Bilateral and Multilateral Paths
Toward Trade Liberalization

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Vienna  June 2007
Overview

• EU market access potential
  – Export destinations
  – Barriers to EU exports

• Regional vs. Multilateral Approaches in the EU

• Political dimensions of EU regionalism

• Reconciling the two approaches
EU market access potential
EU market access potential

• Where does the EU export?

• What are the barriers in export markets?

• How does protection map to destination of exports (what is market access potential linked to negotiated reductions in barriers?)
European Exports -- Direction and Composition

EU exports in 2004 -- shares

- ROW
- Africa
- Russia
- Latin Am
- AUSNZ
- Japan
- Korea
- China
- OtherAsia
- Canada
- USA
- Mexico
- EU27

Legend:
- Services
- Manufactures
- Food

Note: shares sum to 100
European Extra-EU Exports -- Direction and Composition

Note: shares sum to 100

EU extra-EU27 exports in 2004 -- shares

ROW
Africa
Russia
Latin Am
AUSNZ
Japan
Korea
China
OtherAsia
Canada
USA
Mexico

0 5 10 15 20 25 30

Food
Manufactures
Services

Note: shares sum to 100
European Extra-EU Exports -- Direction and Composition

Note: shares sum to 100
Barriers on EU Exports in 2004
% of cost of goods sold

Tariffs on EU merchandise exports -- 2004

Note: Based on total cost of barriers (dollars), Where shares sum to 100.
Market Access Potential
Barriers on EU Goods Exports in 2004

Note: Based on total cost of barriers (dollars),
Where shares sum to 100. Services barriers are from Francois, Hoekman, and Woerz (2007)
Market Access Potential
Barriers on EU Exports in 2004

Barries to EU Exports
2004 (in share of total)

Note: Based on total cost of barriers (dollars),
Where shares sum to 100.
Where are the gains?

• In terms of regions, major destinations are:
  – North America
  – Asia
  – Other Europe and the Middle East
Where are the gains?

• In terms of market access potential, major markets are:

  – Services
    • North America
    • Asia
    • Other Europe & Middle East
  – Manufactured Goods
    • Africa
    • Asia
    • Russia
    • Other Europe and Middle East
Regional vs. Multilateral Approaches
Issues in EU regional agreements

- Tendency to leave out sensitive projects
  \textit{(Francois, McQueen, and Wignarajan 2005)}
- A fallacy of composition
  \textit{(Francois, McQueen, and Wignarajan 2005)}
- Hub and Spoke
- Rules of origin, spider webs, and complexity
  \textit{(Manchin 2004, Francois, Hoekman, and Manchin 2005)}
Rules of Origin -- clothing

SS African Exports: apparel (not knit) to the US and EU15

source: UN COMTRADE data
Impact on Doha

- EU is somewhat distracted
- Pressure is taken off for completion of the Doha Round
- The EU (and the US) are able to circumscribe China
- Yet... benefits from a multilateral initiative would dominate comparable liberalization through bilaterals:
  - Simpler conditions for compliance
  - Small countries not left out
  - EU can push reform in ACP (unsuccessful so far with bilaterals)
Focus of Regional Effort

- Non-WTO Members (FSU etc)
- Replacing ACP agreements with bilateral FTAs (so far not very successful)
- Korea
- Talking to the U.S.?

The existing EU agreements do not map well to major markets and major potential for gains. A lot is left out.
Political dimensions of EU regionalism
Political drivers for EU regional agreements

- Migration
- Geopolitical stability
- Colonial ties
- Keeping up with the U.S. (Mexico FTA, Latin American negotiations, Korea, …)
- Efforts to buy political support in Geneva (sabotaging liberal agricultural camp)
Reconciling the two approaches
Some modest proposals

• WTO-based rules of origin and accumulation rules
• An OECD-based free trade plurilateral
• Dropping agriculture in the current round