



The new world order of globalization : the role of regional integration agreements A European perspective

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Milestones in the European construction

- 1957 : Creation of the European Economic Community (EEC)
- 1987 : European Single Act
- 1991 : Maastricht's Treaty
- 1993 : Copenhagen European Council agrees the accession criteria
- 2004 : Enlargement to ten new members

European main policies

The EU had a budget of euros 99,7 billions in 2003 (equivalent of 1,02% of the total GDP of the Member States)

- Common Agricultural policy : 45% (euros 44 billions)
- Regional Policy : 34% (euros 34 billions)
- Other internal policies such as research, energy, environment, employment : 6.8%
- External policy such as aid programmes in less developed countries : 5%
- Pre-accession aid to future Member States : 3.4%
- Administration : 5.4%

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The enlargement : a smooth transition

- 95% of the trade with applicant countries has been liberalized
- Adoption of EU norms and standards
- Already participants in political decisions

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The enlargement : some significant benefits

- A larger internal market
- A simplified access to ten new markets
- A substantial reduction in custom duties
- Higher regulatory standards

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The enlargement : key figures

	EU 15	EU 25
Population – million (% of world)	379 (6.1%)	455 (7.3%)
GDP – Billion € (% of world)	8,827 (26.7%)	9,576 (28%)
GDP per capita, €	24,100	21,100
Total trade with the World – billion €	1,977	1,799
Of which with the 10 new MS – billion €	232	
Share in world trade in goods	19.4%	17.7%
Share in world trade in services	24.7	
Share in world FDI :		
Inflows	20.5%	na
Outflows	45.2%	na
Share of world trade (goods + services)	20.1%	19.8%
Degree of opening to international trade (total trade/GDP)	28.6%	26.9%

Source: IMF

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A strong relation with the US



US/EU Trade in 2003

- A 395 billion \$ trade relationship
- US imports = 244.8 billion \$, US exports = 150.5 billion \$
- A rising bilateral deficit of 94.3 billion \$
(23 times the amount recorded in 1993)
- First supplier of the US with a market share of 19.4 %,
before Canada (17.8 %), China (12.1%), Mexico (11%) and
Japan (9.4%)

Investments in 2002

- EU Foreign Direct Investment in the US (stocks) : 863 billions \$
- EU counts for 64% of the total FDI which entered the US (#1)
- US Foreign Direct Investment in the EU (stocks) : 700 billions \$
- 46% of the total of American FDI went to Europe (#1)

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Transatlantic relations : the EU and the US are each other's main trading and investment partner

- The US and the EU = one fifth of each other's bilateral trade. 2-way investments amount to 1563 billion \$, with each partner employing about 4 million people in the other.
- A bilateral framework to reduce or eliminate barriers to trade and investment : The New Transatlantic Agenda (1995) and the Transatlantic Economic Partnership (1998)
 - Annual EU-US summit and regular high level meetings
 - TABD, TACD, TALD
 - Positive Economic Agenda (2002) : financial markets dialogue, regulatory cooperation, mutual recognition agreements, etc
 - The 2003 summit launched negotiations for an "Open Aviation Area"

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Transatlantic relations : the trade disputes

- WTO disputes : less than 1.5% of transatlantic trade
 - **FSC/ETI** : European countermeasures were applied gradually starting March 1st (the WTO authorised retaliation of up to \$4 billion) and stopped recently after decision by the US to change the legislation
 - US Congress reluctant to comply with WTO rulings (Byrd Amendment, 1916 Antidumping Act, "section 211")
 - The US requested two panels against the EU (**GMO**, geographical indications)
 - US steel safeguard measures, where the WTO ruled in favor of the EU : President Bush finally rescinded the measures in December 2003
- Increasing difficulties of the regulatory cooperation between Parliaments and independent regulatory agencies (EU-US Veterinary Equivalence Agreement, Sarbanes-Oxley Act)
- What balance between security and trade (Container Security Initiative, Bioterrorism Act) ?

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Relations with the rest of the world



Free Trade Agreements

➤ The EU has concluded many free trade agreements :

- 28 free trade agreements concluded
- On going negotiations with 15 countries (including countries of MERCOSUR and of the Gulf Cooperation Council)

➤ A new momentum for bilateral and regional FTAs in the US (« competitive liberalisation ») :

- 8 FTAs concluded : Israel (1985), NAFTA (1994), Vietnam (2000), Jordan (2001), Chili and Singapore (2003), Australia and CAFTA (2004)
- On going negotiations with the 34-nations FTAA, bilateral negotiations with Morocco, Southern African Custom Union, Bahrain, Dominican Republic)
- Committed to begin negotiations with Thailand, Panama, Andean Region

Trade with potential and existing FTA partners

- Trade with existing FTA partners account for one third of total trade flows both for the EU and the US
- The US trade with the new potential FTA partners (FTAA, CAFTA, SACU, Thailand, etc) accounted in 2002 for 7.85% of total US trade.

Trade and development (I)

EU :

- General System of Preferences (GSP) covering 150 countries (including the Cotonou Agreement with 77 ACP countries)
- Everything but Arms Initiative : duty and quota free access to all products (transitional period till 2009 for banana, riz and sugar) of least developed countries
- New negotiations for an Economic and Partnership Agreement with 16 Eastern and Southern Africa countries

US :

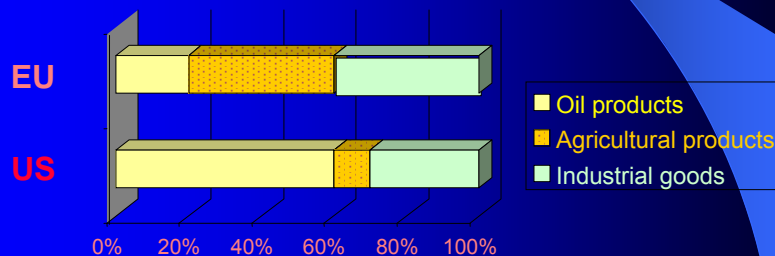
- African Growth Opportunity Act (2002) covering 37 Sub-Saharan African countries
- GSP covering 150 countries

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Trade and Development (II)

- The EU is the main trading partner of Sub-Saharan Africa (the EU absorbs 50% of Sub-Saharan African exports, the US 25%)
- Contrary to the EU, the US mostly import oil products from ACP countries (2000 data)



Source: European Commission, EU

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Conclusions

- Globalization should not be viewed as a threat
- Regional agreements contribute to globalization
- Liberalization needs regulation