production (outsourcing and offshoring) as a result of globalization and the development of new advanced technologies.⁴⁵² Accordingly, the product group of "manufactured products" is an essential element of the "intra-industry trade" that also paves the way for this selected group to be in the first rank of the Union's exports and

⁴⁵¹ The earliest data covering the main product groups in the world trade is to be found in the WTO data base- time series, beginning from 1980.

⁴⁵² Borco Handjiski, Robert Lucas, Philip Martin, Selen Sarisoy Guerin, "Enhancing Regional Trade Integration in Southeast Europe", *World Bank Publications*, 2010, p.15.

imports. The most important subgroups in this product coverage are machinery and vehicles, chemicals, iron and steel, textiles, and clothing.

The manufacturing sector has a leading role in EU trade. In total exports, the sector's share is 75% in 1980, which rises to 81% in a decade. As for the importation in the manufacturing sector, the picture is similar: its share is 55% in 1980 and 72% in 1990. The "machinery and transport equipment" represent nearly a 45% share as a subgroup in the total manufactured products in both 1980 and 1990.

In the first instance, as witnessed in the 1980 and 1990 figures, Germany is the leading country in total trade of the Union and stands as the only country that has a trade surplus. However, as it can be detected from Tables 14 and 15, it is a net importer in "agricultural" and "fuels and mining products." Germany's trade surplus comes from the manufactured products, particularly from the subgroup of "machinery and transport equipment" both in 1980 and 1990. On the other hand, France is the export leader in the agricultural products in 1980, but the UK's sudden rise in agriculture exports records a pick in 1990.

In agricultural imports, Germany, France, Italy, the UK, and the Netherlands have huge figures in both 1980 and 1990. The picture is the same for the energy imports where the same countries have the biggest volumes. In the overall trade balance of the EU according to the product classification, it is observed that the EU has a surplus in manufactured products, but in agriculture and energy products, it has a negative balance in 1980 and 1990. However, it is interesting that the trade deficit on energy importation decreases from -121.823 in 1980 to -99.166 Million US Dollars in 1990.

The enlargements of the EU in the 1980s do not affect the overall product coverage substantially. In tables regarding the 1990s figures, merely Spain's contribution to the exports of manufactured products is worthy of mentioning, particularly in the subgroup of machinery and transport equipment. Nonetheless, the newcomers' industrial and agricultural infrastructure does not diverge considerably from the general production structure of the Union, which all over serve to the improvement of the intra-industry trade of this trading bloc.

Secondly, the impact of the EFTA enlargement should be analyzed separately for the year 2000. For that period, it can be noticed from Tables 18 and 19 below that the manufacturing sector preserves its leading position with the shares of 84% in exports and 75% in imports. As a subgroup within the manufacturing sector, the share of machinery and transport equipment in exports rises to 53% in 2000, which is 45% in 1990. The rise in the energy sector's trade deficit is worth mentioning in 2000 with a rise to five times (-594.818 Million US Dollars) compared with the previous decade. It would not be wrong to consider that the consequence of the 1995-EFTA enlargement consists of well-developed industrial countries, and thus the further growth of the manufacturing sector has paved the way to an increase in the EU's energy dependency on imports in 2000.

Still, the core members together with the UK acquire the biggest volumes in exports and imports of the manufacturing sector in 2000. Spain's contribution goes on with the new partner Sweden in that sector, particularly in machinery and transport equipment.

Thirdly, when the product coverage of the EU in 2008 after the big enlargement is worked out (see Tables 20 and 21), only the Czech Republic and Poland take attention as the outstanding newcomers. In the exports of the manufactured products, those two newcomers follow the core group together with the UK, Spain, and the EFTA countries of Sweden, and Austria. The product group of "machinery and transport equipment" constitutes the biggest share in those two members' manufacturing exports. While the Czech Republic has a positive balance in the manufactures trade but negative in the other sectors, agriculture and energy. Poland records a positive balance only in agriculture products.

The EU continues to record a surplus in its manufacture trade in 2008, but faces with trade deficits, as it used to, in agriculture and fuels and mining products. The trade of manufactured products consists of 80% of the EU total exports, with a decline compared with 2000. The machinery sector preserves its leading status in that group with a share of 50% in 2008.

Table 15: Product Coverage in 1980-Exports (Million US Dollar)

Exports	Agri-cultural products	Fuels and mining products	Manufac. products	<i>Machinery and transport equipment</i>	<i>Iron and steel</i>	<i>Chemical</i>	<i>Textiles</i>	<i>Clothing</i>
Belg.-Luxemburg	7.044	9.496	44.353	13.921	6.410	7.447	3.550	999
Denmark	6.315	851	9.095	N.A.	341	N.A.	423	379
France	20.483	8.856	81.099	36.831	7.290	13.274	3.432	2.294
Germany ¹	12.548	13.652	162.075	85.414	11.551	24.431	6.296	2.882
Ireland	3.284	282	4.582	N.A.	N.A.	1.067	447	207
Italy	6.222	5.700	65.036	25.271	3.768	5.468	4.158	4.584
Netherland	17.170	19.115	36.761	12.574	2.122	11.324	2.259	875
UK	9.006	20.678	78.717	38.017	2.199	11.854	3.299	1.0806
Total	82.071	78.630	481.718	212.027	33.681	74.865	23.864	14.025

Source: Data gathered from WTO Data Base- Time Series, and tabled by the author. 1- Germany Fed.Rep.

Table 16: Product Coverage in 1980-Imports (Million US Dollar)

Exports	Agri-cultural products	Fuels and mining products	Manufac. products	<i>Machinery and transport equipment</i>	<i>Iron and steel</i>	<i>Chemical</i>	<i>Textiles</i>	<i>Clothing</i>
Belg.-Luxemburg	9.922	18.188	42.256*	16.045	1.863	5.991	2.335	1.824
Denmark	3.094	4.902	11.077	N.A.	911	N.A.	680	502
France	18.912	42.463	72.476	28.814	5.372	12.203	4.119	2.637
Germany ¹	30.291	53.427	97.573	35.041	6.732	13.344	6.871	8.326
Ireland	1.656	1.849	7.356	N.A.	279	N.A.	444	414
Italy	19.786	33.673	44.331	20.054	4.104	8.024	2.618	797
Netherland	13.479	21.718	40.632	15.207	2.369	6.405	2.259	2.875
UK	19.940	24.234	69.906	30.291	3.362	7.325	3.560	2.857
Total	117.080	200.453	385.067	145.452	24.993	53.292	22.887	20.232

Source: Data gathered from WTO Data Base- Time Series, and tabled by the author, *Manufactured products include significant imports of diamonds. 1- Germany Fed.Rep.

Table 17: Product Coverage in 1990 - Exports (Million US Dollar)

Imports	Agri-cultural products	Fuels and mining products	Manufac. products	<i>Machinery and transport equipment</i>	<i>Iron and steel</i>	<i>Chemical</i>	<i>Textiles</i>	<i>Clothing</i>
Belgium-Lux	13.064	9.072	91.194	32.227	9.524	16.477	6.375	2.000
Denmark	10.648	1.583	20.931	9.197	453	2.952	709	859
France	37.101	10.773	161.308	78.378	8.979	28.339	6.058	4.671
Germany ¹	24.621	16.021	375.651	209.175	15.962	53.057	14.033	7.882
Greece	2.584	1.206	4.256	338	534	332	500	1.714
Ireland	5.709	629	16.438	7.447	162	3.757	563	452
Italy	11.858	6.277	148.082	63.233	5.874	11.033	9.492	11.838
Netherla.	31.859	16.466	77.821	30.730	3.208	20.121	2.911	2.189
Portugal	2.208	1.075	13.075	3.201	127	868	1.328	3.491
Spain	9.368	4.297	41.678	21.611	2.741	4.662	1.497	598
UK	149.607	19.805	146.708	74.903	5.434	23.592	4.379	3.042
Total	298.681	87.204	1.097.141	501.440	52.998	165.190	47.846	38.736

Source: Data gathered from WTO Data Base- Time Series, and tabled by the author. 1- Sum of Germany Fed Rep and GDR.

Table 18: Product Coverage in 1990 - Imports (Million US Dollar)

Imports	Agri-cultural products	Fuels and mining products	Manufac. products	<i>Machinery and transport equipment</i>	<i>Iron and steel</i>	<i>Chemical</i>	<i>Textiles</i>	<i>Clothing</i>
Belgium-Lux	14.740	16.174	88.777	37.679	3.850	13.701	3.579	3.590
Denmark	4.822	2.916	23.071	9.969	1.403	3.610	931	1.069
France	28.894	31.279	172.112	79.578	7.829	24.965	7.595	8.381
Germany ¹	47.206	48.172	252.633	115.052	12.895	31.695	11.868	20.411
Greece	3.717	2.095	13.902	6.138	919	2.085	1.204	433
Ireland	2.569	1.827	15.736	7.444	400	2.581	638	826
Italy	31.332	27.347	113.128	54.259	6.906	20.025	6.133	2.580

Table 18 (cont'd)

Netherla.	18.979	17.121	88.955	38.946	4.067	13.078	3.615	4.768
Portugal	3.869	3.277	18.002	9.362	790	2.314	1.681	436
Spain	12.240	13.534	61.653	33.421	2.587	8.664	2.050	1.649
UK	29.578	22.628	169.487	84.082	4.784	19.316	7.018	6.961
Total	197.946	186.370	1.017.455	475.930	46.429	142.034	46.312	51.103

Source: Data gathered from WTO Data Base- Time Series, and tabled by the author. 1-sum of Germany Fed. Rep. and GDR.

Table 19: Product Coverage in 2000-Exports (Million US Dollar)

Exports	Agri-cultural products	Fuels and mining products	Manufac. products	<i>Machinery and transport equipment</i>	<i>Iron and steel</i>	<i>Chemicals</i>	<i>Textiles</i>	<i>Clothing</i>
Austria	5.144	2.751	59.028	29.955	2.878	6.142	1.810	1.215
Belgium	19.803	14.386	152.366	56.489	8.282	38.189	6.311	3.941
Denmark	11.811	4.412	32.572	13.704	625	5.586	922	1.722
Finland	3.667	2.998	39.108	21.010	1.900	2.727	327	215
France	36.939	14.013	272.809	159.430	9.464	45.270	6.664	5.414
Germany	29.275	20.592	483.239	290.819	13.931	69.525	10.850	7.320
Greece	2.994	2.570	6.158	1.470	381	952	462	1.539
Ireland	6.773	1.001	65.802	30.567	120	25.361	464	318
Italy	16.357	8.507	212.499	92.406	6.850	22.681	12.040	13.384
Luxem.	591	395	7.261	2.767	1.742	522	328	122
Netherla.	42.010	27.898	156.858	82.737	3.542	31.296	2.693	2.732

Table 19 (cont'd)

Portugal	2.513	1.082	20.674	8.389	345	1.377	1.684	2.826
Spain	17.466	7.283	89.195	48.500	3.635	10.971	3.032	2.084
Sweden	6.445	4.997	71.350	41.309	3.785	7.834	748	587
UK	17.069	30.849	233.018	134.313	4.347	37.785	4.644	4.136
Total	218.859	143.734	1.901.937	1.013.866	61.825	306.218	52.980	47.555

Source: Data gathered from WTO Data Base- Time Series, and tabled by the author.

Table 20: Product Coverage in 2000 - Imports (Million US Dollar)

Imports	Agri-cultural products	Fuels and mining products	Manufac.	<i>Machinery and transport equipment</i>	<i>Iron and steel</i>	<i>Chemical</i>	<i>Textiles</i>	<i>Clothing</i>
Austria	5.895	6.998	59.173	30.112	1.757	7.206	1.605	2.753
Belgium	18.307	22.110	136.680	55.730	5.094	29.002	3.599	4.828
Denmark	6.707	3.364	34.610	16.577	1.353	4.498	1.071	2.213
Finland	2.592	5.944	25.056	14.646	1.031	3.583	522	852
France	30.142	39.133	267.710	148.629	8.818	37.746	6.751	11.412
Germany	45.024	62.412	363.497	194.522	11.693	47.691	10.007	20.183
Greece	4.245	4.889	24.180	11.999	950	3.893	977	1.106
Ireland	3.686	2.708	41.655	26.953	507	5.629	559	1.234
Italy	29.905	33.563	162.359	79.426	8.429	29.071	6.210	6.139
Luxem.	1.257	1.269	8.423	4.210	823	1.039	187	300
Netherla.	26.363	31.338	159.608	87.961	3.705	23.129	2.653	5.371
Portugal	5.510	5.077	29.150	14.921	1.230	3.758	1.846	977
Spain	17.137	23.709	113.727	63.556	4.454	16.653	3.359	3.847
Sweden	5.709	8.880	54.676	31.388	2.445	6.605	1.010	2.111

Table 20 (cont'd)

UK	32.541	24.041	275.084	153.602	4.356	32.085	6.889	12.995
Total	235.020	275.436	1.755.587	934.233	56.644	251.586	47.246	76.321

Source: Data gathered from WTO Data Base- Time Series, and tabled by the author.

Table 21: Product Coverage in 2008 - Exports (Million US Dollar)

Exports	Agri-cultural products	Fuels and mining products	Manufac. products	<i>Machinery and transport equipment</i>	<i>Iron and steel</i>	<i>Chemical</i>	<i>Textiles</i>	<i>Clothing</i>
Austria	16.183	11.413	150.827	71.998	11.972	19.291	2.489	3.128
Belgium	47.233	60.562	360.579	109.395	28.224	132.698	8.212	9.747
Cyprus	336	469	810	289	0	277	2	19
Czech	8.002	7.784	130.748	78.957	6.872	8.793	2.787	1.472
Denmark	23.375	16.045	74.625	30.888	2.065	15.042	1.440	3.916
Estonia	1.833	2.035	8.555	3.678	425	787	185	315
Finland	6.027	10.237	75.223	42.655	5.385	5.897	381	374
France	75.956	49.559	480.664	237.235	24.820	107.932	7.371	11.638
Germany	86.960	84.276	1.234.122	703.364	46.166	207.160	16.315	18.749
Greece	6.216	5.451	14.004	3.639	1.453	3.441	781	1.595
Hungary	8.756	5.614	92.056	65.313	1.781	9.004	663	984
Ireland	12.439	2.722	106.577	26.337	132	64.855	269	225
Italy	41.052	37.755	456.423	205.702	29.297	54.545	16.120	25.257
Latvia	2.738	753	6.646	2.165	952	929	265	347
Lithuania	4.185	6.237	13.208	4.497	319	3.235	490	781
Lux.	1.269	1.207	22.899	12.056	4.892	1.202	618	210
Malta	242	524	2.683	1.709	1	325	58	44
Netherla.	100.655	134.851	383.642	192.061	17.481	88.920	5.380	6.832
Poland	18.360	13.969	137.857	70.578	6.696	13.392	2.237	3.401
Portugal	7.286	5.161	43.298	17.770	1.523	4.280	2.087	3.709
Slovak R.	3.436	5.377	61.683	38.348	5.334	3.354	944	1.174

Table 21 (cont'd)

Slovenia	2.131	2.370	29.590	14.064	1.636	4.589	654	475
Spain	43.777	28.828	206.107	100.330	14.262	36.274	4.284	7.048
Sweden	14.241	21.854	145.936	77.020	11.587	20.079	1.112	1.492
UK	29.615	83.431	326.257	148.947	12.676	80.719	4.754	5.917
Total	562.301	598.482	4.565.019	2.258.995	235.952	887.020	79.898	108.846

Source: Data gathered from WTO Data Base- Time Series, and tabled by the author.

Table 22: Product Coverage in 2008- Imports (Million US Dollar)

Exports	Agri-cultural products	Fuels and mining products	Manufac.	<i>Machinery and transport equipment</i>	<i>Iron and steel</i>	<i>Chemical</i>	<i>Textiles</i>	<i>Clothing</i>
Austria	16.355	29.860	135.081	64.078	7.052	20.081	2.531	6.124
Belgium	43.437	91.535	327.526	115.749	18.659	105.209	4.974	10.504
Cyprus	1.482	2.275	6.833	2.892	486	938	98	433
Czech	9.196	20.304	112.327	58.673	8.481	14.593	2.659	2.081
Denmark	15.850	10.316	81.788	36.877	4.800	12.069	1.650	4.484
Estonia	1.992	2.784	11.185	5.206	901	1.691	341	410
Finland	7.708	22.788	60.084	33.749	3.451	9.011	865	1.951
France	65.462	138.115	507.900	241.726	23.950	90.912	8.784	23.677
Germany	106.288	224.881	834.891	410.067	45.878	150.932	14.464	33.453
Greece	10.791	23.104	58.484	24.551	3.005	12.376	1.405	3.392
Hungary	6.340	16.552	84.619	53.230	3.457	10.726	1.223	1.003
Ireland	9.083	11.028	58.288	28.878	1.484	12.173	638	2.508
Italy	60.970	140.521	354.451	152.697	32.863	69.836	9.150	17.478
Latvia	2.451	2.693	10.959	4.620	915	1.915	288	322
Lithuania	3.819	9.341	17.838	8.253	938	3.580	571	548
Luxem.	2.785	5.996	23.216	13.878	1.790	2.520	380	490
Malta	756	763	3.731	2.127	77	511	39	124
Netherla.	67.283	142.231	357.666	179.877	17.781	65.742	3.852	9.522
Poland	17.337	30.459	155.097	74.021	11.076	27.228	4.855	3.476
Portugal	13.173	18.100	62.407	29.749	3.919	10.154	2.149	2.574

Table 22 (cont'd)

Slovak R.	4.797	11.586	57.265	32.007	3.425	6.295	1.182	1.091
Slovenia	3.594	6.374	26.952	13.080	2.267	4.110	608	693
Spain	44.004	97.026	278.136	136.245	15.260	50.223	5.090	15.403
Sweden	16.124	30.604	121.397	61.436	7.933	18.841	1.624	3.790
UK	67.098	104.064	429.750	202.326	12.486	71.458	7.615	23.588
Total	598.175	1.193.300	4.177.873	1.985.992	232.332	773.125	77.038	169.119

Source: Data gathered from WTO Data Base- Time Series, and tabled by the author.

4.2.6. The EU's Trade Relations with Main Partners 1958-2008⁴⁵³

In this part of the thesis, the EU's main trade partners in its extra-trade beginning from 1958 until 2008 are examined. The EU's trading partners are categorized according to continents, taking into account the outstanding ones in those regions having significant shares in their trade with the EU (Tables 23-24).⁴⁵⁴ As the period under investigation is pretty long, it is divided into two epochs considering the enlargements of the EU occurred in some particular times: the first period covers the years from 1958 to 2000, then second from 2001 to 2008. In the first period, the EU's distinguished partners are observed as the USA, EFTA Countries -Switzerland and Norway-and Maghreb countries. No significant development is observed in the Union's main trading partners within the frame of its discrete enlargements from EU6 to EU15, between 1958 and 2000.

However, some developments need to be given attention. For instance, the relations with Japan since 1986 are remarkable, as there is a huge increase in the importation from Japan. Its share rises in the EU total imports from 5,7% in 1981

⁴⁵³ The main partners are extracted from the extra-EU trade that indicates the EU's trade relations as a bloc with the rest of the World.

⁴⁵⁴ Those shares are calculated upon the statistics taken from the Eurostat database, on the basis of the currency unit of Euro and shown in percentages.

to 11.2% in 1986. Moreover, the EU's negative trade balance with Japan doubles from -5.1 Billion Euros in 1979 to -10.6 Billion Euros in 1981. Furthermore, the rise in trade deficit keeps going further, which probably justified the ground for the voluntary export restrictions for a long time towards Japan, as noted in the previous section.

The USA remains the most important partner of the Union, generally following a positive balance in its bilateral trade with the EU. However, beginning in 1986 the situation alters dramatically, when the EU starts to record a persistent surplus in their bilateral relation. Particularly in 2000, the EU realizes an important trade surplus in its trade with the USA, with 33,5 Billion Euros. The share of the USA in the extra- trade of EU in both exports and imports does not follow a stable course between 1958 and 2000. There have been up and downs in the share of the American market for the European exporters, but the Union records the highest share with 25% in its total exports in 1986.

The relations with Russia mostly remained unchanged for the EU's exports until 2000. However, the developments in the EU's importation from Russia are worth defining. From 1979, an increase in the share of imports from Russia is observed, resulting in a negative trade balance for the EU, particularly in 2000 with the -28 Billion Euros. However, whether this deficit is persistent or not is to be analyzed in Table 23 regarding the EU's main trade partners from 2000-2008.

China enters the world trading scene late as the result of the economic policy it adopted hitherto. Despite its late presence in the world trade, the country becomes influential from the very start. The EU's trade relations with China gains momentum, predominantly, via importation from 1995. China's share in the EU's imports rises to 4.8% and 6.8%, in 1995 and 2000, respectively. Accordingly, the enhanced imports pave the way for a negative trade balance for the Union with China since 1995.

Maghreb countries, Libya, Algeria, Mauritania, Tunisia, and Morocco, have constituted important partners with the historical colonial ties they have with the EU. But their importance begins to decline with the 2000s.

In Table 23 below, the EU's main partners between 2001 and 2008 are laid down, with a similar designation of trade statistics in Table 22, particularly to check if any change in the EU's main trading partners has occurred after the 2004 enlargement.

The USA preserves its position as the leader in the EU's trade relations, but with a remarkable change in its position, having a trade deficit with the EU continuously since 2000. Consequently, the USA constitutes an important market for EU exports. The EFTA countries Switzerland and Norway are the other important markets for the EU exporters, and only with Norway, the EU has a chronic trade deficit. Turkey is also another important partner for the EU, as a result of being the only country that has established a customs union with the EU in 1995. Contrary to the importance of the EU market for Turkish exporters, while nearly half of Turkish exports direct to the Union until 2008, the Turkish market's importance is less significant for its European partners.⁴⁵⁵

The rise in imports from Russia keeps going in that period that constitutes a persistent trade deficit for the EU. According to Trade Map statistics, the imports of energy products from Russia cover a huge amount in their relations where this product group's share in total imports of the Union from Russia is spread between 63 to 78 % from 2001 to 2008, respectively.⁴⁵⁶ It is also worth to mention the share of energy imports from Russia in the EU's total energy imports. In fact, energy imports from Russia represent around 12-14% of the EU's total energy imports between 2001 and 2004. However, with eastern enlargement in 2004, this ratio rises to nearly 20% of the total in 2008 due to the enhanced energy need of the enlarged Union. Additionally, it can be observed that after 2000, the EU develops its relations with the Asian countries, chiefly

⁴⁵⁵ Trade Map Statistics web page, https://www.trademap.org/Bilateral_TS.aspx?nvpm=1%7c792%7c%7c%7c42%7cTOTAL%7c%7c%7c2%7c1%7c1%7c2%7c2%7c1%7c1%7c1%7c1, accessed on 21.03.2019.

⁴⁵⁶ Trade Map Statistics web page, https://www.trademap.org/Bilateral_TS.aspx?nvpm=1%7c%7c42%7c643%7c%7cTOTAL%7c%7c%7c2%7c1%7c1%7c1%7c2%7c1%7c1%7c1%7c1, accessed on 21.03.2019.

with South Korea and China, but having a trade deficit with both of the countries. Nonetheless, China has to be considered separately from other trading partners, as the EU encounters the biggest trade deficit with China in its bilateral trade relations that also enjoys an upwards trend over time. In this period, an upward trend in trade relation with Japan is witnessed, mainly via imports that results in a trade deficit for the EU.

To sum up, the changing pattern of trading partners much owes to the general structural developments in the world trade, such as; the rise of China and some other Asian countries, the changing position of the USA by becoming a net importer in the world trade and the growth in the energy dependency of the EU with successive enlargements on the third countries, where all give rise to a slight change in the direction of its trade route. Furthermore, it can be stated that the FTAs the EU concluded during this period also give way to a slight change in its bilateral relations. The agreements put into force since the end of 2008 with Norway, Switzerland, Maghreb Countries (Tunisia, Morocco, and Algeria), Mexico and Turkey provided to promote trade with those countries as a part of the EU's regional approach to its trade relations.

Table 23: Main Trading Partners of the EU Trade (1958-2000)

Exports

Share %	Europe				Africa		America				Asia				Oceania	
	Norway	Switz.1	Turkey	Russia 2.	Maghreb	S.Afri.3.	USA	Canada	Mexico	Brazil	S.Arabia	India	China	DAE4.	Japan	Australia
1958 EU6	3,7	8,9	1,2	1,7	12,2	2,2	14,2	2	1,1	2,2	0,4	3,7	2,6	2	1,1	1,4
1960 EU6	3,2	10,4	1,6	2,9	11,5	2	16	2	1	1,9	0,3	2,4	1,7	2,2	1,4	1,9
1970 EU6	2,7	12,5	1,2	3,4	4,9	3,1	20,6	2,2	1,2	1,7	0,5	0,8	1	2,8	3	1,7
1979 EU9	2,7	11,2	1	3,9	6,4	2	15,8	2,1	0,9	1,4	4	1,2	1,3	4,3	2,9	1,8
1981 EU10	2,4	8,9	0,9	3,2	11	2,8	15,3	1,8	1,3	1	4,3	1,3	0,7	3,7	2,3	1,6
1986 EU12	3,3	10,4	1,5	3,2	7,1	1,5	24,9	3	0,6	1,1	2,7	1,8	2,1	5,1	3,7	1,9
1995 EU15	3	8,9	2,3	2,8	2,8	1,5	18	1,8	0,7	1,9	1,5	1,6	2,5	11,4	5,7	1,8
2000 EU15	2,7	7,5	3,1	2,1	2,5	1,2	24,6	2,1	1,4	1,7	1,2	1,4	2,5	11,4	5,7	1,8

Table 23 (cont'd)

Imports

Share	Europe				Africa		America				Asia				Ocenia	
	Norway	Switz.1	Turkey	Russia 2.	Maghreb	S.Afri. 3.	USA	Canada	Mexico	Brazil	S.Arabia	India	China	DAE 4.	Japan	Australia
1958 EU6	1,6	4,6	0,7	2,1	7,2	1,7	22	3,3	0,8	1,8	2,5	1,2	0,8	1,8	0,9	2,9
1960 EU6	1,5	5	0,9	2,8	6,2	1,5	25,1	2,9	0,9	1,8	2,2	0,7	0,9	2,4	1	2,7
1970 EU6	2,1	5,3	0,7	2,7	8,9	1,5	25,3	3,5	0,3	2,4	2,7	0,5	0,7	2,4	3,4	1,5
1979 EU9	3,3	6,6	0,5	4,4	5,1	3,7	18	2,7	0,2	1,9	7,6	0,9	0,7	5,2	5,1	1,2
1981 EU10	3,6	5,8	0,4	4,8	8,6	2,5	17,7	2,3	0,7	1,8	13,1	0,6	0,8	4,7	5,7	0,9
1986 EU12	4,1	8,5	1	4,4	7,9	2,7	19,1	2,1	0,7	2,4	2,9	0,8	1,4	7,1	11,2	1,3
1995 EU15	4,6	7,9	1,6	3,9	3,3	1,4	19	2,1	0,5	1,9	1,6	1,4	4,8	9,9	9,9	0,9
2000 EU15	4,4	5,8	1,6	4,4	3,9	1,4	19,2	1,7	0,6	1,7	1,5	1,1	6,8	10,5	8,4	0,8

Balance

Balance	Europe				Africa		America				Asia				Ocenia	
	Norway	Switz.1	Turkey	Russia 2.	Maghreb	Africa 3.	USA	Canada	Mexico	Brazil	S.Arabia	India	China	DAE 4.	Japan	Australia
1958 EU6	0,2	0,4	0,1	-0,1	0,5	0,1	-1,1	-0,2	0	0,1	-0,2	0,3	0,2	0	0	-0,2
1960 EU6	0,3	0,7	0,1	0	0,6	0,1	-1,6	-0,1	0	0	-0,3	0,2	0,1	-0,1	0	-0,1
1970 EU6	0,1	2,1	0,1	0,1	-1,6	0,2	-2,4	-0,6	0,3	-0,3	-0,8	0,1	0	0	-0,2	0
1979 EU9	-1,8	5,4	0,7	-2,1	0,6	-3,7	-8,8	-1,7	1,1	-1,2	-7,9	0,2	0,8	-2,9	-5,1	0,5
1981 EU10	-4,2	5,3	0,9	-5,6	2,4	-0,2	-12,4	-2,3	1,2	-2,7	-26,4	1,5	-0,4	-4,2	-10,6	2
1986 EU12	-2,1	6,1	1,8	-3,3	-2	-3,3	18,6	2,6	-0,2	-3,9	-0,3	3,3	2,3	-5,8	-21,8	1,7
1995 EU15	-8	7,8	4,2	-5,5	-2,2	0,9	-0,4	-1,4	1,3	0,6	-0,2	1,6	-11,6	11,2	-21,4	5,5
2000 EU15	-20,5	10,8	12,5	-25,8	-17,3	-2,8	33,5	2,2	7	-1	-3,9	1	-44,8	-27,8	-42,2	6,8

Source: Eurostat External and Intra-EU Trade- Statistical Yearbook, Data 1958-2002, 1-Switzerland including Liechtenstein up to 1994, 2-Relates to the external trade of the USSR until 1991 and from 1992 to the external trade of Russia, 3-S.Africa includes Namibia up to 31.12.1989, 4-Dynamic Asian Economies (DAE);Thailand, Malaysia, Singapore, South Korea, Hong Kong, Taiwan.

Table 24: Main Trading Partners of the EU Trade (2001-2008)

Exports

Share	Europe				Africa			America				Asia							Oceania	
	Norw.	Swit.	TR	Rus.	Alger.	Moroc	S.Afr	USA	Can.	Mex	Brazil	China	Japan	S.Kor.	India	Sing.	H.Kong	S.Ara.	UAE	Austral.
2001 EU15	2,7	7,6	2,1	2,8	0,8	0,8	1,3	24,3	2,2	1,5	1,9	3,1	4,6	1,6	1,3	1,5	2,2	1,3	1,4	1,6
2004 EU25	3,2	7,7	3,9	4,7	1	0,9	1,7	24,2	2,3	1,5	1,5	5	4,5	1,8	1,8	1,7	2	1,3	1,9	2,1
2007 EU27	3,5	7,5	4,2	7,2	0,9	1	1,7	21,1	2,1	1,7	1,7	5,8	3,5	2	2,4	1,7	1,7	1,6	2,2	1,8
2008 EU27	3,3	7,5	4,1	8	1,2	1,1	1,5	19,1	2	1,7	1,7	6	3,2	2	2,4	1,7	1,6	1,6	2,4	1,9

Imports

Share	Europe				Africa			America				Asia							Oceania	
	Norw.	Swit.	TR	Rus.	Alger.	Moroc	S.Afr	USA	Can.	Mex	Brazil	China	Japan	S.Kor.	India	Sing.	H.Kong	S.Ara.	UAE	Austral.
2001 EU15	4,4	5,9	2	4,6	1,6	0,6	1,6	19	1,7	0,7	1,8	7,4	7,4	2,1	1,3	1,4	1	1,3	0,3	0,9
2004 EU25	5,3	6	3	7,8	1,5	0,6	1,5	15,3	1,6	0,7	2,1	12,3	7,2	2,9	1,6	1,6	1	1,6	0,5	0,8
2007 EU27	5,3	5,4	3,3	10,1	1,4	0,6	1,5	12,7	1,6	0,8	2,3	16,2	5,5	2,9	1,9	1,3	0,8	1,3	0,4	0,8
2008 EU27	6,1	5,1	2,9	11,4	1,8	0,5	1,4	11,9	1,5	0,9	2,3	15,8	4,8	2,5	1,9	1	0,7	1,4	0,4	0,7

Balance (Bn.ECU/Euro)

Balance	Europe				Africa			America				Asia							Oceania	
	Norw.	Swit.	TR	Rus.	Alger.	Moroc	S.Afr	USA	Can.	Mex	Brazil	China	Japan	S.Kor.	India	Sing.	H.Kong	S.Ara.	UAE	Austral.
2001 EU15	-19	13,9	0	-19,8	-8,5	1,2	-3,5	44	4	7,7	0	-45,8	-31,4	-6	-0,3	0,7	11,3	0,1	11	6,3
2004 EU25	-24,5	13,4	7,1	-34,9	-5,8	2,3	0,3	76,2	5,7	7,8	-7,1	-79,3	-30,8	-12,5	0,8	-0,8	9,2	-3,7	13,4	11,2
2007 EU27	-33,1	15,9	5,7	-55,3	-9,3	4,3	-0,4	79,7	2,6	8,9	-11,5	-161	-34,7	-16,6	2,9	2,2	9,9	1,6	20,8	10,9
2008 EU27	-52,2	17,7	8,1	-72,7	-12,9	6	-2,1	63,4	2,2	8,2	-9,5	-170	-32,8	-14	2,1	5,9	9,6	-0,7	25,8	14

Source: Eurostat External and Intra-EU Trade- Statistical Yearbook, Data 1958-2010

4.2.7. Intra-EU Trade (1980⁴⁵⁷-2008)

Analyzing the intra-EU trade in goods provides to evaluate the growth of the “single market” and the pace of integration. For intra-EU trade in goods, the value of intra-EU exports has been consistently higher than that of intra-EU imports and consequently, Eurostat considers exports (dispatches) is to be the most reliable device of intra-Europe trade.⁴⁵⁸

⁴⁵⁷ The earliest data in the intra-EU trade dates back to 1980.

⁴⁵⁸ “Since the introduction of the Intra-stat data collection system for intra-EU trade in goods on 1 January 1993, the value of intra-EU exports of goods has been consistently higher than that of intra-EU imports of goods. In theory, as intra-EU exports of goods are declared FOB-type value

Conventionally, the share of intra-EU trade in exports has been higher than the share of extra-EU trade in exports. Respectively for total exports in 1980, 1990, 1995 and 2000, the shares of intra-EU trade in the total EU are 61,4%, 69%, 63,6% and 62%.⁴⁵⁹ It can be observed that the share of intra-EU trade in the total EU, reaches its peak level with 69% in 1990, with the effect of the creation of the single market. Since then, a decline in its share is recorded in the following decades. In evaluating intra-EU trade in exports between 1980 and 2000, the influence of the core six countries Germany, France, the Netherlands, Belgium-Luxemburg, and Italy takes attention (see Table 27). Those six together provide the lion king's share in 1980 by 71,6% in intra-EU trade. As a latecomer to the group, the UK is the only country that serves a good share in intra-EU trade of exports with 12,3%. Core six, together with the UK, provide 84% of the total intra-trade of exports in 1980. In 2000, the core six still provides an important share with 69%, together with the UK, this ratio reaches to the level of 80,2%.

According to product classification, in intra-EU trade considering exports, the manufactured products place in the first rank having a share of 78,6% in 1990 and rises to 81,8% in 2000.⁴⁶⁰ The subgroup of machinery and transport

and intra-EU imports of goods CIF-type value, the value of intra-EU imports of goods should be slightly higher than that of intra-EU exports of goods. However as observed in the relevant tables, intra-EU exports are higher than intra-EU imports due to the fact that imports from other EU countries, are particularly under-estimated. If the dispatches of a given Member State are compared with the corresponding arrivals of its partners, differences may emerge mainly for those reasons: i-The system of thresholds; ii-Late or non-response by certain companies; iii-Statistical confidentiality; iv-Misapplication of the rules and delays; v-Valuation of transactions – different methods; for calculating dispatches (FOB value) and arrivals (CIF value) and vi-Triangular trade. Eurostat considers intra-EU exports of more reliable measure of total intra-EU trade in goods since, at aggregated levels, total intra-EU exports of goods has better coverage than total intra-EU imports of goods.”

Eurostat web page, <https://ec.europa.eu/eurostat/documents/3217494/5722841/KS-GI-10-002-EN.PDF/Obafd581-0473-44ce-8086-567cdac7eedd>; accessed on 6.12.2019.

Eurostat web page, [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Intra-EU trade in goods - main features&oldid=452727#Evolution of intra-EU trade in goods: 2002-2019](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Intra-EU_trade_in_goods_-_main_features&oldid=452727#Evolution_of_intra-EU_trade_in_goods:_2002-2019); accessed on 6.12.2019

⁴⁵⁹ Those shares are calculated upon the statistics taken from the Eurostat database, on the basis of the currency unit of Euro and shown in percentages.

⁴⁶⁰ European Commission web page, Economic portrait of the European Union 2002, p.72, <https://ec.europa.eu/eurostat/documents/3217494/5638081/KS-AI-02-001-EN.PDF/3ea4bb32-fd1b-4267-b318-9f6566405072>; accessed on 7.12.2019.

equipment records the share of 36,7% in 1990, increasing to 42,1% in 2000 in intra-EU trade.⁴⁶¹

Until the end of 2000, it can be seen that the previous enlargements of the EU have not produced any effect on the general distribution of trade inside the Union. In evaluating the effects of the enlargements in intra-EU trade, the 2004 enlargement has the utmost importance of a wide economically diversified group of countries, mostly depending on intra-EU trade. Particularly, for each of the new members, the share of intra-EU trade in their total is to be analyzed to explore trade relations and patterns among the EU members.

Actually, it is interesting to observe that the share of intra-EU trade in the total exports of the EU is on the rise with newcomers' impact compared with the previous decades. The share accounts for 68%, 68%, and 67,5% of the total EU exports in 2004, 2006, and 2008 respectively.

The UK, Greece, Spain, France, Portugal, Austria have chronic trade deficits in their intra-EU trade, meaning that they buy more from their partners than they sell to them between 2004 and 2008. By 2004, most of the EECs entered this group with facing trade deficits in their intra-EU trade, except for Hungary, the Czech Republic, and Slovakia. Germany, Belgium, and the Netherlands are the only member states having regular trade surpluses from their intra-EU trade during that period.

When intra-EU trade in exports is examined in 2004 after the big enlargement, the core six, together with the UK, has a share of 71,7% where this ratio was 80,2% in 2000. With the newcomers, a decrease in their total share is observed. In 2008, the picture is similar: those core group's share remains the same as the level of 69,6%.

Nevertheless, in Table 25 below, the dependencies of new members on the EU market for their exports are laid down. In that regard particularly, the high levels of dependency of the most advanced countries in the group such as Poland, Hungary, the Czech Republic is praiseworthy. The biggest partners in their intra-

⁴⁶¹ *Ibid.*

EU trade in exports are also defined in brackets. As can be observed, Germany comes to the front in their export relations within the Union. For some members, differentiated considerations prioritize their trade relations with the existing members such as; geographic location, historical or cultural ties.

Table 25: Share of Intra-EU Trade in the Total Exports of New Members (%)

Exporters (leading countries in intra-EU trade)	2004	2006	2008
Poland (Germany)	79,7	78,1	77,9
Hungary (Germany)	83,6	79,7	78,7
Czech R. (Germany)	86,3	85,2	85
Slovenia (Germany)	68,7	71,4	68,9
Lithuania (Latvia + Estonia)	66,6	64,3	58,3
Slovakia (Germany + the Czech Republic)	85,7	85,7	85,7
Latvia (Lithuania + Estonia)	75	66,6	77,7
Estonia (Finland + Sweden)	71,4	60	64,2
Malta (Germany + France)	33,3	33,3	43,5
Cyprus (Greece + the UK + Italy)	61,4,9	52,6	49,6
Bulgaria (Germany + Greece + Romania)	-	-	59
Romania (Germany + Italy)	-	-	70

Source: Data gathered from Trade Map, but calculated and tabled by the author.

In scrutinizing those dependencies, Germany's role can be better displayed in Table 26 below by referring to the amount of German investments in the region between 1991 and 2003. As can be detected from the table, the surge in German investments in the region, even a decade earlier than their accession, takes attention particularly in Poland, the Czech Republic, Hungary, and Slovakia. As noted, the region has the utmost importance for the German industry by providing a relatively cheaper outsourcing place that would contribute to the German exports' overall performance. In fact, according to some views, "TNCs

use the Visegrad countries [Poland, Czech Republic, Hungary and Slovakia] in order to escape the German social model.”⁴⁶² Besides, it is also argued that “the development path of those countries “Visegrad Four” has been shaped mostly by TNCs.”⁴⁶³ Actually, the increasing locational competition in the enlarged Union paved the way for “the TNCs to expand significantly their room of manoeuvre.”⁴⁶⁴ As Bohle argued, the fiercest locational competition was not between Eastern and Western parts of the Europe, but among those Visegrad.”⁴⁶⁵

To sum up, intra-EU trade has been traditionally an important figure of European integration, which proves the strength of the single market. Mainly, intra-EU trade in exports has been higher than extra-EU trade that well defines the dependencies of member states on the internal market for their exports. Besides, the core countries, together with the UK, take advantage of the intra-trade in exports. Their total share reaches the level of 80% in 2000, and decreases to 70% in 2008. These shares are similar to their total shares in the EU’s total trade. It is observed that with eastern enlargement, the dependencies of those newcomers on the internal market for their exports have reached high levels, particularly with the effect of the FDI flows from existing member states to the region, especially from Germany.

⁴⁶² Meardi, G. and Toth, A. (2005); Bluhm, K. 2007, cited in Dorothee Bohle, “Race to the Bottom? Transnational Companies and Reinforced Competition in the Enlarged European Union,” *Contradictions and Limits of Neoliberal European Governance From Lisbon to Lisbon*, (eds.) Bastiaan van Apeldoorn, Jan Drahokoupil, and Laura Horn, Palgrave Macmillan, the UK, 2009, p.178.

⁴⁶³ Bohle, “Race to the Bottom? Transnational Companies and Reinforced Competition in the Enlarged European Union,” p.164.

⁴⁶⁴ *Ibid.*, p.184.

⁴⁶⁵ *Ibid.*, p.185.

Table 26: German FDI Stocks Abroad, By Geographical Destination, 1991-2003 (Million Euro)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Est.								22	34	47	65	48	125
Lat.					18	31	64	77	124	211	305	243	214
Lit.					15	17	22	64	54	73	181	234	344
Bul.	7	8	10	19	31	25	163	189	267	345	412	489	481
Cz.	275	699	896	1.447	2.140	2.823	3.432	4.509	5.490	7.293	8.258	10.477	11.290
Hu.	250	579	1.134	1.424	1.771	3.236	3.898	4.803	5.950	7.187	8.212	9.328	9.801
Pl.	44	149	320	597	1.043	1.768	2.909	4.301	5.525	7.884	9.509	9.136	7.989
Rm.	8	16	26	43	81	88	176	358	336	494	738	836	924
Slov.			155	251	344	434	535	744	952	1.668	2.114	3.176	3.254

Source: Deutsche Bundesbank, Balance of Payments Statistics Division - Downloaded from "Trade Map FDI Data, UNCTAD World Investment Directory." <https://www.investmentmap.org/prioritySector.aspx>

Table 27: Intra-EU Trade 1980-2000 (Million ECU/ EURO)

Export

Year	EU	Belgium*	Denmark	Germany	Greece	Spain	France	Ireland	Italy	Luxem.	Nederlan.	Austria	Portugal	Finland	Sweden	UK
1980	291.689	35.279	8.214	83.925			46.465	4.767	31.278		40.832					40.929
1990	715.621	72.850	19.094	199.231	4.242	30.869	114.108	14.513	83.566		85.189		10.261			81.698
1995	1.000.281	100.674	25.922	232.722	5.080	50.827	145.033	25.274	102.384		109.016	29.036	13.952	17.787	36.629	105.945
2000	1.565.816	151.813	37.164	337.380	6.018	87.666	219.074	53.008	144.411	7.636	198.566	44.985	21.173	27.780	52.772	176.370

Share

Year	EU	Belgium*	Denmark	Germany	Greece	Spain	France	Ireland	Italy	Luxem.	Nederlan.	Austria	Portugal	Finland	Sweden	UK
1980	100	10,6	2,4	25,3			14,0	1,4	9,4		12,3					12,3
1990	100	10,1	2,6	21,8	0,5	4,3	15,9	2,0	11,6		11,9		1,4			11,4
1995	100	10,1	2,6	23,3	0,5	5,1	14,5	2,5	10,2		10,9	2,9	1,4	1,8	3,7	10,6
2000	100	9,6	2,3	21,5	0,3	5,5	13,9	3,3	9,2	0,4	12,6	2,8	1,3	1,7	3,3	11,2

Import

Year	EU	Belgium*	Denmark	Germany	Greece	Spain	France	Ireland	Italy	Luxem.	Nederlan.	Austria	Portugal	Finland	Sweden	UK
1980	283.388	32.875	9.656	74.710			52.847	6.240	35.670		32.085					39.305
1990	719.885	73.056	17.691	166.492	10.549	41.222	130.351	11.919	88.217		67.931		13.898			98.559
1995	954.474	86.886	25.221	214.119	13.879	59.467	151.471	15.978	95.845		74.504	38.439	18.436	14.647	34.125	111.457
2000	1.491.052	131.953	33.667	295.338	22.107	112.303	239.508	34.380	146.571	10.092	120.844	53.932	32.494	23.082	50.652	184.129

Table 27 (cont'd)

Share

Year	EU	Belgium*	Denmark	Germany	Greece	Spain	France	Ireland	Italy	Luxem.	Nederlan.	Austria	Portugal	Finland	Sweden	UK
1980	100	9,9	2,9	22,6	:	:	16	1,8	10,8	:	9,7	:	:	:	:	11,9
1990	100	10,1	2,4	23,1	1,4	5,7	18,1	1,6	12,2	:	9,4	:	1,9	:	:	13,6
1995	100	9,1	2,6	22,4	1,5	6,2	15,9	1,7	10	:	7,8	4	1,9	1,5	3,6	11,7
2000	100	8,8	2,2	19,8	1,4	7,5	16	2,3	9,8	0,6	8,1	3,6	2,1	1,5	3,3	12,3

Balance

Year	EU	Belgium*	Denmark	Germany	Greece	Spain	France	Ireland	Italy	Luxem.	Nederlan.	Austria	Portugal	Finland	Sweden	UK
1980	8.301	2.404	-1.442	9.215	:	:	-6.382	-1.473	-4.392	:	8.747	:	:	:	:	1.624
1990	-4.264	-206	1.403	32.739	-6.307	-10.353	-16.243	2.594	-4.651	:	17.258	:	-3.637	:	:	-16.861
1995	45.807	13.788	701	18.603	-8.799	-8.640	-6.438	9.296	6.539	:	34.512	-9.403	-4.484	3.140	2.504	-5.512
2000	74.764	19.860	3.497	42.042	-16.089	-24.637	-20.434	18.628	-2.160	-2.456	77.722	-8.947	-11.321	4.698	2.120	-7.759

Source: Eurostat-External and Intra-European Trade-Statistical Yearbook-Data 1958-2002, *With Luxemburg until 1998

Table 28: Intra-EU Trade 2000-2008 (Million ECU/ EURO)

Exports

Year	EU	Belgium	Bulgaria	C.R.	Denmark	Germany	Estonia	Ireland	Greece	Spain	France	Italy	Cyprus	Latvia
2004	2,052,356	190,059	4,970	48,330	43,754	472,272	3,833	52,974	7,602	109,156	239,805	175,947	513	2,493
2006	2,471,015	223,135	7,129	64,789	52,398	561,348	5,063	54,820	10,558	121,128	258,686	203,069	746	3,553
2008	2,714,941	246,595	9,118	84,768	55,273	622,664	5,931	53,694	11,207	133,155	266,261	217,210	770	4,730

Year	Lithuania	Luxem.	Hungary	Malta	Nether.	Austria	Poland	Portugal	Romania	Slovenia	Slovakia	Finland	Sweden	UK
2004	5,023	11,793	37,111	1,000	229,535	69,990	48,465	23,045	14,139	8,877	19,338	28,712	58,491	164,238
2006	7,166	16,328	47,473	1,155	292,284	78,415	69,674	26,722	18,167	12,653	28,947	35,225	70,807	224,873
2008	9,694	15,293	57,672	922	342,350	89,024	90,178	28,006	23,758	15,799	41,285	36,668	74,859	178,057

Share

Year	EU	Belgium	Bulgaria	C.R.	Denmark	Germany	Estonia	Ireland	Greece	Spain	France	Italy	Cyprus	Latvia
2004	100	9.2	0.2	2.3	2.1	22.8	0.2	2.6	0.4	5.3	11.6	8.5	0	0.1
2006	100	8.9	0.3	2.6	2.1	22.5	0.2	2.2	0.4	4.9	10.4	8.1	0	0.1
2008	100	9.1	0.3	3.1	2	22.9	0.2	2	0.4	4.9	9.8	8	0	0.2

Year	Lithuania	Luxem.	Hungary	Malta	Nether.	Austria	Poland	Portugal	Romania	Slovenia	Slovakia	Finland	Sweden	UK
2004	0.2	0.6	1.8	0	11.1	3.4	2.3	1.1	0.7	0.4	0.9	1.4	2.8	7.9
2006	0.3	0.7	1.9	0	11.7	3.1	2.8	1.1	0.7	0.5	1.2	1.4	2.8	9
2008	0.4	0.6	2.1	0	12.6	3.3	3.3	1	0.9	0.6	1.5	1.4	2.8	6.6

Imports

Year	EU	Belgium	Bulgaria	C.R.	Denmark	Germany	Estonia	Ireland	Greece	Spain	France	Italy	Cyprus	Latvia
2004	1,969,405	167,221	6,624	45,159	38,813	377,748	4,943	32,719	25,518	141,103	263,608	177,575	3,066	4,316
2006	2,379,530	200,115	9,431	59,738	49,193	460,130	7,974	39,877	29,014	161,716	296,642	202,859	3,787	7,035
2008	2,639,563	221,858	14,228	74,206	53,709	512,768	8,693	39,902	33,635	169,596	331,395	208,784	4,915	8,284

Year	Lithuania	Luxem.	Hungary	Malta	Nether.	Austria	Poland	Portugal	Romania	Slovenia	Slovakia	Finland	Sweden	UK
2004	6.323	12.243	33.343	2.143	136.627	79.757	54.319	34.071	17.326	11.714	18.929	27.853	58.275	212,019
2006	9.683	14,918	43,766	2,425	165,246	87,047	73,832	40,155	25,815	14,948	26,925	35,342	70,773	276,390
2008	12,169	16,018	50,521	2,402	190,034	97,762	102,006	44,988	39,827	17,942	36,724	38,710	79,217	229,270

Source: Eurostat-External and Intra-European Trade-Statistical Yearbook-Data 1958-2010

Table 28 (cont'd)

Share

Year	EU	Belgium	Bulgaria	C. R.	Denmark	Germany	Estonia	Ireland	Greece	Spain	France	Italy	Cyprus	Latvia
2004	100	8,4	0,3	2,3	1,9	19	0,2	1,6	1,3	7,1	13,2	8,9	0,2	0,2
2006	100	8,3	0,4	2,5	2	19	0,3	1,7	1,2	6,7	12,4	8,4	0,2	0,3
2008	100	8,4	0,5	2,8	2	19,4	0,3	1,5	1,3	6,4	12,6	7,9	0,2	0,3
Year	Lithuania	Luxem.	Hungary	Malta	Nether.	Austria	Poland	Portugal	Romania	Slovenia	Slovakia	Finland	Sweden	UK
2004	0,3	0,6	1,7	0,1	6,9	4	2,7	1,7	0,9	0,6	0,9	1,4	2,9	10,6
2006	0,4	0,6	1,8	0,1	6,8	3,6	3,1	1,7	1,1	0,6	1,1	1,5	2,9	11,4
2008	0,5	0,6	1,9	0,1	7,2	3,7	3,9	1,7	1,5	0,7	1,4	1,5	3	8,7

Balance (Bn ECU/Euro)

Year	EU	Belgium	Bulgaria	C. R.	Denmark	Germany	Estonia	Ireland	Greece	Spain	France	Italy	Cyprus	Latvia
2004	82.951	22.838	-1.654	3.171	4.941	94.524	-1.110	20.255	-17.916	-31.947	-23.803	-1.628	-2.553	-1.823
2006	91.485	23.020	-2.302	5.051	3.205	101.218	-2.911	14.943	-18.456	-40.588	-37.956	210	-3.041	-3.482
2008	75.378	24.737	-5.110	10.562	1.564	109.896	-2.762	13.792	-22.428	-36.441	-65.134	8.426	-4.145	-3.554
Year	Lithuania	Luxem.	Hungary	Malta	Nether.	Austria	Poland	Portugal	Romania	Slovenia	Slovakia	Finland	Sweden	UK
2004	-1.300	-450	3.768	-1.143	92.908	-9.767	-5.854	-11.026	-3.187	-2.837	409	859	216	-47.781
2006	-2.517	1.410	3.707	-1.270	127.038	-8.632	-4.158	-13.433	-7.648	-2.295	2.022	-117	34	-51.517
2008	-2.475	-725	7.151	-1.480	152.316	-8.738	-11.828	-16.982	-16.069	-2.143	4.561	-2.042	-4.358	-51.213

Source: Eurostat-External and Intra-European Trade-Statistical Yearbook-Data 1958-2010

4.3. Conclusion

The European Union's trade relations since its establishment in 1958 until 2008 are examined in this chapter, including its extra and intra Union trade, product coverage and main partners. The examination took place within the confines of the structural changes that have been witnessed in the global political economy during that period through placing the European political economy within that context. It is shown that the prevailing liberal trade order shaped the EU's trade relations. Moreover, the Union followed the developments in that setting and adjusted its policies to the prevailing order. Nevertheless, it is also explored that the variations of liberal trade policies have been implemented by the EU, whatever the conjectural developments in the liberal trade order necessitated. Consequently, protectionist approaches to trade and neomercantilism marked the EU's trade relations, as they did in other liberal countries, since the middle of the 1980s until the surge of neoliberal influence on the global economy.

In that vein, it can be detected from the figures that the export and import shares of the EU in the world total have been influential from the start, even forestalling the USA, which paved the way to a *rising trade bloc* until the 1990s, although faced with fluctuations in its share in the world markets in that period. Initially, protectionist approaches in imports to defend European firms from the rush competitiveness in the world markets marked the EU's trade relations. Together with the protection against import competitiveness, to promote the exports of those European companies, mainly the German ones, has been the other complement of the EU's trade policy along with neomercantilism in that period. The trade policies adopted during the period were the result of European politics that targeted to follow regionalist attitudes in its trade relations, creating and favoring "European champion firms." Despite the first enlargement, towards the UK, Ireland and Denmark, the challenges in the global political economy

cause a contraction in the world markets with the implementation of differentiated unilateral protectionist measures through the 1970s that also result in to lessen the market shares of the EU. A fast recovery is achieved with the beginning of the 1980s by means of the complementation of the Single Market and encompassing also the Mediterranean enlargement. Since then the 1990s period can be labeled as the *golden years* for the EU, recording considerable shares in the world total exports and imports, also via acquiring the wealthy EFTA countries and the advantages of a highly regulated world trade by means of the establishment of the WTO to achieve a predictable and free trade environment. Through this period, a new perspective, a globalist and a more liberal attitude, in the EU's trade relations is witnessed parallel to the emergence of neoliberal thoughts in the global economy.

The third and the last period examined in that part of the thesis is the epoch from 2000 to 2008 that is, in fact, showing the *signs of fatigue*. By the new Millennium, other than challenges in the world markets deriving from globalization and competition, as the consequences of applying neoliberal trade policies, the EU was struggling with also internal problems and the biggest enlargement it has completed since so far. Despite obtaining ten new members, decline both in import and export shares of the EU in the world total is witnessed. When the newcomers is analyzed on country base, only Poland, the Czech Republic and Hungary are the outstanding members among those newcomers, but with limited influence on the overall of the Union trading performance.

Other substantial findings of this chapter through the detailed and comprehensive analyzes in the evolution of trade relations of the EU can be briefly summarized as follows. Primarily, since the very beginning, the position of Germany has utmost importance for the EU's export performance, as the country solely provides around 25% of the EU's total exports. Respectively, France, Italy, the Netherlands follow Germany together with the UK. Besides, the

influence of Spain and some of Eastern European Countries (Poland, the Czech Republic and Hungary) in the EU exports is very limited.

For the product coverage in the trade relations of the Union, since 1980 the group of “manufactured products” has the biggest share in both exports and imports. In that vein, the formation of an “Intra-Industry Trade” for the EU is observed that is also parallel with the trade patterns of other developed and industrialized countries. Furthermore, the findings of this chapter suggest that the newcomers have adjusted their production capabilities to that of the EU. The benefits of the single market providing the free circulation of all productive forces paved the way for such an outcome.

For the main trading partners, the EU’s most significant partner has been the USA since its establishment, and the country has maintained its status in the EU trade with some vicissitudes during some periods. This finding also confirms the arguments of the “New Trade Theories” within the liberal thought that “trade among industrialized developed countries should expand faster than the trade with the less developed ones.” Any change regarding the bilateral trade relations of the EU much owes to the general structural developments in the world trade and the FTAs that it has concluded with some selected third countries. Thus, the impact of its successive enlargements is also limited in the route of the Unions’ external trade during this period.

Nevertheless, analyzing intra-EU trade with all its aspects provides the possibility to evaluate the strength of the single market for the members, as intra-EU trade regularly enjoys a high share in the total trade of the EU. Additionally, exports in goods constitute the significant part of intra-EU trade, as it has been consistently higher than that of intra-EU imports. As one would expect, the core six members together with UK have the lion share in intra-EU trade. Nonetheless, to examine the impact of the enlargements on intra-EU trade pattern is remarkable, particularly in exploring the dependency of Eastern European members to the internal market for their exports. The share of intra-EU trade in

the total exports of those Eastern European countries is too high where, in fact, this ratio reaches more than 80% for some countries: Slovakia and the Czech Republic. Predictably, Germany is the leading country in the intra-trade of exports of those Eastern European countries regarding their exports, having important investments in the region long before their accession.

All in all, from very beginning the trade relations of the European Union is based on the economic performances of the founding-core six countries. The UK should be added to that core group with its historically well-developed industry and trading experience to all over the world that contributed well enough to the triumph of this trading bloc. As explored, in each period of the EU's trade relations in this chapter, the share of the founding-core countries together with the UK represents the lion's share in the total export and import figures of the Union. In fact, their share was naturally by 95% in a nine-membered Union. However, when the EU has widened to 27 members, this core group still represents a crucial share of around 70% in the total trade of the EU since 2008. Germany comes to fore among the core group with its leading position in total trade both in exports and in imports.

The other enlargements of the EU in fact, have very limited effect on the overall trade relations of the EU until 2008. Moreover, the last enlargement towards Eastern Europe served to complement the export performance of the Union, particularly of Germany, as becoming an out-sourcing place with relatively low levels of production costs, around the aim of primarily to preserve and then to enhance the market share of the Union in a competing world trading environment.

CHAPTER 5

THE EUROPEAN UNION'S TRADE RELATIONS IN THE TIME OF CRISES: 2009-2018

5.1. Introduction

This chapter presents the European Union's trade relations from 2009 to 2018, which is also known as the 'crises period.' The analysis resumes in the same method as applied in the previous chapter. Before proceeding with trade shares and patterns of the EU, I elaborate on the consequences of 2008 financial and the succeeding Euro-zone crisis on the EU economy and particularly on its trade governance in a nutshell.

5.2. The Downturn in the EU Trade

5.2.1. The Consequences of the Financial Crisis on the EU Economy and Trade Policy-Making

In the age of neoliberalism and globalization, the deregulated financial markets are linked worldwide. "Because of those close interrelations of the financial systems, the crises crossed borders rapidly and easily."⁴⁶⁶ Therefore, the credit-bubble began in the USA by 2007 was followed by the bankruptcy of financial institutions that later turned out to be large scale, to a global severe financial crisis in 2008 which has ever been experienced since the Great Depression of 1929. Although the EU encountered severe economic problems

⁴⁶⁶ Ivan T. Berend, *Europe in crises, Bolt from the blue?*, Routledge, New York and London, 2013, p.48.

emanated from the financial crisis of 2008, the peripheral countries of the Union were more hit by both the financial crisis in 2008 and the succeeding sovereign debt crises beginning with 2009 in the Euro-zone. Many European governments have adopted stringent austerity policies to overcome the economic strains caused by those crises.

In the financial crisis, the Central and Eastern European countries of Latvia, Hungary, and Romania entered formal programmes led by the IMF, with the EU (Commission) as junior partner; in the euro crisis, Greece, Ireland, Portugal and Cyprus entered formal programmes led by the EU (ECB and Commission), with the IMF as junior partner, while the conditionality for Spain and Italy was informal, meaning self-imposed, so as to avoid harsher formal programmes.⁴⁶⁷

Contrast with austerity measures applied by the EU member states, the USA launched a financial stimulus programme that was one of the largest rescue packages since the Great Depression to revive the U.S. economy.⁴⁶⁸

However, austerity measures did not help to heal the European countries' economic growth as it can be observed from the GDP growth rates of member states (see Table 29 below). The figures only show signs of a slow but stable recovery since 2014. In 2009 although the EU's overall GDP growth rate was disastrous with the rate of -4,3%, the Baltic countries, Estonia, Latvia, and Lithuania, recorded historical negative growth rates around -15%. Except for Poland, all the EU countries experienced negative growth rates in that year. As a transforming country, "Poland became the only country that was able to avoid any crisis."⁴⁶⁹ For Poland's success, it was argued that "...it me[t] the conditions

⁴⁶⁷ Vivien A. Schmidt, "The Europeanization of National Economies?," in *The Member States of the European Union*, third ed. by Simon Bulmer and Christian Lequesne, Oxford University Press, Glasgow, 2020, p.432.

⁴⁶⁸ Lee Hudson Teslik, "The U.S. Economic Stimulus Plan," The Council on Foreign Relations, web page, <https://www.cfr.org/backgrounders/us-economic-stimulus-plan>, accessed on 20.03.2020.

⁴⁶⁹ Berend, *Europe in crises*, p.39.

of the stabilization pact and, therefore, ha[d] low budget deficits and moderate inflation.”⁴⁷⁰ Of the core member states, Germany recorded a negative growth rate in its GDP (-5,7 %) in 2009, that is higher than the average of the EU total and the other core members. Other core Member States also recorded negative growth rates: Italy -5,3%, France -2,9%, the Netherlands -3,7%, and the UK -4,2%.

Though Europe declined into a major economic recession in 2008-2009, by 2010, GDP growth rate figures gave a signal of health and fast recovery, but “the storm returned with multiplied strength by transforming from a financial and banking crises into a sovereign debt crises.”⁴⁷¹ This time the debt crisis began in Iceland with the collapse of its banking system in 2008 that spread primarily to the EU member states of Greece, Ireland, Italy, Portugal, and Spain.

Together with the impacts of the two discrete crises in 2012, the average of the EU growth rate was once more negative. Notably, the peripheral member states struggled with severe economic problems: Hungary, the Czech Republic, Greece, Portugal, and Slovenia experienced negative growth rates. Other than those, Italy, Finland, Sweden faced a slowdown in their economic activities.

In 2015, the surge in Irish GDP growth rate attracted considerable attention (25,2 %). According to the OECD, the main reason for the extraordinary high Irish GDP growth rates lies in the fact that with the implementation of low corporation taxes, the country attracted a number of large multinational corporations to relocate their economic activities, and more importantly, their underlying intellectual property, to Ireland.⁴⁷² The use of intellectual property

⁴⁷⁰ Ebru Terazi and Seçil Şenel, “The Effects of the Global Crisis on the Central and Eastern European Union Countries,” *International Journal of Business and Social Science*, Vol.2, No.17, 2011, p.187.

⁴⁷¹ Berend, *Europe in crises*, p.52.

⁴⁷² OECD, *Irish GDP up by 26.3% in 2015?*, Paris, October 2016, web page, <https://www.oecd.org/sdd/na/Irish-GDP-up-in-2015-OECD.pdf>; accessed on 14.12.2019.

within the country contributed to the Irish GDP rather than other countries' GDP.⁴⁷³

Table 29: GDP Growth Rates of the EU (%)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
EU	0,5	-4,3	2,1	1,8	-0,4	0,3	1,8	2,3	2	2,6	2
Belgium	0,8	-2,3	2,7	1,8	0,2	0,2	1,3	1,7	1,5	1,7	1,4
Bulgaria	6,1	-3,4	0,6	2,4	0,4	0,3	1,9	4	3,8	3,5	3,1
Czech R.	2,7	-4,8	2,3	1,8	-0,8	-0,5	2,7	5,3	2,5	4,4	3
Denmark	-0,5	-4,9	1,9	1,3	0,2	0,9	1,6	2,3	2,4	2,3	1,5
Germany	1	-5,7	4,2	3,9	0,4	0,4	2,2	1,7	2,2	2,5	1,5
Estonia	-5,1	-14,4	2,7	7,4	3,1	1,3	3	1,8	2,6	5,7	4,8
Ireland	-4,5	-5,1	1,8	0,3	0,2	1,4	8,6	25,2	3,7	8,1	8,2
Greece	-0,3	-4,3	-5,5	-9,1	-7,3	-3,2	0,7	-0,4	-0,2	1,5	1,9
Spain	0,9	-3,8	0,2	-0,8	-3	-1,4	1,4	3,8	3	2,9	2,4
France	0,3	-2,9	1,9	2,2	0,3	0,6	1	1,1	1,1	2,3	1,7
Croatia	2	-7,3	-1,5	-0,3	-2,3	-0,5	-0,1	2,4	3,5	2,9	2,6
Italy	-1	-5,3	1,7	0,7	-3	-1,8	0	0,8	1,3	1,7	0,8
Cyprus	3,6	-2	2	0,4	-3,4	-6,6	-1,9	3,4	6,7	4,4	4,1
Latvia	-3,3	-14,2	-4,5	6,3	4,1	2,3	1,9	3,3	1,8	3,8	4,6
Lithuan.	2,6	-14,8	1,5	6	3,8	3,6	3,5	2	2,6	4,2	3,6
Luxem.	-1,3	-4,4	4,9	2,5	-0,4	3,7	4,3	4,3	4,6	1,8	3,1
Hungary	1,1	-6,7	0,7	1,8	-1,5	2	4,2	3,8	2,2	4,3	5,1
Malta	3,3	-2,5	3,5	1,3	2,8	4,6	8,7	10,8	5,7	6,7	6,8
NL	2,2	-3,7	1,3	1,6	-1	-0,1	1,4	2	2,2	2,9	2,6
Austria	1,5	-3,8	1,8	2,9	0,7	0	0,7	1	2,1	2,5	2,4
Poland	4,2	2,8	3,6	5	1,6	1,4	3,3	3,8	3,1	4,9	5,1
Portugal	0,3	-3,1	1,7	-1,7	-4,1	-0,9	0,8	1,8	2	3,5	2,4
Portugal	0,3	-3,1	1,7	-1,7	-4,1	-0,9	0,8	1,8	2	3,5	2,4
Romania	9,3	-5,5	-3,9	2	2,1	3,5	3,4	3,9	4,8	7,1	4
Slovenia	3,5	-7,5	1,3	0,9	-2,6	-1	2,8	2,2	3,1	4,8	4,1

⁴⁷³ *Ibid.*

Table 29 (cont'd)

Slovakia	5,6	-5,5	5,7	2,9	1,9	0,7	2,8	4,8	2,1	3	4
Finland	0,8	-8,1	3,2	2,5	-1,4	-0,9	-0,4	0,6	2,6	3,1	1,7
Sweden	-0,2	-4,2	6,2	3,1	-0,6	1,1	2,7	4,4	2,4	2,4	2,3
United Kingdom	-0,3	-4,2	1,9	1,5	1,5	2,1	2,6	2,4	1,9	1,9	1,4

Source: Eurostat

According to Becker and Jager;

...different national developments of the crisis have to be explained against the background of different regimes of accumulation and the specific insertion into the international division of labour. Different axes of regimes of accumulation can be distinguished analytically: Productive versus financialized accumulation, extensive versus intensive accumulation and introverted versus extroverted accumulation.⁴⁷⁴

Financialized accumulation means that investments are to be geared towards the financial sphere other than the circuit of productive capital.⁴⁷⁵ In that context, since 1980,

European economic integration has been based on an unfolding division of labour of primarily financialized and primarily export-oriented economies. Most of the financialized economies dependent on the imports of goods and capital, whereas export-oriented economies, especially Germany, have exported goods and provided credits that financed the escalating current account deficits,... [by] facilitat[ing] debt-driven growth and the emergence of enormous imbalances⁴⁷⁶

⁴⁷⁴ Johaim Becker and Johannes Jager, "Development Trajectories in the Crisis in Europe," *Debatte: Journal of Contemporary Central and Eastern Europe*, 29 April 2010, p.5.

⁴⁷⁵ Johaim Becker, *Development Models and Crisis in Eastern Europe*, Manuscript.

⁴⁷⁶ Johaim Becker and Johannes Jager, "European Integration in Crisis: the Centre-Periphery Divide," Paper to be presented at 17th Euromemo *Workshop on Alternative Economic Policy*, Vienna, 16-18/9/2011, p.17.

within the European integration in the previous decades (see Tables 9, 11, and 13 in Chapter 4 regarding the imbalances in the member states' total trade figures).

Nevertheless, those structural imbalances between some of the new and existing members were revealed more soon after the enlargement round of 2004.⁴⁷⁷ Therefore, there have been many criticisms⁴⁷⁸ on the EU's enlargement policies that created a hugely divided and polarized EU with countries of significantly diverse economic level. Although "these countries were considered to be a part of the rich Western world,"⁴⁷⁹ "[t]he crises-ridden countries of the EU were those PIIGS (Portugal, Italy, Ireland, Greece and Spain), as peripheral countries, they were latecomers to industrialization and economic modernization."⁴⁸⁰

In the EECs, managing a market economy was a new phenomenon for those economies that they had to experience in a very short time compared with their Western partners. Berend argues that, as history matters, "[t]raditionally, the Eastern periphery was and still is, in a backward peripheral situation."⁴⁸¹ However, as those countries were not homogenous in their economic performances, infrastructures, and abilities, the crisis's impact was not also homogenous in the region, such as in the case of Poland.

Besides, Lapavitsas⁴⁸² argues that the precarious integration of peripheral countries in the Euro-zone is one reason of the crisis. As a result, "the crisis of

⁴⁷⁷ Johaim Becker & Rudy Weissenbacher, "Western Balkans: peripheral integration without stability?," in Antevski, M and Mitrović, D (eds.) *Western Balkans: From stabilization to integration*, Institute for International Politics and Economics, Belgrade, 2012, p.32.

⁴⁷⁸ Berend, *Europe in crises*.

⁴⁷⁹ *Ibid.*, p.28.

⁴⁸⁰ *Ibid.*, p.29.

⁴⁸¹ *Ibid.*, p.36.

⁴⁸² Costas Lapavitsas, Annina Kaltenbrunner, Duncan Lindo, J. Michell, Juan Pablo Paineira, Eugenia Pires, Jeff Powell, Alexis Stenfors and Nuno Teles, "Eurozone crisis: beggar thyself and thy neighbor," *Journal of Balkan and Near Eastern Studies*, 12:4, 2010, p.362.

European economics can be considered as the expression of a structural crisis of European integration.”⁴⁸³

Furthermore, contrary to Berend, Lapavitsas⁴⁸⁴ and Bellofiore⁴⁸⁵ suggest that Germany’s dominance in controlling trade and capital flows within the EU also contributed to the Euro-zone crises. Besides, Bellofiore⁴⁸⁶ argues that the practice of neomercantilism within the EU constitutes the most important factor in generating the EU crises. As Germany was always following a surplus in its foreign trade both in the intra- trade and trade beyond the EU, many countries in the region, especially the peripheral ones, were running deficits with Germany. Germany applied policies suitable to promote its competitiveness while pressing the wages inside the country and at the same outsourced some of its production in the low-wage countries of peripherals within the EU,⁴⁸⁷ especially in Eastern European countries.

On the other hand,

... the transformation of the USA into a globally importing country...[with] the new debt-driven phase of the US capitalism,...the USA has remained the largest, richest and most durable market for the realization of net surpluses for the EU, and for the Eurozone in particular.⁴⁸⁸ Thus attaining a surplus with the US has become a necessity to compensate for those persistent deficits as well as for the deficits with dollar-based raw materials and energy exporting countries.⁴⁸⁹

⁴⁸³ Becker and Weissenbacher, “Western Balkans,” p.17.

⁴⁸⁴ Lapavitsas et al., “Eurozone crisis.”

⁴⁸⁵ Bellofiore et al., “The global crises and the crises of European neo-mercantilism.”

⁴⁸⁶ *Ibid.*, p.122.

⁴⁸⁷ *Ibid.*

⁴⁸⁸ *Ibid.*, p.122.

⁴⁸⁹ *Ibid.*, p.121.

Therefore, when the EU members faced an internal crisis, together with the decreasing surplus in their trade with the USA due to difficulties in the US economy, their position became worsen.

Albeit the EECs were strongly affected by the crisis, there were different degrees of impact on individual countries, as mentioned above. For example, like Hungary, Romania, and Latvia encountered severe financial problems, they applied for outside assistance, the IMF support.⁴⁹⁰ In general, this differentiation was based on the varying development models that those countries had been implementing since their transition. As observed in their Western partners, they also follow generally two models of accumulation: In Visegrad countries and Slovenia, export-oriented industrialization and financialization have been combined, where in the Baltic States and South-Eastern Europe, accumulation was primarily based on dependent financialization.⁴⁹¹ In the dependent financialized economies of EECs, except for Slovenia, the key financial sectors (for example, banking) was controlled by the foreign capital, especially originating in Western Europe, “where this dependence in the area of direct investment has not been achieved by any other sub-region of the EU and is also very high in global terms.”⁴⁹² Moreover, the EECs, implementing export-oriented regime of accumulation were particularly closely linked to the core countries of Germany, Austria, and Sweden.⁴⁹³ Remarkably, among those EECs, Visegrad countries and Slovenia were linked to Germany more than any other member through trade as it can be observed in Table 25 of Chapter 4 and is to be further analyzed in the following for the recent figures of 2013 and 2018.

Nevertheless, in the EU’s dependent financialization economies -the UK, Spain, and Baltic countries-, the recession has been prolonged where real estate

⁴⁹⁰ Terazi and Şenel, “The Effects of the Global Crisis,” p.191.

⁴⁹¹ Becker and Jager, “Development Trajectories in the Crisis in Europe,” p.13.

⁴⁹² *Ibid.*

⁴⁹³ *Ibid*, p.8.

and financial sectors were at the center of the crisis.⁴⁹⁴ In the export-oriented economies, the collapse of exports has been the major factor of recession, particularly in the EECs, except Poland and the Czech Republic.⁴⁹⁵ Finally, according to some thoughts,

[t]he financial meltdown that spawned the Great Recession [i.e., the current crisis] was rooted in the record global current account imbalances that emerged over the last decade. These imbalances were, in part, a product of trade policies that served the world well for years.⁴⁹⁶

The reasoning here is that the US trade deficit and the equivalent flow back of cheap money from surplus countries provided the fuel for the credits, a conclusion that has also been recognized by Federal Reserve Chairman Bernanke. This recognition of the role of open (and imbalanced) trade in the recent crisis may further contribute to (pleas for) trade pragmatic change.⁴⁹⁷

As a matter of fact, how the EU responded to both crises - 2008 financial and then 2009 Euro-zone debt crisis- is not the subject matter of this thesis. However, whether this crisis period has triggered a discussion or change in the prevailing EU's liberal trade policy would be the focus of this chapter while comparing the trade patterns between 2009 and 2018 with those in previous periods examined in Chapter 4.

⁴⁹⁴ *Ibid.*, p.21-22.

⁴⁹⁵ *Ibid.*, p.22.

⁴⁹⁶ Bruce Stokes, "The G-20 after the Great Recession: Rebalancing Trade," in F. Lehman and J-P Lehman (eds), *Peace and prosperity through world trade*, Cambridge University Press, 2010, p.101, cited in Ferdi De Ville and Jan Orbie, "The European Union's Trade Policy Response to the Crisis: Paradigm lost or reinforced?," *European Integration online Papers (EIoP)*, Vol.15, Article 2, 2011, p.4

⁴⁹⁷ Ferdi De Ville and Jan Orbie, "The European Union's Trade Policy Response to the Crisis: Paradigm lost or reinforced?," *European Integration online Papers (EIoP)*, Vol.15, Article 2, 2011, p.4.

According to De Ville and Orbie, as the last crisis of 2008 has been compared with the Great Depression, this fueled the expectations to a protectionist turn in trade.⁴⁹⁸

[T]he two most severe economic crisis of the 20th century, the 1930's "Great Depression" and the stagflation crisis of the 1970s did entail trade (as a part of wider economic policy) paradigm shifts, respectively from classical liberalism and mercantilism to embedded liberalism and from embedded liberalism to neo-liberalism.⁴⁹⁹

However, unlike the Great Depression of the 1930s, which led to a severe outbreak of protectionism with "beggar-thy-neighbor" policies, the EU has not resorted to those kinds of protectionist measures to try to contain the downturn.⁵⁰⁰ In fact, "the crisis could have constituted an opportunity for member states to challenge the exclusive competence of the EU level for trade policy and to re-introduce trade barriers autonomously."⁵⁰¹

This option was not wholly theoretical, as illustrated by the row over 'Buy French' provision attached to France's support for the car sector in 2009. *Alternatively*, the crisis might have provided fertile ground for drastic changes to dominant ideas in EU trade policy, leading to displacement of the (neo)liberal paradigm with a more protectionist perspective.⁵⁰²

Instead, continuity in the (neo)liberal stance of the EU in its trade governance kept going contrary to the severe consequences of the crisis that marked the period. The Commission has consistently presented liberalization as a desirable and even necessary solution to the crisis and protectionism as a mistake

⁴⁹⁸ *Ibid.* p.3.

⁴⁹⁹ *Ibid.*

⁵⁰⁰ Yelter Bollen, Ferdi De Ville and Jan Orbie, "EU trade policy: persistent liberalization, contentious protectionism," *Journal of European Integration*, 25 March 2016, p.279.

⁵⁰¹ *Ibid.*, p.280.

⁵⁰² *Ibid.*

from the past that has to be avoided.⁵⁰³ “[T]he Commission has successfully framed the diagnosis of the crisis as a crisis in the financial sub-domain of the globalized capitalist system.”⁵⁰⁴ In fact, the reasons were attributed “to a lack of financial regulation, the irresponsible behavior of investment bankers and institutions by which the origin of the crisis has been narrowed down to financial sub-system and even to individuals within this sub-domain.”⁵⁰⁵

Besides, the “Euro-zone crisis” was also regarded and announced as the “sovereign debt crisis” by which again the crisis was attributed to those irresponsible and economically weaker member states, and “the blame was shifted from the market to the state.”⁵⁰⁶

Meanwhile, the Commission’s neoliberal trade approach legitimized the continuity in the time of crises, but through a subtly adaptation to the changing crisis environment.⁵⁰⁷ In their study, De Ville and Orbie analyze the EU trade Commissioners’ trade policies in the context of crisis between 2008 and 2012 and come up with the argument that with re-articulations of the relationship with free trade and crisis, “the Commission subtly changes its neoliberal trade discourse.”⁵⁰⁸ Those re-articulations, slightly, were discerned by the authors as respectively:

- i) warning against the threat of protectionism, ii) presenting further liberalization as a contribution to recovery, iii) depicting trade as the only possible source of growth for the EU-in-crisis; and iv) modestly moderating the discourse by admitting that internally

⁵⁰³ *Ibid.*, p.288.

⁵⁰⁴ De Ville and Orbie, “The European Union’s Trade Policy Response to the Crisis,” p.9.

⁵⁰⁵ *Ibid.*

⁵⁰⁶ De Ville and Orbie, “The European Commission’s Neoliberal Trade Discourse Since the Crisis,” p.150.

⁵⁰⁷ *Ibid.*, p.149.

⁵⁰⁸ *Ibid.*

there needs to be attention to the demand side of recovery and externally the EU's own liberal policies should be reciprocal.⁵⁰⁹

Besides, it is also interesting to observe that free trade was emphasized as a part of "European social model"⁵¹⁰ by the Karel De Gucht, the European Commissioner for Trade, in her speech in 2011.⁵¹¹

...Because trade has also been one of the most important factors in our own economic recovery of the last two years...We have to do more, both at multilateral level and bilaterally, to open up trade even more and to keep trade flowing. And we have to convince our citizens that, even if opening markets is not always easy and requires difficult adjustments, it is the only way to keep our economic engine running...Europe, the continent where the budgetary impact of the financial crisis is arguably the most severe, has no other option but to find access to economic growth generated in markets that have been less severely hit. Far from breaking up our social model at the hands of global economic forces, we have to tap into global economic flows to protect our social model. That, to me, is what trade is all about.

Within that frame, the trade policies and strategies of the Union take attention particularly in its bilateral trade relations that also proves its *offensive approach* to trade issues in the context of crisis. For example, the EU decided to start FTA negotiations with the USA, Canada and Japan, which are very important players in the global trade. Although it has been in a deadlock since 2016, to decide to open a trade agreement with the USA was a "zenith of the narrative that further trade liberalization is the desirable and necessary response to the crisis."⁵¹² A comprehensive trade agreement with the USA could have an

⁵⁰⁹ *Ibid.*, p.162

⁵¹⁰ De Ville and Orbie, "The EU's trade policy respond," p.9

⁵¹¹ Karel De Gucht, the European Commissioner for Trade, "War economy or Warhol economy?," The Leading European Network in Cultural Management and Cultural Policy Education (ENCATC) - University of Antwerp Debate, *Managing the impact of the financial crisis in Europe*, Brussels, 7 July 2011, http://www.encatc.org/media/274-speech_de_gucht_at_encatc.pdf, accessed on 8.1.2020.

⁵¹² Bollen et al., "EU trade policy," p.288.

enormous impact on the bilateral and world trade as it would cover about one-third of world trade and half of global GDP.⁵¹³ However, formerly starting trade negotiations with the USA was also recommended in 1998 but was confronted with strong opposition in the Council, particularly from France that strongly resisted the proposal.⁵¹⁴ The changes in the members' attitudes in the Council by time paved the way to pass the decision of starting negotiations, including France, "without any notable dissidence."⁵¹⁵ "The 'free trade vs. protectionism' dimension has proven far less controversial than before-especially within the Council."⁵¹⁶

On the other hand, to elaborate the Commission's position during the negotiations is also to contribute to the offensive trade policy in the time of crises. The Commission kept its determined position on free trade, despite TTIP met the unprecedented public and parliamentary opposition across the EU between 2013 and 2016. Moreover, the opponents proposed a European Citizens initiative⁵¹⁷ against the TTIP entitled "Stop TTIP." However, the Commission refused the registration of the proposed citizens' initiative in 2014.⁵¹⁸

Another imperative trade policy decision of the EU in the midst of the crisis was to conclude the FTA with South Korea in 2009 that it had started after the "Global Europe" initiative announced in 2006 (see Chapter 3). According to a

⁵¹³ *Ibid.*, p.283.

⁵¹⁴ *Ibid.*

⁵¹⁵ *Ibid.*, p.284.

⁵¹⁶ *Ibid.*

⁵¹⁷ The European Citizens' Initiative (ECI) is an important instrument of participatory democracy in the European Union, allowing EU citizens residing in at least one quarter of the Member States to invite the Commission to submit a proposal for a legal act to implement the EU Treaties. The legal framework for the Initiative was first introduced with the Maastricht Treaty of 1993. European Parliament web page, <http://www.europarl.europa.eu/factsheets/en/sheet/149/european-citizens-initiative>; accessed on 9.12.2019.

⁵¹⁸ The General Court of the European Union in its judgment of 10 May 2017 annulled that Decision. <file:///C:/Users/USER/Downloads/C-2017-4725%20final%20public.pdf>.

study,⁵¹⁹ the biggest losers in an FTA with the South Korea would be the automobile and electrical machinery industries. Indeed, there appeared protectionist lobbying in the Commission that was backed with a strong supranational interest group, the European Automobile Manufacturers' Association.⁵²⁰ Thus, although there was a strong mobilization of protectionism within the EU for a Korean trade agreement, the Commission achieved its goal of supporting liberalization "as a necessary response to external economic imperatives."⁵²¹ Besides, some member states having powerful automotive industries -Germany, Italy, and France- were not supporting the Korean Agreement, but their position was altered in the Council in time. In Germany, "the initial opposition to the FTA gave way to support after the outcome of regional elections that favored Merkel's ruling party."⁵²² In Italy's case, following pressure from its peers, it also changed its opposition to supporting the Agreement.⁵²³ In fact, France was having serious reservations about trade liberalization, but it was alone in the Council asking for reciprocity in trading relations.⁵²⁴ Nevertheless, it was also interesting to observe that, by time, the representatives of the automobile sector also altered their stance for the agreement from seeking protectionism to addressing "the lack reciprocal liberalization."⁵²⁵

⁵¹⁹ Copenhagen Economics and Francois 2006:31, cited in Gabriel Siles-Brügee, *Resisting Protectionism after the Crisis*, p.19.

⁵²⁰ Siles-Brügee, *Resisting Protectionism after the Crisis*, p.22.

⁵²¹ Gabriel Siles-Brügee, *Resisting Protectionism after the Crisis: Strategic Economic Discourse and the EU-Korean Free Trade Agreement*, Original Manuscript, 2011, p.29.

⁵²² *Ibid.*, p.24.

⁵²³ *Ibid.*

⁵²⁴ *Ibid.*

⁵²⁵ *Ibid.*, p.25.

The success of the neoliberal trade policies followed by the Commission for the Korean FTA in the midst of a crisis would depend on three main strategies. First, to pursue the continuity of the competitive strategy laid down in Lisbon of 2000, as “a necessary step given the external economic constraints of globalization”⁵²⁶ was offered and put forward likewise by way of an appropriate answer for the constraints of the 2008 financial crisis. Second, the Commission handled the negotiations with the Korean side with tradeoffs: “being more offensive in services and investments, where the Korean side was largely defensive, until the Korean offensive interest in automobiles, where the EU was defensive, were satisfied.”⁵²⁷ Third, the fear of being left behind in trade liberalization, after the sign of the US-South Korea FTA in 2007, paved the way for the Commission to defend and justify its neoliberal trade policies (see Chapter 3).

Another important issue came to fore in assessing whether there occurred any protectionist turn in trade policy formation is the frequency in the usage of trade defense instruments that are respectively; “anti-dumping,” “anti-subsidy (countervailing duties-CVD),” and “safeguard measures,”⁵²⁸ “Statistics on the use of the trade defense instruments on the basis of initiations notified to the WTO from 1995 to 2018 show the examples of the two main traditional (US, EU) and

⁵²⁶ *Ibid.*, p.16.

⁵²⁷ *Ibid.*, p.20.

⁵²⁸ Anti-dumping measures are the measures against imports of a product at an export price below its “normal value” (usually the price of the product in the domestic market of the exporting country). If such dumped imports cause injury to a domestic industry in the territory of the importing contracting party, dumping duties are to be applied by the importing country due to the WTO Agreement on Anti-Dumping.

https://www.wto.org/english/docs_e/legal_e/ursum_e.htm#fAgreement.

Besides, the WTO Agreement on Subsidies and Countervailing Measures rules the use of subsidies, and it regulates the actions countries can take to counter the effects of subsidies that are called ‘anti-subsidy measures’. The other Agreement on Safeguards regulates the ‘safeguard actions/measures’ taken by a WTO member with the aim of restrict imports of a product temporarily if its domestic industry is injured or threatened with injury caused by a surge in imports. https://www.wto.org/english/thewto_e/whatis_e/tif_e/agrm8_e.htm.

the three most active new users (India, China, Brazil).”⁵²⁹ Of all invoked, anti-dumping measures have been the most frequent ones in implementation, followed by anti-subsidy (CVD) and then the safeguard measures. When the two primary traditional users -the USA and the EU- of the anti-dumping measures are compared, the former makes a peak in the early 2000s with the effect of the Asian crisis and recently with an increase since 2010, but “[i]n contrast, the EU initiations appear to go down over the whole period making it the user with the lowest activity for the most recent years.”⁵³⁰

Between 1995 and 2018, the EU initiated 510 “anti-dumping measures” in 24 years, of which 120 took place after 2008.⁵³¹ As already noted, the EU did not invoke those measures after 2008 more than any other time, but on the contrary, there is a slowdown in the recourse of anti-dumping measures in the time of crises. The situation is similar in the case of “anti-subsidy (CVD)” and “safeguard measures.” According to a report published by the Commission,⁵³² within the frame of “effective protection against unfair trade” during the Juncker Commission period from November 2014 till the end of 2018, the EU had 93 definitive anti-dumping measures and 12 anti-subsidy measures in place. Almost 44 % of them were measures applying to imported steel products and of all the measures in force, over two-thirds (68%) concern products imported from China.

Although this thesis analyzes the trade relations of this regional bloc on the EU level and thereof its correlation with the member states’ trade figures, in

⁵²⁹ Hannes Welge, “Trade defense from a US perspective,” *Balanced and fairer world trade defence EU, US and WTO perspectives*, Workshop, Directorate General for External Policies of the Union June 2019, p.29-31.

⁵³⁰ *Ibid.*

⁵³¹ WTO Anti-dumping Initiations: By Reporting Member 01/01/1995 - 30/06/2019, web page https://www.wto.org/english/tratop_e/adp_e/AD_InitiationsByRepMem.pdf, accessed on 7.2.2020.

⁵³² European Commission, *Report on EU trade defense – effective protection against unfair trade*, Brussels, 28 March 2019, <http://trade.ec.europa.eu/doclib/press/index.cfm?id=2000>; accessed on 7.2.2020.

that part of the thesis, it would be appropriate to mention the domestic policies of some member states and the stance of some non-state actors briefly during the time of crises. Therefore, how the Commission provided the continuity in its liberal trade policies even in a more offensive manner in the time of crisis is an important inquiry to analyze. It is beyond doubt that the Commission's power in the trade governance is hard to be challenged with the exclusive competence it has in trade matters. However, taking account the severe economic environment within the EU (see Table 28 above) and the slowdown in its trading performance (is to be shown in Tables 29, 31, 32, 34, 36, 37 below), how those circumstances did not produce any impact to a change in the neoliberal stance of the EU in its trade relations has utmost significance to search for. The Commission's liberal trade strategy has been hardly contested within Europe,⁵³³ by neither national governments nor business circles nor trade unions.

[As] [t]he Commission has consistently presented liberalization as a desirable and even necessary solution to the crisis and protectionism as a mistake from the past that has to be avoided, [t]his liberalization-as-a-recovery-instrument discourse has been very powerful and difficult to contest by traditional more protectionist member States, uncompetitive industries or trade unions.⁵³⁴

Consequently, "little or no dissidence can be found"⁵³⁵ in the relations of member states with the Commission. "Even the most critical voice against neoliberal globalization among European leaders, the French President Nicolas Sarkozy, has not challenged the Commission's framing of trade policy in the context of the crisis."⁵³⁶ According to a study, "the crisis has led to a reinforcement of the 'northern' states' (The UK, Germany, the Netherlands, the Scandinavian countries) free trade respective" whereby former more protectionist

⁵³³ De Ville and Orbie, "The European Union's Trade Policy Response to the Crisis," p.15.

⁵³⁴ Bollen et al., p.288.

⁵³⁵ De Ville and Orbie, "The European Union's Trade Policy Response to the Crisis," p.15.

⁵³⁶ *Ibid.*

members states, particularly Spain, became more pro-liberal in trade issues.⁵³⁷ The policy alteration of some member states can be traced back to the changes in their domestic politics during the time of crisis. The crisis caused disaster for the left parties,⁵³⁸ and resulted in many right-wing, economically liberal governments coming into power.^{539/540}

Another expected critical approach to the Commission's neoliberal agenda in trade matters was from social-democratic political forces and the European trade unions. "However, European Social Democracy has since its third way reconversion in the mid-1990 embraced neoliberalism and implemented such recipes when in government"⁵⁴¹ as observed in the case of France. Moreover, "it was not in a position to vehemently attack this paradigm and lacked the intellectual ammunition to do so, let alone to advocate a credible and attractive alternative."⁵⁴²

In the case of trade unions, they "have also become more accommodating towards trade liberalization."⁵⁴³ For instance, John Monks, the General Secretary of the European Trade Union Confederation (ETUC) at a symposium titled 'New World, new capitalism' on 8 January 2009 held in Paris, evaluated the issues regarding trade policy and governance in the time of crisis, that can be laid down as follows:

⁵³⁷ Bollen et al., p.288.

⁵³⁸ LeDuc and Pammet 2013, p.100, cited in Bollen et.al., p.289.

⁵³⁹ Bollen et.al., p.289.

⁵⁴⁰ "For instance; in Spain the conservative liberal party of People's Party came to power in 2011; in Portugal another conservative and economically liberal party won the elections in the same year; in Greece a coalition with the conservative party won the elections in 2012 and in France, despite the socialist Hollande won the elections in 2012, the new President also rapidly committed to reformist, liberal agenda." (Bollen et.al.p.292)

⁵⁴¹ De Ville and Orbie, "The European Union's Trade Policy Response to the Crisis," p.16.

⁵⁴² *Ibid.*

⁵⁴³ *Ibid.*

Pascal Lamy [Director-General of the WTO at the time of Symposium] is quite right in warning us all not to turn towards national protectionist trade policies. Remember the Smoot-Hawley Act that was a catalyst in the Great Depression for the severe reduction in US-European trade from its high in 1929 to its depressed levels of 1932. That in turn contributed to the tensions which led to war. The WTO is much criticized. But in our view we need more of it. Not less. Multilateralism is the way forward. The WTO, properly adapted and democratically controlled, can be the instrument to advance it.⁵⁴⁴

Moreover, in his speech at the Civil Society Dialogue Seminar on 26 March, 2009 he stated the following:

International trade is high on the trade union agenda. And the EU's exclusive competence on trade issues makes this a European subject par excellence...The current crisis brings with it pressure for protectionism and that in turn impacts on the international trade agenda. This not the route we want to follow. We remember the 1930s.⁵⁴⁵

Later in 2017, in his speech on a resolution for an EU progressive trade and investment policy, he stressed that “the EU should prioritize multilateral solutions in the context of the World Trade Organization (WTO) in accordance with our demands for a progressive trade policy.”⁵⁴⁶

Not surprisingly, the biggest supporter of the Commission in its dedicated liberal trade policy at the time of crises has been the European business circles, predominantly the ERT, with whom the Commission has established a unique relationship, “[when] the neoliberal trade agenda has begun to characterize EU

⁵⁴⁴ John Monks's speech at Symposium 'New World, new capitalism', Paris, 08/01/2009, web page <https://www.etuc.org/en/speech/symposium-new-world-new-capitalism>; accessed on 6.1.2020.

⁵⁴⁵ John Monks's speech at Civil Society Dialogue Seminar on 26 May 2009 – ETUC, web page, <https://www.yumpu.com/en/document/read/19541889/john-monks-civil-society-dialogue-seminar-26-may-2009-etuc>; accessed on 6.1.2020.

⁵⁴⁶ ETUC Resolution for an EU progressive trade and investment policy Adopted at the Executive Committee Meeting of 13-14 June 2017, web page <https://www.etuc.org/en/document/etuc-resolution-eu-progressive-trade-and-investment-policy>; accessed on 6.1.2020.

trade policy since the mid-1990s.”⁵⁴⁷ Particularly, “European multinationals that have sliced up their supply chain internationally in recent decades have much to lose from a turn to protectionism.”⁵⁴⁸ Besides, those business circles have sent messages to the European Council and to the Commission to avoid “beggar-thy-neighbor policies and pursue ambitious trade negotiations”⁵⁴⁹ in the time of crisis.

It is shown that in the time of crisis the EU has been adopting “a subtly discourse to a fluctuating context that effectively limit policy change and legitimize continuity”⁵⁵⁰ in its pro-liberal stance in trade policy formation. This situation is also proved empirically by applying more offensive bilateral relations with the world’s leading traders and less protectionist approaches in invoking trade defense instruments during the time of crises.

To sum up, “the neoliberal trade policy within the EU has not only survived the global financial crisis and Eurozone crises, but has been reinforced throughout these crises.”⁵⁵¹

5.2.2. The European Union’s Trade Patterns in the Time of Crisis

The consequences of the financial crisis hit the world-trading environment with a downturn as well as the EU trade. The value of the EU total trade, similar with that of the world, has been characterized first by weak growth in 2011 and 2014, then by a downturn in 2015 and 2016, and finally by a strong rebound in

⁵⁴⁷ De Ville and Orbie, “The European Commission’s Neoliberal Trade Discourse Since the Crisis,” p.150.

⁵⁴⁸ De Ville and Orbie, “The European Union’s Trade Policy Response to the Crisis,” p.17.

⁵⁴⁹ *Ibid.*

⁵⁵⁰ *Ibid.*

⁵⁵¹ De Ville and Orbie, “The European Commission’s Neoliberal Trade Discourse Since the Crisis,” p.149.

2017 and 2018⁵⁵² (see Tables 30 and 35). Contrary to the rise in the EU's GDP growth rate in 2015 and 2016, the downturn in its trade co-occurred. The UNCTAD explains the changes in the world trade pattern until 2017 due to several factors, including a decline in commodity prices, weak demand in major economies, and the US Dollar's appreciation.⁵⁵³ The recent trade rebound in 2017 and 2018, on the other hand, rests on the upward trend in commodity prices and, this time, the depreciation of the US Dollar.⁵⁵⁴

The exports of each member state and their total that constitutes the EU total in the last decade are shown in Table 30 below. As it can be observed, the EU's total exports do not follow a stable position but fluctuate in that decade. Nevertheless, a shrink is observed both in the world and in the EU's total exports in 2009 just after the 2008 financial crises. The rate of contraction in the world exports records a significant level with -22,72%, and this contraction is nearly the same in the case of EU total with a rate of -22,78% in 2009. In the core group, decreases in their exports are witnessed in 2012 and 2015, parallel with the EU total: in 2012 Germany, France, Italy, the UK, and Belgium, in 2015 Germany, France, the Netherlands, Italy, the UK and Belgium face a downturn effect in their exports.

Table 30: Exports of Individual Member States and the EU Total (Extra and Intra-Trade) Billion US Dollar

	2009*	2010*	2011*	2012*	2013	2014	2015	2016	2017	2018
DE	1.128	1.271	1.482	1.410	1.451	1.498	1.329	1.341	1.447	1.557
FR	464	512	586	558	568	567	494	489	523	568
NL	432	493	531	552	571	571	437	445	506	586

⁵⁵² Key Statistics and Trends in International Trade-2018, UNCTAD, Geneva, 2019, p.V, web page; https://unctad.org/en/PublicationsLibrary/ditctab2019d2_en.pdf; accessed on 10.10.2019.

⁵⁵³ *Ibid*, p.1.

⁵⁵⁴ *Ibid*.

Table 30 (cont'd)

IT	406	447	523	502	518	530	457	462	503	543
UK	360	422	517	481	548	511	466	411	442	487
BE	371	408	476	447	512	472	398	398	430	467
ES	223	246	298	286	311	325	283	290	320	345
SE	131	158	187	172	167	165	140	139	153	166
PL	137	157	188	180	204	214	194	196	221	262
AT	131	145	170	159	166	178	153	152	168	185
CZ	113	132	162	156	162	175	158	163	182	202
IE	117	121	130	120	118	123	125	132	138	167
DK	92	96	113	106	110	111	95	95	101	108
HU	83	95	111	103	108	113	100	103	113	123
FI	63	70	79	73	74	74	60	57	67	75
SK	56	64	78	80	85	86	75	78	84	94
PT	44	49	60	58	63	64	55	55	62	69
RO	41	49	63	58	66	70	61	64	71	80
EL	24	28	33	35	36	36	28	28	32	39
SI	22	24	29	27	29	36	32	33	38	44
LT	16	21	28	30	33	32	25	25	29	33
BG	17	21	28	27	30	29	26	27	32	33
LU	13	14	16	14	14	15	13	13	14	15
EE	10	13	18	18	18	17	14	14	15	17
LV	7	9	12	13	13	14	12	12	13	15
MT	2	4	5	6	5	3	3	3	3	3
CY	1	2	2	2	2	3	3	2	3	5
HRV	0	0	0	0	13	14	13	14	16	17
EU*	4.504	5.069	5.925	5.673	5.996	6.047	5.247	5.239	5.728	6.307
W**	12.349	15.095	18.094	18.388	18.872	18.888	16.420	15.898	17.555	19.347

Source: Data gathered from Trade Map and tabled by the author. *EU27, **World Total

Although the export values of the EECs are very low -except for Poland and the Czech Republic-, the growth rate of their exports from 2009 to 2018 is higher when compared with both the growth rate of the EU total and the world total (see Table 31). Poland, the Czech Republic, Hungary, Slovakia, Romania, Slovenia, Lithuania, Bulgaria, Estonia, and Latvia in their exports experience growth rates higher than the average of the EU total (40%) in that period. Besides, other peripheral member states, Spain, Ireland, and Portugal have

recorded higher growth rates than the EU's total. However, other member states, particularly the core seven have recorded lower growth rates in their exports.

Table 31: Growth Rate of Exports (%) Between 2009 and 2018

DE	38,07	SK	69,74
FR	22,48	PT	55,14
NL	35,72	RO	96,14
IT	33,70	EL	62,94
UK	35,44	SI	97,38
BE	25,82	LT	102,50
ES	54,65	BG	101,87
SE	26,55	LU	20,78
PL	91,61	EE	64,63
AT	40,60	LV	103,78
CZ	79,17	MT	32,22
IE	42,88	CY	274,95
DK	17,23	HRV	35,07
HU	49,38	EU	40,04
FI	19,72	World	56,67

Source: Data gathered from Trade Map, but calculated and tabled by the author.

During the time of crisis, the share of extra-EU trade in the total world exports is on the decline in a slight but stable manner, which has been observed since the 2000s. The decade starts with the extra-EU share of 16,5% and ends up with 15,11%. Although the value of exports in extra-EU trade is on the rise with 49% between 2009 and 2018 (from 1.550 to 2.315 Bn. US Dollar), this rise cannot prevent the decline in its world shares in that period.

Table 32: Extra- EU Trade in Exports* (Bn. US Dollar) and Its Share** in World Total (%)

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1.550*	1.829	2.206	2.211	2.350	2.284	1.997	1.941	2.143	2.315
16,50**	15,42	15,34	14,81	15,42	15,10	15,16	15,40	15,33	15,11

Source: Data gathered from Trade Map, but calculated and tabled by the author. Extra-EU trade in exports is calculated by subtraction intra-EU trade from the EU total. Its share in world total is calculated by subtraction intra-EU trade from both the EU total and the world total.

Within that general trade setting, Germany's position is worth touching upon. The country's share in the EU's total exports does not fluctuate. On the contrary, it proves its stable export performance, which is around 24-25 % between 2009 and 2018. Other core six -the UK, Belgium, France, Italy, the Netherlands, and Luxemburg- follows Germany's shares ranging from 7 to 10 percentages. No particular change is observed in the German's exports share within the EU total compared with the pre-crisis period, which was also around 24-25 percentages. This constancy proves the Germany's stable and strong export capacity even after the crisis. However, contrary to the Germany's situation, some declines are recorded in the shares of other core member countries in the time of crisis: France, Italy, Belgium, and the UK (although fluctuating). Moreover, it is remarkable that the export shares of some peripheral countries such as the Czech Republic and Poland are on the rise in the EU total in this period.

Table 33: Shares of Individual Member States in the EU Total Exports (Extra and Intra-trade)

%	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
DE	25,04	25,07	25,01	24,86	24,20	24,78	25,32	25,59	25,26	24,69
FR	10,30	10,09	9,88	9,84	9,47	9,37	9,41	9,33	9,14	9,01
NL	9,58	9,72	8,95	9,74	9,53	9,45	8,33	8,49	8,83	9,29
IT	9,03	8,81	8,83	8,84	8,64	8,76	8,71	8,81	8,78	8,62
UK	7,98	8,32	8,73	8,48	9,14	8,45	8,89	7,85	7,72	7,72
BE	8,23	8,04	8,03	7,88	8,53	7,81	7,58	7,60	7,51	7,40
ES	4,95	4,86	5,03	5,04	5,19	5,37	5,38	5,53	5,58	5,47
SE	2,91	3,12	3,15	3,04	2,79	2,72	2,67	2,66	2,67	2,63
PL	3,03	3,10	3,17	3,17	3,40	3,55	3,71	3,75	3,86	4,15
AT	2,92	2,86	2,86	2,80	2,77	2,95	2,91	2,90	2,93	2,93
CZ	2,51	2,61	2,74	2,76	2,69	2,90	3,01	3,10	3,18	3,21
IE	2,60	2,38	2,19	2,12	1,98	2,04	2,38	2,52	2,41	2,65
DK	2,04	1,90	1,90	1,87	1,84	1,83	1,80	1,81	1,77	1,71
HU	1,83	1,87	1,88	1,81	1,80	1,86	1,91	1,97	1,98	1,96
FI	1,40	1,38	1,33	1,29	1,24	1,23	1,14	1,09	1,17	1,19
SK	1,23	1,26	1,32	1,41	1,42	1,43	1,43	1,48	1,47	1,50
PT	0,98	0,97	1,01	1,02	1,05	1,06	1,05	1,06	1,08	1,09
RO	0,90	0,97	1,06	1,02	1,10	1,15	1,16	1,21	1,23	1,26
EL	0,54	0,54	0,56	0,62	0,60	0,59	0,54	0,53	0,56	0,63
SI	0,50	0,48	0,49	0,48	0,48	0,60	0,61	0,63	0,67	0,70
LT	0,37	0,41	0,47	0,52	0,54	0,54	0,48	0,48	0,51	0,53
BG	0,37	0,41	0,48	0,47	0,49	0,49	0,49	0,51	0,55	0,53
LU	0,28	0,27	0,28	0,24	0,23	0,24	0,24	0,25	0,24	0,24
EE	0,23	0,25	0,31	0,32	0,30	0,29	0,27	0,27	0,27	0,27
LV	0,16	0,17	0,20	0,22	0,22	0,23	0,22	0,22	0,23	0,23
MT	0,05	0,07	0,09	0,10	0,09	0,05	0,05	0,06	0,04	0,05
CY	0,03	0,03	0,03	0,03	0,04	0,05	0,06	0,04	0,06	0,08
HRV					0,21	0,23	0,24	0,26	0,27	0,27

Source: Data gathered from Trade Map, but calculated and tabled by the author.

When the weight of the core six members together with the UK in the total exports of the Union is calculated, a stable decrease in their total share is witnessed, which is from 70,45% in 2009 to 66,9% in 2018, a tendency that has been observed following the discrete enlargements of the EU. Besides, the drops in the shares of those individual core members (except Germany) pave the way for their total decline. Despite the decrease in the share of those core members in the EU total exports, other statistics prove the connection of the EU's overall export performance to that of core members, shown in Table 34 below. The total Union's growth rate in exports records a similar ratio with that of the core members' total growth rate between 2009 and 2018.

Table 34: Share and Growth Rate of Exports in Core Seven, in the EU Total (Extra and Intra-Trade)

%	2009*	2010*	2011*	2012*	2013	2014	2015	2016	2017	2018
Core Seven	70,45	70,34	69,72	69,89	69,74	68,86	68,48	67,92	67,48	66,97
G.R.of **Core Seven	-22,98	12,38	15,86	-3,99	5,50	-0,45	-13,69	-0,99	8,62	9,28
G.R.of **EU	-22,78	12,56	16,89	-4,27	5,70	0,85	-13,22	-0,15	9,33	10,11

Source: Data gathered from Trade Map but calculated and tabled by the author. *EU 27, **G.R.of: Growth Rate of, calculated upon the performance of the previous year, "Core Seven" indicates: Germany, the UK, Belgium, France, Italy, the Netherlands, Luxemburg.

The EU's total imports in the last decade are shown in Table 35. As can be observed, the fluctuation in the EU's total imports is similar to that of its exports in that decade. A similar contraction is perceived in the total world imports that records an imperative ratio, which is -22,77% in 2009. In the EU total imports, the contraction rate is -24,8% just after the crisis. Likewise, in its

total exports, the EU's performance in its total imports follows the same path as in the world imports.

Table 35: Imports of Individual Member States and the EU Total (Extra and Intra-Trade) Billion US Dollar

	2009*	2010*	2011*	2012*	2013	2014	2015	2016	2017	2018
DE	938	1.067	1.260	1.161	1.187	1.215	1.058	1.061	1.168	1.287
UK	552	628	718	689	657	694	630	636	641	670
FR	541	599	714	667	671	660	563	561	613	659
NL	382	440	493	501	506	590	512	501	574	647
IT	415	487	559	489	479	474	411	407	453	501
BE	355	391	466	438	489	454	376	379	409	450
ES	288	316	363	326	332	359	312	311	352	388
PL	150	174	209	191	206	224	197	200	234	267
AT	136	151	182	170	173	182	156	158	176	193
SE	120	149	177	165	161	162	138	141	154	170
CZ	105	126	151	140	143	154	141	143	163	184
HU	77	87	101	94	99	105	92	94	107	121
DK	80	83	96	91	97	100	85	84	92	101
IE	63	65	74	72	74	83	78	82	89	107
SK	55	64	77	77	81	82	73	75	83	94
PT	72	78	83	73	76	78	67	68	78	89
RO	54	62	76	70	73	78	70	75	85	98
FI	61	69	84	76	78	77	60	61	70	78
EL	72	66	67	63	61	62	47	48	55	65
LT	18	23	32	32	35	35	28	27	31	37
BG	23	25	32	33	34	35	29	29	34	38
SI	24	27	31	28	29	34	30	31	36	42
LU	19	20	26	24	24	27	23	22	23	24
EE	11	13	19	20	20	20	16	16	17	20
LV	9	11	15	16	17	17	14	14	16	18

Table 35 (cont'd)

CY	8	9	9	7	6	8	7	8	9	11
MT	4	6	7	8	8	7	6	6	6	6
HRV	0	0	0	0	22	23	21	22	25	28
EU*	4.631	5.235	6.122	5.721	5.839	6.038	5.242	5.258	5.795	6.394
W**	12.628	15.321	18.321	18.493	18.875	18.985	16.661	16.187	17.958	19.601

Source: Data gathered from Trade Map and tabled by the author. *EU27, **World Total

Although the import values of the EECs are very low -except for Poland and the Czech Republic-, the growth rate of their imports from 2009 to 2018 is very high compared with both the growth rate of the EU total and the world total. As can be seen from Table 36 below, for the EU, this rate is 38,5%. On the other hand, the growth rate of Poland, the Czech Republic, Hungary, Slovakia, Romania, Slovenia, Lithuania, Bulgaria, Estonia, and Latvia in their imports are much higher than the EU average, likewise observed in the case of their exports (see Table 31). Besides, Austria, Sweden, and Ireland also record higher growth rates above the EU average in their imports. Only the Netherlands among the core seven countries has a higher growth rate than the EU total in that period. However, the Netherlands' situation needs to be given attention, as the country is a frequent entry point for goods arriving at the EU.⁵⁵⁵ Dutch trade flows are over-estimated because of the so-called "Rotterdam effect" (or quasi-transit trade).⁵⁵⁶ Particularly, "the quasi-transit is known to impact more the imports of the EU."⁵⁵⁷

⁵⁵⁵ "The Rotterdam port located in the Netherlands is the world's third biggest port behind Asian giants, Shanghai and Singapore. It is the biggest port of Europe." Web page, <https://www.marineinsight.com/ports/the-port-of-rotterdam-the-biggest-port-of-europe/>; accessed on 11.11.2019.

⁵⁵⁶ Eurostat News Release, 55/2015 - 27 March 2015, web page, <https://ec.europa.eu/eurostat/documents/2995521/6760204/6-27032015-AP-EN.pdf/15911e52-a591-400d-af4c-d3ac72affa8c>; accessed on 16.10.2019.

⁵⁵⁷ Eurostat Web Page, Your Key to European statistics, <https://ec.europa.eu/eurostat/web/international-trade-in-goods/faq>; accessed on 16.10.2019.

The goods imported from non-EU countries by other EU countries arrive in particular Rotterdam Port, and according to EU rules, are recorded as extra-EU imports by the Netherlands (the country where goods are released for free circulation).⁵⁵⁸ Moreover, “this, in turn, increases also intra-EU flows from the Netherlands to other member countries to which the goods are re-exported, where to a lesser extent Belgian figures⁵⁵⁹ are also similarly overestimated.”⁵⁶⁰

Table 36: Growth Rate of Imports (%) Between 2009 and 2018

DE	37,17	PT	23,88
UK	21,30	RO	80,43
FR	21,91	FI	28,80
NL	69,18	EL	-9,01
IT	20,77	LT	99,09
BE	26,97	BG	62,60
ES	34,98	SI	76,83
PL	78,28	LU	27,44
AT	41,74	EE	74,52
SE	41,82	LV	96,10
CZ	75,48	CY	35,08
HU	57,03	MT	56,91
DK	26,24	HRV	28,19
IE	70,91	EU*	38,05
SK	70,68	World	55,22

Source: Data gathered from Trade Map, but calculated and tabled by the author.

⁵⁵⁸ *Ibid.*

⁵⁵⁹ “The Antwerp port, located in Belgium, is the second largest port in Europe for international shipping freight and the fourth largest in the world.” European Economic and Social Committee web page, <https://www.eesc.europa.eu/en/documents/study-trip-port-antwerp>; accessed on 11.11.2019.

⁵⁶⁰ Eurostat Web Page, Your Key to European statistics, <https://ec.europa.eu/eurostat/web/international-trade-in-goods/faq>; accessed on 16.10.2019.

In the time of crisis, the downturn in the share of extra-EU trade in the total world imports is much more meaningful than the decrease the EU faced in its export share. The decade starts with the share of 19,02% and ends up with 15,82% in extra-EU trade of imports. Although the value of imports in its extra-trade is on the rise with 34,2% (from 1.878 to 2.520 Bn.US Dollar), this rise cannot prevent the decline in its world share between 2009 and 2018.

Table 37: Extra- EU Trade in Imports* (Bn. US Dollar) and Its Share** in World Total (%)

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1.878*	2.203	2.598	2.483	2.426	2.397	2.037	2.020	2.260	2.520
19,02**	17,92	17,54	16,27	15,68	15,60	15,11	15,59	15,67	15,82

Source: Data gathered from Trade map, but calculated and tabled by the author. Extra-EU trade in imports is calculated by subtraction intra-EU trade from the EU total. Its share in world total is calculated by subtraction intra-EU trade from both the EU total and the world total.

Within that general economic circumstance, Germany’s position takes attention. The country’s share in the total EU’s imports does not fluctuate but proves its stable import performance, which is around 20% of the Union between 2009 and 2018, similar to the pre-crisis period. Other core six follows Germany having shares ranging from 7 to 11 percentages in the EU total imports. Contrary to Germany’s position, drops are seen in the shares of other core members: France, the UK, and Italy. In that period, a particular increase in the share of the Netherlands is recorded (see Table 38). However, as stated above, the Netherlands’ situation needs to be approached with caution for the phenomenon of the “Rotterdam effect.”

Table 38: Shares of Individual Member States in the EU Total Imports (Extra and Intra-Trade)

%	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
DE	20,26	20,38	20,59	20,30	20,33	20,12	20,18	20,17	20,15	20,13
UK	11,92	11,99	11,72	12,05	11,26	11,50	12,02	12,10	11,07	10,47
FR	11,67	11,45	11,66	11,65	11,50	10,93	10,75	10,66	10,58	10,31
NL	8,25	8,40	8,05	8,75	8,67	9,77	9,78	9,53	9,91	10,11
IT	8,96	9,30	9,13	8,55	8,21	7,86	7,84	7,74	7,82	7,84
BE	7,66	7,47	7,62	7,65	8,37	7,51	7,17	7,22	7,06	7,04
ES	6,21	6,03	5,93	5,70	5,69	5,95	5,95	5,92	6,07	6,07
PL	3,23	3,33	3,42	3,35	3,52	3,71	3,75	3,79	4,03	4,17
AT	2,95	2,88	2,98	2,97	2,97	3,02	2,98	3,00	3,03	3,02
SE	2,59	2,84	2,89	2,88	2,75	2,69	2,64	2,68	2,66	2,66
CZ	2,26	2,40	2,46	2,44	2,44	2,56	2,70	2,72	2,82	2,88
HU	1,67	1,67	1,66	1,65	1,70	1,74	1,76	1,79	1,85	1,90
DK	1,73	1,58	1,57	1,60	1,67	1,65	1,63	1,61	1,59	1,58
IE	1,35	1,23	1,21	1,26	1,27	1,37	1,48	1,56	1,53	1,67
SI	1,19	1,23	1,25	1,34	1,39	1,36	1,40	1,44	1,44	1,47
PT	1,55	1,48	1,35	1,27	1,30	1,30	1,28	1,29	1,34	1,39
PT	1,55	1,48	1,35	1,27	1,30	1,30	1,28	1,29	1,34	1,39
RO	1,17	1,18	1,25	1,23	1,26	1,29	1,33	1,42	1,47	1,53
FI	1,31	1,31	1,37	1,33	1,33	1,27	1,15	1,15	1,21	1,23
EL	1,54	1,27	1,09	1,09	1,05	1,03	0,90	0,91	0,95	1,02
LT	0,40	0,45	0,52	0,56	0,60	0,58	0,54	0,52	0,53	0,57
BG	0,50	0,48	0,53	0,57	0,59	0,57	0,56	0,55	0,59	0,59
SI	0,52	0,51	0,51	0,50	0,50	0,56	0,57	0,58	0,62	0,66
LU	0,41	0,39	0,42	0,42	0,41	0,44	0,44	0,41	0,39	0,37
EE	0,25	0,25	0,31	0,35	0,35	0,33	0,30	0,30	0,30	0,31
LV	0,20	0,21	0,25	0,28	0,29	0,28	0,26	0,26	0,27	0,29
CY	0,17	0,17	0,14	0,13	0,11	0,13	0,13	0,15	0,16	0,17
MT	0,09	0,11	0,12	0,14	0,13	0,11	0,12	0,12	0,10	0,10
HR					0,38	0,38	0,39	0,42	0,43	0,44

Source: Data gathered from Trade Map but calculated and tabled by the author.

When the weight of the core six members together with the UK in the total imports of the Union is calculated, a stable decrease in their total share is witnessed from 69,12% in 2009 to 66,28% in 2018, a tendency parallel with the EU's position in exports. Nevertheless, despite the falling share of those core countries in the total EU imports, other statistics prove the connection of the EU's overall import performance to those of those core countries shown in Table 39 below. The growth rate of the Union's total imports records a similar ratio with that of the core members' total growth rate between 2009 and 2019.

Table 39: Share and Growth Rate of Imports in Core Seven, in the EU Total (Extra and Intra-Trade)

%	2009*	2010*	2011*	2012*	2013	2014	2015	2016	2017	2018
Core Seven	69,12	69,38	69,19	69,37	68,74	68,13	68,18	67,84	66,99	66,28
G.R.of **Core Seven	-22,90	13,49	16,55	-6,29	1,15	2,43	-13,12	-0,16	8,86	9,19
G.R.of **EU	-24,82	13,04	16,93	-6,54	2,07	3,40	-13,18	0,30	10,22	10,33

Source: Data gathered from Trade Map but calculated and tabled by the author. *EU 27, **G.R.of: Growth Rate of, calculated upon the performance of the previous year, "Core Seven" indicates: Germany, the UK, Belgium, France, Italy, the Netherlands, Luxemburg.

Meanwhile, as observed in Table 13 of Chapter 4, the EU has been experiencing a negative balance in its extra-trade since 2000s. In evaluating the trade performances of the member countries after the 2008 crises, the picture is more or less similar in the pre-crisis period. Germany, Belgium, Denmark, Ireland, and the Czech Republic regularly have trade surpluses, where the UK, France, Luxemburg, Spain, Greece, Poland, Slovakia, Romania, Bulgaria, Slovenia, Estonia, Latvia, Cyprus, Malta are generally having negative balances in their trade. Other member countries have ups and downs in their trade

balances. In the last decade, it is also interesting to see the Netherlands, one of the Union’s core countries that used to record a positive balance in its trade, facing a negative balance in its trade relations since 2013. However, the “Rotterdam Effect” is to be also considered cautiously for the Netherlands’ position.

Among the Eastern members, the Czech Republic’s position is taking attention, being the only member from the region having a regular trade surplus since 2004. In the last decade after the 2008 crises Hungary’s position in its trade relations is also noteworthy. The country’s positive trade balance shows a stable recovery after the 2008 crises. Furthermore, the developments in its trade relations, Lithuania’s position is also remarkable, recording a surplus in its trade balance in recent years.

Table 40: Balance of Member States’ Trade (Extra and Intra Trade) and Balance of Extra-EU Trade of the EU⁵⁶¹ - Bn.US Dollar

	2009*	2010*	2011*	2012*	2013	2014	2015	2016	2017	2018
DE	189	204	222	249	264	283	271	280	279	270
UK	-88	-116	-132	-131	-89	-128	-136	-147	-118	-101
FR	-109	-107	-183	-114	-100	-89	-126	-116	-107	-73
NL	24	7	30	1	12	-60	-55	-39	-71	-103
IT	-55	-65	-42	-8	69	37	55	5	-11	-14
BE	16	16	10	9	23	18	22	19	21	16
ES	-64	-69	-65	-40	-21	-34	-30	-21	-32	-43
PL	-18	-16	-22	-19	-38	-59	-57	-60	-80	-101
AT	0	6	6	10	30	32	38	39	46	68
SE	11	-4	-7	-6	6	16	14	11	14	15

⁵⁶¹ Balance of trade is the difference in value between the imports and exports.

Table 40 (cont'd)

CZ	8	6	12	17	19	21	17	20	19	18
HU	40	33	28	26	19	18	33	38	31	46
DK	12	13	17	15	13	11	9	10	9	7
IE	20	30	37	31	34	30	23	21	25	16
SK	8	6	2	-4	-7	-8	-14	-18	-16	-19
PT	-16	-14	-4	7	9	8	8	10	7	5
RO	-10	-13	-17	-12	-11	-14	-15	-19	-23	-29
FI	-20	-19	-21	-18	-12	-7	0	3	1	1
EL	-47	-39	-33	-27	-25	-26	-19	-20	-23	-26
LT	4	1	-3	-5	-6	1	4	6	7	8
BG	-7	-5	-4	-3	-2	-2	-4	-4	-5	-5
SI	-7	-6	-3	-2	0	-5	-4	-4	-4	-9
LU	-6	-6	-10	-11	-10	-12	-11	-9	-9	-9
EE	-1	0	-1	-2	-2	-3	-2	-2	-2	-3
LV	-2	-2	-3	-3	-3	-3	-2	-2	-3	-4
CY	-6	-5	-4	-2	-1	-5	-4	-5	-7	-8
MT	-3	-4	-5	-6	-5	-4	-3	-4	-2	-1
HRV	0	0	0	0	-9	-9	-8	-8	-9	-11
Extra-EU*	-328	-374	-392	-272	-76	-113	-40	-79	-117	-205

Source: Data gathered from Trade Map and tabled by the author.* Balance of extra-EU trade is calculated by subtraction extra-EU trade in imports from extra-EU trade in exports.

To sum up, the EU is confronting troubles in its trade since the end of the 1990s. As a leading trading bloc, its share in the world trade has been declining; besides, it is encountering negative balances in its extra-trade since 2000s. Although the export figures of the EECs and their shares in the total EU are very low, the surge in their exports takes attention in the time crisis, despite the modest performances in the exports of core seven (except for Germany). Furthermore, the emergence of new powerful competitors in the world markets and rising

competition result in deteriorating the trade balances of many countries that are to be examined in the following parts of this thesis.

5.2.3 The European Union's Trade Relations with Main Partners⁵⁶²

The EU's trading partners have been categorized in Table 42 below, taking into account the important partners in those regions acquiring significant shares in their trade with the EU in the last decade. No particular change is observed in the EU's most important trade partners than the period between 2000 and 2008. As can be detected from the table, the countries having a particular influence on the EU trade can be laid down as; the USA, EFTA Countries,- Switzerland and Norway-, China, Russia, Japan, Turkey, South Korea, and India until 2018.

Nonetheless, it is worth mentioning the status of China in the trade relations of the EU. The country's share in extra-EU trade in exports raised from 3,1% to 10,7% from 2001 (see Table 24 in Chapter 4) to 2018. In the case of imports, the figures are more dramatic: China's share is 7,4% in 2001 (Table 24) and increases to 20% in 2018. The growth in the trade relations with China reflects the upwards trend of the country in world trade that has been witnessed since the middle of the 1990s, which is to be evaluated in the following chapter of this thesis. In bilateral trade, the EU has faced a regularly growing deficit with the country each year since the 2000s with fluctuations (see Table 41). The huge trade deficit emanates from particularly the product group of "*machinery*" that includes all types of electrical machinery and equipment, machinery, mechanical

⁵⁶² The main partners are extracted from extra-EU trade that indicates the EU's trade relations as a bloc with the rest of the World.

appliances, nuclear reactors, boilers, and parts thereof,⁵⁶³ where the EU also is an important exporter in those products.

Table 41: Balance of EU Trade with China since 2002 (Billion ECU)

2002	-55	2011	-158
2003	-65	2012	-148
2004	-81	2013	-132
2005	-109	2014	-138
2006	-132	2015	-181
2007	-162	2016	-183
2008	-171	2017	-178
2009	-133	2018	-185
2010	-170		

Source: Data gathered from Eurostat and tabled by the author.

In the last decade, in bilateral trade with Japan, a contradiction is realized when compared with 2000 and 2008, which is mostly observed in the imports from Japan. Japan's share in EU imports has reached its zenith with 16% in 2007, but recently this figure declined to 3,5% in 2018. Despite the contradiction in imports, the contradiction in its exports in the last decade caused the EU to have a chronic trade deficit with Japan observed since the 1970s. All kinds of machinery

⁵⁶³ According to the Trade Map Statistics.

and vehicles constitute the biggest share in the EU's imports from Japan. Other than machinery and vehicles in the EU's exports, pharmaceutical products also come to stage. To foster the trading relations via creating a free trade environment, the EU and Japan signed "The Economic Partnership Agreement" (EPA) in 2018 that entered into force on 1 February 2019. The EPA reduces tariffs on almost all goods between the partners, and in fact, it is the largest bilateral trade agreement being implemented so far. It establishes a free trade area with a combined market of around 640 million consumers, accounting for roughly a third of the world's gross domestic product (GDP).⁵⁶⁴ Furthermore, the text includes for the first time, a specific commitment to the Paris climate agreement.⁵⁶⁵ It is also remarkable that the Agreement is considered "to convey a strong message on the parties' commitment to promoting a free and fair trading system and to rejecting trade protectionism."⁵⁶⁶

Whether this agreement is to enhance trade relations between its signatories and balance the trade in favor of the EU (likewise experienced after signing the FTA with South Korea), it remains to be seen.

In the time of crises, the EU also signed a trade agreement with Canada, in October 2016, which is entitled "The Comprehensive Economic and Trade Agreement (CETA)." Although the agreement provisionally came into force in September 2017 that was subjected to limits, the only remaining step for all the members is to ratify it, which could take several years.

As analyzed in the previous chapter, the USA remains the most important partner of the EU. In their bilateral trade relations, the EU generally follows a

⁵⁶⁴ Krisztina Binder, "Bilateral trade deal with Japan –largest to date for EU," *European Parliamentary Research Service*, Briefing, February 2019, web page, [http://www.europarl.europa.eu/RegData/etudes/BRIE/2019/633164/EPRS_BRI\(2019\)633164_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/BRIE/2019/633164/EPRS_BRI(2019)633164_EN.pdf) accessed on 8.12.2019.

⁵⁶⁵ European Commission press Release on 31 January 2019, EU-Japan trade agreement enters into force, web page, https://ec.europa.eu/commission/presscorner/detail/en/IP_19_785; accessed on 8.12.2019.

⁵⁶⁶ Krisztina Binder, "Bilateral trade deal with Japan-largest to date for EU."

positive balance since 2000. Besides, a contradiction is observed in the EU's imports from the USA, beginning with the millennium. The USA share in total imports of the EU has reached its zenith in the 1960s and 1970s around the share of 25%, but now this rate declines to around 13% in the last years. The decline automatically reflects the trade balance between the two but in favor of the Union. Moreover, the Union's export performance to the USA follows a stable position where the country's share in the EU total is around 20% since 2008. In exports to the USA, machinery, vehicles, and pharmaceutical products are the EU's leading products, but in its importation, the product coverage is diversified.

Although the product group in importation is similar to exports, additional products come to the fore in the EU imports from the USA, such as aircraft, spacecraft, parts thereof and energy-related products (petroleum oil). Particularly, in 2018, the increase rate of energy products in the EU imports is 63% when compared with the previous year.⁵⁶⁷ If this increase is sustainable or it reflects a temporary cyclical result, it remains to be seen.

Likewise, to develop their economic relations, the EU and the USA launched negotiations on a very comprehensive trade agreement, "Transatlantic Trade and Investment Partnership (TTIP)" in 2013. However, negotiations entered a deadlock since 2016 as a result of the unbalanced economic interests of both sides.

In 2018 US President Donald Trump and the former European Commission President Jean-Claude Juncker declared "a new phase in the relationship between the United States and the European Union" regarding a new trade agreement.⁵⁶⁸ Following this decision on 15 April 2019,⁵⁶⁹ the TTIP

⁵⁶⁷ Trade Map Statistics web page, https://www.trademap.org/Bilateral_TS.aspx?nvpm=1%7c%7c14719%7c842%7c%7cTOTAL%7c%7c%7c2%7c1%7c1%7c1%7c2%7c1%7c1%7c1%7c1 accessed on 3.5.2020.

⁵⁶⁸ Joint U.S.-EU Statement following President Juncker's visit to the White House Washington, 25 July 2018, European Commission web page, https://ec.europa.eu/commission/presscorner/detail/en/STATEMENT_18_4687; accessed on 16.10.2019.

negotiations are declared “obsolete and no longer relevant” by the European Commission. Furthermore, the Commission stated that;

...(2) The USA has announced its intention to withdraw from the Paris Agreement on climate change, the Union seeks the negotiation of deep and comprehensive free trade agreements only with Parties to that Agreement...(4) Past efforts with the United States have demonstrated difficulties in negotiating mutually acceptable commitments in areas identified as priorities by the Union. It is therefore appropriate to pursue with the United States a more limited agreement covering the elimination of tariffs on industrial products only, and excluding agricultural products.

Besides, the USA’s position of being a net importer in the world trade since the beginning of the 1970s with an upwards trend in time, triggered huge trade deficits for the country which recently produced some consequences for the global trade that is to be analyzed in the next chapter of this thesis.

In the last decade, trade relations with Russia have proceeded as it did in the previous decade. Still, the EU has a trade deficit with Russia mostly emanated from its energy imports. According to Trade Map, the share of energy imports from Russia in total imports from the country is spread from 80,4 to 74%, from 2009 to 2018, which is on the decline. However, the share of energy imports from Russia in the EU total energy imports is stable with around 19% since 2004 (see Chapter 4). Moreover, it is detected from the statistics that (Table 42) the Union is diversifying its import markets in energy. For example, energy importation from Nigeria and Kazakhstan takes attention.⁵⁷⁰

⁵⁶⁹ European Commission, TTIP, web page, <https://ec.europa.eu/trade/policy/in-focus/ttip/>; accessed on 16.10.2019.

⁵⁷⁰ Trade Map Statistics for Nigeria, web page, https://www.trademap.org/Bilateral_TS.aspx?nvpm=1%7c%7c14719%7c566%7c%7c27%7c%7c%7c4%7c1%7c1%7c1%7c2%7c1%7c1%7c1%7c1, for Kazakhstan https://www.trademap.org/Bilateral_TS.aspx?nvpm=1%7c%7c14719%7c398%7c%7c27%7c%7c%7c4%7c1%7c1%7c1%7c2%7c1%7c1%7c1%7c1, accessed on 3.5.2020.

The EFTA countries Switzerland and Norway are other important markets for the EU exporters, but the EU is still recording trade deficit with the latter in the last decade. Since 2008, Turkey also preserves its position being an important trade partner due to its customs union with the EU. In the last decade, the EU's importance for Turkey's exports preserves its importance, where the share of the EU in Turkey's total exports represents nearly half its exports since 2008.⁵⁷¹

In the trade relations with South Korea, the majority of import duties were removed in 2011 before the formal ratification of the FTA in 2015. The FTA's impact can be observed in the way that the agreement assisted the EU to heal its trade deficit with South Korea that has marked the period between 2001 and 2008.

To sum up, as observed in the previous periods, the newcomers to the EU do not produce any significant impact on the main trading partners after the 2008 financial crisis. Any change observed in the pattern of trading partners, would much owe to the general structural developments in the world trade. For example, the rise of China and some other Asian countries, the USA's changing position that has become a net importer in the world trade, and the need to diversify the energy markets in imports all give rise to a change in the direction of its trade route.

Furthermore, it can be stated that the FTAs the EU concluded during this period also give way to a slight change in its bilateral relations. The agreements put into force in the previous period, as analyzed under Chapter 4, sustained their impact during this period on the bilateral trade relations of the EU. Additionally, the new trade agreements with Canada and South Korea in this period also provided to promote trade with those countries as a part of the EU's regional approach to its trade relations.

⁵⁷¹ Trade Map Statistics web page, https://www.trademap.org/Bilateral_TS.aspx?nvpm=1%7c792%7c%7c%7c14719%7cTOTAL%7c%7c%7c2%7c1%7c1%7c2%7c2%7c1%7c1%7c1%7c1, accessed on 3.5.2020.

Table 42: Main Trading Partners of the EU Trade 2013-2018

Export

Export	Europe				Africa			America				Asia							Oceania	
Share %	Norw.	Swit.	Turk.	Rus.	Alger.	Nigeria	S.Afr	USA	Cana.	Mex	Brazil	China	Japan	S.Kor.	India	Singa.	Kazakstzn	S.Ara.	UAE	Austral.
2013 EU28	2,9	9,7	4,5	6,9	1,3	0,7	1,4	16,7	1,8	1,6	2,3	8,5	3,1	2,3	2,1	1,7	0,4	1,9	2,6	1,8
2018 EU28	2,8	8	3,9	4,4	1	0,6	1,2	20,8	2,1	2	1,7	10,7	3,3	2,5	2,3	1,9	0,3	1,6	1,9	1,8

Import

Import	Europe				Africa			America				Asia							Oceania	
Share %	Norw.	Swit.	Turk.	Rus.	Alger.	Nigeria	S.Afr	USA	Cana.	Mex	Brazil	China	Japan	S.Kor.	India	Singa.	Kazakstzn	S.Ara.	UAE	Austral.
2013 EU28	5,3	5,6	3	12,3	1,9	1,7	0,9	11,8	1,6	1	2	16,6	3,4	2,1	2,2	1	1,4	1,8	0,5	0,6
2018 EU28	4,2	5,5	3,8	8,5	1,1	1,1	1,2	13,6	1,6	1,3	1,6	19,9	3,5	2,5	2,3	1,1	1,1	1,5	0,6	0,6

Balance (Bn.ECU/Euro)

Balance	Europe				Africa			America				Asia							Oceania	
Bn.ECU/Euro	Norw.	Swit.	Turk.	Rus.	Alger.	Nigeria	S.Afr	USA	Cana.	Mex	Brazil	China	Japan	S.Kor.	India	Singa.	Kazakstzn	S.Ara.	UAE	Austral.
2013 EU28	-39,5	74,6	27	-87,5	-9,5	-16,9	8,9	90	4,5	9,9	6,6	-131,8	-2,6	4,9	-0,9	11,5	-16,4	3,5	35,4	21,9
2018 EU28	-29,9	47,5	1,2	-82,6	-2,1	-10,6	0,1	138,6	10,4	13,3	1,8	-184,6	-5,1	-0,8	-0,1	16	-15	-0,1	26,8	24,4

Source: Data gathered from Eurostat and tabled by the author.

5.2.4 Main Product Groups in the European Union's Trade Relations

Intra-industry trade still constitutes an essential feature of the EU trade (including extra and intra-trade) in 2017⁵⁷² (see Tables 43-44), particularly for the core countries; Germany, France, the UK, the Netherlands, and Italy. Nevertheless, other than those core members, EFTA countries -Austria and Sweden-, East European Countries -Poland and the Czech Republic- and Spain come to fore in the intra-industry trade. “Manufactured products” constitute the most important part of the EU trade as they cover 80,5% of the total exports in 2017. As observed in the previous periods, the exports of the sub-group of “machinery and transport equipment” accounts for the most significant part of the manufactured products in 2017 with 49%. In the case of imports, the picture is similar to product coverage. Manufactured products cover 74,7% of the total EU imports. Besides, the sub group of “machinery and transport equipment” constitutes 48% of the manufactured products’ imports in 2017.

Germany still preserves its leading position in manufactured products both in the exports and in the imports of the Union, by having a constant trade surplus. Nonetheless, it is a net importer in agriculture and in fuels and mining products that also match the overall the EU’s position: Having a positive balance in the manufacturing products but facing a deficit in the trade of the other product groups -agriculture and fuels-mining products-. Germany’s share in the total EU imports of fuels and mining products is the highest among other members (18%) reflecting the country’s huge industrial production capacity and thereof its’ more need in energy. Both Germany’s and the EU’s overall trade surplus particularly come from the sub-sector of the “machinery and transport equipment” in 2017.

⁵⁷² Statistical information about the EU’s product coverage in 2017 is gathered from the WTO database, to provide integrity with Tables 15-22 in Chapter 4. However, as the WTO statistics covers the latest data for the year 2017 at the time of writing this thesis, Trade Map database is invoked for the 2018 figures.

It is also praiseworthy to state some of the EECs' export performance in "machinery and transport equipment" sector. This sub-sector's share in total manufactured products' export is 63% in the Czech Republic and Hungary, and 67% in the Slovak Republic that are all higher than the EU's general average (49%).

In fuels and mining products' trade, it is interesting to observe that all the EU member countries are net importers. There have been countries either being net importer or exporters in the other two sectors (agriculture and manufacturing). In the agricultural products' exports, the Netherlands ranks first, having a surplus in its trade. In the textiles and clothing sector, Italy, Bulgaria, and Romania have surpluses in their trade relations. In the case of trade in chemicals, the EU is a net exporter, which much owes to Germany, the Netherlands, Belgium, and France.

In analyzing the EU total trade product coverage in 2018, Trade Map database is a useful tool to resort. Although the product classification differs methodologically from the WTO database, the product group of "machinery and vehicles" still preserves their influence in the EU trade also in 2018. Indeed, intra-industry trade preserves its significance in the Union's trade in the time of crisis.

Table 43: Product Coverage in Exports -2017 Million US Dollar

Exports	Agri-cultural products	Fuels and mining products	Manufac. products	<i>Machinery and transport equipment</i>	<i>Iron and steel</i>	<i>Chemical</i>	<i>Textiles</i>	<i>Clothing</i>
Austria	16.636	8.780	141.130	68.789	8.751	22.808	2.049	2.909
Belgium	48.808	47.303	321.899	96.650	17.225	121.715	5.783	9.270
Bulgaria	4.961	6.562	17.256	6.469	1.081	3.017	520	1.612
Croatia	3.000	2.308	10.531	3.715	97	2.250	207	780
Cyprus	438	791	1.953	1.336	35	409	1	13

Table 43 (cont'd)

Czech	10.593	5.965	162.102	102.497	4.373	10.700	2.816	2.372
Denma.	23.149	6.645	71.332	27.070	1.146	20.958	1.121	4.165
Estonia	2.437	1.739	10.241	4.726	185	969	178	237
Finland	6.923	9.474	50.147	22.154	4.636	6.621	303	326
France	72.499	27.533	426.000	208.666	14.723	100.709	4.737	11.732
German.	94.404	66.238	1.263.126	719.952	28.959	234.028	14.123	20.942
Greece	7.097	13.174	11.715	2.936	780	3.469	517	766
Hun.	10.317	5.014	97.897	61.841	1.408	13.636	918	833
Ireland	15.159	2.820	118.348	23.055	194	76.550	168	298
Italy	48.276	28.327	419.965	183.305	19.374	66.368	12.077	23.324
Latvia	4.337	807	8.687	3.312	429	1.310	286	255
Lithuan.	6.067	4.935	18.769	6.258	360	4.297	642	722
Luxemb.	1.575	878	12.796	4.197	2.213	1.871	551	52
Malta	278	236	1.958	1.050	28	350	37	8
NL	107.574	104.410	434.868	213.357	13.918	106.119	5.178	10.938
Poland	33.186	13.080	184.081	85.783	5.283	22.024	2.729	5.651
Portugal	8.962	5.954	47.030	16.935	1.624	5.476	2.207	3.635
Romania	8.152	4.343	57.783	32.801	2.436	3.089	1.496	2.893
Slov.R.	3.819	5.508	74.867	49.925	4.221	3.688	837	1.211
Slovenia	2.995	3.356	31.968	15.575	1.475	5.659	731	340
Spain	57.190	34.238	224.682	107.905	8.805	42.091	4.518	14.345
Sweden	15.719	17.924	116.471	60.847	6.995	18.678	932	1.949
UK	32.245	52.027	329.565	170.048	5.472	72.750	3.609	8.336
Total	646.795	480.367	4.667.167	2.301.154	156.226	971.611	69.272	129.916

Source: Data gathered from WTO and tabled by the author.

Table 44: Product Coverage in Imports -2017 Million US Dollar

Imports	Agri-cultural products	Fuels and mining products	Manufac. products	<i>Machinery and transport equipment</i>	<i>Iron and steel</i>	<i>Chemical</i>	<i>Textiles</i>	<i>Clothing</i>
Austria	17.114	19.914	136.767	65.591	4.930	23.320	2.182	6.828
Belgium	43.816	63.383	294.277	105.113	11.983	98.939	3.810	8.804
Bulgaria	3.909	8.041	21.513	9.018	1.293	4.848	1.119	640
Croatia	3.536	3.975	17.159	6.305	759	3.429	540	1.139
Cyprus	1.309	1.698	6.030	3.623	213	766	62	274
Czech	11.298	14.008	135.772	75.129	6.833	17.584	2.610	3.197
Denmark	16.029	6.907	69.080	30.998	2.566	11.653	1.250	4.494
Estonia	2.202	1.849	12.402	6.305	586	1.967	313	338
Finland	7.138	13.424	48.099	25.013	2.840	8.134	661	1.615
France	67.974	74.225	478.402	229.288	14.253	84.506	6.966	24.204
Germany	115.927	143.229	886.731	440.699	29.957	165.168	12.997	37.314
Greece	8.318	16.071	32.118	12.698	1.112	8.391	754	1.831
Hungary	7.581	11.496	87.969	51.896	2.652	13.211	1.265	1.464
Ireland	9.960	6.401	69.045	34.972	822	20.034	543	2.073
Italy	57.518	75.977	313.067	130.992	18.553	71.260	8.208	16.077
Latvia	3.364	1.642	11.465	5.033	614	2.191	245	359
Lithuania	4.881	6.637	20.738	9.023	860	4.883	668	602
Luxem.	3.008	3.252	16.334	7.692	814	2.614	280	371
Malta	794	1.376	3.637	2.336	41	528	30	101
NL	74.391	109.331	386.270	198.122	12.445	71.896	4.859	16.600
Pol.	24.088	24.638	178.085	79.943	10.162	33.704	4.585	6.895
Portugal	13.018	11.161	53.638	23.825	2.517	10.435	2.161	2.513
Romania	9.555	7.723	67.739	31.922	3.364	11.415	3.351	1.676
Slovak R.	5.691	9.562	67.684	39.435	3.029	7.254	1.175	1.544
Slovenia	3.801	5.106	27.005	13.072	1.702	4.882	526	704
Spain	44.448	59.344	245.478	113.567	9.170	49.222	4.729	18.688
Swed.	19.221	19.661	114.658	59.595	5.230	16.827	1.435	4.583
UK	69.676	69.513	459.988	235.948	7.514	76.801	6.552	22.759
Total	649.565	789.544	4.261.147	2.047.152	156.814	825.863	73.873	187.689

Source: Data gathered from WTO and tabled by the author.

5.2.5. Intra-EU Trade

As indicated previously, intra-EU trade constitutes the vast majority of the EU total trade. The share of intra-EU trade in exports accounts for 62% and 64,3% of the total EU exports in 2013 and 2018. Those shares are slightly less than the shares of around 68% in the pre-crisis period. Besides, for intra-EU trade of member states, a decline in their total export share of core six is observed after the crises. Germany, France, Nederland, Belgium, Luxemburg, and Italy together provide a share of 61% and 59% in 2013 and 2018 respectively in intra-EU exports. When the UK is added to the core group, the ratio rises to 67,2% and 64,8% for the same years. Other than the core group, Spain, the Czech Republic, and Poland have significant shares in the total intra-EU trade in exports.

The share of intra-EU trade in imports accounts for 62% and 63,5% of the total EU imports in 2013 and 2018, respectively. For intra-EU trade in imports, the six core countries' total share is 49,2 and 48,6% in 2013 and 2018, respectively. The UK is an important contributor to intra-EU trade, particularly in imports. Together with the UK, the core seven's share rises to 58,5 and 57,3% in those respective years. Actually, the dominance of those core member states becomes more visible in intra-EU trade in exports.

The UK and France recorded the largest deficits in the intra-trade, while the largest surplus was found in the Netherlands. However, the balance in intra-trade must be interpreted with caution for the phenomenon of Quasi-transit (The Rotterdam effect).

According to a study done by the Euro Stat,⁵⁷³ traditionally, the EU member states as a whole have traded goods more with other members than with countries outside the EU, likewise analyzed in the previous chapter. Figure 2

⁵⁷³ Eurostat online publication, https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Intra-EU_trade_in_goods_-_main_features&oldid=452727#Evolution_of_intra-EU_trade_in_goods:2002-2019; accessed on 8.12.2019.

below shows, except for the UK and Cyprus, all members exported more goods to partners within the EU than outside in 2018.

The UK's position is also noteworthy as the country has the largest deficit in intra-EU trade that it imports from other members more than it exports to them.

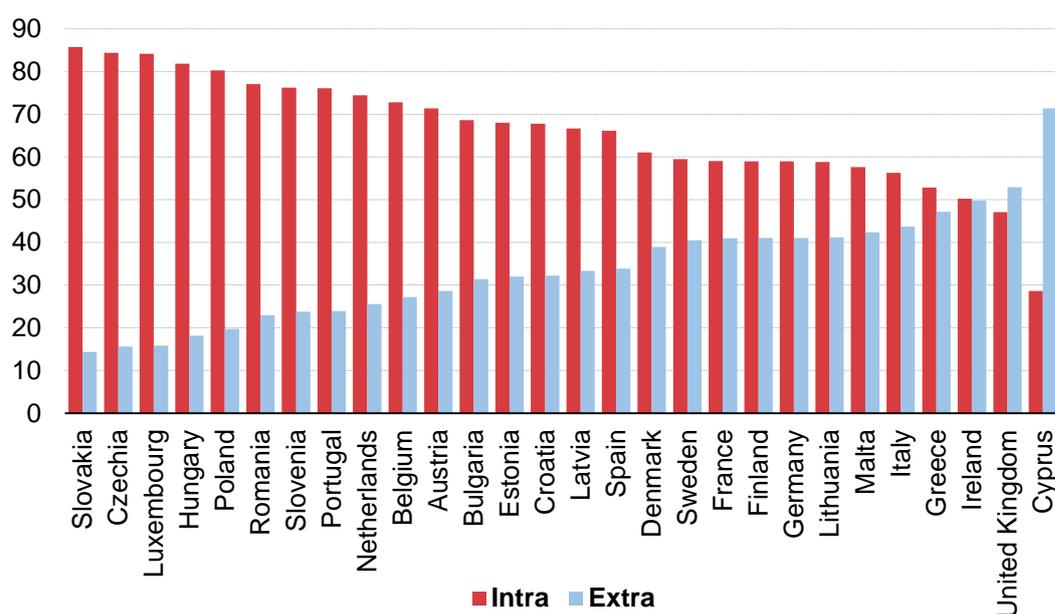


Figure 2: Comparison between Intra and Extra-EU Exports of Goods by Member States- 2018, Source: Eurostat

The allocation of main product groups in intra-EU exports for the selected three years is shown in Table 45 below. In the internal market, manufactured products comprise the vast majority of traded goods. According to Eurostat,⁵⁷⁴ in 2018, their share was 80% of total intra-EU exports of goods, where the

⁵⁷⁴ *Ibid.*

machinery and vehicles comprised 37% of total exports, other manufactured goods accounted for 27%, and chemical products for 16%. Primary products accounted for 19 % of total exports of goods; made up of food and drink (10%), energy products (6%), and raw materials (3%).

Table 45: Intra-EU Trade in Exports of Goods by Product Type, 2002, 2010 and 2018

SITC category	Exports in billion EUR			Share		
	2002	2010	2018	2002	2010	2018
Food, drinks and tobacco	164	248	348	9	10	10
Raw materials	55	93	115	3	4	3
Energy	76	175	211	4	7	6
Chemicals	263	415	567	14	16	16
Machinery & vehicles	787	891	1298	41	35	37
Other manufactured goods	531	693	955	28	27	27
Other	32	41	26	2	2	1
Total	1910	2557	3520	100	100	100

Source: Eurostat

After the 2008 financial crises, whether the economic difficulties, they had struggled, produced any effect on the dependencies of the EECs on the Single Market for their exports is an important inquiry to be searched. Nevertheless, as laid down in Table 46 below, the continuity in the high levels of dependency on the EU market proceeds in this period. However, the growth in those dependencies is remarkable (except for Cyprus) when compared with the pre-crisis period (see Table 25 in Chapter 4). Remarkably, the massive dependence of the most advanced countries, such as; Slovakia, Poland, Hungary, and the Czech Republic, is praiseworthy in the pre-crisis period. Germany still preserves its leading position in the trade relations of those members.

Table 46: Share of Intra-EU Trade in the Total Exports of New Members (%)

Exporters (leading countries in intra-EU trade)	2013	2018
Poland (Germany + the Czech R.+ the UK)	74,7	80,1
Hungary (Germany + Slovakia + Italy)	76,8	80,6
Czech R. (Germany)	80,8	83,7
Slovenia (Germany + Italy)	72,4	77,2
Lithuania (Latvia + Poland + Germany)	54,5	60,6
Slovakia (Germany + the Czech R.)	83,5	86,2
Latvia (Lithuania + Estonia + Sweden + Germany)	62,9	70,7
Estonia (Finland + Sweden + Latvia)	62,9	64,7
Malta (Germany + Italy + France)	30	42,1
Cyprus (Greece + the UK)	43,7	24,5
Bulgaria (Germany)	59,9	67,4
Romania (Germany)	69,6	76,9
Croatia (Italy + Germany + Slovenia)	61,7	68,6

Source: Data gathered from Trade Map, but calculated and tabled by the author.

To sum up, the decline in the share of intra-EU trade in the EU total exports is observed in the time of crisis. This would be interpreted that member states are becoming more outward-oriented for their exports, where they used to enjoy the benefits of the Single Market more. On the other hand, the dependencies of the EECs on the internal market for their exports are on the rise in the time of crisis, particularly on Germany, as in the pre-crisis period.

Table 47: Intra-Trade 2013-2018 (Million ECU/ EURO)

Exports/Dispatches

Year	EU	Belgium	Bulgaria	C.R.	Denmark	Germany	Estonia	Ireland	Greece	Spain	France	Croatia	Italy	Cyprus	Latvia
2013	2.839.008	247.572	13.351	99.119	53.203	618.630	8.719	50.338	12.849	150.517	259.536	5.899	209.829	881	7.236
2018	3.519.818	287.689	19.275	144.491	56.469	778.749	9.811	70.113	17.672	193.288	290.765	10.001	260.621	1.204	9.116

Year	Lithuania	Luxembourg	Hungary	Malta	Netherlands	Austria	Poland	Portugal	Romania	Slovenia	Slovakia	Finland	Sweden	UK
2013	13.612	11.235	63.004	1.243	382.559	92.433	115.755	33.275	34.506	19.170	53.557	30.979	72.777	177224
2018	16.628	11.602	87.150	1.471	456.349	111.673	177.218	44.099	51.976	28.535	68.438	37.884	83.606	193.926

Source: Eurostat.

Share

Year	EU	Belgium	Bulgaria	C.R.	Denmark	Germany	Estonia	Ireland	Greece	Spain	France	Croatia	Italy	Cyprus	Latvia
2013	100	8,7	0,5	3,5	1,9	21,8	0,3	1,8	0,5	5,3	9,1	0,2	7,4	0	0,3
2018	100	8,2	0,5	4,1	1,6	22,1	0,3	2	0,5	5,5	8,3	0,3	7,4	0	0,3

Year	Lithuania	Luxembourg	Hungary	Malta	Netherlands	Austria	Poland	Portugal	Romania	Slovenia	Slovakia	Finland	Sweden	UK
2013	0,5	0,4	2,2	0	13,5	3,3	4,1	1,2	1,2	0,7	1,9	1,1	2,6	6,2
2018	0,5	0,3	2,5	0	13	3,2	5	1,3	1,5	0,8	1,9	1,1	2,4	5,5

Table 47 (cont'd)

Imports/Arrivals

Year	EU	Belgium	Bulgaria	C. R.	Denmark	Germany	Estonia	Ireland	Greece	Spain	France	Croatia	Italy	Cyprus	Latvia
2013	2.771.843	225.908	15.423	83.457	51.502	575.080	11.409	37.278	22.199	141.696	348.512	11.090	200.168	3.350	10.762
2018	3.449.692	245.472	20.403	119.732	60.773	722.547	12.411	58.477	28.402	191.976	393.383	18.557	250.254	5.238	12.493

Year	Lithuania	Luxembourg	Hungary	Malta	Netherlands	Austria	Poland	Portugal	Romania	Slovenia	Slovakia	Finland	Sweden	UK
2013	15.809	15.864	54.060	3.288	205.614	105.723	107.822	41.066	41.914	17.604	45.727	38.704	83.264	257.551
2018	21.313	17.837	77.131	3.867	249.881	127.260	156.514	56.817	61.868	24.078	63.778	46.716	101.186	301.329

Share

Year	EU	Belgium	Bulgaria	C.R.	Denmark	Germany	Estonia	Ireland	Greece	Spain	France	Croatia	Italy	Cyprus	Latvia
2013	100	8,2	0,6	3	1,9	20,7	0,4	1,3	0,8	5,1	12,6	0,4	7,2	0,1	0,4
2018	100	7,1	0,6	3,5	1,8	20,9	0,4	1,7	0,8	5,6	11,4	0,5	7,3	0,2	0,4

Year	Lithuania	Luxembourg	Hungary	Malta	Netherlands	Austria	Poland	Portugal	Romania	Slovenia	Slovakia	Finland	Sweden	UK
2013	0,6	0,6	2	0,1	7,4	3,8	3,9	1,5	1,5	0,6	1,6	1,4	3	9,3
2018	0,6	0,5	2,2	0,1	7,2	3,7	4,5	1,6	1,8	0,7	1,8	1,4	2,9	8,7

Balance Bn.ECU/Euro

Year	EU	Belgium	Bulgaria	C. R.	Denmark	Germany	Estonia	Ireland	Greece	Spain	France	Croatia	Italy	Cyprus	Latvia
2013	67.165	21.665	-2.073	15.662	1.701	43.550	-2.690	13.061	-9.349	8.821	-88.977	-5.191	9.661	-2.469	-3.526
2018	70.125	42.217	-1.128	24.760	-4.304	56.202	-2.600	11.636	-10.730	1.311	-102.617	-8.556	10.367	-4.034	-3.378

Year	Lithuania	Luxem.	Hungary	Malta	Netherl.	Austria	Poland	Portugal	Romania	Slovenia	Slovakia	Finland	Sweden	UK
2013	-2.196	-4.629	8.943	-2.045	176.945	-13.290	7.933	-7.791	-7.408	1.566	7.830	-7.725	-10.487	-80.327
2018	-4.685	-6.225	10.018	-2.396	206.468	-15.587	20.704	-12.718	-9.892	4.458	4.660	-8.832	-17.580	-107.403

Source: Eurostat

5.3. Conclusion

In this chapter, the EU's trade relations in the time of crises are examined in order to observe whether any change occurred in the amount, route, and product coverage of the EU's trade relations, and mainly to present whether and how the newcomers contributed to the Union's trade performance during the time of the crises. Furthermore, this chapter elaborates on the consequences of the 2008 financial crisis on the EU economy, and particularly on its trade relations briefly, to explore the impact of prevailing neoliberal trade policy during the time of crisis. It is shown that the neoliberal trade policy within the EU has not only survived the global financial and Eurozone crises but has been reinforced throughout these crises. To this outcome, other than the triangle of the Commission, member states, and the business circles, trade unions also contributed to the process through their supporting statements for the continuation of the neoliberal trade policies. It is shown that the EU behaved more offensively in its bilateral relations with the world's leading traders by engaging trade agreements to further liberalize the trade in between. The Union also pursued less protectionist measures in its trade relations in implementing trade defense measurements in that period.

In that regard, it is witnessed that a decline in the share of EU in the world trade continued in the last decade. Besides, the negative trade balance that the EU has been experiencing since the 2000s also marked the time of crises.

Although the export figures of the EECs and their shares in the total EU are very low, the surge in their exports takes attention in the time crisis, despite the modest performances in the exports of the core seven member states (except for Germany).

Regarding intra-EU trade, there has also been a decrease in its share in the total EU trade, which used to enjoy considerable influence with the single market's power. On the other hand, for intra-EU trade of exports, growth in the

dependencies of EECs on their Western partners, above all on Germany, takes considerable attention in the time crisis, which once again proves the strategic trading relationship that has been established since their accession.

No significant alteration is observed in the main trading partners. Moreover, intra-industry trade preserves its importance in the Union's trade in the time of crises.

CHAPTER 6

CURRENT DISORDERS AND FUTURE PROSPECTS

6.1. Introduction

In the aftermath of the 2008 financial crises, the institutions of the liberal economic system, settled after World War II have begun to be questioned. Hence, astonishing developments in the world economy and trade environment in a short period, together with the consequences of the 2008 financial and then 2009 Euro-zone crises, all negatively affected the EU's trade power. Similarly, a downturn in the EU's trade shares is observed, as shown in Chapter 5. Moreover, the domestic problems in EU member states since then gave rise to some adverse consequences for the future of this trade bloc, particularly the UK's decision to withdraw from the membership defined as the "Brexit."

It is argued in this chapter that China's inevitable rise in the world trade, the inauguration of trade wars by the US administration, thereof the sluggish pace in the growth of the world trade, and finally, the "Brexit" phenomenon together all became terminal developments in shaping the EU's future trade relations. Within that context, those internal and external constraints, together with the prospect enlargements and their likelihood contributions to the EU's future trade relations, are briefly examined within this chapter.

6.2. Trade Wars in the Liberal World

Since 2017, the US administration has begun to resort protectionism in its imports by imposing extra tariffs on some goods and some countries claiming that the huge trade deficit has threatened its "national security." Those unilateral

measures pave the way for retaliation with similar forms of trade protectionism from the exporting countries subject to the USA's offensive trade policies. Nevertheless, the reciprocal measures of the trading partners escalate the tensions in the global trade, cause "trade wars" and consequently, trade wars reduce the volume of international trade with the uncertainty and unpredictability they create. Nonetheless, it would not be wrong to argue that those protectionist measures presently remind the protectionist trade measures of the 1970s, as examined in Chapters 1 and 4 of this thesis.

To decrease its trade deficit, which the USA has been recording since the 1970s, the Trump administration initiated trade wars in three fields via curbing its imports. First, the USA has imposed a global tariff on steel and aluminum. Second, a process began by imposing new tariffs on some selected goods from China. Third, the USA began to threaten some countries to impose extra tariffs on their exports if they did not provide the US's conditions. For instance, on 4 June 2019, the US administration threatened to impose a 5% tariff on all imports from Mexico if the government fails to reduce the number of asylum-seekers presenting themselves at the US-Mexico border.⁵⁷⁵ Moreover, the USA assured to raise the tariff to 25%, if needed, to force Mexico to act.⁵⁷⁶ Then Mexico imposed tariffs of up to 25% on American steel, pork, cheese, apples, potatoes, and bourbon, in retaliation for US tariffs on Mexican products.⁵⁷⁷

The same threat has been targeted to the EU to force the Union to include the agriculture sector in the US-EU trade negotiations, otherwise to face tariffs on

⁵⁷⁵ Kimberly Amadeo, "Trade Wars and their Effect on the Economy and You, Why Trade Wars Are Bad and Nobody Wins," *US Economy and News -Trade Policy, in The Balance*, December 07, 2019. Web page, <https://www.thebalance.com/trade-wars-definition-how-it-affects-you-4159973> ; accessed on 19.10.2019.

⁵⁷⁶ *Ibid.*

⁵⁷⁷ "Factbox: Tariff wars - duties imposed by Trump and U.S. trading partners," *Reuters*, May 13, 2019. Web page <https://www.reuters.com/article/us-usa-trade-tariffs-factbox/factbox-tariff-wars-duties-imposed-by-trump-and-us-trading-partners-idUSKCN1SJ1ZJ>; accessed on 19.10.2019.

the European automobile imports.⁵⁷⁸ It is worth noting that the EU is the largest exporter of motor vehicles in the world, whereas the USA is the largest importer. Particularly, German automobile producers and exporters feel threatened by the prospect of such tariffs, although they also have major production facilities in the USA.⁵⁷⁹ Meanwhile, German producers also export their cars to China from the facilities they have in the USA. However, due to Chinese retaliatory tariffs on imports arising from the escalating trade war between the US and China, companies, such as “Volkswagen, Daimler and BMW see themselves caught in a double bind.”⁵⁸⁰ In response to the USA demands, “the EU tried to bring out a transatlantic trade deal that could be done quite quickly if both sides could agree on a basis to start negotiations however; such an agreement appears difficult to reach amid the row over agriculture.”⁵⁸¹

Not surprisingly, those measures taken unilaterally by the USA paved the way for the injured exporting countries to file complaints with the WTO. The European Union, Turkey, Switzerland, Russia, Norway, Mexico, Canada, India, and China have filed disputes against the United States at the WTO⁵⁸² but at the same time, they also began to retaliate with countermeasures. The EU imposed import duties of 25% on a 2.8 billion US Dollar range of imports from the USA, in retaliation for the US tariffs on European steel and aluminum.⁵⁸³ In that vein,

⁵⁷⁸ Hans Von Der Burchard, “Trump to EU: Include agriculture in US trade talks or face tariffs,” Politico, political magazine. Web page, <https://www.politico.eu/article/trump-to-eu-include-agriculture-in-us-trade-talks-or-face-tariffs/>; accessed on 19.10.2019.

⁵⁷⁹ “Trump delays tariff decision on European and Japanese autos for 6 months,” Deutsche Welle, international broadcaster. Web page, <https://www.dw.com/en/trump-delays-tariff-decision-on-european-and-japanese-autos-for-6-months/a-48777680>; accessed on 19.10.2019.

⁵⁸⁰ *Ibid.*

⁵⁸¹ Hans Von Der Burchard, “Trump to EU: Include agriculture in US trade talks or face tariffs.”

⁵⁸² WTO web page, https://www.wto.org/english/news_e/news18_e/dsb_19nov18_e.htm; accessed on 19.10.2019.

⁵⁸³ *Ibid.*

the EU targeted typical American products include Harley-Davidson motorcycles, bourbon, peanuts, blue jeans, steel, and aluminum.⁵⁸⁴ Moreover, it is important to emphasize that “it was rare for a dispute to ever reach the stage of retaliation before being resolved”⁵⁸⁵ under the WTO rules.

Moreover, the trade war that the USA has initiated with China has utmost importance for global trade, as its consequences might affect not only the American and Chinese importers or exporters, but traders and investors from all around the world doing business in those countries (such as German automobile producers), as a result of globalization within the process of “Global Value Chains.” Actually, international production, trade, and investments have been increasingly organized within so-called Global Value Chains (GVCs), as note earlier in this thesis.⁵⁸⁶ Through the GVCs, the different stages of the production process are located by the firms across different countries, with the motivation of optimizing their production processes and costs through outsourcing and offshoring, wherever the necessary skills and materials are available at competitive cost and quality.⁵⁸⁷

The gradual rise in China’s trade capacity, particularly in exports, has produced significant consequences for the rest of the world by deteriorating many countries’ trade balances. Nevertheless, as laid down in Table 2 of Chapter 4, the unavoidable Chinese upsurge in world exports is explored since 1995 with a 4% share, which dramatically reaches the level of 16,8% in 2018. The trade deficit

⁵⁸⁴ “Factbox: Tariff wars - duties imposed by Trump and U.S. trading partners,” Reuters web page <https://www.reuters.com/article/us-usa-trade-tariffs-factbox/tariff-wars-duties-imposed-by-trump-and-u-s-trading-partners-idUSKCN1UR5YD>; accessed on 11.11.2019

⁵⁸⁵ Chad Bown, “The 2018 trade war and the end of dispute settlement as we knew it,” *VOX CEPR Policy Portal*, 13 June 2019. Web page, <https://voxeu.org/article/2018-trade-war-and-end-dispute-settlement-we-knew-it>; accessed on 5.10.2019.

⁵⁸⁶ Global Value Chains (GVCs), OECD web page, <https://www.oecd.org/sti/ind/global-value-chains.htm>; accessed on 5.2.2020.

⁵⁸⁷ *Ibid.*

the EU has with China has also been on the rise tremendously, which is also explored in Table 40 of Chapter 5.

Predictably, the USA's trade has also been affected with China's rise, where its trade deficit with the country has soared since 1985.⁵⁸⁸ By far, the largest trade deficit the USA is confronting is with China. According to Trade Map statistics, the trade deficit it has with China is 443 billion Dollars in 2018. Primarily the US imports every kind of machinery and equipment that is valued at 563 billion Dollars from China. Although much of this is manufactured in China by US companies as a part of GVC, it is still considered imports.⁵⁸⁹ Actually, the USA president Trump has accused China of a long time because of its unfair trade practices that include;

...dumping, discriminatory non-tariff barriers, forced technology transfer, over capacity, and industrial subsidies that champion Chinese firms and make it impossible for many United States firms to compete on a level playing field.⁵⁹⁰

Moreover, he accused China of damaging the US's intellectual property rights "with aggressively obtaining technology from American companies and undermining American innovation and creativity."⁵⁹¹

Finally, those accusations resulted in imposing new tariffs for goods imported to USA from China since July 2018. Not surprisingly, China retaliated by imposing new tariffs for the American's goods arriving in China "with the perception that the US is trying to curb its rise."⁵⁹²

⁵⁸⁸ BBC web page, <https://www.bbc.com/news/business-48196495>; accessed on 20.10.2019.

⁵⁸⁹ Kimberly Amadeo, "Trade Wars and their Effect on the Economy and You, Why Trade Wars Are Bad and Nobody Wins."

⁵⁹⁰ White House web page, <https://www.whitehouse.gov/briefings-statements/president-donald-j-trump-confronting-chinas-unfair-trade-policies/>; accessed on 5.2.2020.

⁵⁹¹ *Ibid.*

⁵⁹² BBC web page, <https://www.bbc.com/news/business-48196495>; accessed on 20.10.2019.

According to the WTO rules, a member can levy new tariffs on goods originating in another member under some restrict WTO rules. Moreover, if any member invokes illegal trade practices laid down under the WTO rules, other members have to right to complain about those illegal measures to the Dispute Settlement Mechanism (DSM) of the WTO. When the measure is found to be inappropriate with the related WTO rules, DSM considers the complainants to take appropriate counter measures for the member found to be guilty. However, the USA did not apply these procedures in the WTO but decided unilaterally to imply import restrictions. The USA was grounding its unilateral actions, imposing new tariffs on some goods, on the “Security Exemption” clause of WTO that is laid down in Article XXI of the GATT 1994. The USA’s claim stems from the phrase that the WTO agreements should not prevent any member “from taking actions which it considers necessary for the protection of its essential security interests.”⁵⁹³ On the other hand, “the complaints claimed that there is no legitimate or plausible national security rationale for the tariffs.”⁵⁹⁴ In response, the USA further claimed that the article’s wording makes the national security exception non-justiciable by the WTO dispute settlement system, whether to check the legitimacy of the action in question.⁵⁹⁵ However, contrary to the US’s claims, a WTO panel on 29 April 2019 in another case⁵⁹⁶ determined that actions taken under Article XXI (b) are reviewable.

⁵⁹³ WTO Article XXI lays down the provisions for ‘Security Exceptions.’ It indicates that “... (b) to prevent any contracting party from taking any action which it considers necessary for the protection of its essential security interests.”

⁵⁹⁴ William Alan Reinsch and Jack Caporal, “The WTO’s First Ruling on National Security: What Does It Mean for the United States?,” *The Center for Strategic and International Studies (CSIS)*, April 5, 2019. Web page <https://www.csis.org/analysis/wtos-first-ruling-national-security-what-does-it-mean-united-states>; accessed on 19.10.2019.

⁵⁹⁵ *Ibid.*

⁵⁹⁶ WTO Panel Report on Russia - Measures Concerning Traffic in Transit WT/DS512/7 https://www.wto.org/english/tratop_e/dispu_e/512r_e.pdf

At the time of writing this thesis, consecutively, numerous panels have been establishing within the WTO-DSM either by the US side or the complainants that subject to American unilateral actions. A retaliatory panel paves the way for a counter panel and so goes on, which all locks the dispute settlement mechanism in a deadlock and makes the process unmanageable.

“Ironically, it was the US became increasingly frustrated with the GATT’s ineffectiveness and particularly the absence of a binding compliance mechanism in the 1980s”⁵⁹⁷ (see Chapter 3). In fact, during that period, the Section 301⁵⁹⁸ program paved the way for the USA to act “aggressively unilateral,” (the same law is used to impose tariffs on China in 2018) and demanded partners provide additional access for US exporters or face tariffs.⁵⁹⁹ “Growing concerns with US unilateralism at the time helped to conclude the Uruguay Round Agreement and the creation of the WTO dispute settlement system.”⁶⁰⁰ Indeed, it is astonishing to observe that the multilateral liberal trading system pioneered by the USA in the middle of the 20th century began to be questioned by one of its main founders. The discontentment of the US administration with the WTO mechanism includes many topics, primarily; the way the DSM is functioning, implementation of some agreements, and China’s status in the WTO as a developing country. Sharing similar distaste, the G20 leaders at the summit in Buenos Aires, on 1 December 2018, also gave their consent to improve and strengthen the multilateral trading

⁵⁹⁷ Chad Bown, “The 2018 trade war and the end of dispute settlement as we knew it.”

⁵⁹⁸ “The Special 301 program takes its name from, and builds upon the administrative structure of, Section 301 of the Trade Act of 1974. The program is a key expression of the trade policy of the U.S. in intellectual property matters. The program authorized the President to impose economic sanctions on countries that “burden or restrict United States commerce.” Notably, the law did not require that the alleged foreign conduct violate any trade agreement with the United States to be subject to sanction under the Act.” <http://infojustice.org/archives/29465>; accessed on 22.12.2019.

⁵⁹⁹ Chad Bown, “The 2018 trade war and the end of dispute settlement as we knew it.”

⁶⁰⁰ *Ibid.*

system.⁶⁰¹ However, before the multilaterally approved resolutions targeting to achieve necessary reforms in the WTO system, the USA unilaterally has resorted to applying its own rules to remedy “the defections” of the WTO system.

For the future prospects in the wake of the trade wars, according to a press release announced by the WTO on April 2019, “global trade growth loses momentum as trade tensions persist.”⁶⁰² Moreover, the WTO declares that “world trade will continue to face strong headwinds in 2019 and 2020 after growing more slowly than expected in 2018 due to rising trade tensions and increased economic uncertainty.” As claimed by the World Bank in its Report on Global Economic Prospect;

[c]onfidence and investment could be markedly impacted by a sudden rise in policy uncertainty- triggered, for instance, by substantial new trade barriers between major economies resulting in cascading trade costs and a lack of clarity about future trading rules...If this rise is persistent, the impact on global investment and activity could be severe. An increase in uncertainty could also be related to a heightened possibility of a disorderly exit of the United Kingdom from the European Union (EU). Similarly, a sustained dissipation of these uncertainties, for instance, due to a comprehensive resolution of trade tensions between the United States and China- could significantly buttress global growth prospects. The potential gains associated with such a resolution highlight the large opportunity costs that additional trade tensions would entail.⁶⁰³

At the last stage of writing this thesis, with the beginning of 2020, the USA and China have signed an agreement after almost two years of hostilities.

⁶⁰¹ WTO web page, Azevêdo welcomes G20 leaders’ commitment to improve the functioning of the WTO, https://www.wto.org/english/news_e/news18_e/dgra_03dec18_e.htm; accessed on 19.10.2019.

⁶⁰² WTO press release, 2 April 2019, web page, https://www.wto.org/english/news_e/pres19_e/pr837_e.htm; accessed on 19.10.2019.

⁶⁰³ Global Economic Prospects, *World Bank*, June 2019. Web page, <http://pubdocs.worldbank.org/en/276601555427722515/Global-Economic-Prospects-June-2019-Highlights-Chapter-1.pdf>; accessed on 19.10.2019.

However, analysts are skeptical about the deal, as it only covers the straightforward aspects of their complicated relationship and only removes some of the tariffs.⁶⁰⁴ Whether or not the deal would bring stability and predictable environment to the world trade and eliminate the aligned trade disputes remains to be seen.

As indicated in the 2018 report of UNCTAD, “trade wars are a symptom not a cause of economic morbidity.”⁶⁰⁵ Those symptoms should be traced back to the inauguration of neoliberal policies in the global economy by which,

...a mixture of financial chicanery, unrestrained corporate power and economic austerity has shredded the social contract that emerged after the Second World War and replaced it with a different set of rules, norms and policies, at the national, regional and international levels. This has enabled capital -whether tangible or intangible, long-term or short-term, industrial or financial- to escape from regulatory oversight, expand into new areas of profit-making and restrict the influence of policymakers over how business is done.⁶⁰⁶

To sum up, as argued by Warloutzet, the year 2016 was a critical period for the weakening of economic and political liberal values of the Western countries that would be regarded “as a reaction against the excesses of a neoliberal globalization, but also facing the neomercantilist and more authoritarian Russia and China.”⁶⁰⁷ As can be predicted, this stage was detectable with Brexit voting of the British people and the election of Donald Trump in the USA.⁶⁰⁸

⁶⁰⁴ BBC Web page, <https://www.bbc.com/news/business-51130434>; accessed on 19.10.2019.

⁶⁰⁵ Trade and Development Report 2018, Power, Platforms and the Free Trade Delusion, Overview, UNCTAD, p. 27, https://unctad.org/en/PublicationsLibrary/tdr2018overview_en.pdf

⁶⁰⁶ *Ibid.*, p.1

⁶⁰⁷ Warloutzet, *Governing Europe in a Globalizing World*, p.232.

⁶⁰⁸ *Ibid.*

National solutions are coming back to the fore compared with European and international cooperation. There are some similarities with the years following the 1929 and 1973 economic crisis, but the contexts have changed, not least because of the role of several major international organizations. Past alternatives cannot become possible futures, but they can inform us about the possible choices currently available.⁶⁰⁹

6.3. The Impact of Brexit on the European Union's Trade Relations⁶¹⁰

As a result of the negative consequences of the 2008 financial and then 2009 Euro-zone crises and its effects on the total trade of this trade union distress began to be seen on the continent. Moreover, it is argued that “[s]ince the 2008/2009 crisis and its after effects, it appears that market forces may be stronger and more direct drivers on European integration and disintegration than previously suspected.”⁶¹¹ Anyhow, those developments, together with the referendum of British people in June 2016 voting on the EU's withdrawal, put into question the EU integration and its future. Accordingly, pursuant to the Article 50 of the Treaty of Lisbon that sets out the procedure for a member to withdraw from the EU, following the UK's notification of its intention to leave the EU, negotiations began on 19 June 2017.

Following an intense negotiation period, “the UK left the EU on 31 January 2020, after 47 years of membership.”⁶¹² As also declared by the EU, “in

⁶⁰⁹ *Ibid.*

⁶¹⁰ In this chapter, the Brexit issue is to be analyzed within the perspective of the EU's trade relations regarding the general purpose of this thesis. As to analyze the reasons of Brexit is out of the scope of this thesis, it needs to be worked out in future researches.

⁶¹¹ Henrik Scheller and Annegret Eppler, “European Disintegration-non-existing Phenomenon or a Blind Spot of European Integration Research?,” Institute for European Integration Research, Working paper Series, no.2, 2014, p.6.

⁶¹² European Commission, Brexit in brief, web page, https://ec.europa.eu/info/european-union-and-united-kingdom-forging-new-partnership/brexit-brief_en; accessed on 10.2.2020.

accordance with the Withdrawal Agreement, [the UK] is now officially a third country to the EU and hence no longer participates in EU decision-making.”⁶¹³ According to the Agreement, the sides have agreed on a transition period to remain until 31 December 2020. During this period, the UK effectively remains in the customs union and single market, thus continues to obey the EU rules, while at the same time, the sides have to negotiate a new agreement to determine their prospect relationship.⁶¹⁴ If no trade deal has been agreed and ratified by the end of 2020, then the trade between the UK and the EU is to be settled under the WTO’s basic rules, which imply tariffs on most goods in exports of both sides, also with full border controls.

It is appropriate to evaluate the UK’s economic strength through some actual data. The UK is the fifth-largest national economy in the world and the second-largest economy in the EU in 2018. Regarding its trade volume in 2018, the UK is the ninth-largest exporter and the fifth-largest importer in the world, according to Trade Map statistics. As it can be detected from Table 48 below, the country has a meaningful share in the total world trade; likewise, it has in the EU total, but with a tendency to decrease since the 2000s.

⁶¹³ *Ibid.*

⁶¹⁴ *Ibid.*

Table 48: Share of the UK in World Total Trade (%)

	Export	Import		Export	Import
2001	4,56	5,70	2010	2,80	4,10
2002	4,45	5,64	2011	2,86	3,92
2006	3,84	5,01	2015	2,84	3,78
2003	4,17	5,52	2012	2,62	3,73
2004	3,90	5,35	2013	2,90	3,48
2005	3,80	4,98	2014	2,71	3,66
2007	3,28	4,82	2016	2,59	3,93
2008	3,02	4,31	2017	2,52	3,57
2009	2,91	4,37	2018	2,52	3,42

Source: Data gathered from the Trade Map database, but calculated and tabled by the author.

Although the UK has been the awkward member of the EU from the very beginning and despite its absence in some policy areas, such as monetary union and common visa policy, its contribution to the EU's total trade relations was significant (see Chapters 4 and 5). So, how its absence might affect the EU's future trade relations is an important inquiry to search that can be classified into three major areas. First of all, after its withdrawal the UK's export and import figures are not going to be calculated in the total trade of the EU which will automatically result in lessening those figures.

In April 2018, Eurostat announced that a new aggregate data covering the EU-27 without the UK for the most in-demand indicators, such as population, GDP growth rate, trade, and unemployment, are available before the withdrawal date. Within that context, in Tables 49-50 below, total trade figures of the EU with and without the UK are laid down for the first seven months of 2019, the latest data available from Eurostat at the time of writing this thesis. It is observed that, predictably, total EU-27 total trade is less than EU-28. However, the EU's

trade balance is higher without the UK in the first seven months of 2019 that would also be perceived in the upcoming periods. Actually, without the UK's persistent huge trade deficit, it is quite normal that the EU-27 is to record a higher trade balance prior to the pre-Brexit period. Furthermore, the extra-trade of the EU-27 in exports (1.214.750 Million ECU/Euro) is higher than extra-trade of the EU-28 (1.180.321 Million ECU/Euro), as exports to the UK from other 27 members are no more regarded as the "intra-trade," but is going to be calculated in "extra-trade" figures of the EU-27. Nevertheless, as analyzed in Chapter 5, the UK has recorded the biggest trade deficit in intra-EU trade, which means that it has provided an important market for its partners in the EU, but in return has sold them less.

As already noted, through the Withdrawal Agreement's provisions, until the end of 2020, the UK's trade is to proceed as it is used to be. But, how their trade relations are to be shaped after then has primary importance. For the EU exporters, the wide UK market has particular significance. Thus, acquiring similar advantages in the British market (the single market advantages) has to be provided with the new deal by 2021. Otherwise, as suggested, the WTO rules are to be applied in the governance of their trade relations, which would harm the EU exporters' advantages in the British market. Consequently, the post-Brexit outcome, without a deal, would reduce trade or increase the cost of trade between the UK and the rest of the EU.

Table 49: EU-28 Intra and Extra-Trade 2019 (Jan.-July), Million Euro

EU-28	Export	Import
Intra-trade	2.115.841	2.057.990
Extra-trade	1.180.321	1.191.387
Total	3.296.163	3.249.377
Balance	46.785	

Source: Eurostat, tabled by the author

Table 50: EU-27* Intra and Extra-Trade 2019 (Jan.-July), Million Euro

EU-27	Export	Import
Intra-trade	1.811.082	1.765.527
Extra-trade	1.241.750	1.134.031
Total	3.052.832	2.899.557
Balance	153.275	

Source: Eurostat, tabled by the author, *EU without the UK

Second, as analyzed above, the UK presence together with the core six further strengthened the EU's position in its trade relations. Historically, the UK's power in trade derives from its commercial ties it has established with its former colonies since the beginning 19th century that also well contributed to the manifestation of the EU's trade power. Accordingly, the absence of one of its influential members would weaken the EU's negotiation position both in its multilateral and bilateral relations. Indeed; "the EU would be a less attractive trade partner without the UK in for trade agreements if the UK was no longer part of the deal."⁶¹⁵ Predominantly, as the UK has been one of the forerunners of the pro-liberal approach to trade policy in the Union, "more than any other state, has put top-level political weight behind trade negotiations."⁶¹⁶ Whether the absence of one the supporters of liberal trade in the Union would produce any impact on the trade policy-making must be scrutinized within the prospect changes in the EU's institutional settings after the UK's withdrawal. Furthermore, the reflection of "Brexit" on the EU's existing and prospect trading partners needs future research on individual cases, based on country-specific investigations.

⁶¹⁵ Global counsel, "BREXIT: the impact on the UK and the EU" through ten channels, 2015, p.23. Web site, https://brexit.hypotheses.org/files/2017/01/Global-Counsel_Impact_of_Brexit.pdf; accessed on 21.3.2019.

⁶¹⁶ *Ibid.*

Thus, the third topic in examining the post-Brexit period constitutes how the EU's trade governance is to be affected without the UK's presence in formal institutional settings.

Actually, a study has been concluded with the request of the European Parliament on "The impact of the UK's withdrawal on the institutional set-up and political dynamics within the EU" in April 2019.⁶¹⁷ The study's main findings, together with some previous analyzes covering the same issue, can be summarized as follows.

Firstly, regarding the Council, as the UK's allies have been Sweden, the Netherlands, and Denmark, after its withdrawal, new coalitions are to be sought by those three, though "the expectation is that these cannot easily form a sufficient majority or blocking minority in terms of the population requirement."⁶¹⁸ Related with the trade policy, the UK voted with the majority more frequently on "international trade" issues where the UK had resorted to its veto power at least.⁶¹⁹

Poland, Spain, France and Germany are gainers in voting power; the smallest Member States of the population size of Croatia and smaller is to be the losers, with the loss increasing as the Member State is smaller. Member States of the population size of Ireland being the turning point between gaining and loosing. Should a small Member State of the size of Montenegro accede to the EU, this would lead to gains in the formal voting power of the small Member States.⁶²⁰

⁶¹⁷ European Parliament, "The impact of the UK's withdrawal on the institutional set-up and political dynamics within the EU", web page, [http://www.europarl.europa.eu/RegData/etudes/STUD/2019/621914/IPOL_STU\(2019\)621914_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2019/621914/IPOL_STU(2019)621914_EN.pdf); accessed on 21.10.2019.

⁶¹⁸ European Parliament, "The impact of the UK's withdrawal on the institutional set-up and political dynamics within the EU", p.61.

⁶¹⁹ Simon Hix, Sara Hagemann and Doru Frantescu, "Would Brexit matter? The UK's voting record in the Council and the European Parliament," *VoteWatch Europe*, Brussels, 2016. Available in LSE Research Online: April 2016. Web page, http://eprints.lse.ac.uk/66261/1/Hix_Brexit%20matter_2016.pdf; accessed on 10.1.2020.

⁶²⁰ European Parliament, "The impact of the UK's withdrawal on the institutional set-up and political dynamics within the EU," p.61.

The institutional balance in the European Parliament, as the voting system is mainly along political group lines rather than national lines,⁶²¹ contrary to the Council voting, implies “a relative overrepresentation of the smallest Member States.”⁶²² Overall, the voting records in the Parliament show that “the UK is in a weak position, and as a result British MEPs often find themselves on the losing side in key votes.”⁶²³ On the other hand,

The general inter-institutional balance seems to give a relatively greater weight to, large Member States in the Council, and to smaller states in the Parliament, whereas somewhat more indirectly, the equality of Member States is guaranteed in the composition of the Commission,⁶²⁴

where the Commission is composed of the Commissioners per member state.

Along with the given above insights, it is suggested that

...these indications do not provide definitive predictions on how the political dynamics will actually play out, as future political developments in Member States domestically can influence tendencies in directions which are different from those in the past and the present.⁶²⁵

⁶²¹ Simon Hix et.al., “Would Brexit matter? The UK’s voting record in the Council and the European Parliament,” p.7.

⁶²² European Parliament, “The impact of the UK’s withdrawal on the institutional set-up and political dynamics within the EU,” p.56.

⁶²³ Simon Hix et.al., “Would Brexit matter? The UK’s voting record in the Council and the European Parliament,” p.8.

⁶²⁴ European Parliament, “The impact of the UK’s withdrawal on the institutional set-up and political dynamics within the EU,” p.62.

⁶²⁵ European Parliament, “The impact of the UK’s withdrawal on the institutional set-up and political dynamics within the EU,” p.15.

However those findings “explore some trends that are likely to develop based on current facts and figures.”⁶²⁶

In the light of those findings, it can be argued that “Brexit is not going to upset the inter-institutional balance overall,”⁶²⁷ particularly on the trade policy making in the EU. However, larger member states gain more power in the Council, where Germany preserves its situation of being an outstanding member. Moreover, under these circumstances, it can be expected that Germany will be more influential.

To sum up, it may be stated that the absence of the UK would affect trade relations of the EU-27, first with a decrease in the Union’s trade figures thus its shares in the world markets. Second a weakening in the negotiation power or the leverage of the EU27 in trade negotiations is expected. However, its nonexistence in the related institutional settings would not significantly impact the decision-making procedure for trade matters.

6.4. The Consequences of Prospect Enlargements in the Future Trade Relations of the European Union

The EU’s current enlargement agenda covers four countries from the Western Balkans -Albania, Serbia, Montenegro, North Macedonia (NM) and Turkey. Moreover, Bosnia-Herzegovina (B-H) and Kosovo are in the status of potential candidates.

Almost in every decision or paper published by the EU, both by the Commission or the Council on the enlargement policy, a reference has been made to the “fundamentals first” principle that includes the rule of law, fundamental

⁶²⁶ Simon Hix et.al., “Would Brexit matter? The UK’s voting record in the Council and the European Parliament,” p.11.

⁶²⁷ European Parliament, “The impact of the UK’s withdrawal on the institutional set-up and political dynamics within the EU,” p.62.

rights, strengthening democratic institutions, including public administration reform, as well as economic development and competitiveness that remain key priorities in the enlargement process.⁶²⁸ When it comes to evaluating the recent candidate countries' situation based on those fundamentals, the EU faces many challenges due to the economic and political problems inherited in the Western Balkans and Turkey.

From the EU perspective, the Western Balkans region is considered to be an important sphere of interest with the prospect of stepwise EU accession via establishing a specific accession process for these countries, with an option of granting the status of potential candidate.⁶²⁹

However, the progress, particularly concerning “the economic preparedness and competitiveness of the Western Balkan countries, is uneven.”⁶³⁰ Nevertheless, the Western Balkan countries are less developed than the other Eastern European Countries that have already required membership previously. As declared by the Commission,

Critical parts of the region's economies are uncompetitive, with too much undue political interference and an underdeveloped private sector. None of the Western Balkans can currently be considered a

⁶²⁸ For example; European Commission, “EU enlargement: priorities for 2014”, Press release, 16 October 2013, web page, https://ec.europa.eu/commission/presscorner/detail/en/IP_13_930; European Commission, “EU Enlargement Strategy”, Brussels, 10.11.2015, COM(2015) 611 final, https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/key_documents/2015/20151110_strategy_paper_en.pdf; Regulation of the European Parliament and of the Council the Instrument for Pre-accession Assistance (IPA III), Brussels, 14.6.2018, <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52018PC0465&from=EN>

⁶²⁹ Zuzana Kittova and Dusan Steinhauser, “The International Economic Position of Western Balkan Countries in Light of their European Integration Ambitions,” *Journal of Competitiveness*, 10(3), 51–68, 2018, p.51, <https://doi.org/10.7441/joc.2018.03.04>

⁶³⁰ Kittova and Steinhauser, “The International Economic Position of Western Balkan Countries in Light of their European Integration Ambitions,” p.51.

functioning market economy nor to have the capacity to cope with the competitive pressure and market forces in the union.⁶³¹

In that frame, according to a study based on both the Global Competitiveness Index and the Index of Economic Freedom, the best international economic positions among the Western Balkan countries belong to North Macedonia and Montenegro, where Serbia belongs among the worst assessed Western Balkan country despite its advanced accession progress.⁶³²

Indeed, before establishing relations with the Western Balkans within the framework of the stabilization process that constituted the basis of future membership relations, “the EU’s policy towards the Western Balkans had a distinctive feature aiming to keep the countries in the region at arms’ length, with the strategy of “neither total exclusion nor rapid integration.”⁶³³ However, “after the Kosovo intervention with the decline of the American influence in the Eastern part of Europe, the EU’s position in the region remained the *only game in town*.”⁶³⁴ This conflict also taught the EU that “the Balkans were too important to forget, or to underestimate, and provided the necessary stimuli”⁶³⁵ that resulted in launching some initiations to bring stability and growth in the region. In 1999, the Stability Pact (SP) and Stabilization and Association Process (SAP) were put into force “to govern the relations with all the Western Balkan countries within a

⁶³¹ European Commission, “A credible enlargement perspective for and enhanced EU engagement with the Western Balkans,” Strasbourg, 6.2.2018 2018, p.3, https://ec.europa.eu/commission/sites/beta-political/files/communication-credible-enlargement-perspective-western-balkans_en.pdf

⁶³² Kittova and Steinhauser, “The International Economic Position of Western Balkan Countries in Light of their European Integration Ambitions,” p.51.

⁶³³ Mustafa Türkeş and Göksu Gökgez, “The EU’s Strategy Towards the Western Balkans: Exclusion or Integration?,” *East European Politics and Societies*, (EEPS), 20/4, 2006, p.483.

⁶³⁴ Jacques Rupnik, “The Balkans as a European Question”, *The Western Balkans and the EU: The Hour of Europe*, European Union Institute for Security Studies, (edited by Jacques Rupnik), Chaillot Papers, 2011, Paris, p.18.

⁶³⁵ Türkeş and Gökgez, “The EU’s Strategy Towards the Western Balkans,” p.677.

single framework.”⁶³⁶ Thus, as suggested in the SP, there was a “closer perspective of full integration into the EU structures,”⁶³⁷ that was “supposedly embracing the possibility of full membership.”⁶³⁸

To materialize this commitment, and as an interim step towards membership, the Commission established a new generation of Stabilization and Association Agreements (SAAs) as part of the SAP.⁶³⁹

Whereas the SAAs were quite similar to the Europe Agreements concluded between the EU and the CEE countries in the early 1990s. Following the SAP, five Western Balkans countries at that time- Serbia and Montenegro, Albania, Croatia, Former Yugoslav Republic of Macedonia, Bosnia and Herzegovina- were identified as potential candidates for the EU membership during the Thessaloniki European Council summit in 2003, although it has been suggested that “the summit did not go beyond confirming the status quo.”⁶⁴⁰

In that context, for Montenegro, the candidate status was granted in 2010 and for Serbia in 2012, and thus negotiations have been underway with Montenegro since 2012 and with Serbia since 2014. In Albania’s case, the country applied for the EU membership in 2009 and received the candidate status in 2014. For Albania, progress in the accession process depends on achievements in few key areas, such as the fight against corruption and organized crime, reforming of the judicial system and constructive and sustainable political

⁶³⁶ *Ibid.*, p.690.

⁶³⁷ *Ibid.*

⁶³⁸ *Ibid.*, p.678.

⁶³⁹ *Ibid.*

⁶⁴⁰ *Ibid.*, p.683.

dialogue between government and opposition.⁶⁴¹ Besides, the Republic of Macedonia was declared as a candidate country in December 2005, but the name dispute with Greece had hampered the progress in opening negotiations.⁶⁴² Whether the settlement of the dispute with the signing of the Prespa Agreement between Athens and Scope on 17 June 2018 is to provide an advantage for “North Macedonia,” it remains to be seen. However, it looks like that “the deadlock over the EU’s enlargement policy results in a precarious situation...that the compromise over its name...has brought no reward at all.”⁶⁴³ Contrary, regarding the enlargement issue in the EU summit in October 2019, North Macedonia “found itself coupled with Albania- a country with serious internal problems, which did not need to make any sacrifice comparable to the Macedonian one.”⁶⁴⁴ Nevertheless, in that summit “[l]eaders discussed the opening of accession talks with Albania and the Republic of North Macedonia.”⁶⁴⁵ Although the Commission recommended to the Council to start negotiations with Albania, France decided to postpone such a decision.

Moreover, B-H and Kosovo are considered to be potential candidates that have a prospect of joining the EU in the future but have not been granted candidate country status yet. In the case of B-H, the SAA was signed on 16 June 2008 that entered into force in June 2015. Flowingly, the B-H has applied for membership in February 2016. On the other hand, the UN Security Council Resolution of 1244 in 1999 placed Kosovo under the transitional administration

⁶⁴¹ European Commission, Enlargement candidate countries, web page, <https://ec.europa.eu/environment/enlarg/candidates.htm>; accessed on 18.10.2019.

⁶⁴² *Ibid.*

⁶⁴³ Biljavana Vankovska, “Geopolitics of the Prespa Agreement: Background and After-Effects,” *Journal of Balkan and Near Eastern Studies*, 22:3, 243:371, 1 April 2020, p.359.

⁶⁴⁴ *Ibid.*, p.357.

⁶⁴⁵ European Council, 17-18 October 2019, web page, <https://www.consilium.europa.eu/en/meetings/european-council/2019/10/17-18/>; accessed on 8.5.2020.

of the United Nations that was followed with the declaration for the Kosovo's independence on 17 February 2008. In that vein, the EU left the member states to decide on the recognition individually and asked the Commission to enhance the cooperation with Kosovo with a Stabilization and Association Agreement. Thus, the agreement was signed in July 2014 and entered into force in April 2016. However, five EU members have not recognized the independence of Kosovo. Thus the final decision of the membership of Kosovo is yet to be decided in the future.

Regarding Turkey's relation with the EU, a unique coalition has been observed targeting a full membership, but progressing in a creeping way which has not been experienced with any other member states during their application procedure. In retrospect, the development of relations between Turkey and the EU can be summarized as; in the first instance, establishing a privileged trade relation in 1960, then having a customs union in 1995, and then acquiring the candidate status in 1999, but sitting on the negotiation table in 2005, which is to be completed, if, in an undefined time. Nevertheless, Turkey's relation with the EU is a very complicated subject embracing member states' differentiated interests regarding Turkey's prospect membership shaped around the national political clashes and societal sensitivities that would be examined in future research. Besides, with the General Affairs Council's decision in June 2018, the accession negotiations with Turkey are effectively frozen. Finally, the Syrian refugees' problems also contribute to the dissolution of the existing constraints and put the relations further in a deadlock. However, regarding the EU's future trade relations with prospect, but indefinite, Turkey's accession with a huge domestic market and exporting capacity, the candidate country would contribute to the EU's trading performance.

On the eve of the Brexit, on March 2017, former President of the European Commission President Jean-Claude Juncker presented the "White Paper on the Future of Europe" that aimed at helping the 27 EU Member States

take major decisions on the direction the EU will take and its development after the UK leaves it in the increasingly complex global framework.⁶⁴⁶ Actually, the White Paper has been criticized for the lack of profound vision, notably, the absence of enlargement in the EU's future considerations.⁶⁴⁷

However, following the White Paper, the Commission recently declared its intention in the prospect enlargements towards the Western Balkans, in the "2019 Communication on EU Enlargement Policy." Particularly with the communication, the Commission stresses the importance of the EU investments in the Western Balkans that provide 73% of foreign direct investments and takes attention to China's involvement in the region.⁶⁴⁸ It further states that the Union is by far the biggest trading partner of all countries from the region and thus the main external driver of growth and jobs in the region.⁶⁴⁹ In that frame:

China's business and investment activity in the Western Balkans has been on the rise and can in principle offer opportunities for the region; however, these investments very frequently neglect socio-economic and financial sustainability and EU rules on public procurement, and may result in high levels of indebtedness and transfer of control over strategic assets and resources. This means that the partner countries should fully implement the letter and spirit of the Stabilisation and Association Agreements with the EU and prioritise reforms in the relevant negotiation chapters of the accession process. The EU should guide these reforms more robustly, including taking this into account in future negotiating frameworks.⁶⁵⁰

⁶⁴⁶ Maja Bobić, "No EU Future Without Enlargement," *European Movement International*, web page, <https://europeanmovement.eu/no-eu-future-without-enlargement/>; accessed on 19.10.2019.

⁶⁴⁷ Maja Bobić, "No EU Future Without Enlargement."

⁶⁴⁸ European Commission, '2019 Communication on EU Enlargement Policy,' p.8. Web page, <https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20190529-communication-on-eu-enlargement-policy.pdf> ; accessed on 18.10.2019.

⁶⁴⁹ *Ibid.*

⁶⁵⁰ *Ibid.*

Nevertheless, the EU's above announcement would be considered as a kind of warning directed to the candidate states in their economic relations with China, due to the fact that Chinese involvement in the Western Balkans would jeopardize the EU's interest in the region. Furthermore, the report suggests that "...with the necessary political will, the delivery of real and sustained reforms, and definitive solutions to disputes with neighbors, the current frontrunners in the accession negotiations could potentially be ready for membership in a 2025 perspective".⁶⁵¹ Although the Commission proposed a time for the prospect enlargements, European Council, in a press release on 18 June 2019,⁶⁵² responded to the above mentioned Commission Communication on enlargement and did not refer to any particular time or a deadline for the prospect enlargements.

Having in mind the cautious approach of the Commission to the Chinese investments in the region, the European firms and businessmen are continuously in need of outsourcing their production in low-cost places to improve their competitiveness in the global trade, which has been very tough recently. As declared by the Commission, the EU companies are the biggest investors in the region, providing 73% of foreign direct investment up until now and it appears that the global competition first begins in the neighborhood of the EU with China's involvement in the region.

To sum up, the prospect enlargements of the EU towards the Western Balkans, except for Turkey, would not produce a significant impact on the EU's trade relations.⁶⁵³ Via providing new areas of investments for relatively low cost production for the developed exporting core members, as observed in eastern

⁶⁵¹ European Commission, "2019 Communication on EU Enlargement Policy," p.1.

⁶⁵² European Council, "Council conclusions on enlargement and stabilisation and association process", 18 June 2019. Web page, <https://www.consilium.europa.eu/en/press/press-releases/2019/06/18/council-conclusions-on-enlargement-and-stabilisation-and-association-process/>; accessed on 18.10.2019.

⁶⁵³ According to Eurostat database, the shares of those countries, except Turkey, in the total EU trade do not exceed 1%. But, on the contrary, the EU records important shares in their total exports that are almost around 70% in 2018.

enlargement, those candidates would contribute to the EU's competitiveness in the global trade.

6.5. Conclusion

In this Chapter, the recent developments within the global political economy and the EU are examined. The astonishing developments in the world trading environment, particularly the trade wars launched by the US administration since 2017, gave rise to policy uncertainty in future trading rules that have been in force for 25 years. The WTO declares that world trade will continue to face strong headwinds in 2019 and 2020 after growing more slowly than expected in 2018 due to rising trade tensions and increased economic uncertainty.

Moreover, other than those constraints in the global trade, the UK's decision to withdraw from the Union constitutes an important challenge to the EU's future trade relations. Although the pro-neoliberal stand of the EU in its trade governance in the time of crises has not been challenged and provided its continuity more aggressively, how this trading bloc is to manage cyclical trends and tough competition in the global trade and how its trade relations are going to be shaped without the UK are examined. Actually, with the appointment of the new President of the European Commission and the new Commissioners in December 2019, it remains to be seen whether the new Commission is to continue the prevailing pro-neoliberal approach in the EU trade relations, or with the impact of the unpredictable trade environment derived from the ongoing trade wars, a shift towards protectionist trade policies can be pursued.

Predominantly, with the absence of the one of the economically strongest members, which supports an offensive pro-liberal approach in the EU's trade policy, there probably occur three key consequences of Brexit for the EU. Firstly, the EU's trade figures, both intra and extra-trade of the Union, are to decrease.

However, the trade balance of the remaining EU is to be higher than the pre-Brexit period because of the huge trade deficit the UK has been recording for a long time. Second, without the UK the EU's position both in multilateral and bilateral settings would be weaker, as the UK has been one of the forerunners of the pro-liberal approach to trade policy in the Union, and more than any other state has put top-level political weight behind trade negotiations. Lastly, it is not expected to observe any significant change in the inter-institutional balance after Brexit. However, it can be predicted that larger member states gain more power in the Council, as it has been intended with the Treaty of Lisbon by making amendments in the voting system that favors larger member states. This situation is to prolong in the planned direction after the UK's withdrawal but would result in Germany being more influential in the Council.

Finally, in evaluating future trade relations, the EU's prospect enlargements also come to the fore. However, the candidate countries' contribution, except Turkey, to the EU's overall future trade, is not promising to strengthen the EU's trade power, which is on the decline recently. As witnessed in the EU's eastern enlargement, existing economic relations between the EU and those candidate countries have been settled before their accession via FDI flows to the region from existing member states. The outcomes of that strategic relationship remain to be seen with their membership. If we speculate on Turkey's position in the EU, although its relationship with the EU is a very complex subject embracing many parameters, given the conjectural developments in the global trade and growing competition day by day to start over negotiations with Turkey would be re-assessed by the EU.

CHAPTER 7

CONCLUSION

Based on a detailed study of the EU's trade relations and trade policy, this thesis argues that the founding-core members of the European Union, namely Germany, France, Italy, the Netherlands, Belgium, Luxemburg, and the UK, have shaped and directed the trade relations of this trading bloc until 2018. It is demonstrated with this dissertation that this privileged situation depends on the fact that the core six has contributed substantially to the EU's overall trade performance. In contrast, the newcomers, except for only the UK, have produced only a low-level impact. Through the detailed descriptive statistics, the significance of this core group's impact is clearly observed in the EU's governance of trade and the trade volume, which was covered in this thesis in terms of intra and extra-EU trade, main trading partners, and sectoral distribution of trade.

Furthermore, in scrutinizing the formation and transformation of the EU's trade relations from 1958 to 2018, it is revealed that the EU has followed the cyclical trend of liberal trade policies pursued in the liberal world order. In due course, through its integration, the EU has implemented and shaped its trade governance and relations around the three variants of liberal trade policies: protectionism, neomercantilism, and neoliberalism. It is pointed out with this thesis that the process in the governance of trade, shaped around those three policy variants, has been formulated along with the requisites of the prevailing order that has favored the founding-core members' interests together with the UK, as well.

Firstly, in the governance of trade, this thesis shows that the newcomers, except for the UK, have produced no remarkable impact on the process by making trade policies in both formal and informal settings of the Union. Contrary, in the formal settings, the Treaty of Lisbon brought three substantial changes in 2009 that would impact trade matters on behalf of the founding-core members: i) Dissimilar to the previous QMV rules that were regarded to better protect smaller and medium-sized member states, with the effect of enlargement from 15 members to 27, the new system has re-organized the voting mechanism to shift the balance of power in the Council to the large core members, namely Germany, France, Italy, and the UK. ii) The extension of exclusive competences to the "Common Commercial Policy" (CCP) with the inclusion of new trade-related issues (services, intellectual property rights, and investments) was approached as a necessary step to deploy the power in the hands of those founding-core member states whereby any segmentation in an enlarged Council would harm their interest. iii) Regarding the Parliament's enhanced role in trade matters, hitherto, no particular deviation from the EU's Commission agenda, shaped around the necessities of the liberal trade order and interests of the founding-core group members, has been witnessed in the EP.

In the informal part of the EU's trade governance, as argued with many studies on the ground, the businessmen organization of European Round Table of Industrialists' (ERT) ability to get in touch with the Commission and their national governments in the Council has shaped the EU's trade relations since its establishment in 1983. The ERT's national composition had a unique position in shaping this influential lobbying group's policy orientation. It is explored with this thesis that the recent classification of the national firms in this businessmen organization has favored the founding-core members' companies (including those from the UK), particularly the German ones. Consequently, this privilege situation resulted in favor of those to dominate Europe's biggest influential interest group. Thus, it is argued that the low-level or none presentation of the

medium and small-sized members' companies in the ERT has caused the balance to shift in favor of those core members' companies pursuing their trade policy orientation.

The EU trade governance derives from an organized interaction among the three formal institutions of the Union, alongside an outsider-informal one. As shown, all this process has been shaped around to provide and sustain the interests of the founding-core member states, together with the UK, and their large corporations that have supported unrestricted free trade in both the multilateral and the regional dimensions of the EU's trade governance (only except for trading in agricultural products).

Secondly, in presenting the EU's trade relations in four main epochs with every facet of it, detailed descriptive trade statistics supported the arguments that have been put forward.

In the first period of the EU's trade relations and accompanying trade policy, it has been detected from the figures that the export and import shares of the EU in the world total have been large enough to play an influential role from the start, since 1958, even forestalling the USA, which paved the way to a rising trade bloc until 1986. Despite the first enlargement towards the UK, Ireland, and Denmark, the challenges in the global political economy caused a contraction in the world markets with the implementation of divergent unilateral protectionist measures through the 1970s that also resulted in to lessen the market shares of the EU. Those drops were also observed in other liberal countries' market share: the USA and Canada. The decline in the share of extra-EU trade in the total world exports was from 22,3% in 1970 to 16,1% in 1985. In imports, the fall was from 21,6% to 15,9% in 1970 and 1985 respectively. In analyzing the total trade balance, the EU had a negative balance in 1974 that turned out to be positive in 1986. In that period, to create domestic firms as the "European champions" in the world markets was the overriding aim for the Union.

Accordingly, during that period, the EU applied both protectionist and neomercantilist trade policies to protect domestic European firms from the harmful effects of competitive importation and promote their exports. It is shown that the EU's trade policies implemented during that period were all parallel to those applied in the evolving liberal trade order under the GATT process. In the liberal world, the interventionist-Keynesian economic policies initially made their mark on the provocation of protectionism in trade in the post-war period and sustained its validity since the 1980s. Moreover, states began to invoke neomercantilist policies in their trade governance, which were also not prohibited by the international trading system created after WWII with the GATT, in the forms of various state policies (subsidies) to promote their exports.

In the second period of investigation, from 1986 until the middle of the 1990s, the EU's share in the world total evened out more stably after the drops in the previous decade. A fast recovery was achieved with the complementation of the single market, also encompassing the Mediterranean enlargement. Since then, the 1990s period can be labeled as the golden years for the EU, recording considerable shares in the world total exports and imports, also via acquiring the wealthy EFTA countries and with the establishment of the WTO (the institutionalized form of neoliberal thought in trade) that promised a globally predictable and free trade environment. During that period, the export share of the Union in the world total made a peak and reached the level of 20% in 1995, where this level was 19% in imports. Meanwhile, the Union recorded a positive balance in its total trade in that period.

Furthermore, as detected, since the 1980s, a new approach has begun to dominate the liberal world, particularly after the Uruguay Round of the GATT between 1987 and 1992, which eventually resulted in the establishment of the WTO. Accordingly, in that period, this new "neoliberal" approach to world trade that promotes the advantages of "unrestricted global trade" has begun to shape the EU's trade relations as it did in other liberal countries.

The third period examined in this thesis is the epoch from 2000 to 2008 that showed the signs of fatigue for the EU's trade relations. By the new Millennium, other than challenges in the world markets deriving from globalization and competition, the EU has struggled with internal problems and the biggest enlargement it has completed. Despite obtaining ten new members, drops in import and export shares of the EU in the world total have been witnessed in that period. When the newcomers are analyzed on the country base, only Poland, the Czech Republic, and Hungary have been the outstanding members among those new arrivals, but with limited influence on the overall Union trading performance. As revealed, in 2001, the EU's share in the total world exports decreased to 18,7% and faced the level of 16% in 2008. In imports, those shares were around 19% that has preserved this level since the previous decade.

When approaching the 2008 global financial crisis, it can be stated that the EU implemented a good mixture of trade policies shaped around protectionism, neomercantilism, and neoliberalism. Although for agriculture, despite liberalizing in line with the WTO, protectionism was still valid, contrary to its approach for industrial products.

The fourth part of my detailed study covers the period from 2009 until the end of 2018 that can be labeled as the time of crises. Depending on the significance of the trade policy choices that have been scrutinized with this thesis, the neoliberal approach in the EU's trade governance has not only survived from the global financial and the succeeding Eurozone crises but has been strengthened through these crises. The 2008 global financial crisis virtually affected the EU economy in a severe manner that later turned out to be a sovereign debt crisis in the Eurozone area, mainly in Portugal, Italy, Ireland, Greece, and Spain. As a result, the EU has been criticized for its unbalanced and miscalculated enlargement policy, lacking any vision for those possible outcomes, particularly with the unbalanced distribution of trade surpluses resulting from the trade

policies it pursued. Nevertheless, it is shown in this thesis that the EU has generally been acquiring a negative balance in its overall external trade since 2004. Only Germany, Belgium, and Denmark have had a regular trade surplus since then, where France, the UK, Spain, Greece, and Luxemburg have recorded constant negative balances. The Netherlands, Ireland, Sweden, and Austria generally have had a surplus in their trade, and Italy, Portugal, and Finland have seldom faced trade surpluses. However, the new members from eastern enlargement, together with Cyprus and Malta, have regularly recorded negative balances in their external trade relations, except for the Czech Republic with a regular trade surplus since its accession. Besides, Hungary between 2009 and 2018 and Slovakia between 2009 and 2011 have recorded a surplus.

It is observed that the Commission has legitimized the continuity in implementing neoliberal trade policies in the time of crises and advocated any protectionist approach to trade as a wrong decision experienced in the 1970s. It was interesting to see that neither any member states, which would be more prone to protectionism in trade, nor any societal group, including the trade Unions, contest the Commission's neoliberal agenda in trade matters during the time of crises.

It is detected that with the influence of neoliberal thought in the governance of trade, the management of the EU's bilateral trade relations takes particular attention in the context of crises. During that period, the EU decided to start FTA negotiations with the USA, Canada, and Japan that have been significant players in the global trade. Although it has been in a deadlock since 2016, opening a trade agreement with the USA was a radical decision, encompassing a vast liberal trading area. Besides, the conclusion of the FTA with South Korea amid the crisis in 2009 was also a risky attempt. However, initially, there was a strong mobilization of protectionism towards a Korean trade agreement, particularly from the automotive and electronics sectors. At the end of the day, any discontented approach was overcome in the Council and related

business circles through the Commission's efforts with its pro-neoliberal approach in trade.

Moreover, it is also displayed within this thesis that the EU invoked less protectionism in the time of crises within the frame of trade defense instruments that are mainly anti-dumping, anti-subsidy, and safeguard measures.

All in all, in the time of crises, the EU well framed the need for continuity in its trade governance, even behaved in a more aggressive way for a more liberal trade environment, thus leaving no way for a repetition of a protectionist turn or a neomercantilist approach in its trade relations.

On the other hand, it is observed that, although a firm commitment to more liberal trade relations was sustained during this period, the decline in the share of EU in the world trade has continued in the post-crisis period. Extra-EU trade in the total world exports was 16,5% in 2009 and 15% in 2018, where those shares recorded the levels of 19% and 15,8% respectively in imports. Despite the decline in imports, the EU has been experiencing a negative trade balance since the 2000s is remarkable for this period.

Other than analyzing the total trade figures and the market shares of the Union, this thesis examined intra-EU trade, the product coverage of trade, and the main trading partners of this trading bloc for each period under investigation. The main findings of the detailed descriptive statistics presenting major trends in these dimensions of the EU's trade relations can be summarized as below.

The "intra-EU trade" constitutes a significant part of the EU's total trade that allows the evaluation of the single market's strength. It is revealed that the founding-core six members, together with the UK, have acquired the lion share in intra-EU trade. Traditionally, the significance of intra-EU trade suggests that the EU member states have traded goods more with each other than non-members, except for the UK and Cyprus have. However, a decline has been observed in intra-EU trade covering exports in due course, particularly in the post-crisis period. This situation would be interpreted so that member states have become

more outward-oriented for their exports, where they used to enjoy the benefits of the single market more. Besides, the “trade creation” effect of the EU integration among its members began to lessen in the post-crisis period. The UK’s position is noteworthy, where it has been running the largest deficit in intra-EU trade for three decades.

Nonetheless, to examine the impact of enlargements on intra-EU trade is remarkable, particularly in exploring the dependency of Eastern European members on the internal market for their exports since their accession. It is shown that the share of intra-EU trade in the total exports of the EECs has been rising and reaching very high levels, where this ratio reached more than 80% for Slovakia and the Czech Republic in 2018. Germany was the leading country in intra-EU trade of the EECs for their exports, mostly since Germany has made substantial investments in the region to utilize those countries’ cost competitiveness to complete and promote German exports. It is revealed that, although the significance of overall intra-EU trade has been on the decline, the dependencies of EECs on the internal market have been on the rise in the crises period.

Furthermore, it is considered that analyzing the product coverage of the EU’s trade provides to detect whether or not the newcomers have produced any impact in altering the Union’s trade capabilities on the product base. In that respect, as shown, from 1980 to 2018, the “intra-industry trade” has constituted the significant feature of the EU’s trade relations. Through “intra-industry trade,” the product coverage of the EU’s trade has concentrated on similar industrial goods both in exports and imports.

Actually, “manufactured products” have been the essential element of the intra-industry trade that also paved the way for this selected group to be in the first rank of the Union’s total exports and imports. Manufactured products have constituted the most crucial part of the EU trade from the beginning, as they generally have covered around 80% of its total exports. According to product

distribution, it is observed that the EU has had a surplus in its trade in manufactured products. But in agriculture and energy products, it has recorded a negative trade balance since 1980.

It is shown in this thesis that the newcomers have not produced any significant effect to change the pattern of the EU trade. Contrary, intra-industry trade in manufactured products has preserved its leadership and contributed to the success of the EU's trade power, particularly in the subgroup of machinery and automotive products. With successive enlargements, newcomers have accommodated the EU's infrastructure in the manufacturing sector, mainly the UK, Spain, Sweden, and Austria. From Eastern Europe, the surge in total exports of the manufacturing industry in the Czech Republic, Hungary, Poland, and Slovakia takes attention. The situation again proves the dependencies of these countries on the internal market, particularly on Germany, via constituting the German industries' areas of production plants mainly in the manufactured sector.

In examining the main trading partners, it is explored that from 1958 the EU's prominent partners have been; the USA, Canada, EFTA Countries (Switzerland and Norway), Japan, and Maghreb countries. Although these countries have preserved their importance in their relations with the EU, new partners also have come to stage for the EU in time, mainly; China, Russia, Turkey, and South Korea. It is illustrated that the EU's newcomers have not significantly affected the EU's main trading partners. Many of the main trading partners of the EU have preserved their importance since 1958. Any change observed in the EU's trade route would much owe to the general structural developments in the world trade. The rise of China and some other Asian countries; the changing status of the USA that has become a net importer in the world trade; the enhanced dependency on energy importation; to conclude diversified trade agreements with selective countries in Asia and with other essential traders all give rise to diversify the trade routes.

In this thesis, it is revealed that Germany has the utmost importance in the EU's trade relations by contributing to the Union's trade power more than any other member state. Therefore, German interests have been influential enough in shaping the EU's trade relations in the Council and the business circles. Furthermore, it is also argued that the EU's enlargement policies, particularly eastern enlargement, should be regarded as a component of supporting the competitiveness of the German export industries via supplying relatively low-cost production areas. As shown, the FDI figures of Germany in the region, and therefore the dependencies of those countries on the German industry for their exports, also reflect how the EU has been functioning.

The figures throughout this thesis supported the leading position of Germany in the EU's trade relations. German's share in the EU's total exports started with 38% in 1958 within a six-membered Union, then declined to the shares of around 24-25% since 1986 with the effect of each enlargement and preserved this level in the time of crises. Another factor that displays Germany's distinguished and leading position in its export capabilities has been the difference between its export volume and its follower in the second rank in the total exports of the Union. Significantly, with the new Millennium, this difference has risen. Being the second biggest country in total exports of the EU, France's export figures was nearly half of Germany in the past, but recently the figures have accounted for almost one third. Thus, it can be observed that Germany has broken away from the nearest competitor in exports within the Union, although its share in total has been stable. Other core member states, France, Italy, the Netherlands, and the UK, have followed Germany but with declines in their shares in the EU total.

From the very beginning, the EU's trade relations have been based on the founding-core six countries' trading performances. The UK should be added to that core group with its historically well-developed industry and trading experience to all over the world that contributed well enough to this trading

bloc's triumph. Other newcomers' impact with each enlargement has been very limited to the Union's trade relations when considering every facet of it, from intra to extra-EU trade, from product coverage to the main trading partners. Merely, Ireland from the first enlargement; Sweden and Austria from EFTA; Spain from the Mediterranean; Poland and the Czech Republic (although very slightly) from eastern enlargement come to the fore with their limited support to the total trade performance of the Union. As it is explored, in each period of the EU's trade relations, the share of founding-core countries and the UK have represented the lion's share in the total export and import figures of the Union. Their share was naturally by 95% in a nine-membered Union. When the EU has widened to 28 members, this core group continued to present a crucial share of around 67% in the EU's total trade. Despite the decrease in the share of those core members in the EU total trade, it is proved with this thesis that the overall trade performance of the EU has been directly connected to that of those core members' trading performance.

The liberal trade policies with its three variants have been observed in the EU between 1958 and 2018 within the evolving international liberal economic order. Throughout its existence, the Union has been in an effort to promote its exports and competitiveness in the global scene. Those efforts have not produced similar impact on the members; on the contrary, they have served the interests of those core member states, where Germany comes to the front. Among the core group, other than Germany, no member state has recorded a persistent trade surplus. They have experienced vicissitudes in their gains from trade. The UK takes attention among the group with the persistent trade deficit it has struggled with.

Nevertheless, the UK ended up its relation with this giant free trading bloc. However, it is worth mentioning that after its withdrawal, the UK has the ability to settle its own trade linkages depending on its long-lasting experience in making the trade, particularly the relations it has settled with its former colonies.

Moreover, the country's long-term alliance with the USA makes the latter a vital trading partner and a powerful alternative for the UK.

As analyzed with this thesis, the prospect of economic acquisitions has framed all member states' integration motivations. Accordingly, other core members of the EU, facing fluctuations in their trade balances, have sustained their membership so far mainly for the functioning of their capitalist economies. However, the situation is a bit challenging for the newcomers, particularly for Eastern European Countries. As the distribution of trade benefits has been skewed within the Union, those newcomers have been significantly affected by this unequal exchange since their accession. Unlike the UK, they have no such significant alternatives other than the EU, but to continue their relationship with this liberal trade bloc. However, some discontent voices have begun to rise among those regarding their dissatisfaction with the system, such as Hungary.

So far, in this thesis, within the frame of given insights and analytical analyzes, the EU's trade relations and their governance have been elaborated since its establishment until today. However, the astonishing developments in the world-trading environment recently, particularly the trade wars launched by the US administration since 2017 and the withdrawal of the UK from the Union in 2020, all inaugurated the signals of disorders in the future EU trade relations.

In the first instance, the trade wars gave rise to policy uncertainty in future trading rules that have been in force for 25 years. Moreover, the UK's decision to withdraw from the Union constitutes an important challenge to the EU's future trade relations. Although the pro-neoliberal stand of the EU in its trade governance in the time of crises has not been challenged and provided its continuity, how this trading bloc is to react to the new severe developments in the global trade, and how its trade relations are going to be shaped without the UK, are essential inquiries that future researchers have to tackle. Similarly, with the appointment of the new President of the European Commission and the new Commissioners in December 2019, it remains to be seen whether the new

Commission is to continue the prevailing pro-neoliberal approach in the EU trade relations, or with the impact the unpredictable trade environment derived from the ongoing trade wars, a shift towards protectionist trade policies may or may not be indulged.

Predominantly, with the absence of one of the economically most robust members that had also been supporting an offensive pro-liberal approach in the EU's trade relations, three critical consequences for the EU's future trade governance would be witnessed. Firstly, the EU's trade figures, both intra, and extra-trade of the Union are to decrease. However, the remaining EU's trade balance is to be higher than the EU-28 period because of the enormous trade deficit the UK has been recording for a long time. Secondly, without the UK, the EU's position both in multilateral and bilateral settings would be weaker, as the UK had been one of the pioneers of the pro-liberal approach in the Union's trade policy orientation. Lastly, it is not expected to observe any significant change in the inter-institutional balance after the Brexit.

Finally, in evaluating future trade relations, the EU's prospect enlargements also come to the fore with five candidate countries: Turkey, Albania, Serbia, Montenegro, and North Macedonia. The small economies and limited trading capabilities of candidate countries from Western Balkans do not promise to strengthen the EU's trade power in the future, which is on the decline recently. However, as witnessed in the EU's eastern enlargement, existing economic relations between the EU and those candidate countries from Western Balkans have been settled before their accession via FDI flows to the region from the existing member states. The consequences of that strategic relationship remain to be seen with their membership. Turkey's relation with the EU requires to be approached separately from other candidate countries, with its protracted relation more than any candidate country with the Union and more developed status than other Western Balkans' countries. Although Turkey and the EU

relations would be the subject matter of future researches, it is argued that Turkey would contribute to the EU's trading performance when required membership.

The post-war project designed for devastated Europe relied heavily on establishing a stable, predictable, and liberal trading environment for the European countries and their Western alliances. Thus, trade policy locates at the center of the EU in due course of its integration. As demonstrated throughout this thesis, the EU's overall liberal stance in its trade relations and policy-making followed the cyclical developments in the liberal trade order and has not been challenged since its very establishment. The newcomers' ability to express any influence at any stage of this process for a change in policy orientation has been out of scope. Furthermore, the entire process in trade governance has been designed and updated whenever necessary, not to confront that undesired outcome. Besides, the "widening" dimension of the Union integration has served as a policy tool to broaden and strengthen the internal market to prepare the necessary conditions for improving the competitiveness of European exporters in the world markets.

Until 2018, the EU's trade policy formation and transformation in due course have depended on the interests of the founding-core member states and the UK. Germany comes to the fore within the group and most probably is to preserve its dominance in the future as neither a formidable adversary is recorded until today, nor can a potential be detected in the near future.

Meanwhile, the EU is confronting troubles in its trade since the end of the 1990s. As a leading trading bloc, its share in the world trade has been on the decline; besides, it is encountering negative balances in its trade. Furthermore, the emergence of new powerful competitors in the world markets, particularly China's rise in the global trade, shrinks old players' world markets and deteriorates many countries' trade balances. Any effort seems unlikely to be enough to compensate for the decline in the EU's market power. Furthermore, the disorders in the world trade and the UK's absence put the future of its trade

relations in an unknown situation. Although it is hard to predict in social sciences what would be the future of the EU's trade relations, and predominantly, how they are to be shaped amid those challenges, it can be argued that as long as neoliberalism maintains its dominance in the global political economy, it also does within the EU and in its future trade governance. As the findings of this thesis showed the trends based on past and current facts, they are likely to develop in the same way in the EU's future trade relations with the absence of a strong alternative.

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APPENDICES

A. CURRICULUM VITAE

PERSONAL INFORMATION

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Date and Place of Birth: 9 May 1970, İzmir
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EDUCATION

Degree	Institution	Year of Graduation
MA	METU International Relations	2014
BS	AÜ/ International Relations	1992
High School	Bornova Anatolian High School, İzmir	1988

WORK EXPERIENCE

Year	Place	Enrollment
2011- Present	Ministry of Economy/Trade	Senior Foreign Trade Expert
2006-2011	Ministry of Economy	Chief of Section
2003- 2006	Turkish Embassy in Budapest	Commercial Counselor
1993-2003	Undersecretariat for Foreign Trade	Foreign Trade Expert

FOREIGN LANGUAGES

Advanced English

PUBLICATIONS

1. Akođlu ŐiŐman, Melda, "East European Countries and Turkey *vis-a-vis* the EU: A Comparative Analysis of Commercial Relations," in *Financialisation, Crisis, Social Protests and Development Alternatives in Southeast Europe*, METU Development Studies, 41:3, December 2014, p:415-439.

HOBBIES

Reading, Listening Music, Travelling

B. TURKISH SUMMARY / TÜRKÇE ÖZET

AVRUPA BİRLİĞİ'NDE TİCARİ İLİŞKİLERİN OLUŞUMU VE DÖNÜŞÜMÜ (1958-2018)

“Avrupa Birliği” (AB) küresel politik ekonomiyi etkileyen ve yön veren en güçlü bölgesel bütünleşme haline gelmiştir. Bununla beraber kuruluşundan itibaren önemli bir ticaret bloğu olan AB dünya ticaretindeki etkisini her dönem hissettirmiştir. Bu nedenle de “ticaret” bütünleşmiş bir Avrupa'nın küresel etkisinin temel dayanağını oluşturmuştur. Bu tez ile kurulduğu günden itibaren dünya ticaretinin önemli aktörlerinden biri olan AB'nin ticari ilişkilerinin şekillenmesinde kurucu-merkezi üyeler ile Birliğe sonradan katılan yeni gelenlerin etkisinin incelenmesi amaçlanmaktadır. Kapsamlı ve uzun bir dönemi kapsayan bu çalışma ile (1958 -2018), Birliğin toplam ticaret rakamları, ana ürün grupları ve belli başlı ticaret ortakları incelenerek, yeni katılan üyelerin bu ticari unsurların her biri üzerindeki olası etkileri araştırılmaktadır. Bu noktada, yapılan analizler ile aynı zamanda kurucu-merkezi üye olarak adlandırabileceğimiz altı üye (Almanya, Belçika, Lüksemburg, Fransa, İtalya, Hollanda), İngiltere ile birlikte, Birliğin ticari ilişkilerinin oluşumu ile özel olarak ilişkilendirilmektedir.

Bu tez ile ayrıca, bütünleşme süreci boyunca AB'nin küresel ticaret ortamındaki dönemsel değişimlere ve güçlüklerle nasıl cevap verdiği ile bu süreç içerisinde ticaret ilişkilerinin nasıl şekillendiği hususlarında liberal ticaret politikalarının etkileri de incelenmektedir. Esasen ilk olarak küresel liberal düzlemdeki ticaret politikalarının uygulanmasındaki farklı yaklaşımları tanımlamak gerekmektedir. Bu politikalar üç alanda gruplandırılabilir: ithalatta korumacılık, neomerkantilizm ve neoliberalizm. Bu çalışma ile bahse konu politikaların, AB'nin ticaret ilişkilerinin belirlenmesi sürecindeki etkilerinin analizi amaçlanmıştır.

Bu çalışma, İkinci Dünya Savaşı ertesinde Batı Bloğu ülkelerde hakimiyeti artan liberalizmin, SSCB'nin dağılmasıyla birlikte hemen hemen küresel düzlemde uygulanan bir iktisadi model olduğu varsayımına dayanmaktadır. Ayrıca, bu iktisadi model içinde, özellikle Immanuel Kant'ın liberal perspektifi kapsamında AB oluşumunun önemli bir örnek oluşturduğu değerlendirilmiştir. “Uluslararası İlişkiler-UI” alanındaki liberal düşünceye göre, Kant'ın üçlemesi olan “demokrasinin, karşılıklı ekonomik bağımlılığın ve uluslararası kuruluşların yayılması” ile ulus devletlerarasında kalıcı barış tesis edilebilmektedir. Özellikle 1945 sonrasında devletlerin karşılıklı ekonomik bağımlılığının ve uluslararası kuruluşlar ile işbirliklerinin artışının temel alındığı UI çalışmalarındaki “liberal” perspektiften yararlanılmakla birlikte, bu çalışmanın temel sorunsallarının analiz edilmesine daha uygun bir bakış açısı vereceği düşünülen liberal iktisadi düşünce bünyesindeki “Uluslararası Ticaret Teorilerinin” gelişiminin de incelenmesine önem verilmiştir.

Ana prensibi “serbest ticareti” savunan ve kökeni 18inci yüzyıla dayanan klasik liberal uluslararası ticaret teorilerinin zaman içinde gelişerek, dünya ticaretindeki yapısal gelişmeler çerçevesinde değişime uğradığı gözlemlenmiştir. Kısaca özetlemek gerekir ise ilk aşamada Adam Smith ile başlayan uluslararası ticaretteki “arz faktörünü” esas alan “mutlak avantaj” görüşünün, Ricardo'nun devletlerin “karşılaştırmalı üstünlükler” teorisine evrildiği görülmektedir. Sonrasında ise Ricardo'nun teorisinin de geliştirilerek yerini, ülkelerin hangi üretim faktörüne daha fazla sahip ise (sermaye yoğun ya da emek-yoğun mallar) bu ürünler ticaretinde uzmanlaştığını belirten “faktör donanımı teorisine” bıraktığı gözlemlenmektedir. Ancak, özellikle savaş sonrası dönemde dünya ticaretindeki bazı önemli yapısal gelişmelerin açıklanmasında, klasik liberal görüş içinde gelişen ticaret teorilerinin yeterli olmadığı görüşü hâkim olmuştur. Bu itibarla dünya ticaret hacmindeki büyük artış, dış ticaretin Gayri Safi Milli Hâsıla (GSMH) içindeki payının artışı, ticaretin ağırlıklı olarak sanayileşmiş devletlerarası ve aynı sanayileşmiş ürün grupları arasında gerçekleşmesi

1970'lerden itibaren adına "Yeni Ticaret Teorileri" denen bir akımın oluşmasına neden olmuştur. Ancak "Yeni" diye adlandırılmakla birlikte bahse konu ticaret teorileri, liberal akım içinde değişime uğrayan küresel ticareti anlama ve kavramsallaştırma çabalarının ötesine geçememiştir. Nitekim söz konusu süreç liberal akımda yaşanan ve "neoliberalizm" diye adlandırılan "deregülasyon, özelleştirme ve serbest ticaret ile yabancı yatırımların geliştirilmesini" savunan dönüşüm ile de benzer zamanlara denk gelmiştir. Küresel ekonomiyi etkisi altına bu dönüşüm, bundan böyle dünya ticaretinin şekillenmesinde de söz sahibi olmuştur.

Bu çalışma kapsamında, özellikle "Yeni Ticaret Teorilerinin" temelini oluşturan "Sanayi İçi Ticaret" kavramı, çalışmanın devamındaki analizlerden de görüleceği üzere, AB'nin gerek "Birlik içi" gerekse Birliğin üçüncü ülkelerle yaptığı "Birlik dışı" ticaretinin omurgasını oluşturduğundan, üzerinde durulmaya değer görülmüştür.

Klasik liberal iktisadi görüş bünyesinde şekillenen "ticaret teorilerinin" tarihsel olarak gelişimlerinin incelenmesinin akabinde, serbest ticareti temel alan liberal düşüncenin "bölgesel bütünleşmelere" ve "tercihli ticaret anlaşmalarına" yönelik bakış açısı da ele alınmıştır. Nitekim serbest ticaretin savunucuları, liberal çok taraflı sistem etrafında toplanırken, "tercihli ticaret sistemlerini" ancak bu oluşumların "ticaret yaratma" etkilerinin "ticaretin saptırılmasından" daha büyük olmasına olanak verecek şekilde örgütlenmeleri halinde desteklemektedir. Bu kapsamda AB'nin uluslararası liberal ticaret düzeni ve kuralları çerçevedeki yasal durumu bu çalışmanın üçüncü bölümünde Gümrük Tarifeleri ve Ticaret Genel Anlaşması (GATT) ve selefi Dünya Ticaret Örgütü (DTÖ) bağlamında ele alınmaktadır.

Bu çalışmanın öne sürülen sorunsalların araştırılması doğrultusunda, AB'nin ticari ilişkileri gerek kantitatif gerekse kalitatif olarak 1958 ve 2018 yılları arasına yayılan geniş bir dönem itibarıyla ayrıntılı olarak incelenmektedir. Araştırma sırasında elde edilen AB özelindeki veri ve bilgilerin tutarlı ve

kapsamlı bir şekilde değerlendirilebilmesi amacıyla, aynı dönemlerde küresel politik ekonomideki gelişmeler ile birlikte analiz edilmesi gerektiği değerlendirilmektedir. Bu nedenle de 1945'ten bu yana dünya ticaretinde uygulanan liberal politikaların seyri ana hatları ile analiz edilirken, bu sürecin “Uluslararası İlişkiler-UI” çalışmalarında ne şekilde kavramsallaştırıldığı da incelenmiştir. Bu dönemde özellikle UI’ nin bir alt çalışma alanı olarak 1970’lerden itibaren ortaya çıkan “Uluslararası Politik Ekonomi-UPE” çalışmalarının küresel siyaset, ekonomi ve ticaretteki değişimleri nasıl ele aldığına ve açıkladığına odaklanılmıştır. Liberal düzende dikkat çeken söz konusu değişimler ana hatları ile; ticaret ve finansı düzenleyen uluslararası kuruluşların sayısındaki artış; ulaşım ve iletişim teknolojilerindeki gelişim; artan bir hızla bütünleşen pazarlar ve ulusal ekonomiler ile ortaya çıkan “karmaşık karşılıklı bağımlılık” kavramı; artan uluslararası yatırımlar ve ticaret ile dünya çapında iş yapma şeklinin değişime uğraması ve hacminin artması; böylelikle çok uluslu şirketlerin yaygınlaşması; ticaretin yapısının değişmesi ve sanayi içi ticaretin etkinliğinin artması; küreselleşme ile ticaretteki “çok taraflılık” desteklenirken aynı zamanda “bölgesel işbirliklerinin” yaygınlaşması olarak belirtilebilir.

Ayrıca uluslararası ilişkilerde “devlet-devlet” ilişkisine dayanan klasik anlayış da şekil değiştirmiş ve başta şirketler olmak üzere küresel düzeyde oluşan ilişkilerde devlet dışı aktörlerin de etkisi kabul edilmiştir. Özellikle büyük şirketlerin devletlerarası karşılıklı ekonomik ilişkilerin belirlenmesinde ve buna yönelik yasal düzenlemelerin yönlendirilmesi aşamasında siyasetçiler üzerindeki etkileri önemli boyutlara ulaşmıştır.

Günümüz dünyasında yaşanan bu gelişmeleri ve beraberinde ortaya çıkan sorunları anlayabilmek, bugüne kadar ayrı çalışma alanları olan “siyaset” ve “ekonomi” disiplinlerini bir araya getiren bütüncül bir bakış ile incelenmesini gerektirmiş ve UPE çalışmalarının ortaya çıkışı da bu görüş çerçevesinde şekillenmiştir. Ortaya çıkış amacı aynı olmakla birlikte UPE’ nin de kendi içinde

bazı farklı yaklaşımlara ayrıldığı görülmektedir. Bu kapsamda özellikle “Amerikan ve İngiliz okulları” ön plana çıkmaktadır. UPE kapsamında birçok gelişmenin değerlendirilmesinde farklılaşan yaklaşımları olmak birlikte, “ticaret” konusu bu iki ana akımın ayrıldığı konulardan biridir. UPE’deki İngiliz yaklaşımı *ticareti* “ikincil yapısal bir güç” olarak değerlendirirken, “birincil yapısal gücün” *güvenlik, üretim, finans ve bilgidен* oluştuğunu ve bu temel dört yapının ikincil yapıları belirlediğini savunmaktadır. Amerikan yaklaşımda ise “uluslararası ticaret” en merkezi sorun alanıdır.

Küresel ekonomide yaşanan bu gelişmeler uyarınca liberal söylemin de kendini bu değişimlere adapte ettiği söylenebilir. 1945’den itibaren önce Batı ülkelerinde hüküm süren, SSCB’nin yıkılışı ile de küresel yayılma imkanı bulan liberalizm, aslında süreç içerisinde birçok ekonomik krizle de test edilmiş ve her seferinde kendi içinde bazı revizyonlara uğramıştır. Savaş sonrası Batılı devletlerde uygulanan “gömülü liberalizm” olarak tanımlanan “Keynes Politikaları” ile sosyal unsurları ağır basan piyasa ekonomisi etkinliğini 1970’lere kadar devam ettirirken, dünya ticaret hacmi de çok yüksek seviyelere çıkmıştır. Ancak 1960’ların sonuna doğru ABD ekonomisi ve iç siyasetinde yaşanan sıkıntılar, artan uluslararası rekabet gibi gelişmeler çerçevesinde çöken savaş sonrası finans düzeni olan Dolar-altın standardı ile dalgalanan döviz piyasaları ve artan ham madde fiyatları, 1970’leri dünya ticaretinde önemli dönüşümler geçirilen bir dönem haline getirmiştir. GATT ile gümrük tarifeleri kontrol altına alındığından, devletler gerek dış rekabette iç piyasalarını korumak gerekse de ithalatlarını azaltmak amacıyla ticarete farklılaşan tarife-dışı engelleri yoğun bir şekilde uygulamaya koymuşlardır. Devletler aynı zamanda, ihracatlarını rekabet düzeylerini arttırmaya yönelik bazı neomerkantalist yöntemlerini de hayata geçirmişlerdir. Bu uygulamalar ihracatın üretim aşamasından, finansmanına ve ürün tanıtım stratejilerine kadar uzanan uzun bir yelpazedeki devlet desteklerini kapsamaktadır. Aslında liberal ticaret düzeni çerçevesinde yürütülen bu uygulamalardan korumacılık tedbirleri, dünya ticaretinde daralmaya sebebiyet

vermiş ve takip eden 10 yıllık süreçte başta ABD olmak üzere devletlerin uygulanan bu sistemden hoşnutsuzluğuna neden olmuştur. Böylece 1970 süreci yerini, başta ABD'nin talepleri çerçevesinde biçimlenen uluslararası ticarete tam, kesintisiz ve öngörülebilir serbest ticaret yaklaşımına, başka bir deyişle “neoliberalizme” bırakmıştır. Nitekim 1995'te kurulan DTÖ ile de uluslararası ticaretteki bu radikal yaklaşım kurumsallaşma imkânı bulmuş ve bugüne kadar da dünya ticaretindeki etkinliğini 164'e ulaşan üye sayısı ile artırarak muhafaza etmiştir.

1970 tarihinden itibaren genelde her on yılda bir çeşitli boyut ve alanlarda dünyanın farklı yerlerinde ekonomik krizler ile sınanan liberal söylem, aslında küresel boyutta devamlılığını istikrarlı bir şekilde sürdürmeyi başarmıştır.

Sonuç olarak 18inci yüzyıldan itibaren uluslararası ticarete geçerliliğini ve hâkimiyetini artırarak devam ettiren liberal söylemin bu başarısının, kendini güncel dünya olgularına adapte ederek, bu olgular üzerinden tekrar yenilenme yeteneğine dayandığı söylenebilir. Ancak bu sürecin, 18inci yüzyıldan itibaren, kapsamı farklılaşmakla birlikte, aynı döngüyü takip ettiği de görülmektedir. Adam Smith'in “bırakınız yapsınlar” (laissez-faire) liberalizminden, önce korumacı liberalizme, sonrasında tekrar “bırakınız yapsınlar” liberalizmine geçiş, son dönemde ise bazı liberal ülkelerde tekrar korumacılığa kayan ticaret uygulamaları gözlemlenmektedir. AB'nin liberal ticaret politikalarının da 1958'en itibaren bu döngü içerisinde yer aldığı görülmektedir.

Bu çalışmanın ikinci bölümü, yeni üyelerin neden Birliğe katılmak istedikleri ile mevcut üyelerin de neden yeni gelenleri kabul ettikleri sorularına ışık tutmak amacıyla, AB'nin her bir genişleme dönemini kronolojik sırayla kısaca analiz etmeye ayrılmıştır. Birliğin 1973 yılında, İngiltere, İrlanda ve Danimarka'nın katılımıyla ilk genişlemesi, özellikle İngiltere'nin Avrupa bütünleşmesi sürecine ilk aşamalarındaki şüpheli yaklaşımı ve bu politikasının ilerleyen süreçte nasıl evrildiği analiz edilmektedir. Demokrasi kıstasının ön plana çıktığı 1980'lerdeki Akdeniz genişlemesi ile Yunanistan, İspanya ve

Portekiz AB'ye katılmış ve Birliğin 12 üyeye ulaşmasını sağlamıştır. Bu ülkelerin uzun süreli diktatörlük rejimlerinden kurtulduktan sonra bölgedeki Amerikan yönetiminin etkisinin azalmasıyla, yönlerini AB'ne çevirdikleri, AB'nin de özellikle istikrarlı bir güney sınırına ulaşmak ve ekonomik olarak genişlemek amacıyla bu ülkeleri bünyesine aldığı görülmüştür. 1995 yılında gerçekleştirilen ve Avusturya, Finlandiya ve İsveç gibi ekonomik gelişim düzeyleri yüksek olan Avrupa Serbest Ticaret Birliği (EFTA) üyelerine yönelik açılım, AB'nin bütün diğer genişleme süreçlerine kıyasla en az sorunla karşılaşılan ve daha kısa bir sürede sonuçlanan genişlemesi olmuştur. 2000'li yılların ortasından itibaren başlayan toplamında 11 Doğu Avrupa ve 2 Akdeniz ada ülkesini kapsayan son genişleme, AB için belki de en zorlayıcı ve sonuçları itibari ile de Birlik içi yapısal ve ekonomik birçok eşitsizliği beraberinde taşıyan bir süreç olmuştur. 2004, 2007 ve en sonda 2013 gerçekleştirilen bu genişleme ile Macaristan, Polonya, Çek Cumhuriyeti, Slovenya, Slovakya, Litvanya, Letonya, Estonya, Malta, Kıbrıs, Bulgaristan, Romanya ve Hırvatistan AB üyesi olmuşlardır. Ekonomik gelişme düzeyleri farklılık arz eden kalabalık bir ülke grubunun AB müktesebatı ve işleyişi ile uyumlaştırılması süreç içinde bazı problemleri barındırsa da, ticaret politikaları ilk aşamada ve en hızlı uyumlaştırılan alan olmuştur.

Bu bölümde, mevcut üyelerin ve yeni gelenlerin AB'nin genişlemesine yönelik bakış açıları ve her iki tarafın bu politikalarındaki motivasyonları kısaca ele alınmıştır. Tahmin edilebileceği gibi, her genişlemede genel olarak ana teşvik unsuru esas olarak iki taraf için ekonomik faydalara ve kazanımlara dayanmaktadır. Bu bağlamda, özellikle AB tarafı için; 1) küresel pazardaki çetin rekabet sorunlarının üstesinden gelmek için iç pazarını genişletmek ve üretim ölçeğinden yararlanmak, 2) mevcut üyelerin üretim süreçlerinin bir bölümünü ya da tamamını tedarik ettirebilecekleri göreceli ucuz üretim bölgelerine kavuşmak, 3) iş çevreleri ve sermaye birikimi için öngörülebilir ve istikrarlı bir ekonomik ortam sağlamak, 4) Birliğin genel ekonomik gücüne, bütçesine ve genel ticaret

performansına katkıda bulunabilecek ekonomik olarak güçlü üyeleri kabul etmek, genişleme politikalarında genel belirleyici yaklaşımlar olarak öne çıkmaktadır.

Çalışmanın üçüncü bölümünde AB'nin ortak ticaret politikalarının (OTP) oluşumu, kuruluşundan günümüze yürürlükte olan müktesebatı çerçevesinde incelenerek, söz konusu politikaların belirlenmesinde yeni katılan üyelerin olası etkileri araştırılmaktadır. Böylece inceleme Roma Antlaşması (1958) ile başlamakta ve Birliğin son müktesebatı olan 2009 tarihli Lizbon Antlaşması ile sona ermektedir. Temel olarak bu bölümde AB ticaret yönetimi; OTP'nin kapsamı, özellikle "münhasır yetkiler" konusu; karar alma süreçleri; ayrıca "çok taraflılık" ve "bölgelcilik" olarak ikiye ayrılan AB'nin ortak ticaret politikalarının farklı boyutları kapsamında ele alınmaktadır.

OTP'nin oluşturulmasına yönelik karar alma süreçleri hem Birliğin resmi kurumları, hem de gayri resmi kuruluşlar olarak adlandırabileceğimiz çeşitli iş çevreleri ve onların oluşturduğu örgütlerin lobi faaliyetleri çerçevesinde incelenmektedir. Bu kapsamda, özellikle 1983 tarihinde oluşturulan "Avrupa Sanayiciler Yuvarlak Masası" öne çıkmakta ve kurulduğu tarihten itibaren AB'nin karar alma süreçleri üzerinde önemli bir etki yarattığı görülmektedir.

Bu çalışma ile AB'nin gerek resmi kurumları olan Bakanlar Konseyi ve Komisyonda gerekse en etkili gayri resmi kuruluşu olan "Avrupa Sanayiciler Yuvarlak Masasında" büyük üye devletlerin (Almanya, Fransa ve İngiltere), ama özellikle de Almanya'nın çıkarlarının daha iyi savunulduğu ve takip edildiği bir gerçeklik olarak ortaya çıkmaktadır. Bu amaç doğrultusunda bilhassa en son müktesebat olan Lizbon Antlaşması ile 27 üyeli ticaret politikalarının oluşturulması aşamasındaki gücün Birlikteki daha büyük üye devletler lehine gelişmesi için Bakanlar Konseyindeki oylama sistemi yeniden belirlenmiştir.

Aynı zamanda, ticaret politikasının kapsamı ile ilgili olarak da, genişlemiş bir AB'nde özellikle kurucu-merkezi üyeler ile İngiltere'nin ihtiyaçlarına cevap vermek amacıyla bazı düzenlemelere gidildiği görülmüştür. Buna göre küresel ticaret ortamında ortaya çıkan yeni konu başlıklarına yine bu ülkeler lehine

adapte olabilmek amacıyla (hizmet ticareti, yatırımlar, fikri mülkiyet hakları) Birliğin OTP kapsamındaki “münhasır yetkilerinde” genişlemeye gidildiği gözlemlenmiştir.

Bu bölümde, ayrıca, AB'nin GATT ve DTÖ platformlarındaki “çok taraflı” yaklaşımı ile zaman içinde ticari ilişkilerinde daha fazla yöneldiği “bölgeselcilik” olarak adlandırılan seçilmiş üçüncü ülkelerle imzaladığı ikili Tercihli Ticaret Anlaşmaları (Serbest Ticaret Anlaşmaları-STA) ayrıntılı olarak incelenmektedir. Önemli bir ticaret bloğu olan AB, uluslararası ticaret müzakerelerinde her zaman başarılı bir müzakereci olmuştur. Birlik adına müzakereler Komisyon adına yürütülmekte ve diğer üyeler ancak gözlemci sıfatı ile bu müzakerelere katılabilmektedir. Bu aşamada yeni gelen üyelerin AB'nin gerek çok taraflı gerekse ikili ticaret ilişkilerinde etkileri incelendiğinde bu hususunun çok sınırlı olduğu gözlemlenmektedir. Öte yanda, tüm sanayi ürünleri ticaretinde liberal politikaların yönlendirdiği DTÖ müzakerelerinde, tarım ürünleri ticareti söz konusu olduğunda AB baştan beri korumacı bir tavır içinde olmaktadır.

Bu çerçevede yeni gelenlerin uluslararası müzakerelerde liberal söylemi benimsedikleri, özellikle de Doğu Avrupa ülkelerinin bu sürece uyum sağladığı, hatta kendi içlerinde de ikiye ayrılarak bir grup üyenin İngiltere gibi liberal ülkeler ile takım olup, DTÖ müzakerelerinde Komisyonun tavrının tarım ürünleri ticaretinde serbestleşme olması gerektiğini savundukları gözlemlenmiştir. İkili ticaret ilişkilerinin incelenmesinde ise Doğu Avrupa genişlemesi ile gelen ülkelerin, AB'nin seçilmiş bazı üçüncü ülkelerle imzaladığı STA' ları yeni pazar açılımları yarattıkları gerekçesiyle destekledikleri görülmektedir.

Sonuç olarak AB ticaret politikalarının yönetimi üç resmi kurumunun arasındaki organize bir etkileşimden kaynaklanmaktadır. Bu süreçte Komisyonun politika önerilerinde bulunduğu, Konseyin Avrupa Parlamentosu ile birlikte bu önerileri karara bağladığı ve özellikle Avrupa Sanayiciler Yuvarlak Masasında gibi iş çevrelerinin de, sürecin herhangi bir aşamasında talep ettiği sonuçlara

ulaşmak için, bu kurumlar nezdinde kulis faaliyetlerinde bulunduğu gözlemlenmektedir.

Ancak burada dikkat çeken husus, AB'nin ortak ticaret politikalarının şekillenmesi ve yürütülmesinde yasal dayanak olan Roma Antlaşmasından Lizbon'a kadar Birlik müktesebatını oluşturan tüm antlaşmalarda "liberalizasyon tedbirlerinde yeknesaklığın sağlanması" hedefinin süreklilik arz eden bir politika olduğu ve bu yöndeki işleyişin her aşamada merkezi-kurucu ülkeler ve İngiltere lehine düzenlendiğidir.

Çalışmanın takip eden iki bölümünde AB'nin ticari ilişkileri 1958 ve 2018 yılları arasındaki uzun süreçte her yönüyle incelemeye tabi tutulmaktadır. Bu analitik çalışmanın amacı yeni gelenlerin AB'nin ticari ilişkilerindeki olası etkilerinin araştırılmasıdır. Bu kapsamda Birliğin ticaret ilişkileri "mal ticareti" bazında incelenmekte, "hizmet ticareti" kapsam dışı bırakılmaktadır. "Hizmet ticareti" kavramının "mal ticaretinden" farklı olarak dünya ticaretinde geç kabul görmesi ve düzenlemeye tabi tutulması DTÖ kapsamındaki "Hizmet Ticareti Anlaşmasına" dayanmaktadır. Bu nedenle de hizmet ticareti alanındaki istatistiki bilgilerin derlenmesinde bu çalışma kapsamında belirlenen tarih aralığında geçmişe yönelik verilere ulaşılamamaktadır. Ayrıca, hizmet ticaretinin ayrıntılı ve kapsamlı bir yapısı olmasından hareketle, ileride yapılacak çalışmalar kapsamında münhasır olarak ele alınması gerektiği düşünülmektedir. Bu çalışma ile kapsamlı bir mal ticareti analizinin uzun dönem AB'nin ticari ilişkilerinin incelenmesinde etkin ve yeterli olacağı varsayılmıştır.

Bu çerçevede, AB'nin Birlik dışı ticaret rakamları, ana ürün grupları ve belli başlı ticaret ortakları araştırılmaktadır. Üye ülkeler bazında toplam ihracat ve ithalat verileri de derlenip Birlik toplam ticaretindeki payları analiz edilmektedir. Ayrıca, AB üyeleri arasındaki iç ticaretin incelenmesi, "Tek Pazarın" dinamiklerini ve bazı üye ülkelerin iç pazara bağımlılıklarını gözlemlemek için fırsat yaratmaktadır. Ulaşılan verilerin kapsamlı ve tutarlı değerlendirilmesi amacıyla da, söz konusu analitik incelemeye ait olduğu döneme

dair AB bünyesinde yaşanan önemli politik ve ekonomik gelişmeler eşlik etmektedir.

Dördüncü bölüm 1958 tarihindeki kuruluşundan 2008 küresel finansal krize kadar geçen süre zarfında, AB'nin ticaret ilişkilerine ışık tutmayı amaçlamaktadır. İncelenmekte olan süre 40 yılı aşan uzun bir süreci kapsadığından, Birliğin genişleme dönemleri ve ticaret performansı dikkate alınarak bu süreç üç ana döneme ayrılmıştır. İncelemenin ilk bölümünde 6 üyeli olan bir “gümrük birliğinin” -Almanya, Fransa, İtalya, Belçika, Lüksemburg, Hollanda - 1990'lı yılların ortasına kadar geçen sürede 12 üyeli bir *yükselen ticaret bloğuna* dönüşmesi analiz edilmektedir. Bu noktada AB'nin dünyada ticaretindeki payının kuruluşundan beri önemli seviyelerde olduğu ve ABD'yi de geçerek küresel bir ticari güç haline geldiği görülmektedir. Nitekim 1970'de dünya ihracatındaki payı %22,3 olan AB, aynı tarihte payı %21,5 olan ABD'yi geçmeyi başarmıştır. Başlangıçta korumacı ve neomerkantalist yaklaşım ile Avrupalı firmaları dünya ticaretindeki rekabetten korumayı amaçlayan ve “Avrupa şampiyonları” oluşumunu hedefleyen AB'nin, 1980'lerden itibaren küresel yaklaşıma yönelerek, ticaret ilişkilerinde ve politikalarında neoliberalizmi benimsemeye başladığı görülmektedir.

Bu dönemde ilk genişlemesini de tamamlayan Birlik, daha önce bahsedilen 1970'lerde dünya ticaretinde gözlemlenen korumacılık akımlarından etkilenmiş ve üye devletler farklılaşan tek taraflı tarife-dışı engeller uygulamışlardır. Nitekim AB'nin o dönem içinde dünya pazarlarındaki payında dalgalanmalar ve daralma gözlenmektedir. Akdeniz genişlemesinin de tamamlandığı 1980'lerde “Tek Pazarın” oluşturulmasına yönelik adımların da atıldığı görülmektedir. Nihayetinde 1993'de tamamlanan tek pazar oluşumu, Birliğin tekrar ticari gücüne kavuşmasını sağlamıştır. Diğer taraftan, aynı yıl yürürlüğe giren Maastricht Antlaşması ile bölgesel bir iktisadi bütünleşme olan “Birleşmiş Avrupa” artık siyasi bir nitelik de kazanmıştır. Bu çerçevede parasal birliğe de geçiş yapan AB'nin yaşadığı bu yoğun “bütünleşme” sürecinde dünya

ticaretindeki paylarında hızlı bir toparlanma gözlemlenmiş ve 1990'ların ortalarında AB dünya ticaretindeki en yüksek paya sahip olmuştur. Aslında tek pazarın oluşturulması, 1970 döneminde üye devletler tarafından uluslararası ticarete uygulanan farklı korunma tedbirleri göz önüne alındığında tam anlamıyla uyumlaştırılmış bir ÖTÖ' nin oluşumuna da imkân vermiştir.

İkinci aşamada Birlik, 1990'lı yılların ortasından itibaren dünya ticaretinde tekrar yüksek paylara sahip olup EFTA açılımı ile 15 üyeye ulaşarak *altın dönemi* yaşamıştır. Nitekim 1995 yılında dünya pazarlarındaki ihracat ve ithalat payı %20 seviyelerinde gerçekleşmiştir. Aynı dönemde, dünya ticaretinde köklü değişiklikler getiren DTÖ'nün kuruluşuna da şahit olmaktayız. Dördüncü bölümün son analiz dönemi olarak 2000-2008 yılları arası ele alınmakta ve ekonomik krizler öncesinde 10 Doğu Avrupa ile 2 Akdeniz ada ülkesini bünyesine alarak 27 üyeye ulaşan Birliğin ticaretinde *durgunluk ve gerileme dönemi* incelenmektedir. Yeni yüzyılın başlangıcıyla küreselleşme ile artan dünya ticaretindeki rekabet ortamı AB'nin de dünya pazarlarında rekabetini korumaya ve arttırmaya yönelik bir dizi tedbiri hayata geçirmesini zorunlu kılmıştır. Bu çerçevede 2000 yılındaki Lizbon Stratejisi ile daha rekabetçi ve bilgiye dayalı bir ekonomi yaratma amaçlanmıştır. Ancak beklentileri karşılamayan Stratejiyi, 2004 tarihli Anayasa krizi takip etmiştir. Ayrıca bu dönem, Birliğin bugüne kadar tamamladığı en büyük genişlemeyi barındırdığından AB içi yapısal bazı değişiklikleri ve eşitsizlikleri de beraberinde getirmiştir. Bu dönemde Birliğin dünya ihracatındaki payı %18 ile başlayıp, krizin vurduğu dönemde %16'ya düşmüştür.

Beşinci bölüm, bir önceki bölümü takiben 2009-2018 yılları arasındaki AB'nin ticari ilişkilerini analiz etmeye devam etmektedir. *Krizler zamanı* olarak tanımlanabilecek bu dönem, ilk önce değişen yoğunluklarda tüm üye devletleri etkisi altına alan 2008 finansal krizini, sonrasında 2009 ile başlayan süreçte bazı üyeler için sonuçları ağır olan Euro bölgesinde yaşanan borç krizi ile ekonomik çalkantıları ve artan birlik içi ekonomik eşitsizliği barındırmıştır. Ancak krizlerin

etkisiyle zor zamanlar geçiren Birliğin, ticari ilişkilerinde 1980'lerden itibaren uyguladığı neoliberal politikalarını, beklentilerin aksine, bu dönemde de devam ettirdiği gözlemlenmektedir. Dünya ticaretinin en önemli ve güçlü oyuncuları olan ABD, Kanada ve Japonya ile bu dönemde başlatılan tercihli ticaret anlaşmaları görüşmeleri ile 2009 yılında, krizin hemen ertesinde Güney Kore ile imzalanan STA bu hususa iyi bir örnek oluşturmaktadır. AB pazarını güçlü oyunculara tamamen rekabete açan bu anlaşmaların iç pazarda yaratacağı olumsuz etkiler, yeni pazarlarda Avrupalı firmalara açılan yatırım ve ticaret imkânları ile telafi edilmeye çalışılmıştır. Neticede küresel düzlemdeki ticari kazanımlar, AB'nin yerel düzlemdeki kazanımlarına ve üreticilerinin menfaatlerine tercih edilmiştir. Ayrıca krizler döneminin, "ithalattaki korunma tedbirleri" olarak tanımlanabilecek ve DTÖ kapsamında belli kurallar çerçevesinde uygulanmasına cevaz verilen anti-damping, telafi edici vergiler ve korunma önlemlerine de DTÖ kurulduğu tarihten itibaren AB tarafından en az başvuru olan dönem olduğu görülmektedir. AB'nin ticaret ilişkilerinin belirlenmesinde ana role sahip olan Komisyonun bu dönemde en iyi işbirlikçisinin yine iş çevreleri olması (özellikle Avrupa Sanayiciler Yuvarlak Masası) şaşırtıcı değildir. Ayrıca üyeler arasında korumacı politikalara daha yatkın olması beklenen devletlerin de, Fransa gibi, krizler döneminde ticarete neoliberal politikalara uyum sağladıkları ayrı bir gerçekliktir. Nitekim bu dönemde kriz ortamının etkisiyle sağ eğilimli partilerin ya da koalisyonların bazı üye devletlerde (İspanya, Portekiz, Yunanistan) iktidara geldiği de görülmektedir. Şaşırtıcı olan husus ise bazı sendikaların, Avrupa Sendikaları Konfederasyonu gibi, bu süreçte ticari ilişkilerde daha küresel bir yaklaşımı desteklerini ve geçmiş tecrübelerle dayanarak ticarete korumacılıktan uzak durulması gerektiğini belirten açıklamalarıdır.

Söz konusu krizler döneminde AB'nin dünya ihracatında pazar payının azalmaya devam ettiği, 2009 yılında %16,5 olan payın 2018'de %15,11'e

düştüğü görülmektedir. İthalatta ise bu oranlar sırasıyla %19,02 ve %15,82 olarak gerçekleşmiştir.

AB'nin ticari ilişkileri başından itibaren incelendiğinde, kurucu-merkezi altı üye ile birlikte, Birliğe sonradan katılan İngiltere'nin etkisi gözlemlenmektedir. Birliğe sonradan katılan üyeler arasından sadece İngiltere, tarihsel olarak gelişmiş sanayisi ve ticaret tecrübesi ile bu kurucu çekirdek gruba dahil olabilmıştır. Bahse konu çekirdek yedilinin toplam AB ticareti içerisindeki payı her bir genişleme ile azalmaya başlasa dahi 1986'da 12 üyeli Birliğin ihracatının %91'ini, ithalatta %88'ini, 2018'e gelindiğinde ise 28 üyeli Birliğin ihracatının %67'ini, ithalatta ise %66'sını gerçekleştirmişlerdir. Öte yandan, yapılan inceleme yıllar itibarıyla AB'nin toplam ihracat ve ithalattaki artış ya da azalış oranının bu yedi üyenin toplam ticaretlerindeki azalış ve artış oranına paralel olduğunu kanıtlayarak, bu grubun AB ticareti üzerindeki belirleyici etkisini ortaya koymaktadır.

Söz konusu grup içinde Almanya'nın ayrı bir önemi bulunmaktadır. Tek başına Birliğin toplam ihracatındaki payı başlarda %30-40 seviyelerinde iken 1980 ortalarından itibaren %25 seviyesini koruyan Almanya'nın ticaretteki bu gücü AB'nin ticaret politikalarının belirlenmesinde ve uygulanmasında etkisini göstermektedir. Gerek AB'nin resmi kuruluşları olan Konsey ve Komisyonda, gerekse iş çevrelerine ait örgütlerde (Avrupa Sanayiciler Yuvarlak Masası), Alman devletinin ve ihracatçılarının ticari menfaatleri ön plana çıkmakta ve savunulmaktadır. Savaş sonrası dönemde neomerkantalist yaklaşımı ticaret ilişkilerinde belirleyici olsa da, 1980'lerden itibaren küresel çapta etkisi artarak hissedilen neoliberalizm Alman ticaret politikalarının belirlenmesi ve uygulanmasında daha baskın hale gelmiştir.

AB'nin ticari ilişkilerinde Almanya'yı genel itibarıyla sırasıyla, Fransa, İtalya, İngiltere ve Hollanda takip etmektedir. Öte yandan Almanya'yı ihracata ikinci sırada takip eden Fransa ile arasındaki fark da her geçen gün artmaktadır. Geçmişte Almanya'nın toplam ihracatının yaklaşık yarısını gerçekleştiren Fransa,

2000’li yıllardan itibaren bu hacmin ancak üçte birini gerçekleştirebilmektedir. İhracat kapasitelerindeki bu büyük fark da Almanya’nın AB ticaretindeki liderliğini bir kez daha ortaya koymaktadır.

Genişleme ile Birliğe katılan yeni üyelerin toplam AB ticaretine katkısı değerlendirildiğinde, Akdeniz genişlemesinden, İspanya’nın ve Doğu Avrupa ülkelerine yönelik açılımdan ise Polonya, Çek Cumhuriyeti ve Macaristan’ın öne çıktığı görülmektedir. Ancak bu ülkelerin özellikle AB ihracatına etkileri çok sınırlıdır. EFTA ülkelerinin ise AB ticaretindeki toplam etkisi yaklaşık %8 oranını aşmamaktadır.

Birliğin ticaret ilişkilerindeki ürün kapsamı analiz edildiğinde 1980’den bu yana “imalat sektörünün,” hem ihracat hem de ithalatta ağırlığı hissedildiği ve böylelikle “Sanayi İçi Ticaretin” AB ticari ilişkilerinde belirleyici olduğu görülmektedir. Bu ürün grubunun payı özellikle ihracatta %80 seviyelerinde olup, bu sektörün bir alt açılımı olan “otomotiv ve makine sektörü” de imalat sektörünün yaklaşık % 50’sini oluşturmaktadır. Bu itibarla, AB’nin her bir genişlemesinin ticarete konu ürün gruplarına olası etkileri incelendiğinde, tüm yeni gelenlerin AB’nin genel sanayi üretim altyapısına uyum sağladığı görülmektedir. Özellikle Doğu Avrupa’ya yönelik genişleme ile bu bölgenin mevcut eski üyelere (Almanya bu aşamada öne çıkmaktadır) yeni yatırım alanları sağlayarak, göreceli olarak ucuz maliyetlere ve işgücüne ev sahipliği yaptığı için, eski üyelerin sanayi üretim altyapılarına ve ihracat potansiyellerine önemli katkıda buldukları bir gerçektir.

Yeni gelenler ile kurulan bu stratejik ortalık Birlik içi ticaret incelendiğinde daha belirgin hale gelmektedir. Esas itibarıyla geleneksel olarak AB toplam ticareti içerisindeki Birlik içi ticaretin Birlik dışı ticarete oranı daha yüksektir ki bu husus üye devletler için “tek pazarın” önemini belirtmektedir. Özellikle Birlik içi ihracatın öneminin daha belirleyici olduğu göz önüne alındığında, iç pazarın öncelikli yararlanıcılarının kurucu 6 üye ve İngiltere’nin beraber oluşturduğu çekirdek yedili olması şaşırtıcı değildir. Bu noktada

Almanya'nın en fazla yararlanıcı olduğu, İngiltere'nin ise Birlik içi ticarete hep ticaret açığı verdiği dikkat çekmektedir. Doğu Avrupa ülkelerinin ihracatlarında iç pazara bağımlılıkları ise ayrı önem arz eden bir husustur. Nitekim bazı üye devletlerde bu oran %80'ler seviyesine çıkmaktadır, Slovakya ve Çek Cumhuriyeti gibi. Ayrıca bu bağımlılıklarda daha önce de değinildiği üzere Almanya lider konumdadır ki bu ülkelerin Birliğe katılımlarından çok daha önce bölgede önemli Alman yatırımları dikkat çekmektedir.

AB'nin kuruluşundan itibaren ana ticaret ortakları incelendiğine ABD, EFTA ülkelerinden Norveç ve İsviçre ile Japonya ve Mağrip ülkeleri ön plana çıkmaktadır. Zaman içerisinde küresel ekonomide yaşanan değişiklikler ve yeni ticaret güçlerinin ortaya çıkışı Birliği ticaret yaptığı ülkelerde çeşitlemeye gitmesine neden olmuştur; Güney Kore, Çin, Rusya Federasyonu ve Türkiye gibi. Ancak yeni gelen üyelerin ticaretin bu alanında da etkisinin çok sınırlı olduğu, AB'nin ticaret ortaklarının belirlenmesinde tayin edici ana unsurun küresel ticaretteki gelişmeler ve yine AB'nin bu kapsamda belirlediği bazı ülkeler ile yaptığı tercihli anlaşmalar olduğu görülmektedir.

Krizler zamanı Birliğin ticaret ilişkilerinin analizini takiben bu çalışmanın altıncı bölümü, küresel ticarete gözlemlenen son gelişmeler ve İngiltere'nin üyelikten ayrılması ile AB'nin ilk defa tecrübe edeceği çözülme ertesinde ticari ilişkilerinin gelecekte nasıl şekillenebileceğinin değerlendirilmesine ayrılmıştır. Bu bağlamda ABD yönetiminin 2017 yılından bu yana başlattığı "ticaret savaşlarının," 25 yıldır yürürlükte olan küresel ticaret düzeninde yarattığı tedirginlik ve belirsizliğin ticaret hacimlerine de yansıdığı ve DTÖ'nün ileriye dönük uluslararası ticaretin büyüme tahminlerini sürekli olarak aşağıya çektiği görülmektedir. Aslında yaşanan süreç 1970'lerde tecrübe edilen ve o döneme damgasını vuran birçok Batılı ülkenin ticaretteki korumacılık politikalarını çağrıştırmakla birlikte, bu defa uluslararası ticaret sisteminin işleyişinden hoşnut olmayan ve sadece ABD tarafından uygulanan ithalatta koruma önlemleri ile o dönemden farklılık göstermektedir. Ayrıca o dönemde tarife-dışı engellerin

uluslararası ticaretteki uygulamaları henüz DTÖ kuralları ile sonuçları itibarıyla bağlayıcı ve işleyişi açık ve net bir şekilde düzenlemeye tabi tutulmadığı da önemli bir husustur. ABD'nin başlattığı uygulamalar ya bir ürün grubuna, demir-çelik gibi, ya da spesifik olarak seçilmiş bazı ülkelere yönelik olarak yürürlüğe konmuştur. Özellikle Çin'in dünya ticaretinde 2000'li yıllardan itibaren belirgin yükselişi ve ABD'nin bu ülke ile ikili ticaretindeki negatif denge ilk aşamada başlatılan savaşın hedefine Çin'i yerleştirmiştir. AB ile de ticari çatışma başlatan ABD, 1980'lerden itibaren dış ticaretinde yaşadığı negatif dengeyi toparlamak amacıyla bu ticaret savaşlarını başlattığını savunmuştur. DTÖ'nün ilgili anlaşmaları kapsamında ülkelerin ithalatlarında haksız rekabet nedeniyle yaşadıkları sorunları bertaraf etmek amacıyla çeşitli önlemler uygulayabilecekleri bazı kurallar çerçevesinde hükme bağlanmıştır. Ancak ABD bu kuralları takip etmek yerine, kendi iç hukukuna dayanarak ithalatında bazı önlemleri almayı tercih etmiş ve DTÖ kurallarına da kendi yorumunu getirmiştir. Esasen burada yaşanan ironi ABD'nin mimarlarından olduğu mevcut neoliberal uluslararası ticaret düzeninden artan hoşnutsuzluğudur.

Diğer taraftan AB de 2016 yılındaki referandum sonucu İngiltere'nin üyelikten çekilme isteği ile sistemden hoşnut olmayan bir üye ile karşı karşıya kalmıştır. İlginçtir ki, soğuk savaşın bitimi ile küresel olarak yayılma imkânı bulunan politik ve ekonomik liberal yapılanmanın iki temel kurucusu olan ABD ve İngiltere bu sisteme dair hoşnutsuzluklarını benzer zamanlarda dile getirmişlerdir.

“Brexit” diye tanımlanan İngiltere'nin AB'den ayrılması ile geriye kalan 27 üyeli Birliğin ticari ilişkilerinde muhtemel bazı sonuçlar ön plana çıkmaktadır. Öncelikli olarak İngiltere'nin ithalat ve ihracat verileri üyelikten ayrıldığı tarihten itibaren AB toplam verileri içinde yer almayacağından, Birliğin toplam ticaret hacminde bir düşüş, bunun bir yansıması olarak da dünya pazarlarındaki payında paralel bir azalış yaşanması beklenmektedir. Ancak, İngiltere'nin süreklilik arz eden büyük ticaret açığının Brexit ertesi toplam AB-27 içinde

hesaplanmayacağından, Birliğin “ticaret dengesi” İngiltere’ siz daha iyi dengeye ulaşacaktır. Ayrıca geriye kalan Birlik üyelerinin (AB-27) İngiltere ile ticaretleri artık Birlik dışı ticaret olarak tanımlanacaktır.

İkinci husus olarak, İngiltere gibi liberal politikaların öncülüğünü yapan ve AB’nin yürüttüğü ticaret müzakerelerinde bugüne kadar politik ve ekonomik ağırlığını koyan bir üye devletin yokluğu, önümüzdeki dönemde Birliğin çok taraflı ve ikili ticaret müzakerelerinde pozisyonunu zayıflatabilecektir. Ayrıca ekonomik olarak güçlü ve ticaret performansı yüksek olan bir üye devletin yokluğu ticaret anlaşmalarının imzalanmasında AB’nin üçüncü ülkeler nezdindeki cazibesini de etkileyebilecektir.

Son olarak, İngilteresiz bir AB’nde ticaret politikalarının belirlenmesi ve uygulanmasında karar alma süreçlerinin nasıl şekilleneceği önemli bir husus olarak ortaya çıkmaktadır. AB kurumlarında karar alma süreçlerinin nasıl etkilenebileceğine yönelik yapılan bazı çalışmalarda, Lizbon Antlaşması ile büyük devletler lehine değiştirilen Konseydeki oy verme mekanizması ile Konseyde büyük devletlerin ağırlığının devam edeceği, özellikle Almanya’nın Konseydeki gücünün daha da artacağı öngörülmektedir. Sonuç olarak, diğer AB kurumlara yönelik yürütülen analizler çerçevesinde de, Brexit’ten sonra genel olarak AB kurumları arası dengede önemli bir değişiklik gözlemlenmesi beklenmemektedir.

Bu bağlamda küresel ticarete yaşanan sıkıntılar ve belirsizlikler dışında, İngiltere’nin Birlikten çekilme kararı AB’nin gelecekteki ticari ilişkilerinin oluşumu aşamasında güçlüklerle karşılaşabileceğinin sinyallerini vermektedir. Her ne kadar AB kriz döneminde ticaret ilişkilerinin yönetiminde neoliberal yaklaşımından taviz vermemiş ise de önümüzdeki dönemde çeşitli sorunları barındıran gelişmelere nasıl tepki vereceği ve neoliberal ticaret politikalarında sürekliliği devam ettirip ettirmeyeceği hususları önem arz eden sorulardır.

AB’nin gelecek ticari ilişkilerinin değerlendirilmesinin yapıldığı bu bölümün sonunda, Birliğe katılması beklenen aday ülke statüsündeki devletlerin

muhtemel bir genişleme süreci sonunda Birliğe katılmaları halinde, ticaret ilişkilerine olası etkileri değerlendirilmektedir. Birliğin mevcut genişleme ajandası kapsamında Batı Balkanlardan dört ülke, Arnavutluk, Sırbistan, Karadağ, Kuzey Makedonya ve Türkiye aday ülke statüsünde bulunmakta olup, Bosna Hersek ve Kosova da potansiyel aday statüsündedir. Her ne kadar aday ülkelerden Sırbistan, Karadağ ve Türkiye ile müzakerelere başlanılmış olmakla birlikte, bu müzakerelerin ne zaman sonuçlanabileceğine dair süreç belirsizliğini korumaktadır. Özellikle Türkiye için bu süreç daha karmaşık ve zordur. Öte yandan Türkiye dışındaki diğer aday ülkelerin ekonomik gelişmişlik düzeyleri ve ticaret performansları dikkate alındığında hâlihazırda düşüşte olan AB'nin ticari gücüne önemli katkı sağlayabilecek bir umut vaat etmemektedir. Daha önce tecrübe edilen Doğu Avrupa ülkelerine yönelik genişleme süreci öncesinde mevcut üyeler tarafından bölgeye yapılan yatırımlar dikkate alındığında, hâlihazırdaki aday ülkelerde de AB üyesi ülkelerin önemli miktarlarda yatırımları olması şaşırtıcı bir husus değildir. Ancak AB tarafından tam üyelik öncesi oluşturulan bu stratejik işbirliği modelinin, mevcut adayların Birliğe olası katılımları ertesinde AB'nin ticaret performansına katkıda bulunup bulunmayacağı belirsizliğini korumaktadır. Kaldı ki AB'nin önümüzdeki dönem itibarıyla yeni bir genişlemeye ilişkin önceliğinin olmadığı da dikkat çekmektedir.

Bu çalışmanın elde ettiği bulgular aşağıdaki şekilde özetlenebilir. Bu çalışmanın ana sorunsalı olan her bir genişleme ile yeni katılan üyelerin Birliğin ticari ilişkilerine olası katkıları, hem kantitatif hem de kalitatif araştırmalara dayanarak ayrıntılı olarak incelenmiştir. Çalışma sonuçlarına göre 2018 sonu itibarıyla bu ticaret bloğunun ticari ilişkileri, kurucu altı üyesi olan Almanya, Fransa, İtalya, Hollanda, Belçika ve Lüksemburg ile birlikte Birliğe 1973 tarihinde katılan İngiltere'nin ticari menfaatleri çerçevesinde şekillenmekte ve yönetilmekte olduğudur. İngiltere dışında diğer yeni gelen 21 üyenin ticaret

politikalarının gerek yönetiminde gerekse ilişkilerin yürütülmesinde etkileri yok denecek kadar kısıtlıdır.

Bu çalışmanın bulgularından görüldüğü üzere, çekirdek yedi olarak tanımlayabileceğimiz bu grubun ticaret politikalarını belirlemedeki gücü, AB'nin ticari ilişkilerine yaptıkları büyük katkının bir sonucudur. Öte yandan bu grup içinde de Almanya'nın ticaret gücü öne çıkmakta ve ağırlığını ticaretin her boyutunda göstermektedir. Almanya'nın AB ticaretindeki bu etkisi ve gücünü gelecek dönemlerde de koruyacağı değerlendirilmekte olup, kaldı ki ne bugüne kadar ne de yakın bir gelecekte Almanya karşısında zorlu bir rakip olabilecek herhangi bir aday tespit edilememiştir.

Bu çalışma ile ayrıca, 1958-2018 döneminde Avrupa Birliği'nin ticari ilişkilerinin oluşumunda küresel ticaretteki dönemsel gelişmeleri takip ederek, bu çerçevede değişen küresel politika değişimlerini kendi ticaret politikalarına da uyarladığı savunulmuştur. Esasen bu çalışmanın diğer bir bulgusu da, AB'nin ticaret yönetimi ile ilgili sürecin ve bu suretle yürütülen ticari ilişkilerinin “küresel liberal ticaret düzenine” uygun ve AB'nin kurucu-merkezi üye devletlerinin (İngiltere ile birlikte) çıkarlarına hizmet edecek şekilde biçimlendiği gerçeğidir.

Nitekim yeni gelenlerin Birliğin ticaret politikalarının (neoliberalizm dışında) belirlenmesine yönelik karar alma mekanizmalarında olası etkilerini en aza indirecek şekilde düzenlemeler hayata geçirilmiştir. Esasen Avrupa bütünleşmesinin genişleme ayağının iç pazarın büyümesine ve güçlenmesine olanak verip, dünya ihracat pazarlarında Avrupalı ihracatçıların rekabet gücünü artırmaya yarayacak gerekli koşulları sağlama aracı olduğu görülmektedir.

Savaş sonrası projesi olan “Birleşmiş Avrupa” fikri, harap olmuş Avrupa ülkeleri ve onların Batılı müttefikleri için istikrarlı, güvenli ve tahmin edilebilir bir liberal ticaret ortamı yaratma amacıyla tasarlanmıştır. Bu nedenle ticaret politikaları AB'nin bütünleşme sürecinin her zaman merkezinde yer almıştır. Bu çerçevede 2008 finansal krizine kadar korumacı, neomerkantalist ve neoliberal

politikalarının uygulanması çerçevesinde şekillenen Birliğin ticaret ilişkilerinin, krizler döneminden itibaren daha çok neoliberal yaklaşımın etkisinin altında olduğu görülmüştür.

Sonuç olarak, AB 1990'ların sonlarından itibaren ticari ilişkilerinde zorluklarda karşılaşmaktadır. Küresel ticarete liderliği uzunca bir süre devam ettirmiş olan bir ticaret bloğu olarak pazar paylarında düşüş yaşayan AB, aynı zamanda 2000'li yıllardan itibaren de genel olarak ticaretinde negatif bir denge ile de mücadele etmek zorunda kalmıştır. Ayrıca dünya pazarlarında yeni güçlü rakiplerin ortaya çıkışı, özellikle Çin'in ticaretteki yükselişi, eski oyuncuların pazar paylarını daraltmış ve birçok ülkenin ticaret dengesini bozmuştur. Bu aşamada herhangi bir çabanın AB'nin düşmekte olan pazar gücünün telafi etmeye yeterli olamayacağı değerlendirilmektedir. Öte yandan, son dönemlerde dünya ticaretinde yaşanan karmaşa ve belirsizlik ortamı ile birlikte, ticarete güçlü üyelerinden biri olan İngiltere'nin yokluğu, Birliğin gelecekteki ticari ilişkilerini etkileyebilecektir. Ancak küresel ticarete neoliberalizm etkisini devam ettirdiği sürece AB'nin ticaret ilişkilerinin şekillenmesinde de varlığını devam ettireceği tahmin edilebilir bir olgudur. Zira bu çalışmanın bulguları geçmiş ve güncel olaylar ile eğilimlerin incelenmesine dayandığından, güçlü bir alternatif olmadığı sürece benzer eğilimlerin AB'nin gelecekteki ticari ilişkilerin şekillenmesinde de öncülük edeceği değerlendirilmektedir.

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