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International and Diplomatic Studies

**EUROPEAN COMMON TRADE POLICY: KEY INSTRUMENT AND
THEIR APPLICATION TOWARDS EMERGING POWERS**

(Master's Thesis)

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Author's Declaration

I declare hereby that I carried out this master thesis independently, and only with all cited sources, literature and other professional sources.

Prague, 27 April 2018

.....
Author's Signature

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Abstract

One of the most important competitors in the world market is the European Union, which currently represents a full-fledged single market with a practically formed system of financial regulation instruments. In this regard, it seems extremely topical to examine the European common trade policy and identify its influence on trade relations with different partners. The main focus is on the trade relations of the European Union with Brazil and with India. Although the attempts of creating a common market of free trade between the parties began many years ago, until now no agreement has been reached.

The Thesis studies the patterns of the EU trade strategy with main partners, some of which already received trade preferences, analyses in depth trade relations with India and Brazil and identifies obstacles that are on the way to a mutual agreement.

Key words

European Union, trade policy, Trade Agreements, India, Brazil, FTA.

List of Abbreviations

ACP	African, Caribbean and Pacific Group of States
ASEAN	Association of Southeast Asian Nations
ASEM	Asia–Europe Meeting
BRICS	Brazil, Russia, India, China and South Africa
CEE	Central and Eastern Europe
CELAC	Community of Latin American and Caribbean States
CETA	Comprehensive Economic and Trade Agreement
CFSP	Common Foreign and Security Policy
CIS	Commonwealth of Independent States
DCFTA	Deep and Comprehensive Free Trade Area
ECSC	European Coal and Steel Community
EEC	European Economic Community
ENP	European Neighborhood Policy
ENPI	European Neighborhood and Partnership Instrument
EPA	Economic Partnership Agreement
EU	European Union
EXPROM	Export Promotion program
FDI	Foreign Direct Investments
FTA	Free Trade Agreement
GATS	General Agreement on Trade in Service
GATT	General Agreement on Tariffs and Trade
GNP	Gross National Product
IMF	International Monetary Fund

JAP	Joint Action Plan
LAC	Latin America and the Caribbean
MDGs	Millennium Development Goals
MERCOSUR	Mercado Común del Sur - Southern Common Market
NAFTA	North American Free Trade Agreement
OECD	Organization for Economic Cooperation and Development
PCA	Partnership and Cooperation Agreement
PRC	People's Republic of China
SAARC	South Asian Association for Regional Cooperation
TNC	Trans-National Corporation
TTIP	Transatlantic Trade and Investment Partnership
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
USA / US	United States of America
VAT	Value Added Tax
WTO	World Trade Organization

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Introduction

The current stage of development of the world economy is characterized by the activation of integration processes, covering various countries and regions. With the achievement of a certain stage of its development, integration complexes affect the structure and dynamics of the whole world economy. The strengthening of the economic interconnection between countries due to international regional integration and globalization gives a powerful impetus to the development of economic systems at the national and regional levels. Integration agreements take a variety of forms: from the zone of free trade to a political union that involves the closest interaction of economies of participating countries.

However, at the present time new forms of integration interaction arise with the participation of a large number of countries, often geographically disconnected and located at different levels of economic development. The special feature of this form of integration is that the subjects of these relations more and more often are not individual countries, but regional integration groups.

As in most other cases, the basis for developing interregional integration is the desire to create more favorable conditions for the implementation of foreign trade activities by eliminating barriers in mutual trade and harmonization of economic policies. Therefore, it is expedient to start studying these processes with the analysis of foreign trade relations between integration unions and the trade contradictions that arise between them.

The current stage in the development of international economic relations is characterized by increased competition on a global scale, including competition between traditional centers of the world economy. One of the most important competitors on the world market is the European Union (EU), which currently represents a full-fledged single market with a practically formed system of financial regulation instruments. From the very first days of the EU's existence, its main tasks were the rise of the European economy, the opposition of competition and the strengthening of the bloc's position as a whole. The process of European integration began simultaneously with the formation of an open economy of European countries, as well as the liberalization of world trade. It was the global economy that required all countries and regions of the world to develop appropriate adaptation mechanisms, which was especially evident in the development of the EU in the 2000s.

Inclusion of more and more new countries, primarily China, in the competition, the unprecedented expansion of the group's membership, the problems of multilateral trade negotiations in The Doha Round, the financial crisis and the need to overcome its consequences had a significant impact on the EU's position in the world and demanded a rethinking of the conceptual framework for EU participation in the international division of labor.

It should also be noted that the regulation of foreign trade for the EU has always been a matter not only economic but also political, which is important from the point of view of determining the position of a group of countries in world economic relations. Thus, trade policy for the EU is an instrument for realizing geopolitical interests in specific countries and regions. Undoubtedly, some EU members have their own multidirectional interests in foreign trade policy. As a result, the EU implements an active foreign economic policy on a wide range of problems and regions.

The purpose of the thesis is to identify and analyze the methodological foundations for the formation and implementation of the single foreign trade policy of the EU's integration group in the context of the globalization of the world economy; study the features and procedures for using trade agreements by a specific applied research of the practice of developing trade relations with reference to Indian and Brazilian cases; and finally find out whether the new free trade agreements make a real change in the EU's strategy towards emerging powers. The main aim of the thesis is to analyze the common European approach towards trade agreements in general and take a closer look on how it is implemented towards emerging powers. In order to achieve the stated goals, the structure of the thesis consists of 3 Chapters.

The first chapter of the thesis is dedicated to the overview of the formation of the EU Foreign Trade Policy. The first part of Chapter One outlines the information on the historical steps of the formation of common trade policy and states the legal documents in which all the laws and regulations are fixed. Instruments and tools used by the EU are mentioned. The second part of the Chapter One explains the EU's position in the world trade and shows its main partners in the provided figures. Besides, the biggest trading partners of the EU are compared to the chosen powers, i.e. Brazil and India. Further, the types of the trade agreement that the EU concludes with other regions or countries are explained, including Customs Unions, Association, Stabilisation and Free Trade Agreements, and Partnership and Cooperation

Agreements. This Chapter is important for the understanding the background and the basics of the Common European Trade Policy, that are needed in order to proceed with the research.

The Chapter Two goes deeper in the understanding the existing Trade Agreements and trade strategies of the EU. Here the study is divided into three regions: America, Asia, and Neighbors. In each part, the specific countries were selected in order to contribute the most to the purpose of the thesis. Out of the American states the following were chosen - US, Canada, Mexico, and the Mercosur as a regional grouping. In Asia, a closer look was taken at the ASEAN, China, and Japan. And among the EU neighboring countries of the special interest are Russia and Ukraine. In each part, the type of the agreement and trade relationships are described, as well as the current stage of the of the negotiation for trade liberalization. This Chapter is devoted to understanding the patterns and direction of the EU in trade, comprehension of some future trends, and conducting parallels between the region and countries.

The Chapter Three comes to the case studies of the thesis and is dedicated entirely to trade relationships of the EU with Brazil and with India. In the first part of chapter we are looking on the developments of the relationships between the EU and Brazil, EU and India. Since the Free Trade Agreements were not yet concluded, the second part identifies what are the areas of disagreement, what concessions parties should make, and what prevents them from making a successful and mutually beneficial FTA. The final part makes some brief summary on the positive impact of the FTA negotiation and future gains that EU, Brazil, and India might get in case of the cooperation and final agreement on the terms of the FTAs.

The statistical database of the study is compiled by the United Nations Conference on Trade and Development (UNCTAD), the World Trade Organization (WTO), Eurostat, and the Organization for Economic Co-operation and Development (OECD).

1 Formation of the EU Foreign Trade Policy and implementation mechanism

In the first decade of the XXI century, the legal basis for the functioning of the European integration bloc has evolved significantly, aimed at forming an economy capable of withstanding global competition. Positions in the global economy and business are due to the degree of participation in international trade in goods and services, as well as the achievement of high results.

The European Commission regards the external economic sphere as one of the key factors in the revival of the economy. In turn, the EU trade policy and the effective application of instruments for protecting the domestic market and supporting exporters are designed to ensure sustainable economic growth by regulating the impact of external factors. (European Commission, 2012)

The evolution of EU trade policy is a long and detailed process and can serve as an example for the development of common trade policies in other regions. Trade policy has become one of the foundations of European integration since it was its implementation that was aimed at achieving such key goals as the formation of a single EU market and the strengthening of competitive positions in the world. The EU trade policy has become an integral part of the system of regulating integration processes in Europe, being both a result and an instrument of European integration. (Woolcock, 2011, pp. 1-11) The task of forming a single market could be accomplished only if the legal norms defining it were unified on the fundamental aspects of market regulation and are similar in the rest. Thus, from the very first days of the creation of the Community, the countries sought maximum convergence of the legislative base to the extent necessary for the integrated functioning of the single market. At the same time as the integration tasks became more complicated, the EU competence in the field of trade regulation has increased. (European Commission, 2015)

1.1 Historical Background, Legislative Basis and Features of EU Trade Policy

The initial provisions on the harmonization of national legislation are set out in the Treaty establishing the European Economic Community (Treaty of Rome, 1957, pp. 36-42). The issues of trade relations, including the signing of international agreements, the use of a single customs tariff, the uniform rules for determining the country of origin of goods and various procedures, including anti-dumping, fall within the competence of supranational bodies of the Union. This competence is enshrined in Articles 110-115 of the Treaty of Rome and is developed in subsequent EU constituent treaties. (Treaty of Rome, 1957, pp. 36-42) The provisions of these articles define the main principles of EU trade policy, the scope of distribution and the general competence of the EU Commission and the European Council in the field of trade policy. In addition to these provisions, in Rome in December 1990, an intergovernmental conference put forward a proposal to include in the text of the Treaty establishing the EEC a section on "Common Foreign Policy", which also includes measures to regulate a single foreign economic policy. (Woolcock, 2011, pp. 1-11) The concept of "unified foreign economic policy", in contrast to the previously used wording "unified trade policy" covers all forms of foreign economic relations. The emergence of a new interpretation is due to new trends in the development of the world economy and international relations in the 1990s, as well as the further efforts of the GATT to unify the rules for international trade.

This idea was developed in the Amsterdam Treaty, in particular, in Art. 133, containing a new interpretation of Art. 113 of the Treaty of Rome. It should be emphasized that the list of areas for the coordination of foreign economic policy, enshrined in Art. 133, does not cover all areas necessary for coordination: Art. 133 does not cover or fully affect new areas of trade policy and trade regulation, such as the trade in intellectual property or trade in services. (European Communities, 1997)

With regard to the competence of the EU in the field of concluding agreements with third countries, it includes the signing of contracts of all types, including preferential ones. Only EU bodies are competent to discuss tariff concessions and rules for the application of non-tariff measures in the framework of the GATT / WTO. In addition to trade agreements, the competence of supranational bodies of the EU extends to the conclusion of agreements on the admission of new members. Along with this, the competence of the Union includes the signing of agreements on associate membership, which, in addition to simple trade aspects, determine the mutual rights and obligations of the parties in the functioning of the free trade zone. The

competence of the EU also includes the signing of special agreements with countries and overseas territories that maintain special relations with Belgium, France, Italy, the Netherlands and the United Kingdom. At the same time, the EU countries retain some autonomy in concluding agreements with third countries in those areas of the economy in which EU bodies do not yet have the necessary competence, for example, agreements on the opening of financial markets. (Woolcock, 2011, pp. 1-11)

The fundamental changes in Art. 133 were introduced only after the signing of the Nice Treaty. The scope of concerted actions was expanded, it included the regulation of trade in services and intellectual property, and the competence of the Communities was supplemented by the provision for negotiations and conclusion of agreements in these areas. (European Communities, 1997) This allows us to say that now the provisions of Art. 133 apply to all forms of international trade in services under the GATS. The exception is still transport services. It is not entirely clear how, on the basis of Art. 133, it is possible to regulate international trade in services in the form of a commercial presence. During the negotiations on the edition of Art. 133 EU countries refused to include in it any provisions relating to foreign direct investment, which is the basis of commercial presence. (European Communities, 1997) However, the Nice Treaty also did not introduce any significant changes in the system of decision-making on trade policy issues with respect to services.

The Lisbon Treaty also contains provisions on the common trade policy of the EU. In addition to individual articles of the Treaty on the European Union, the Lisbon Treaty includes provisions on the conclusion of agreements with third countries and on monitoring their implementation (external and internal aspects), it also emphasizes the importance of non-tariff regulation measures. It was the Lisbon Treaty that for the first time included trade in services and intellectual property in the EU's competence, direct investment issues, although it contained a reservation that multilateral rules for investment regulation should be developed within the WTO, as well as other international organizations, in particular, OECD. According to the Lisbon Treaty, the EU acquires the status of an independent subject of international law. This means, in particular, that in the future all EU international treaties, including those in the foreign economic sphere, will be signed only by the plenipotentiary representative of the EU, and not by the representatives of the member countries, as it has been so far. Such an innovation may cause the necessity of introducing editorial changes in the texts of a number of international treaties, where one of the contracting parties was the European Communities, in particular, the Marrakesh Agreement on the Establishment of the WTO. (Gstöhl, 2013, pp.1-22)

At the current stage of world economic development, EU trade policy should not only be an instrument for realizing the interests of European companies, but also one of the levers of overall economic and social policy and aimed at creating jobs and raising living standards, especially in European countries, and also in countries - partners of the EU on the world market. In combination with an effective national policy and business development strategy in the EU countries, the trade policy of the EU at the current stage should contribute to reducing poverty throughout the world.

At the end of 2010, the EU published a new strategic concept for trade policy. This document is a logical complement to the Lisbon Strategy, determines the strategic directions and main objectives of its development for the period until 2020 and aims to take advantage of global trade for the development of Europe. The EU's current single trade policy should be focused on improving the functioning of the Single Internal Market and protecting the interests of EU producers by more closely linking with the EU's overall economic development strategy and increasing competitiveness. The implementation of the new strategy in trade policy should help to open new markets for EU companies and increase the competitiveness of their goods and services in third countries. (Gstöhl, 2013, pp.1-22) In addition, the task is to reduce the level of protectionism on behalf of the EU itself, since without this it is impossible to achieve similar concessions from third countries.

The main priorities will be the preservation and strict implementation of the commitments that the EU has assumed under the agreements with third countries at the multilateral level, including the agreements of the Doha Round of WTO negotiations, which emphasizes the EU's commitment to the norms and principles of the WTO and the multilateral system of trade regulation. The active continuation of the negotiations on the completion of the Doha Round negotiations was named as the first priority.

The second set of key issues and tasks is to implement a new approach to developing countries, including the reform of the Generalized System of Preferences. This will not only take into account all the requirements of the Doha talks but also expand initiatives to support the integration of these countries into the world economy. An important element of the renewed EU foreign trade strategy is the search for effective ways to implement interests and reach a compromise with partners at the bilateral level. The EU already has successful examples of concluding agreements on the formation of free trade zones and aims to continue work to harmonize bilateral trade agreements with countries and regional groupings representing the

EU's key trading partners. The EU considers bilateral trade agreements as the basis for developing a constructive position in multilateral trade negotiations. (Gstöhl, 2013)

The common trade policy belongs to the exclusive competence of the EU and is the key common policy of the EU. In the Lisbon Treaty, the basic principles of the Common Trade Policy are specified in articles 206-207. Article 206 sets out the objectives of the trade policy:

- Harmonious development of world trade;
- Progressive abolition of restrictions on international trade;
- Progressive abolition of restrictions on foreign direct investment;
- Lowering of customs and other barriers. (Treaty of Lisbon, 2009, pp. 137 - 139)

Thus, trade policy aims to eliminate economic, political and administrative barriers to international trade. These goals are consistent with the overall objectives of the EU and, in particular, its goals and principles in the field of foreign policy.

The treaty also provides that the EU's trade policy should be implemented on the basis of unified principles, in particular on its aspects:

- Changes of tariff rates;
- Conclusion of tariffs and trade agreements related to trade in goods and services;
- Commercial aspects of intellectual property;
- Foreign direct investment;
- Achievement of unification of measures of liberalization;
- Export policies and measures to protect trade such as those to be taken in the event of dumping or subsidies. (Treaty of Lisbon, 2009, pp. 137 - 139)

It should be noted that the list is given in Art. 207 is not exhaustive and may be supplemented by other measures or instruments that may affect the international trade of the EU with third countries.

Listed in Art. 207 instruments refer to trade, political or trade measures of the EU. It is necessary to separate autonomous measures taken by the EU independently without the participation of other actors. (Treaty of Lisbon, 2009, pp. 137 - 139) To a large extent, the implementation of the trade policy is also done through the conclusion of EU trade agreements with third countries.

Among autonomous trade measures, tariff and non-tariff measures should be divided. Autonomous measures include, in particular, the change in the general customs tariff for the EU, as well as the establishment and modification of the rules of export, import, and protective measures. Elimination of trade barriers can also be achieved by concluding preferential trade agreements with individual countries or groups of countries. (Gstöhl, 2013)

The common trade policy is aimed at developing and strengthening previously created trade unions, strengthening the competitiveness of European firms. It is based on two basic principles. The first principle is that the member countries take part in the creation of a system of harmonious international trade relations and gradually eliminate trade barriers in world trade, that is, the basis of the common foreign trade policy of the EU is laid the norms and rules of the GATT. (Gstöhl, 2013, pp.1-22) However, the EU's commitment to the rules and regulations of the GATT is significantly less than that of its competitors, since it believes that the regulation of international trade should be carried out primarily on the basis of the interests of the national market. In that way, European countries are trying to protect themselves from the introduction of "foreign rules" and ensure their freedom in choosing the means and methods of protecting their internal market. This is what determines the differentiated approach to the application of certain measures of the foreign trade policy of the EU countries. The current trade legislation of the EU countries is focused on protecting the domestic market, which now has significant advantages over exporters from third countries. The second principle is to contribute to strengthening the competitiveness of European states and their firms by eliminating mutual trade barriers. (Gstöhl, 2013, pp.1-22) This will help to make better use of the advantages of the European market.

In addition to general principles, there are a number of special principles of common trade policy: the principle of protecting national industry, the principle of promoting fair competition (the principle of an open market economy with free competition), the principle of action in emergency situations, the principle of regional trade arrangements, as well as the principle of automatic dissemination of trade policy principles on new Member States.

Sometimes the principles of implementing the EU trade policy with other countries are also highlighted, in particular: in the case of trade in the EU with goods from other countries, the principle of assimilation of goods from third countries that have passed all the necessary customs formalities and issued for free circulation in the territory of one EU member state; in the case of EU trade in the territory of other countries - protectionist attitudes towards one's own goods and producers, the introduction of principles similar to those contained in the constituent treaty or acts of EU institutions.

The main instruments of the EU foreign trade policy are a single customs tariff (1969), unified customs rules (the Customs Code of 1993), quantitative restrictions, anti-dumping measures. With the deepening of the international division of labor and intra-sectoral competition in the trade policy of the EU, non-tariff measures have become increasingly important. Quantitative restrictions are now preserved, mainly in the form of tariff quotas for the import of agricultural goods. In addition, the European market is considered one of the most demanding in terms of compliance with technical standards and regulations, as well as sanitary and phytosanitary measures that are applied in the chemical industry, food and agricultural products. (Brühlhart & Matthews, 2007)

An important tool of EU trade policy is the state's participation in supporting national producers and stimulating exports both at the national and supranational levels.

The EU managed to form a system of foreign trade relations with individual countries, taking into account the level of their economic development and their importance for the European market. For each group of countries with common specific features, the Union has developed special forms of normative registration of relations (association agreements, stabilization, partnership and cooperation, common spaces, etc.) and certain preferences. (Brühlhart & Matthews, 2007, pp. 921-967) This is an important competitive advantage of the EU, which allowed to consolidate its positions in the markets of interest.

At the same time, the interaction carried out by the EU with partner countries is conditional: the receipt by a third party of the benefits of cooperation is determined by the fulfillment of a number of conditions, which usually include the obligations to harmonize national legislation with EU law.

Thus, the current trade policy of the EU is a comprehensive strategy that includes tools to improve the competitiveness of the European economy in the context of globalization,

promote business development in member countries, and reduce poverty in the world. (Brühlhart & Matthews, 2007, pp. 921-967) In general, modern features of the EU foreign trade policy include:

1) no restrictions within the EU. So, removing customs and quantitative restrictions on mutual trade, members committed themselves to the consistent harmonization of all measures of foreign trade policy. These activities were reflected in the Single European Act, which began functioning on January 1, 1993. In order to gradually eliminate tax barriers, tax systems are harmonized. The formation of the domestic market has increased the role, authority and competitiveness of European countries in the world economy;

2) a common foreign trade policy of the member countries. The EU market is the largest in the world and therefore is an attractive environment for international business. Players in this market should know the rules and regulations that act on it, and remember that they are established on the basis of the interests of 28 states and agreed upon by them at the level of legislative authorities;

3) peculiarities of using tools, measures of foreign trade policy and preferences for groups of countries. In the EU, there is a special scheme of relations with the main trading partners, which takes into account in each individual case the specificity of a partner.

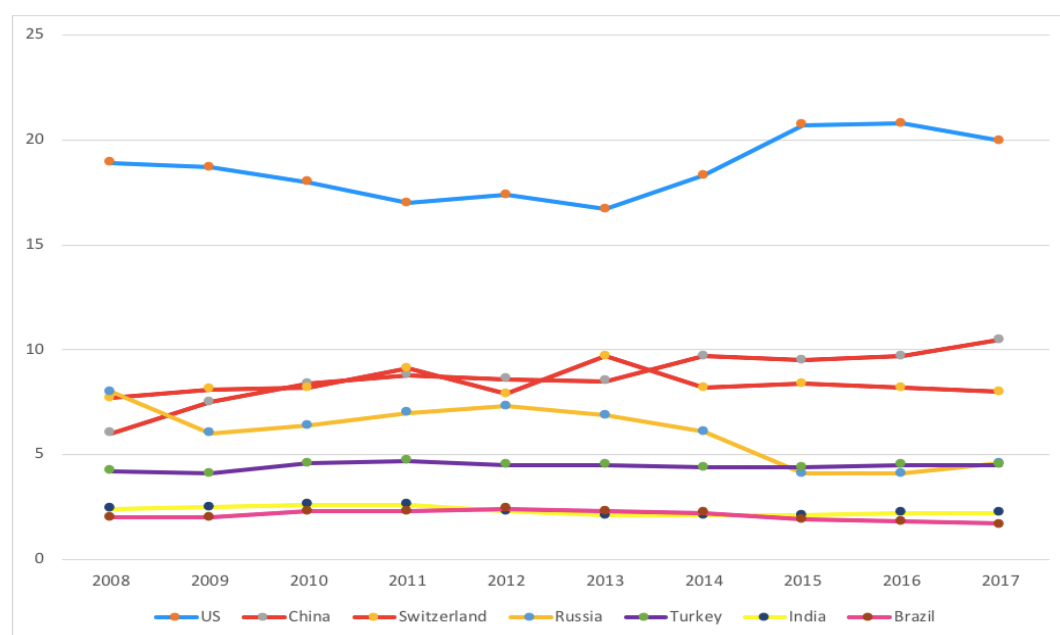
The EU itself directly declares its commitment to free and liberal trade development and is the initiator of certain recommendations and decisions that would promote and encourage the development of relations within the WTO. However, numerous liberalization measures are simultaneously combined with protectionist measures, which significantly complicates access to European markets for goods and services from other countries. (Brühlhart & Matthews, 2007, pp. 921-967)

1.2 Positions in Global Trade and Existing Agreements

At the present stage of the globalization of the economy, the EU acts as a united front and is one of the centers of world competition. As of 2016, 27 countries accounted for 15% of world imports, and in world exports - 16%. (Eurostat, 2017) For a long period of time, the EU had a sustainable deficit of the trade balance, and only since 2013 the situation changed to the surplus of trade balance. (Eurostat, 2017) Among the world's top 100 multinational companies, there are 18 European countries in the world hierarchy. (Forbes, 2017) More than 35% of the world's foreign direct investment is of European origin. In turn, European countries attract 20-33% of world direct investment. (UNCTAD, 2017)

As for the geographical structure, the main direction of European exports is the United States, and since 2013 the share of this partner is constantly increasing. Russia, which took second place, since 2008, lost to China and Switzerland (Figure 1), and its share is constantly declining. Moreover, in the last years Turkey, with its stable indicators overtook Russia's position. Besides, it is important to notice that 50% of exports to China are machine-technical products. This factor has a favorable impact on the European economy, as the dynamically developing Chinese market stimulates production in the EU.

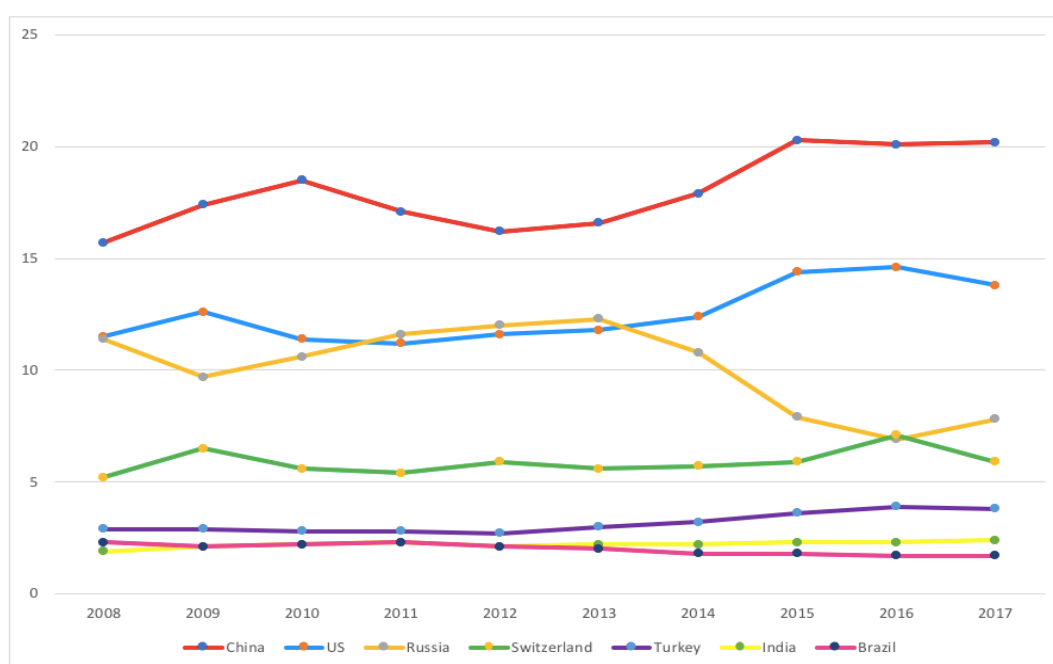
Figure 1. Main trading partners' shares of EU-28 exports, 2008-2017 (%)



Source: Created by the author based on data from Eurostat

The geographic structure of imports is somewhat different. The US, slowly losing the role of the main supplier of goods to the European market, started recovering after 2013, but still far from China. Russia has been significantly losing its positions in the recent years, while the positions of Switzerland and Turkey in the last five years have practically not changed. However, during the same period there was a significant increase in imports from China. Despite various forecasts and assessments of the development of the Chinese economy, Chinese companies are displacing manufacturers from industrialized countries both from their domestic and other world markets.

Figure 2. Main trading partners' shares of EU-28 imports, 2008-2017 (%)



Source: Created by the author based on data from Eurostat

The EU was aiming at the economic cooperation and influence, and by now it has an important role in the world economy and international trade, allowing to influence beyond its direct application, including influencing the development of international trade rules. The EU has concluded FTA and other agreements with the trade component with many countries around the world and is negotiating with many others.

1.2.1 Customs Unions

Article 23 of the Treaty on European Union states that the basis of the Community is the customs union covering all trade in goods and providing for the prohibition of import and export customs duties and any equivalent charges in trade relations between the Member States and the establishment of a common customs tariff in their relations with third countries. The terms of the customs union apply to goods originating in the Community countries, as well as to goods imported from third countries and released for free circulation in the countries of the Community.

The EU customs territory includes (European Commission, 2018):

1) Land area; while Article 3 of the Code excludes certain territories within the state borders of member countries from the territory of the customs union. So, the EU customs territory does not include the Danish Faroe Islands and Greenland, the Spanish islands of Ceuta and Melilla, the German enclave on the Swiss territory of Büsingen and the island of Heligoland. The French Overseas Territories and territorial collectives with special status are not the territories of the customs union, but as part of the territory of France, the Principality of Monaco is part of the customs territory of the EU. From the customs territory of Italy, the municipalities of Livigno and Campione d'Italia and the territorial waters of Lake Lugano are withdrawn, but the territory of the Republic of San Marino is included. As a rule, the territories of the EU member states withdrawn from the customs territory of the Union are geographically isolated regions endowed with the constitutions of the respective countries with the right to autonomously decide on entering into interstate unions. With regard to territories of non-EU countries affiliated to the customs territory of the Community, their status is generally governed by special international treaties: the 1963 Paris Customs Treaty Regulation for Monaco; the convention of 1939 concerning San Marino, etc.

2) Territorial waters and airspace - in accordance with international conventions (the UN Convention on the Law of the Sea) and the national law of the Member States.

Free zones in the EU are part of the customs territory.

EU agreements on customs union with Andorra, San Marino and Turkey do not create a single customs territory. Thus, the customs union with Turkey does not extend freedom of movement of goods for agricultural products and goods of the ECSC nomenclature; duty-free

import of such goods into the territory of one of the parties to the agreement is possible only upon presentation of a special certificate confirming free circulation of goods in the territory of the other party. (European Commission, 2018)

It should be noted that the customs territory of the Union does not coincide with the territory covered by the EU's unified rules on VAT (the so-called 'fiscal territory'). Some parts of the customs territory of the EU are not included in the fiscal territory. (European Commission, 2018)

An important role in the successful functioning of the customs union is played by certain features of the institutional structure of the EU that distinguish this integration association from other regional and multilateral organizations. The main feature and advantage of this structure is the combination of interstate and supranational elements, which allows balancing the interests of individual member states and the EU as a whole. The relationship between these elements at different stages of the existence of the EU has changed: mainly in the direction of strengthening the supranational nature of the mechanism of managing integration processes. In particular, the increase in the efficiency of the customs union was facilitated by the transition to the use of a qualified or simple majority (the unanimity is applied to a limited number of the most important issues) as the main method of decision-making in the EU bodies and the legal bindingness of the decisions already adopted for all member countries.

1.2.2 Association, Stabilisation and Free Trade Agreements

Association Agreement is a basic document between the EU and a non-member state, on the basis of which cooperation is carried out in such areas as politics, trade, culture and security. The possibility of concluding such an agreement was laid down in the fundamental document of the EU - the Treaty of Rome of 1957, and subsequently enshrined in the Treaty on the European Union of 1993 and the Lisbon Treaty of 2009. A country that has signed an association agreement does not become an associate member of the EU, there is no such concept in the EU. However, it receives a number of privileges - the possibility of duty-free access to some or all of the EU markets, financial or technical assistance. At the same time, such an agreement usually consists in exchange for the obligation to carry out political, economic, commercial or judicial reforms.

The agreement on the FTA is an integral part of the association agreement, it concerns not only the removal of customs barriers and trade quotas, but also the unification of the trade

legislation of partner countries with EU legal norms. Negotiations on the agreement on the FTA are conducted separately from the negotiations on the association agreement, a prerequisite for their beginning is membership in the WTO of the country wishing to conclude such an agreement. The association agreement must be ratified by all EU member states. (European Commission, 2016)

Since the 1990s, association agreements have largely been concluded within the framework of the two EU programs - the Stabilization and Association Process and the European Neighborhood Policy. The states of the Balkan Peninsula participate in the first program, the ultimate goal of which is membership in the EU. The second applies to the countries of the Mediterranean and Eastern Europe, agreements with them do not provide for membership in the union.

Currently, the Stabilization and Association Agreements are concluded with five Balkan countries - Albania, Bosnia and Herzegovina, Macedonia, Serbia and Montenegro. Association agreements - with seven countries of the Mediterranean (Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Tunisia). The same agreement is concluded with Chile. In 1997, an interim agreement was signed with the Palestinian National Authority on the association in the field of trade and cooperation. (European Commission, 2016)

In 2009, within the framework of the European Neighborhood Policy, the Eastern Partnership program was launched to develop regional cooperation with six post-Soviet states - Azerbaijan, Armenia, Belarus, Georgia, Moldova and Ukraine. It provides for the conclusion of bilateral association agreements that should further integrate the Six into the European socio-economic and political space without the prospect of membership in the union. (Gromadzki, 2015, pp. 6-17) These agreements should replace the agreements on partnership and cooperation that have been in force since the late 1990s.

Armenia, Azerbaijan, Georgia and Moldova began negotiations on the conclusion of an association agreement in 2010. Armenia, Georgia and Moldova completed them in the summer of 2013. Armenia in September 2013 announced its intention to join the Customs Union, which unites Russia, Belarus and Kazakhstan. This decision made the signing of an association agreement between Armenia and the EU unacceptable. The agreements with Georgia and Moldova were initiated in November 2013 at the Eastern Partnership summit in Vilnius. (Gromadzki, 2015, pp. 6-17)

Ukraine negotiated an association agreement in 2007-2011, in March 2012 initialed it, but in November of the same year it suspended the process of concluding the agreement, referring to an extremely difficult economic situation. In March 2014, the political bloc of the agreement was signed, in June - the economic part. (Gromadzki, 2015, pp. 6-17) In 2017 the treaty entered into force.

1.2.3 Partnership and Cooperation Agreements

The EU mainly concludes PCA's with countries that are subject to the European neighborhood policy such as former Soviet republics and northern Africa. The EU supports these countries in creating a strong free market economy, a healthy climate for business and foreign investments and helping to strengthen trade relations. In addition, many PCA's include provisions on cooperation in the fields of culture, science and technology, administrative capacity and civil society.

“The EU has concluded ten partnership and cooperation agreements (PCAs) with Russia, countries of Eastern Europe, the Southern Caucasus and Central Asia. The purpose of these agreements is to strengthen their democracies and develop their economies through cooperation in various fields and through political dialogue. The Cooperation Council was established to ensure the implementation of agreements.” (EUR-Lex, 2010)

“Since the end of the 1990s, the EU concluded ten similar partnership and cooperation agreements (PCAs) with: Russia and the New Independent States of Eastern Europe, the Southern Caucasus and Central Asia: Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Ukraine, Uzbekistan and Tajikistan.” (EUR-Lex, 2010) More PCAs are currently undergoing the ratification process or being negotiated: with Belarus, Iraq, Kazakhstan, Philippines, Turkmenistan; with Malaysia, Singapore, Thailand.

The objectives of these partnerships are:

- create an appropriate basis for political dialogue;
- support the efforts made by countries to strengthen their democracies and develop their economies;
- provide help in the transition to a market economy;
- encourage trade and investment. (EUR-Lex, 2010)

All the PCA have joint and country-specific objectives, though all of them are built on the general principles of respect for democracy, the principles of international law and human rights, and as the main objective have the transition and spread of market economy.

Among the joint PCA objectives are the following:

- 1) Bilateral political dialogue: to cooperate in order to ensure stability, security and respect for democracy and human rights;
- 2) Trade in goods: free transit of goods via or through territory of the parties, mutual exemption from import duties and taxes, no quantitative restrictions on imports;
- 3) Employment: to prevent discrimination against nationals from one of the parties;
- 4) Cross-border supply of services;
- 5) Current payments and capital: to authorize all current payments connected to the movement of goods, services or persons, free movement of capital for direct investment;
- 6) Protection of intellectual, industrial and commercial property (except the Republic of Moldova);
- 7) Legislative cooperation (except the Republic of Moldova);
- 8) Economic Cooperation: social and economic development, the development of human resources, support to businesses, agriculture and the food sector, energy, transport, tourism, environmental protection, regional cooperation and monetary policy (EUR-Lex, 2010)

Specific PCA objectives cover the following areas of cooperation:

- 1) Democracy and human rights (only for Armenia, Azerbaijan, Georgia, Uzbekistan and Tajikistan);
- 2) Prevention of illegal activities and the prevention and control of illegal immigration, with initiatives on money laundering, the fight against drugs and illegal immigration (except for Kazakhstan, Kyrgyzstan, Ukraine and Moldova);
- 3) Cultural cooperation;
- 4) Financial cooperation in the field of technical assistance. (EUR-Lex, 2010)

2 Patterns in Trade and FTA Strategy with Partners

Regional trade agreements are one of the characteristic features of the modern multilateral trading system. The basis for developing interregional integration is the desire to create more favorable conditions for carrying out foreign trade activities by eliminating barriers in mutual trade, therefore the analysis of foreign trade relations between states and regions and the trade contradictions that arise between them can contribute to better understanding of the patterns and future trends. (Snorrason, 2012, p.9-12)

The activation of the regional trade agreements creates new spheres of regulation and opportunities, as well as poses new challenges for the WTO and the trading system. For many countries, especially developing countries, the implementation of the principle of free trade can facilitate domestic reforms and stimulate competition, which facilitates their integration into world economic relations. For the international trading system, regional trade agreements are an additional tool for liberalizing world trade.

2.1 Dynamics of Trade Relations with America

The economic relations of the EU with the countries of Americas are a complex phenomenon of economic interaction between the states that are part of the large integration groups. The main focus here will be in the biggest countries – USA, Canada and Mexico, and on the Mercosur as a whole.

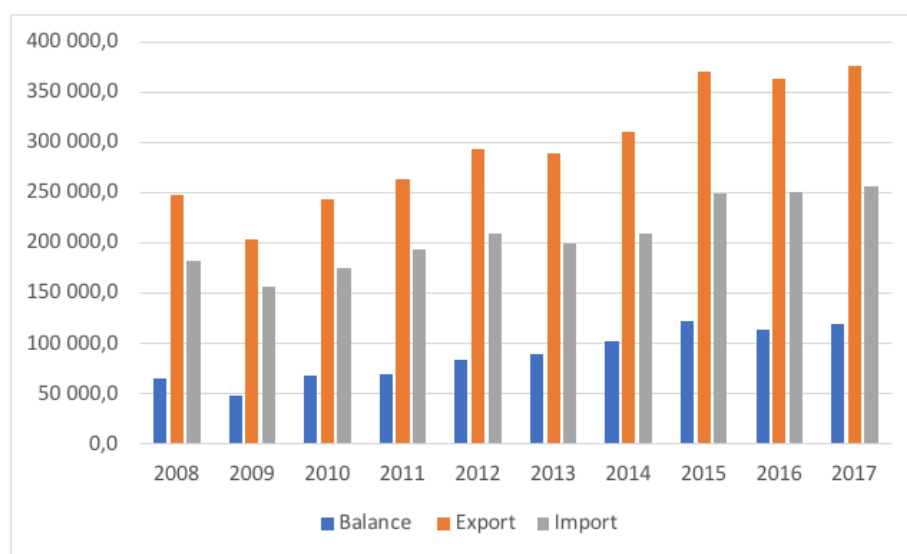
USA

The dynamics of transatlantic flows of goods, services and capitals reflect the traditional proximity of the institutions of foreign economic relations between the United States and Western Europe and the stability of the existing ties. In both regions, there remains a high effective demand for modern goods and services. Mutual trade is also affected by medium-term, but very profound factors caused by the effects of the asynchronous business cycle in the US and the EU and the differences in the sources of their economic growth. (Ahearn, 2012)

The EU and the US are the two largest world producers. Together, they account for about half of global GDP. In 2017, the United States accounted for 20% of exports of EU countries and 13,8% of their imports (respectively 21 and 12% in 2008). In the exports of the

EU countries, the United States ranks first, and in imports, the second after China. The EU and the USA are characterized by a high degree of development of the intra-branch division of labor. In the mutual commodity turnover of 4/5 accounted for processed goods, among which are cars and equipment, vehicles, chemical goods. The main articles of EU exports to the United States are: cars, medicine, crude oil and petroleum products. From the United States, EU countries import aircraft, engines, cars and pharmaceutical products. A serious problem in relations is the large negative balance of the American side. (European Commission, 2018)

Figure 3. EU trade flows and balance with the USA, annual data 2008 – 2017, (Mio €)



Source: created by the author based on data from Eurostat.

At the London EU-US summit in 1998, the parties signed the Transatlantic Economic Partnership program, which expanded the scope of cooperation defined by the Transatlantic agenda. The new program included elements of both bilateral and multilateral cooperation. (EUR-Lex, 2001) Bilateral issues address the removal or easing of existing trade barriers. Multilateralism (within the WTO and regional international organizations) deals with the liberalization of world trade.

In 2005, the Declaration initiative to enhance transatlantic economic integration and growth was adopted. It assumes that further lifting of barriers in the field of bilateral trade and economic ties should lead to the formation of a single transatlantic market. However, while the US and EU elites are more supportive of the idea of a gradual rapprochement of their economies through the harmonization of rules and standards.

In April 2007, the Washington Declaration endorsed the Declaration initiative to enhance transatlantic economic integration and growth and established the Transatlantic Economic Council, which is called upon to intensify cooperation in the areas of trade regulation, investment promotion, protection of intellectual property rights, support of advanced technologies, etc. (European Commission, 2013).

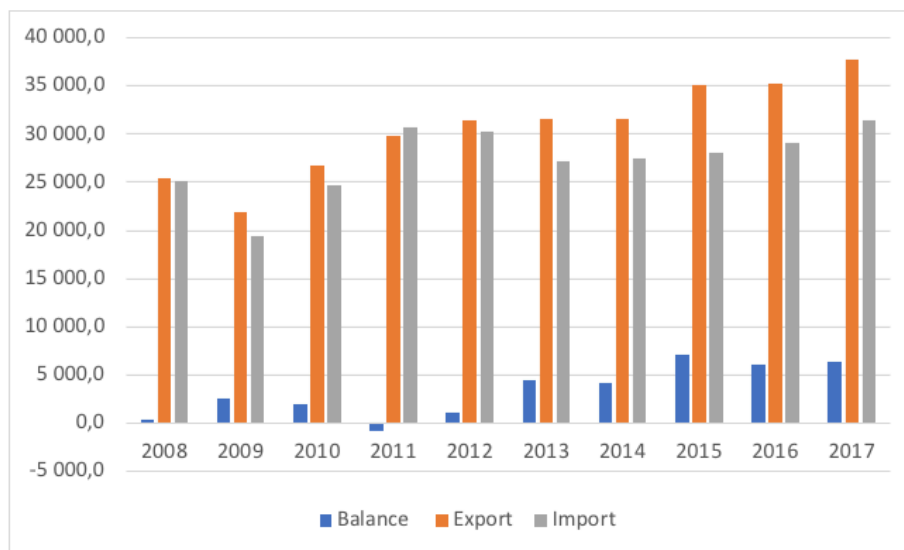
The US and the EU countries are aggressively pursuing a policy of liberalizing international economic relations and agreeing their actions in the WTO. Nevertheless, trade disputes regularly break out between them. Affecting no more than 1-2% of mutual trade, they require considerable efforts for settlement. And disputes arise both for traditional economic reasons (protection of national producers from foreign competition and access to foreign markets), and for political reasons. The subject of traditional conflicts is the supply of agricultural products, steel and rolled products, as well as measures of state aid to local companies. Political reasons include Washington's economic sanctions against Cuba, Iran and some other countries, EU trade preferences for CEE and ACP countries, and high EU standards for food quality.

At present, the EU and the US have the most integrated economic relations in the world. (European Commission, 2017) They represent the largest players and trading partners in the international arena. The important stage in the deepening of cooperation between the EU and the US within the framework of the Transatlantic Trade and Investment Partnership (TTIP) was the creation of the High-Level Working Group on Jobs and Growth in 2011, which resulted in the initiative to move to a free trade area between partners through signing of the corresponding agreement. This document contains a wide range of provisions on mutual trade and investment, including their regulation. (European Commission, 2013) In turn, the revitalization of transatlantic integration processes is connected, firstly, with the difficulty of reaching consensus in multilateral negotiations and, as a result, greater attractiveness of bilateral cooperation; secondly, with the competition of trade agreements and the reluctance of producers to be superseded from export markets as a result of such agreements between partners; finally, with the attempts of the EU and the US to maintain leadership in the international arena. (Fontagne, Gourdon & Jean, 2013) However, in 2016 the EU announced the suspension of negotiations on the establishment of the TTIP. The parties failed to agree on the conditions of the agreement and make any concessions.

Canada

The EU is Canada's second-largest trading partner after the United States. Canada is only on the ninth place in the list of EU trade partners. But the volume of trade, as shown in Figure 4, is constantly growing and for 2017 amounted to over 69 billion euros (in comparison to 2008 about 50 billion euros). The main articles of the trade exchange are engineering products, transport equipment, chemical products (exports from the EU); products of mechanical engineering, raw materials, agricultural products (import into the EU). For the trade of the EU with Canada is characterized by a stable surplus. (European Commission, 2018)

Figure 4. EU trade flows and balance with Canada, annual data 2008 – 2017, (Mio €)



Source: created by the author based on data from Eurostat.

The basis of the official EU relations with Canada was laid by the Framework Agreement on Trade and Economic Cooperation, signed in 1976. Before that, the only document regulating bilateral relations was the 1959 Agreement on the Investigation of Nuclear Energy for Peaceful Purposes. The beginning of full-scale, including political, cooperation of the parties falls in 1990, when the Declaration on Canada-European Community Relations was signed, which determined the format of bilateral relations for the long-term perspective. Now the parties annually hold two bilateral summits and two meetings at the ministerial level. Since 1999, the Canada Europe Roundtable for Business has been operating. It allows representatives of business circles to formulate and communicate their views on the issues of bilateral and multilateral trade relations to the authorities of Canada and the EU. (CERT, 2018)

In the second half of the 1990s, the EU and Canada entered into several sectoral agreements, including the 1995 Agreement on Scientific and Technical Cooperation (expanded in 1998); The Agreement on Education and Training of 1996 (supplemented in 2006), the Agreement on Customs Cooperation of 1997; Agreement on the mutual recognition of standards and certificates in 1998 (covers the sectors of telecommunications and electrical equipment, trade in pharmaceutical products and medical equipment); Veterinary Agreement of 1998; The 1999 EU/Canada Competition Cooperation Agreement (provides for the cooperation of supervisory services, joint struggle against illegal transnational cartels).

In March 2004, the EU and Canada signed a bilateral agreement on improving the mechanism of trade and investment. Its goal is to remove the existing barriers to the economic cooperation of the parties and prevent the emergence of new ones. The agreement covers such areas as mutual recognition of diplomas, e-commerce, financial sector, public procurement, copyright, science and technology, environmental protection. In 2007, the parties agreed on the Road Map for Regulatory Cooperation. In 2009, ten projects were implemented to bring together the regulatory framework and standards for electronic equipment, pharmaceuticals, food safety, automotive industry, and others. (Hübner et al.,2016)

In October, 2016 at the summit in Brussels, the EU and Canada signed the Free Trade Agreement. The Comprehensive Economic and Trade Agreement (CETA) between the EU and Canada is seen as a prototype for the much larger free trade agreement between the EU and the US (TTIP). The document provides for the abolition of 99% of customs duties between the parties and the pre-action regime, which will allow it to enter into force before ratification by parliaments of all 28 EU countries and Canada, as well as the European Parliament. (Hübner et al.,2016)

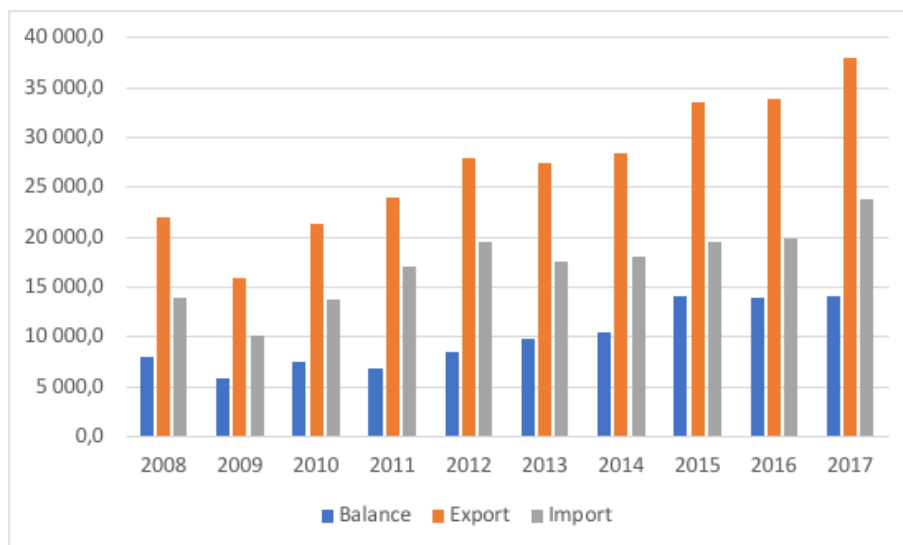
In addition to the abolition of customs duties, the agreement provides for the recognition in mutual trade of technical standards, intellectual property for copyright and individual rights. It also includes provisions for the protection of private businesses, under which any corporation can sue any government in the EU if it believes that its policy is bringing losses to it or threatening its perceived profits. In addition, the agreement protects the rights of all corporations that operate in Canada (even if their head office is located in another country). In this case, the parties to the contract may be not only Canadian, but also American, as well as Chinese corporations, if they operate in Canada. (European Commission, 2017)

Mexico

Mexico is the first country that in 1997 signed an agreement on economic partnership, political coordination and cooperation with the EU. Entering into force in 2000, it marked the beginning of a political dialogue and regular meetings at the highest level, and also established a free trade zone that allowed for a substantial increase in mutual trade and capital flows. (Monkiewicz, 2017, p. 187–202)

Shown in Figure 5, the volume of trade is constantly growing and for 2017 amounted to over 61 billion euros (in comparison to 2008 only about 7,8 billion euros). The main articles of the trade exchange are machinery and transport equipment, chemical products, manufactured goods (exports from the EU); products of machinery, mineral fuels, lubricants and related materials (import into the EU). For the trade of the EU with Mexico is characterized by a very high and stable surplus. (European Commission, 2018)

Figure 5. EU trade flows and balance with Mexico, annual data 2008 – 2017, (Mio €)



Source: created by the author based on data from Eurostat.

In the summer of 2008, the European Commission promulgated a new concept for the development of relations with Mexico. It indicates the purposefulness of establishing a strategic partnership between the parties. Particular attention to Mexico is justified by its close relations with the United States, membership in NAFTA and the OECD. (Monkiewicz, 2017, p. 187–202) A new approach on the part of the EU presupposes cooperation in four main areas: politics,

security, environmental protection and social and economic development. Now Mexico is one of the main strategic partners of the EU.

In May 2016, the EU and Mexico began negotiations to intensify trade exchange and modernize the existing for 16 years agreement. (Monkiewicz, 2017, p. 187–202) During these years, the volume of trade between Europe and Mexico has tripled. During the negotiations, Mexico seeks to achieve greater access to the European agricultural sector, while the EU seeks to benefit from the opening of the energy sector of the Central American country.

MERCOSUR

The EU has been openly supporting the integration of Mercosur since its inception, emphasizing their common political values and the importance of social cohesion for both regions. When Mercosur launched its customs union in 1995, the EU offered to negotiate an agreement between the two regions in order to become strategic interregional partners. The idea was proposed to adopt a bilateral free trade agreement. (Doctor, 2007, p.282)

Although an interregional cooperation framework agreement was signed in December 1995, official negotiations on the three elements of the political dialogue, including trade issues, began only after the first bi-regional EU summit - Mercosur in 1999. Only in July 2001 the EU made its first tariff proposal, which launched a process of negotiations on the terms of the agreement. With regard to trade negotiations, the goal was to move towards free trade in goods and services in accordance with the rules of the WTO. (Doctor, 2007, p.284) Several interregional agreements have been adopted on a wide range of issues, such as competition policy, public procurement, service liberalization and investment rules. Despite regular meetings and joint efforts to revitalize negotiations since November 2003, the parties failed to reach an agreement before the EU enlargement process began, and in October 2004 the service commission expired. The political opportunity to complete the negotiation process and reach agreement has disappeared.

The key issues in the negotiations on the signing of the Association Agreement was and remain the problem of access of agricultural products to the EU internal market and the associated abolition of subsidies to the agrarian sector, high import duties of Mercosur for engineering products, as well as limiting the capacity of European investors on equal terms participate in tenders and have access to public procurement. (Albuquerque & Lohbauer, 2013, p.20-22)

The main factors complicating the negotiation process are, on the one hand, the much higher economic potential of the EU and, on the other hand, different levels of integration of the parties: the EU at the moment is a full-fledged political union, while the countries of Mercosur are at the stage of forming a customs union, which presupposes the existence of certain problems in achieving unified approaches to regulating foreign trade. Another challenge is the enlargement of the EU, which entails the emergence of new interests and priorities in the negotiations. (Malamud, 2013, p.105) An important role is played by the lack of a common position within Mercosur, which is explained by different levels of economic development, and, consequently, by different foreign trade priorities. Argentina and Brazil are trying to maintain their leading position in the region, using negotiations with the EU as a counterweight to US hegemony.

At the end of 2015, the press published the statements of the leaders of the Mercosur on the need to conclude an agreement on free trade with the EU as soon as possible. (Reuters, 2017) In May 2016 the negotiations resumed. The parties agreed to exchange proposals. But soon 13 European countries led by France appealed to the EU Council for Agriculture, in which they expressed their concerns about the conclusion of the treaty. The EU's reluctance to come to a common position was the reason that the talks failed to produce results.

2.2 Partnership in Trade with Asia

Strengthening the processes of globalization and the rapid growth of international influence of many Asian countries naturally increase the importance of the region in the system of external relations of the EU. The nature of Euro-Asian relations is formed under the influence of various socio-economic factors. In Asia, there are over 60% of the world's population. The region is characterized by large socio-economic differences: some countries belong to the industrialized group (Japan, Singapore, Republic of Korea), others to dynamic developing countries, and third to the world's poorest countries.

The EU's relations with the Asian region are developing both in bilateral and multilateral formats. They cover a wide range of topics, including: trade and investment, political cooperation, scientific and technical research, maintenance of regional security, combating climate change, protecting human rights, forecasting and eliminating the consequences of

natural disasters. In the Asian region the closer look will be taken at the ASEAN, China, and Japan.

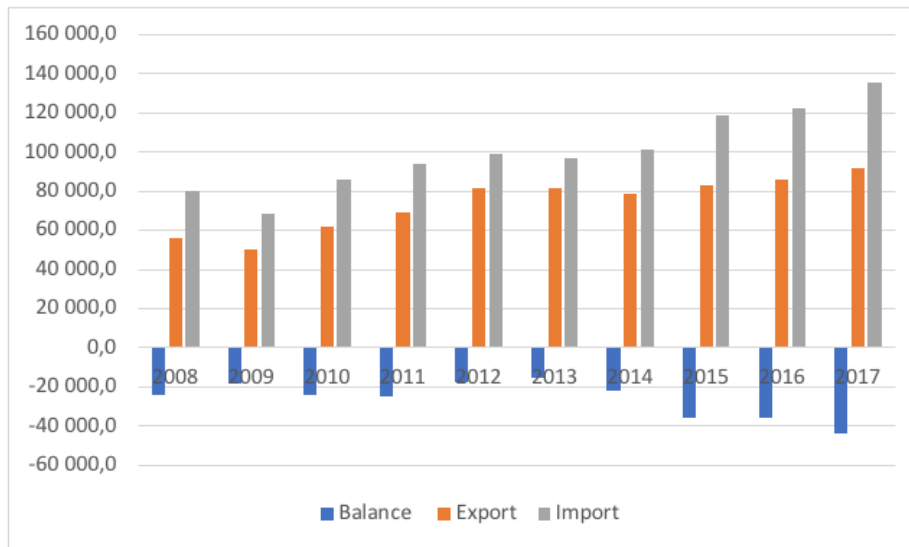
ASEAN

The globalization of the world economy is increasingly stimulating the transition from bilateral interstate relations to ties at the level of integration associations. One of the most striking examples of such relations is cooperation between the EU and the ASEAN. Relations between these unions, which for the years of their existence have turned into the most viable international associations, are a good example of equal political and economic ties between countries, so diverse in their history, ethnography and geography. (Vandewalle, 2014) The relations are based, first, on EU assistance in the economic development of the ASEAN countries, implemented in the form of promoting the formation of a modern economy, including investment, and, secondly, in trade.

ASEAN is the traditional partner of the EU in Asia. The relations of the parties are based on the Cooperation Agreement between the EU and the ASEAN member countries of 1980. (Wu, 2013, p.332-338) The grouping, which at that time included a significant number of non-socialist states, was viewed by the Euro-Atlantic community as an ally in opposing Soviet influence in Asia. From the very beginning, the EU's relations with ASEAN included political dialogue, trade and economic, as well as sectoral cooperation. Regularly (once every 1.5 years) there are meetings of the Joint EU-ASEAN Committee. (Wu, 2013, 332-338)

Most of the ASEAN countries are covered by the EU's generalized preferential system. These states can receive one-time financial assistance from the EU budget, in which there is an item of expenditure on development assistance. In 2017, EU exports to the ASEAN countries amounted to 91,7 billion euros, and imports – 135,6 billion euros (in comparison to 2008 – import 80,3 billion euros and export 56,3 billion euros) (Figure 6). (European Commission, 2018)

Figure 6. EU trade flows and balance with ASEAN, annual data 2008 – 2017, (Mio €)



Source: created by the author based on data from Eurostat.

In 1997, at the ministerial meeting of the EU-ASEAN in Singapore, a joint declaration was adopted on the "new dynamics" of bilateral relations. It proposed to deepen political cooperation, as well as to intensify cooperation in the field of economy and entrepreneurship. Continuing this line, in 1999 the parties adopted the Work Program, whose main task is to facilitate mutual access to markets. To this end, the following measures were envisaged: the establishment of a mechanism for regular consultations of trade experts, the harmonization of standards and certificates, the taming of customs procedures, and the liberalization of markets. (Lim, 2012, p. 48-51)

In 2005, the EU and ASEAN established a joint working group (Vision group) to consider the issue of the formation of a free trade zone. At the same time, the so-called dialogue on non-trade issues was launched, i.e. mechanism for sectoral cooperation. It covers such areas as energy, sea and air transport, rights and standards of intellectual property, higher education, information society. (Lim, 2012, p. 48-51)

Negotiations concerning trade transactions between the two organizations began in 2007 with 7 ASEAN Member States. And since 2009, the EU has started negotiating the creation of free trade zones with the following ASEAN countries – with Singapore and Malaysia in 2010, Vietnam in 2012 and Thailand in 2013, Philippines and Indonesia in 2016. Since March 2017 the Joint Working Group on the FTA is working on the parameters of a future ASEAN - EU region-to-region agreement. (European Commission, 2018, p.2)

In 2014 negotiations with Singapore on the FTA were successfully completed. “On 10 July 2015 the Commission lodged the application initiating proceedings with the Court of Justice of the EU for an Opinion on the EU competence to sign and ratify the agreement. The Court issued Opinion 2/15 on 16 May 2017.” (European Commission, 2018, p.3)

FTA negotiations were launched with Malaysia in 2010, however after seven round they were paused at Malaysia’s request, and no agreement was reached on the most important issues. Since 2016 EU and Malaysia are “assessing whether there is enough common ground to re-launch the negotiations in due course.” Comprehensive FTA agreement with Singapore and Vietnam are the guidelines for the EU. (European Commission, 2018, p.3)

Due to strong economic growth, Vietnam is becoming an increasingly attractive partner for Europe. By the way, the EU is one of the largest investors in Vietnam, and Vietnam has become the second most important trade partner of the EU among the ASEAN countries. After the end of the negotiations in 2015, in February 2016, the text of the EU-Vietnam FTA was published, which has now been subject to a legal review and is expected to enter into force by the end of 2018. (European Commission, 2018, p.3) Through the agreement, the EU and Vietnam are developing a strategic partnership. FTA will place exporters in the EU on a par with exporters from other countries that have already signed the FTA with Vietnam.

In 2013 the Council launched negotiation with Thailand on an FTA. But they were stopped due to military takeover in Thailand. The Council authorized the Commission to start negotiations with Indonesia in 2016, but no significant steps have been done yet. FTA negotiations were launched with the Philippines at the end of 2015, several rounds took place so far. (European Commission, 2018, p.3-4)

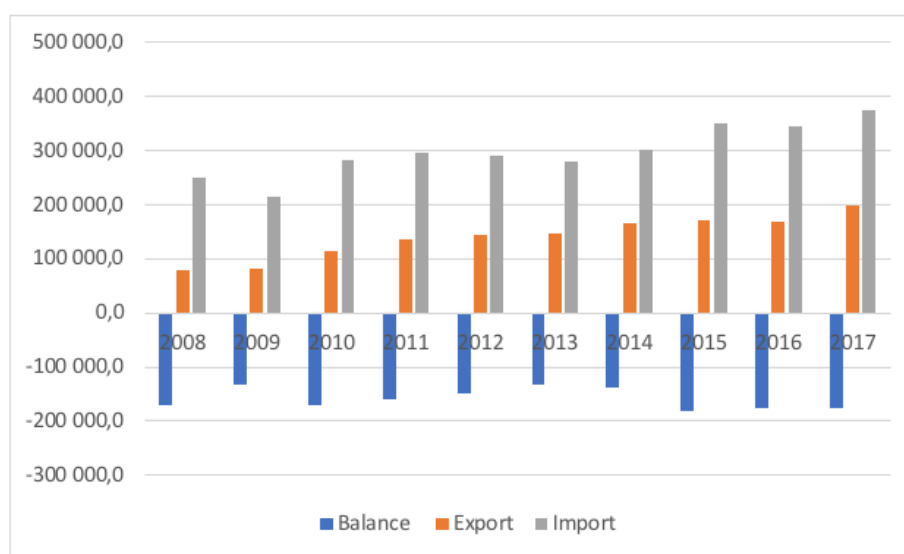
China

In the last decade of the XX century. The EU's relations with the dynamically developing the People's Republic of China have acquired a new quality. Their legal basis was laid down by the Agreement on Trade and Cooperation of the EU and China signed in 1985. (Sautenet, 2008, p.9) The exchange of letters that took place in 1994 gave impetus to the beginning of the political dialogue. The strategy of the EU's long-term policy towards China was formulated in the Communications of the European Commission in 1995, 1998 and 2001. (Sautenet, 2008, p.10-11) It assumed:

- intensification and institutionalization of political dialogue;
- Accelerating China's integration into the world economy and facilitating its accession to the WTO;
- Encouraging the democratization process in China;
- Development of EU investment activity in the PRC. Some of the goals from this list have already been achieved: in 2001, with the support of the European Union, China became a WTO member, a mechanism for a permanent political dialogue is established, and EU-China summits are regularly held.

An urgent problem for the EU is the development of an agreed position in relation to a new and highly controversial partner, China. In recent years, trade between the EU and the PRC has grown rapidly. To date, China is the EU's second most important foreign trade partner. (European Commission, 2017) For the EU, China's economic importance far exceeds its political weight. Mutual trade turnover is growing rapidly: in 2003 it was 135 billion euros, in 2008 - 326 billion euros, and in 2017 – already 573 billion euros. This allowed the PRC to become the EU's second largest trading partner (15.3% of its turnover) after the United States. The EU countries supply to China machinery and equipment, vehicles, chemical goods. The main items of Chinese exports are office and telecommunications equipment, textiles and clothing. (European Commission, 2018)

Figure 7. EU trade flows and balance with China, annual data 2008 – 2017, (Mio €)



Source: created by the author based on data from Eurostat.

The EU is in constant dialogue with the PRC on the liberalization of the Chinese domestic market. An important step in this direction was an agreement on the terms of admission of the PRC to the WTO. (Sautenet, 2008) According to it, China undertook to expand the access of European companies to the domestic market and liberalize the investment regime. Although the accumulated European FDI in the Chinese economy is much larger than the Chinese investments in the EU economy, the European Union is extremely interested in broad access to China's capacious domestic market. In 2002, the parties established a consultative mechanism for trade in industrial products, and in 2008 the High-level Dialogue on Economy and Trade began (in its framework annual meetings of the members of the European Commission and the Government of China). Among the issues discussed are trade and investment cooperation, mutual access to markets, protection of intellectual property rights.

The EU declares its desire for free trade with China, whose growing market is extremely attractive for European exporters. At the same time, the PRC's foreign trade policy causes considerable claims from the EU, the main of which are:

- industrial policy and non-tariff measures that are discriminative against foreign companies;
- strong government intervention in the economy
- unsatisfactory protection of intellectual property rights
- limited access to the services market due to bureaucratic barriers
- lack of transparency and predictability of decisions taken at the state level. (European Commission, 2017)

At the 16th EU-China summit held on November 21, 2013, the parties announced the initiation of negotiations on the conclusion of an Investment Agreement aimed at gradual liberalization of investment ties and the creation of a legal framework to strengthen the protection of investors in the partner countries markets. "In 2016 the EU and China negotiators reached clear conclusions on an ambitious and comprehensive scope for the EU-China investment agreement and established a joint negotiating text." (European Commission, 2018, p.10)

Japan

Japan is the traditional strategic partner of the European Union. During the Cold War, the close relations of the parties were dictated by the logic of the bloc confrontation. After its

termination the new factor, which conditioned the preservation of mutual interest, was the significant strengthening of China's international positions.

For several decades, relations between the EU and Japan have not been formalized in the form of bilateral cooperation agreements. The exception was the Agreement on cooperation in the protection of the environment (1977) and in the field of controlled thermonuclear fusion (1989). The basis of stable official contacts was signed in 1991 in The Hague by Japan, on the one hand, and the EU and its member states, on the other, a joint Declaration. It laid the foundation for regular bilateral meetings of EU and Japanese officials at the highest level, as well as at the level of ministers, members of the European Commission and senior officials of both sides. (Berkofsky, 2007)

At present, the Japanese-European relations include three main components: political dialogue, trade and economic relations, cooperation within the framework of a global and of mutual interest issues. The main topics of the political dialogue are the problems of regional security (Korean Peninsula, South-Eastern Europe), as well as some global challenges (combating international terrorism and climate change). On the issue of global warming, the positions of Japan and the EU practically coincide.

Japan is a traditional partner and at the same time a competitor of the European Union on world markets, especially in the production and export of high-tech products. In 2017, Japan ranked sixth in the list of EU trade partners with 3,5% of its foreign trade turnover (the same position as in 2008 but turnover was 4,1%). The main items of EU exports to Japan are machinery and equipment (including vehicles), chemical goods, agricultural products. In Japanese exports, machine-technical products, primarily cars. (European Commission, 2018)

Figure 8. EU trade flows and balance with Japan, annual data 2008 – 2017, (Mio €)



Source: created by the author based on data from Eurostat.

In trade in goods, the European Union has a relatively large negative balance of 8,3 billion euros in 2017. However, it should be noticed, that it reduced significantly with the development of relations in comparison to 2008 when it was negative 32.4 billion euros, largely due to Japan's protectionist policies at that times.

The EU's policy in the field of trade and economic relations with Japan is based on two priorities:

- Promotion to the Japanese market of industrial and agricultural products of Member States, as well as banking and financial services;
- Cooperation with Japan in the field of science and technology, industrial cooperation and mutual investment.

Since 1979, the European Union has implemented the EXPROM framework program, whose task is to facilitate the access of European companies to the domestic market of Japan. It includes three directions: assistance to small and medium-sized enterprises, training of personnel of European companies in Japan, targeted support of European exporters. For a long time, bilateral industrial forums, as well as round tables of businessmen, have entered the practice.

Since 1994, the parties have supported the so-called Regulatory Reform Dialogue, designed to facilitate the entry of enterprises into the domestic market of each partner. At the annual meetings, the parties agree on a list of positions on which the mutual removal of barriers will take place and monitor the implementation of earlier commitments. In 2001, the parties signed an agreement on the mutual recognition of certificates and standards in the field of pharmaceutical, chemical, electrical and telecommunications equipment. (European Commission, 2018)

A new step towards the liberalization of mutual trade was the Agreement on customs cooperation between the EU and Japan, signed in January 2008. In the spring of 2009, it was decided to start work on a new agreement on economic cooperation, which should replace the one adopted in 2001. (European Commission, 2018)

Regarding the recent interaction of the EU with Japan, it should be noted that despite the negotiations initiated in November 2012 on the creation of a Free Trade Zone, there has been considerable disagreement between the parties over the cancellation of the traditional trade barriers for a long time. In this regard, the European Commission was considering the possibility of including in the text of the agreement a "protective clause" allowing the parties to return restrictive measures with respect to "sensitive" positions in the event of a threat of serious damage to national producers.

However, in 2017 the EU and Japan reached an agreement in principle on the main elements of an Economic Partnership Agreement at the EU-Japan summit, and managed to finalize it before the end of 2017. "The EPA removes the vast majority of duties paid by EU companies, opens the Japanese market to key EU agricultural exports and increases opportunities in a range of sectors. It sets the highest standards of labor, safety, environmental and consumer protection, data protection, fully safeguards public services and has a dedicated chapter on sustainable development. For the first time, an agreement includes a specific commitment to the Paris climate change." (European Commission, 2018, p.2) The treaty is now subject to ratification by both parties.

2.3 Trade Negotiations with EU's Neighbors

The EU and its neighbors are interested in developing close trade relations and achieving open and sustainable economic growth. In its policies the EU pays a lot of attention on the removal of restrictions in foreign trade with neighboring countries.

The European Neighborhood Policy owes its birth to the processes of the enlargement of the European Union 2004-2007. Operating since May 2004, when the EU includes 16 states of Central and Eastern Europe, it defines the concept and practice of EU relations with countries from its new "the geographical proximity". (Cadier, 2013, p.52-58) In the east of the EU are the CIS member states, in the south and south-east - the states of the Mediterranean and Black Sea regions.

In the years 2003-2006, three basic documents on the Neighborhood policy were published:

- Report of the Commission of the EU "Wider Europe - Neighborhood: A New Framework for Relations with Our Eastern and Southern Neighbors", dated March 11, 2003;
- report of the EU Commission "European Neighborhood Policy. Strategic Report" dated May 12, 2004;
- Regulation on the establishment of the European Neighborhood and Partnership Instrument (ENPI) of October 24, 2006.

The first two documents compiled by the EU Commission have political force. They set out the principles, the composition of participants, the content and mechanisms for implementing the ENP. The Regulation determines the procedure for financing the ENP and is legally effective. (Poli, 2015, p. 133-163)

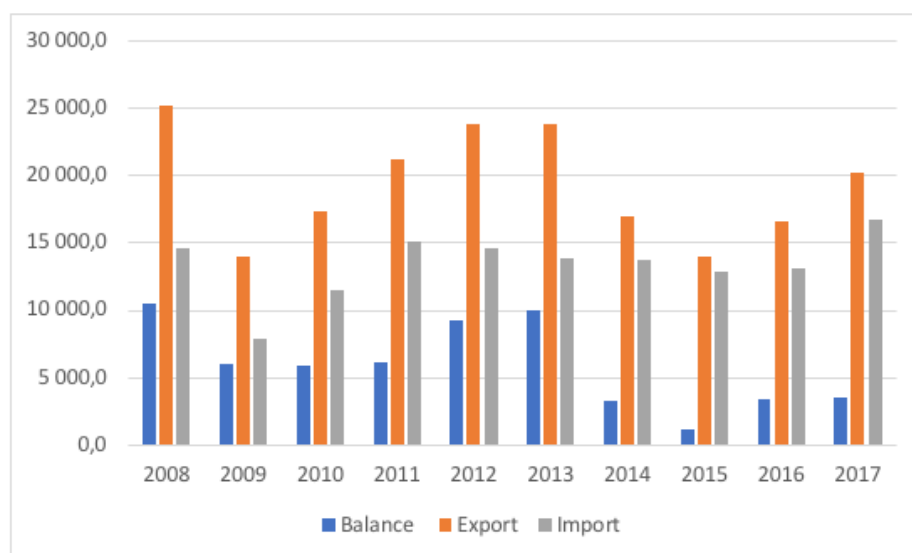
The special section of the ENP opens with a socio-economic bloc. Here, the main reward for the neighboring countries is the gradual opening up for them of the EU internal market. The movement to the known four freedoms is made dependent on the approximation of the domestic legislation of the neighboring country with the relevant EU legal norms. (Poli, 2015, p. 133-163)

The regulation of the EU's relations with its neighbor's points to the need to focus on improving the stability and sustainability of the EU's eastern neighbors. In order to fulfill these tasks, at the Eastern Partnership Summit held in Riga in 2015, there was affirmed the existence of a unified position on the adoption of more decisive measures in four key priority areas, first of which is economic development and market opportunities, that entails trade. (Potjomkina, 2016, p.211-222) The Eastern Partnership is aimed at deepening and strengthening relations with the six eastern neighbors of the EU: Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. (European Commission, 2016)

Ukraine

Ukraine is not the biggest trade partner of the EU, but one of the most important among the neighboring countries. Trade tendencies are not stable and are influenced by many external and internal factors. Thus, there was a sharp decline in trade volumes after economic crisis from 25 billion euro in export and 14 billion euro in import in 2008, to 13 billion euro in export and 7 billion euro in import in 2009. Up to 2013 there was some stable growth to 23 billion euro in export and 13 billion euro in import, but then again, a decline caused now by the internal crisis in Ukraine. As for 2017, Ukraine occupies the 25th position of the EU trade partners with 20 billion euro in export and 16 billion euro in import (Figure 9). (European Commission, 2018)

Figure 9. EU trade flows and balance with Ukraine, annual data 2008 – 2017, (Mio €)



Source: created by the author based on data from Eurostat.

A separate attention here will be drawn to Ukraine. Ukraine is considered by the European Union as a priority partner in the framework of the ENP and the Eastern Partnership. In December 2005, the EU granted Ukraine the status of a country with a market economy. In 2007, the parties started negotiations on an association agreement, which would replace the current PCA. Its goal is to ensure the political association of Ukraine with the EU and its integration into the ENP. In 2008, after Ukraine's accession to the WTO, negotiations began on the formation of the FTA. In the spring of 2010, 30 sections of the new agreement have already been agreed, including issues of economic and sectoral cooperation, as well as the harmonization of Ukraine's legislation and standards with similar EU standards. Close to completion, the coordination of sections on external and internal political cooperation. At present, Ukraine coordinates its foreign policy with the common positions of the EU countries, which are coordinated within the framework of the CFSP, including security issues and crisis management. Preparing for the implementation of the new agreement, in 2009 the EU and Ukraine agreed on a plan of action in various areas of cooperation: the Association Agenda, and in January 2010 - the priorities of this agenda.

The Agreement on the Deep and Comprehensive Free Trade Area (DCFTA) is part of the Agreement on the Association of Ukraine with the EU, negotiations on which were concluded between the EU and Ukraine since 2007. As a result of accelerated negotiations with the new government of Ukraine, the political bloc of the agreement was signed in March, and its economic part, including the DCFTA Treaty, in June 2014. (European Commission, 2015) However, there are some threats that may affect Ukraine negatively in the process of application of the agreement. They are connected with:

- the obligation of Ukraine, standard for FTA's between the EU and developing countries, is the convergence of national legislation with the EU legal system, including the introduction of numerous European standards, which will require significant costs from Ukrainian producers and ultimately reduce their competitiveness in the domestic market;
- all issues of trade and economic relations with third countries Ukraine will have to coordinate with the EU, which entails deterioration of relations with key partners of Ukraine from the countries of the Customs Union;
- in order to protect European agricultural producers from the growth of imports in the agreement between the EU and Ukraine, significant restrictions have been introduced, both tariff and non-tariff. At the same time, these restrictions are aimed at curbing the import of

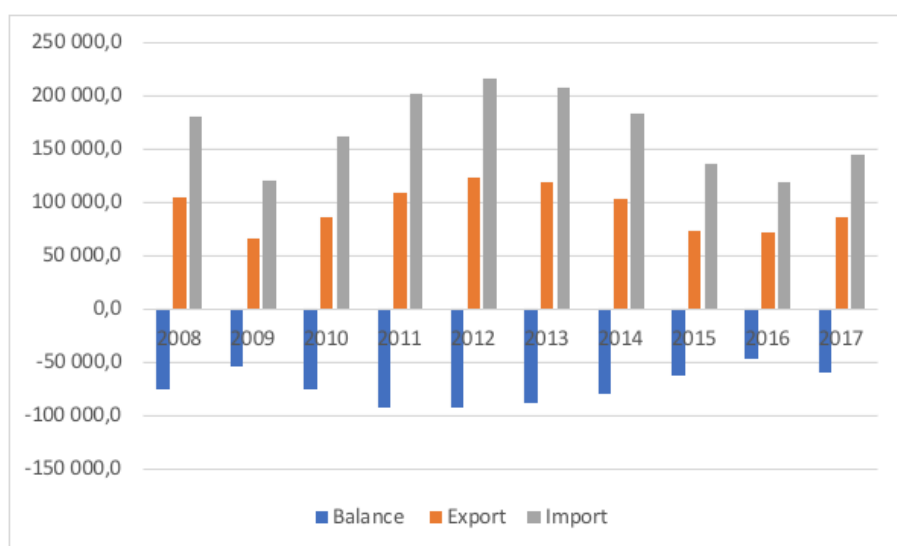
Ukrainian agricultural products, which are the most competitive. (Kravchuk & Popovych, 2016, p. 10-17)

Nevertheless, according to the trade report of the State Statistics Service of Ukraine, a year after the entry into force of the Association Agreement between the EU and Ukraine, there is an increase in the export of Ukrainian goods and services to the EU. Despite the fact that the mentioned growth is rather modest, it still indicates that the Association Agreement, and in particular the establishment of a DCFTA between the EU and Ukraine, is beneficial for the country. (Spiliopoulos, 2014, p.256 – 263)

Russia

Economic cooperation is the sphere of the most significant and obvious progress in the relations between Russia and the EU. During the period 2008-2012, the volume of their mutual trade increased from 285 to 338 billion dollars but dropped between 2012-2017 to 231 billion dollars. (Figure 10) In 2017, Russia came in fourth place as an EU partner – 6,2% of its foreign trade in the same year. (European Commission, 2018)

Figure 10. EU trade flows and balance with Russia, annual data 2008 – 2017, (Mio €)



Source: created by the author based on data from Eurostat.

In the development of economic relations between Russia and the EU, the business community is playing an increasingly active role. The European business is an active participant in the meetings of the Foreign Investment Advisory Council, established under the Russian

government in 1994, but has been active since the beginning of the 2000s. Since 1997, the EU-Russia Industrialists' Round Table has been held annually. In October 2005, the Russian Union of Industrialists and Entrepreneurs and the Union of Industrial and Employers ' Confederations of Europe signed a memorandum of understanding

The EU and Russia have long since officially formalized the foundations for cooperation in the 1997 Agreement on Partnership and Cooperation. This agreement was designed for ten years. In 2007, it was renewed. In 2008, Russia and the EU began negotiations on the New Basic Agreement, because they felt the need to update the legal framework, which no longer covered the full range of mutual cooperation. But the negotiation process was suspended, due to the ongoing conflict in Georgia. (Schmidt-Felzmann, 2016). In 2010, following the results of the Rostov summit, the Partnership for Modernization Program was launched. The program included the most important economic parts, as well as joint technical aspects of modernization. But in 2014, after the beginning of the Ukrainian crisis, all programs were suspended. Mutual sanctions were introduced. European development banks have suspended all financing projects; several companies and individuals from Russia have closed access to financial markets. As the result of the introduction of mutual sanctions, the volume of trade fell sharply in 2014. (Schmidt-Felzmann, 2016)

The EU Trade and Investment Strategy, approved by the EU Council on November 27, 2015, says: "The EU's strategic interest remains to achieve closer economic ties with Russia. The prospects for this will, however, be determined primarily by the course of Russia's domestic and foreign policy, which so far gives no signs of necessary changes. The developments within the Eurasian Economic Union also have to be reflected upon". (Chizhov, 2016) In early 2017, the trade turnover between the EU and Russia began to recover as stated in the report of the research service of the European Parliament.

3 Practical Application of Free Trade Agreements: India and Brazil

As we can see from the previous chapters, the EU is interested in growing the network of connection with all parts of the world and FTAs are in high priority in these terms. Therefore, India and Brazil are two fast-growing world powers from the BRICS association, that are of particular interest due to the scale of trade and size of economies.

Brazil was one of the first countries to establish diplomatic relations with a united Europe in 1960, signing an agreement with the then European Economic Community. Both sides show interest in developing relations, although they are not always able to reach the level of concrete agreements.

The EU and India are very important "strategic partners". From the point of view of formal statistics, the EU is the main economic partner of India. However, in practice the situation is much more complicated. First of all, there is no clear definition of a "strategic partnership", and besides, despite the importance of relations for both sides, politics and the economy of New Delhi are increasingly focused on the countries of East Asia and the United States.

3.1 Overview of the Development of Partnership Relations with India and Brazil

The development of more intensive ties between Brazil and the EU was facilitated by the signing in June 1992 of a framework agreement on cooperation, according to which the parties pledged to hold regular political consultations on issues of mutual interest and expand the spheres of economic and technical cooperation. (European Commission, 2006, p.29-31) Since the late 1980's. Brazil has become very attractive for Western European partners. Significant political and economic changes took place in the country: the authoritarian military regime was liquidated and the transition to a democratic political system began.

The Brazilian leadership regards relations with the European Union as one of foreign policy priorities, an important direction designed to ensure the country's long-term interests in the political, trade-economic and social spheres. The importance of these links for Brazil is determined by the cultural and historical community, the traditional orientation towards

European markets, which account for up to a quarter of the country's foreign trade turnover, the largest amounts of EU investments that have been accumulated here.

Relations between Brazil and the EU are structured into several interdependent vectors. First of all, these are the relations with the leading European states, the integration processes under the EU - Mercosur, the Institute of Euro-Latin American summits operating since 1999, direct contacts between Brazil and Brussels. (European Commission, 2006, p.29-31)

An important role in the development of relations between the EU and Brazil was played by President Fernando Henrique Cardoso, thanks to conducting modernizing neoliberal reforms, which resulted in a democratic and economic stability in Brazil for the first time in a long time, allowing long-term planning in the most important areas of economy and politics. In the last decade of the XX century, in the relations between Brazil and the EU, there has been a turn from a narrowly pragmatic approach, that is, from the development of only trade and economic cooperation, to its expansion, as well as the adoption of joint decisions on such socio-economic and political problems as the protection of human rights, and hunger, foreign debt, environmental protection, the fight against drug trafficking. (Cervo, 2010)

However, in the modern world, the country's political weight depends on the power of its economy. Based on this statement, we can assume that Brazil will become one of the many centers of the world in the case of the development of a system of international relations in the multi-polar scenario. (Cervo, 2010) Therefore, Brazil began to pay special attention to the development of trade with the EU countries. The country began to implement the program of economic stabilization, which provided for accelerated privatization and attracting foreign capital. Indeed, the influx of foreign capital into the Brazilian economy has grown significantly, in addition, the influx of foreign direct investment has increased, which is very important for the country. Leading European companies have begun to modernize their businesses in Brazil. The presence of a large local market allowed the branches of European TNCs to expand the sales network and increase production.

It should be noted that due to mutual efforts, trade and economic relations between the EU and Brazil over the past 10-15 years have significantly intensified, despite financial crises in the Western Hemisphere. European enterprises occupy important positions in the industrial sector of Brazil. European TNCs operating in high-tech sectors of the economy are making a significant contribution to the restructuring of Brazil's industrial production, increasing its

technological potential. Direct investments from the EU are directed to the financial sector and banking of Brazil, to trade, to insurance, to maintaining infrastructure, and are also distributed among private farms.

In 1992, a Framework Agreement for Cooperation between the European Economic Community and the Federative Republic of Brazil, in 1995 the Interregional Framework Cooperation Agreement between the European Community and Mercosur and the Joint Declaration on Political Dialogue between the European Union and Mercosur. 1998 was marked by the release of the first document with a note "strategic", not only defining the direction of cooperation, but involving the provision of financial assistance to Brazil. (European Commission, 2006, p.29-31)

Intensification of relations took place during the period of the 2000s. The growth of foreign policy and internal political resources organically coincided with the desire of the Brazilian leadership to consolidate its positions in international affairs. During this period, the EU, for its part, also showed increased interest in Brazil, although it is believed that this was done too late. In the mid-2000s, Brazil already occupied a certain niche in world politics, and the EU missed this point, although at the level of the member countries there was an understanding of the new role of Latin America and Brazil. (Cervo, 2010) In particular, an example of active interaction between Brazil and Germany is known, especially in international organizations.

One way or another, in 2007, the document on strategic partnership, which was fundamental for the EU-Brazil relations, was signed. The starting point in the partnership process was the Commission's report on the growing role of Brazil, its economic and political potential, its influence in Latin America and the Caribbean (LAC) and active international activities, which determined the need for establishing special relations between Brasilia and Brussels. (European Commission, 2006, p.29-31) For both sides, this was a new stage of interaction, complemented by a new format - the annual EU summits - Brazil. The priority themes within the framework of the strategic partnership are climate and sustainable development, poverty alleviation, stability and prosperity of the Latin American region, as well as the integration of Mercosur.

Of course, the EU and Brazil do not limit themselves to political interaction. Relations are based, among other things, on trade and economic, financial and investment interests. On

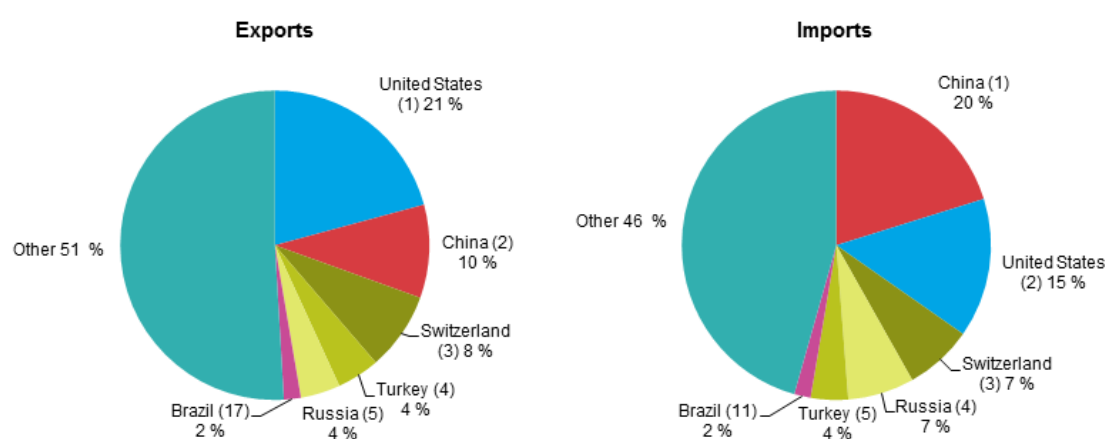
the scale of cooperation, the EU is one of the largest, along with the US and China, partners of Brazil. Traditionally, some European countries had close trade and economic ties with Brazil (in particular, Portugal and Germany), and this trend is also typical for the whole EU. Since the beginning of the 2000s, there has been a steady increase in trade and economic indicators, especially export-import figures. In 2014-2015, Brazil and the EU reached export and import levels of over 30 billion euros.

Trade, economic and political cooperation between Brazil and the EU was simultaneously built in the framework of multilateral structures, in particular at the sites of Mercosur, CELAC, the EU-LAC summits, as well as in most major international organizations. (EEAS, 2016)

In general, the relations between the united Europe and Brazil can be characterized as dynamic and productive. The interaction of Brazil with the EU is not burdened by fundamental contradictions of a political or economic nature, which, however, does not mean that there are no contradictions at all.

As for the Brazil position among EU trading partners, as shown on the Figure 11, in the beginning of 2018, it is slightly behind India, occupying 17th position in exports and 11th position in imports (11th position in total trade).

Figure 11. The position of Brazil among the EU's main partners, 2018 (January 22)



Source: Eurostat (2018)

Formally, the relationship between the EEC and India was established in 1962, when Brussels and Delhi exchanged embassies. The first cooperation agreement was signed in December 1973 after the entry of the United Kingdom into the EEC, when the countries of the British Commonwealth faced the loss of trade preferences. However, almost a third of a century passed, before the first EU-India summit was held in 2000, and relations between them in 2004 were recognized as strategic. There were several reasons for this. (Delegation of the European Union to India, 2013)

Firstly, India's relations with Europe were traditionally oriented toward Great Britain, which, as is known, joined the EEC only in 1973. Secondly, until the early 1990s, India as the leader of the non-unification movement supported the policy of the Soviet Union, and its relations with the West were cool. Economically, India was not too involved in the world economy and trade, pursuing a policy of creating an industry that would reduce imports. With a certain degree of simplification, it can be said that before the collapse of the Soviet Union, India was closer to Moscow than to Europe or to the United States.

Since the early 1990s, the country has embarked on the path of economic reforms, which has involved it in the process of international integration. Relations with the EU have become for India one of the most important areas of diplomacy and development of economic ties. (Von Muenchow-Pohl, 2012) The structural reconstruction of its economy was to a large extent also contributed to the crisis that hit the country's economy in 1991. India began to actively cooperate with the IMF, WTO and the World Bank, and intensified measures to optimize industrial and financial policies. From 1990 to 1995, per capita income doubled, and the average annual increase in GNP was more than 6%. The growth of the economy and changes on the political map of the world led to the restructuring of Indian foreign policy concepts. The role of the West in the country's politics began to increase, which led to the expansion of ties with Europe. (Delegation of the European Union to India, 2013)

In 1994, the EU and India signed the Cooperation Agreement, according to which the parties were granted the most-favored-nation status. (Delegation of the European Union to India, 2013) As the main directions were identified:

- exchange of information and ideas;
- research development;
- provision of technical assistance;

- establishment of contacts between research, educational centers, specialized agencies and administrative bodies;
- access to existing databases and the creation of new ones;
- working groups and seminars;
- exchange of experts.

The plans adopted by the parties are coordinated with the Indian documents that determine the socio-economic development of the country. The cooperation was based on the document of the Indian government Approach to the implementation of the Eleventh Five-Year Plan. The priority areas of cooperation include combating poverty, supporting agricultural development, developing industry competitiveness, and relearning and relocating people who lost their jobs. All this literally coincides with the Joint Action Plan adopted at the 6th summit in 2005. In accordance with it, the parties hold regular summits, ministerial meetings, experts on a wide range of issues, including the human rights issue. (Delegation of the European Union to India, 2013)

The EU also provides significant technical assistance to India. Its goal is to integrate the country into the world economy and expand bilateral trade. Under the Trade and Investment Promotion Program for 2002-2006, the EU provided technical assistance to India in the amount of EUR 13,4 billion. In 2017, a new Investment Facilitation Mechanism was established for a closer coordination and promotion of EU investment in India. In 2005, the parties, as mentioned, adopted the Joint Action Plan, which shows that the links between the EU and India, with an emphasis on rendering assistance to India, are increasingly moving towards equitable cooperation, in particular in such international spheres as the fight against terrorism or problems climate change. (Delegation of the European Union to India, 2013)

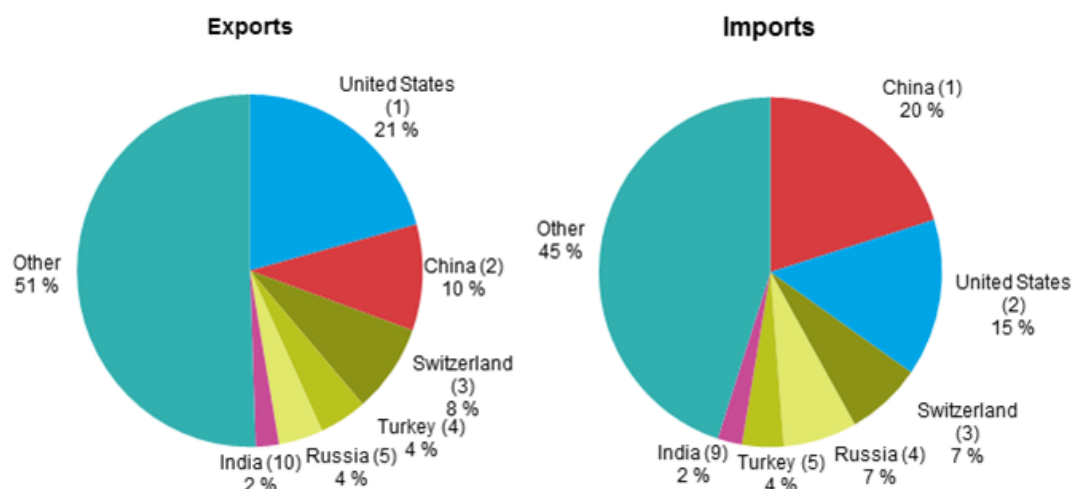
Of particular interest today is the development of a strategic partnership between the EU and India in conditions of asymmetric interaction of the majority of actors in the system of international relations. First, the expansion of EU-India cooperation was influenced by intra-European challenges: Brexit, migration problems, the economic crisis in the euro area, and political changes in EU institutions. Secondly, the administration of Donald Trump wants to maintain the status of the US as the only global leader. However, times have changed, global challenges have spawned and new rules of the game. China, India, a number of Western European and Latin American countries are not satisfied with this state of affairs in the international arena. Thirdly, the strengthening of cooperation on the EU-India line is also

affected to some extent by the political course of the PRC government. China is not so actively seeking to include India, unlike Pakistan or even Bangladesh, in its geostrategic project "New Silk Road", thereby pushing "the biggest Asian democracy" to seek new markets and strengthen cooperation with one of the strongest opponents of the Celestial Empire - USA. The US government promotes rapprochement with India, showing it by lifting sanctions from Indian Prime Minister Narendra Modi and concluding in 2015 of a framework agreement on US-Indian military-technical cooperation.

Speaking about the Strategic Partnership between the EU and India, it is necessary to note the main dates and facts that have influenced the development of this kind of cooperation. In the recent years, the EU remains India's largest trading partner. Until 1966, the picture was different: India was part of the sterling zone, and its largest economic partner for many years remained the United Kingdom. In 2004, conditions were created for the conclusion of the Strategic Partnership between the EU and India. In 2005, the Summit adopted the EU-India Joint Action Plan, which was improved in 2008. (Delegation of the European Union to India, 2013) Relations between the EU and India are evolving through regular summits, ministerial meetings and experts, exchanges of parliamentary groups. An important event is the 13th summit of EU leaders - India, held on March 30, 2016 in Brussels. At the summit, EU leaders Jean-Claude Juncker and Donald Tusk and India (Narendra Modi) endorsed the EU-India Action Plan for 2020, the so-called road map, with practical actions for the next five years in various spheres of interaction.

In 2016-17, the EU remained India's largest trading partner. Until 1966 the picture was different: India entered the sterling zone, and its largest economic partner for many years remained the United Kingdom. From 1980 to 2017, trade between the EU and India increased almost 20-fold - from 4,4 billion euros to 85,9 billion euros. As shown in the Figure 12, India is in the top ten trade partners of the Union, taking the 9th place in terms of trade volume in 2017 (9th place in EU imports and 10th in exports). In 2017, EU imports from India amounted to 44,1 billion euros (2,4% of total imports), exports to India were 41,7 billion euros (2,2% of total exports). The range of goods supplied to India generally coincides with the overall structure of EU exports. In the first three groups of goods (machinery and transport, manufactured goods classified chiefly by material, and goods of the chemical industry), in the EU exports to India in 2017, were accounted for 81,2%. In the EU import from India the same three groups of goods prevail plus Miscellaneous manufactured articles, and all together they account for 82,7%. (Eurostat, 2018)

Figure 12. The position of India among the EU's main trading partners, 2017 (November 7)



Source: Eurostat (2018)

Although the economic relations between the EU and India retain the dynamics of development for many years, they, according to some economists in Europe and India, are still far from realizing their potential. India often jealously compare the volumes of EU trade with other countries, like the United States, China and Switzerland, trade with those countries are several times greater than with India. Both sides believe that an increase in the scope of economic ties can be achieved through the conclusion of the FTA. (Von Muenchow-Pohl, 2012)

Negotiations on creating FTA between the EU and India began in 2007. The leaders of both sides agreed to increase mutual investment and expand bilateral economic and trade cooperation, and also make efforts to sign an agreement on the creation of a free trade zone at the summit next year. (Delegation of the European Union to India, 2013) However, after 12 rounds the negotiations were brought to standstill in 2013 due to different expectations and requests. However, the talks are now renewed and both parties show again an interest in expanding relations and intend to create a trade agreement acceptable for both.

India, with its steady demographic and economic growth, is an excellent partner for the EU countries. As well as in the case of EU-Brazil relations, relations between the EU and India are developing in a positive manner, but there are also divergences of positions.

Analyzing the patterns of the relationships of the EU with Brazil and India, we can see some trends and similarities. In the 90's the relationship with both regions significantly

intensified that led to Strategic partnership with India in 2004 and Brazil in 2007. In the same manner, the EU has been negotiating FTA with both parties for many years under influence of internal and external changes and challenges. Moreover, Brazil and India have very close positions among the other EU's trading partners, what makes them equally attractive.

3.2 Difficulties and Disagreements in the Trade Liberalization

As was previously mentioned, negotiations about FTA between EU and India started in 2007, and the signing was planned for late 2008, however, although intensive negotiations were held in 2008 and 2009, the agreement was never concluded. (Delegation of the European Union to India, 2013) The Indian side insisted on easing the EU's requirements for the safety of food imports and for more liberal laws regulating the status of working in Europe Hindus. For its part, the EU insisted on liberalizing the Indian service sector and foreign investment in India, demanding the lifting of the ban on the participation of European companies in public procurement tenders. In addition, most Western European countries condemn the Indian government for caste, confessional and gender issues. Divergent positions of the parties were as well on the preservation of intellectual property. India refused to accept the high demands in this area, which the Europeans were insisting on. (Ranjan, 2016)

Another obstacle to the signing of the agreement was the desire of the EU to include in the text an item on the observance of human rights, which is done by the decision of the Council of Europe of 1995. The EU countries are experiencing a violation of human rights and freedoms in India. (Von Muenchow-Pohl, 2012) India objected to this for two reasons. First, although India is a member of the UN Human Rights Council, it was not in a hurry to ratify various kinds of documents of the Council, considering them interference in the internal affairs of the country. Secondly, in India it is believed that the inclusion of this item in the trade agreement contradicts the principle of separation of politics and economy and can be used by the EU for trade protectionism. It should also be noted that the economic crisis forced many of the provisions of the future agreement to be reviewed, which still prevents the parties from reaching a final resolution of this issue. (Von Muenchow-Pohl, 2012)

Unresolved Indian-Pakistani and Indian-Chinese territorial disputes, as well as India's non-compliance with the agreements on reducing CO2 emissions into the atmosphere are also obstacles on the way to the mutual agreement. The Government of India does not accept the

interference of other states in Indian-Pakistani relations, especially if it concerns territorial disagreements between the two countries. In addition, the Indian government expresses dissatisfaction when some EU countries provide military or military-technical assistance to Pakistan, conduct joint military exercises. (Von Muenchow-Pohl, 2012)

Another part of disagreements is concentrated in the political sphere, that prevents India and EU from getting closer. The proposal of the European Union to India to hold annual summits, adding it to the elite club of countries, with the leadership of which the EU met annually (USA, Canada, Japan, Russia and China), could not but cause legitimate pride in Delhi. (Von Muenchow-Pohl, 2012) However, at the first stage the summits often led to sharp disagreements on the problems of foreign policy. At the second summit in 2001 in Brussels, EU leaders were absent because they were on a visit to Pakistan one year later at the third summit. The prime minister of Denmark, A. Rasmussen, who presided over the EU, tried to persuade India to immediately resume the dialogue with Pakistan and withdraw troops from the border. Naturally, India perceived such a policy only as an interference in the internal affairs of its country, and the EU began to avoid topics that could provoke a negative reaction from Delhi.

Today, both sides are trying not to mention the problem of Kashmir and relations between India and Pakistan in the documents on the negotiations at the highest level. For example, in the communique on the 2009 summit, the foreign policy section referred to the positive attitude of the parties to the activities of SAARC, the situation in Afghanistan, the human rights situation in Myanmar, the political situation in Nepal and Iran, and cooperation within the framework of the ASEM. In the section on counter-terrorism, the parties condemned the terrorist attack in Mumbai in 2008 and recognized the need for joint efforts to combat terrorism, but neither the issue of Kashmir nor India's accession to the Treaty on the Non-Proliferation of Nuclear Weapons was mentioned.

Both sides define their relations as "strategic", however they have different understanding of the nature of this definition. For the EU, the strategic nature of relations is quite formal: India is a country with a huge population, with a rapidly growing economy, striving to enter the world elite. No specific obligations "strategic" relationship in itself does not carry. For India, a strategic partnership with the EU primarily complements its efforts to become a leading world power and must provide it with a productive, systematic and multi-level strategic dialogue with concrete decisions on a wide range of issues. (Von Muenchow-Pohl, 2012) Until now, the EU is not in a position to ensure this on the scale that India is

counting on. According to the director of the French National Center for Scientific Research, C. Jaffrelot (2006): "In the minds of Indian leaders the United States offers leadership that cannot be easily dismissed, while Europe seems still to be looking for an international role, and is not a major international actor due to its own internal divisions and the lack of any credible way of projecting its power."

In many ways, it is these considerations that determine the ever-greater tendency of Indian policy toward the US. Indian diplomacy constantly faces a certain choice between Brussels and Washington, despite the similarity of the positions of all three on the main issues of international relations. At the same time, for today's India, due to rather specific reasons, the United States becomes a strategic ally more than the EU. After September 11, 2001, relations between India and the US moved from the crisis caused by the Indian nuclear tests of 1998 to a gradual improvement, and then to almost allied relations. In 2004, they signed the agreement "Steps towards a strategic partnership". (Von Muenchow-Pohl, 2012)

As the Indian political scientist R. Jain (2005, p.34) wrote with bitter irony: "Unlike relations with the United States, Europe is like "the bawdy old lady," known for over four centuries, that there is "no excitement, no passion" between India and Europe. India, the Europeans often complain, "likes" Europe, but "loves" the United States, even though it is "tough love." The problem is that Europe wants "to be loved," and is disillusioned when it finds that India is not willing to reciprocate. It is not really a question of either the United States or the EU, but within the web of relationships, some will naturally be closer than others."

Indian foreign policy still retains the remnants of anti-imperialist rhetoric inherited from leadership in the non-alignment movement, but the equations of real politics push these slogans farther and farther into history. At the same time, India, despite the progress of its relations with the United States, is sympathetic to the European aspiration to become one of the world centers. This coincides with Delhi's own ambitions, although India still does not always perceive the EU as a single whole. It has special, historically developed relations with Great Britain, and the special position of Paris in relation to the United States helped to strengthen the Indo-French ties, which contributed to the high level of military-technical cooperation between them. However, the global role of the EU in world politics is seen in Delhi rather as a potential than as a reality.

FTA for Brazil is negotiation as a part of FTA for Mercosur, therefore, here we will look at disagreements between EU and Mercosur as a whole with the focus on the role of Brazil. Although an interregional cooperation framework agreement was signed in December 1995, official negotiations on the three elements of the political dialogue: cooperation and technical assistance, as well as trade issues, began only after the first bi-regional EU summit - Mercosur in Rio de Janeiro in June 1999. (Querci, 2017) Only in July 2001 the EU made its first tariff proposal, which launched a negotiation process on the terms of the agreement. With regard to trade negotiations, the goal was to move towards free trade in goods and services in accordance with the rules of the WTO. (Doctor, 2007, p.284) However, the EU sought to postpone negotiations as far as possible, and also demanded the use of a "preferential", rather than "free" definition of a trade agreement. They were tied to the forthcoming round of WTO negotiations, which were subsequently interrupted in Seattle in 1999, resumed in Doha in 2001, but then again stopped in Cancun in 2003. This futility reflected the lack of progress on the interregional front. (Doctor, 2007)

The EU - Mercosur bi-regional committee for negotiations was the main forum for negotiations, its work was complemented by other institutional structures, such as the subcommittee on cooperation, as well as the three technical groups on trade. Several interregional agreements have been adopted on a wide range of issues, such as competition policy, government procurement, service liberalization and investment rules. The European Union - Mercosur bi-regional committee met three times each year to discuss progress in the negotiations, focusing on trade issues. Despite regular meetings and joint efforts to intensify the negotiations since November 2003, the negotiators could not reach an agreement on the second EU summit - Latin America, which was held in Mexico in May 2004. (Doctor, 2007) The situation became stalemate. The parties failed to reach an agreement before the EU enlargement process began, and in October 2004 the service commission expired. The political opportunity to complete the negotiation process and reach agreement has disappeared.

The reason for the failure in the negotiations and their subsequent stop at this stage were several problems that the parties were unable to resolve. First of all, these were economic disagreements. The fact is that EU tariff proposals for Mercosur's agricultural products were insufficient from the point of view of Latin Americans. In turn, EU representatives complained about the lack of access to the markets of textiles, footwear and cars. Then there were disagreements on investment, trade in services, government procurement and intellectual property rights issues (Malamud, 2013, p.103).

Another factor in the non-acceptance of the Mercosur EU free trade agreement was the political transformation in the EU, which hosted 10 new member countries. In that way, the EU has decided to solve the issue of expanding the free trade zone, which it once wanted to solve by means of an agreement with Mercosur. In this situation, the contract with Latin Americans has receded into the background.

It is important to note that Europe wanted to sell its products in the Mercosur market, since this would provide a good opportunity for the development of the economy, but at the same time it was not prepared for the fact that Latin American goods (in particular agricultural products of Argentina and Brazil) would compete with European. This explains the fact that the EU deliberately delayed the negotiations. At that time, it was not clear whether the EU and Mercosur would try to resume attempts to conclude an agreement and whether they would be willing to make concessions. One of the most promising world economic agreements has remained just an idea. Perhaps, this became one of the factors that internal political changes began to take place in Mercosur. After 2004, there was a clear tendency to expand Mercosur through the adoption of new countries with left-wing regimes.

Despite the depressing ineffectiveness of the first attempts to negotiate, in 2010 the parties decided to resume negotiations on a free trade agreement. On May 18, 2010 in Madrid, the sixth summit of the EU - Latin America - took place. At the summit, an agreement was reached on free trade between the EU and Central America. But much more important would have had an agreement on the establishment of a free trade zone with the countries of the Mercosur group.

Brazil and the European Union at a bilateral summit held on July 14, 2010 in Brasilia, reaffirmed the mutual desire to conclude a free trade agreement between the EU and Mercosur. (Council of the European Union, 2010) At the same time, delegates recognized that reaching such an agreement would not be easy. Europeans still did not have a common opinion about the benefits of the trade union with the South American economic bloc.

It is noteworthy that the talks were resumed on the initiative of Europeans. However, at the same time, agricultural producers in France, Ireland, Poland and a number of other European countries are seriously afraid of competition from South Americans. These fears cannot be called groundless, because the countries of Mercosur (primarily Argentina and Brazil) in such positions as meat, grains and legumes, sugar, ethanol occupy the top lines in the ratings of the

world's largest producers. For their part, South Americans are also not happy with the prospect of encountering in domestic markets the products of European farmers that enjoy large-scale state subsidies. (MercoPress, 2010)

As at the beginning of the millennium, Europeans were interested in free sale of their industrial goods to Latin American countries, primarily Brazil. In turn, the leaders of Mercosur demanded to open the markets of Europe for their agricultural products. The issue that became insoluble at the previous stage of the negotiations reappeared in 2010. Due to the fact that neither the EU nor Mercosur, as well as the last time, were not ready to make concessions, the matter did not advance further than talking. The old problems remained unresolved.

In 2012, the internal contradictions of Mercosur reached unprecedented heights, up to the point that some political scientists predicted the collapse of the alliance. (The Economist, 2012) Several factors immediately became the reason for this situation. First, protracted disputes over tariff norms within Mercosur. Secondly, the policy pursued by the leading countries of the union by Argentina and Brazil, which, as noted by The Economist magazine, turned Mercosur into a fortress rather than a bridge. All of these problems escalated in 2012, when Venezuela became a full member of Mercosur. At the end of 2015, the press published the statements of the leaders of the Mercosur on the need to conclude an agreement on free trade with the EU as soon as possible. (The Economist, 2012)

In this regard, it is worth recalling that in early July Argentina de facto imposed restrictions on food imports from Europe, and this almost led to the disruption of the round of trade negotiations that were taking place at that time in Buenos Aires in the Mercosur - EU format. And restrictions on imports from Europe were introduced by some internal departmental order for customs.

In May 2016 the negotiations resumed. The parties agreed to exchange proposals. But soon 13 European countries led by France appealed to the EU Consul for Agriculture, in which they expressed their concerns about the conclusion of the treaty. The EU's reluctance to come to a common position was the reason that the talks failed to produce results. The October round of talks also did not bring significant results.

With the arrival of new governments in Argentina and Brazil, there has been steady progress in resolving the problems hampering the EU-Mercosur negotiations on free trade, as evidenced by the May, October and March talks. However, many observers believe that now,

after Britain's withdrawal from the EU, the adoption of the treaty is under a big question. The fact is that in the event of the adoption of a free trade agreement with Mercosur, agricultural products of many European countries will lose the competition of products from Argentina and Brazil. In this situation, it will be extremely difficult to reach an agreement, since the EU will struggle for its own survival.

Mercosur is also in a difficult political situation due to the crisis in Venezuela. The leaders of Brazil, Argentina, Uruguay and Paraguay have repeatedly urged Venezuela's political forces to resolve the situation democratically - to hold free elections. In December 2016, the membership of Venezuela in Mercosur was suspended, as it did not fulfill the commitments made when joining the bloc. The wave of demonstrations in April 2017 led to the fact that the bloc members threatened Venezuela with an exception from Mercosur.

Although politicians talk about progress in the negotiations after the October meeting in Brussels (European Commission, 2016), but in the current situation there are doubts that the EU will be ready to conclude an agreement with Mercosur shortly.

Analyzing the cases of India and Brazil, it should be noted that with both regions the EU had quite a few disagreements on which none of the parties wanted to make concessions. First of all, these are some economic disagreements on different groups of products as tariff regime: in FTA with Brazil – primary on agricultural, in FTA with India – automobile for example. In addition, internal conflicts in Mercosur and problems between India, Pakistan and Kashmir had its impact on the course of negotiations. It is hard to judge whether it is with India or with Brazil/Mercosur, the EU has more complicated issues. But it must be must be recognized that the ever-changing situation inside the EU itself has also been making it harder to come to a mutual agreement.

3.3 Impact of the FTA Negotiations on the Trade Relationships

FTAs offer participating countries a wide variety of opportunities, which ensures their wide distribution in the world. The agreement on the establishment of FTA is aimed at reducing and eliminating tariffs, abolishing quantitative restrictions in mutual trade and signing an international treaty. The purpose of such an agreement is to ensure a free flow of goods and

services. At the same time, when signing such agreements, countries reserve the right to independently determine and regulate the regime of trade with respect to third countries.

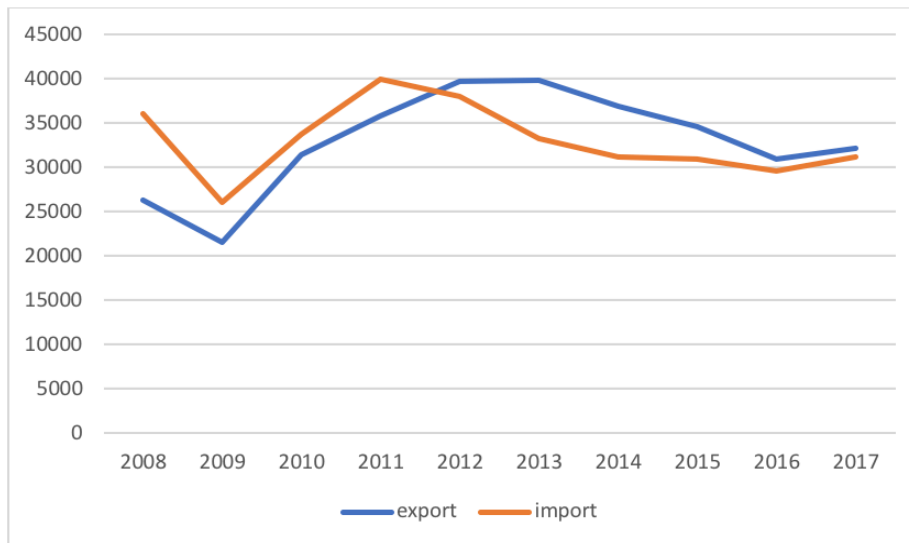
World and regional economic leaders conclude agreements with developing countries in order to develop mutually beneficial cooperation in the world economic arena. This is why despite all the difficulties, disagreements and conflicts of interests, countries for many years are trying to negotiate FTAs and achieve successful agreement. The EU as one of the economic giants sees integration as a powerful tool for strengthening its political and economic domination, therefore, developing countries with fast-growing markets, like India and Brazil, are of the special interest. While Brazil and India consider such cooperation as an opportunity to strengthen their positions in the world economic arena in the context of the globalization of the world economy. However, in the discussed Agreement the countries act as equal partners, united by common interests.

Moreover, unlike multilateral negotiations, which last longer and often do not bring concrete decisions (for example, during the Doha round), within the framework of a bilateral agreement, the parties have the opportunity to choose on their own to include in the agreement text those issues that are beyond regulation WTO, or the exclusion of sensitive areas. Although, those areas usually cause the biggest disagreements and prevent parties from concluding FTA.

However, despite all this, even after the beginning and during the whole process of negotiations, countries can feel convergence and some positive effects on the trade. This can be seen from some trade statistics on the Figure 13 and Figure 14 below. We can see that with both, Brazil and India, export and import of the EU was growing since the introduction of FTA negotiations. Of course, it is not only the negotiations that influence on the rise of the trade, but the prospect of signing an agreement make the impact on the intensification of trading activities between the businesses of the regions.

As for the current trade between EU and Brazil, between 2008 and 2011 the EU had a trade deficit with Brazil but had a surplus from 2012 to 2016 (Figure 13). During those years, trade indicators between the two economies was the lowest in 2009 but quickly recovered. Import reached its peak in 2011, and two years later export was the highest while import was on the decline up to 2016. (Eurostat, 2018) This pattern matches the course of the relationship analyzed previously.

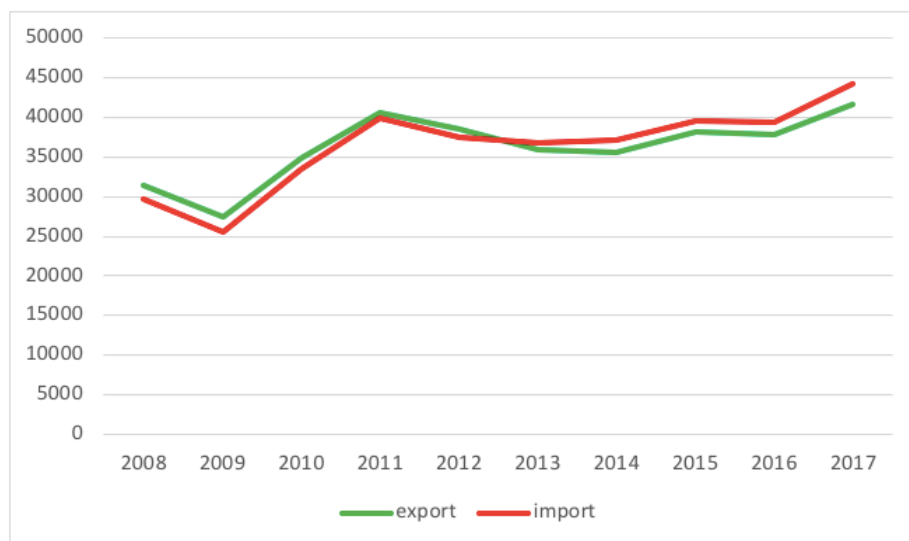
Figure 13. Imports-Exports between the EU and Brazil, 2008-2017 (Mio €)



Source: created by author based on data from Eurostat.

Speaking about India, from 2008 to 2012 India had a trade deficit with EU (Figure 14). As well as in the case of Brazil, trade indicators between the two economies was the lowest in 2009, but in the next two years it quickly grew, peaking in 2011. In the following years there was a slow decline in trade up to 2016 when it started recovering. The patterns for imports and exports are roughly the same. Since 2013, the EU has a trade deficit with India. (Eurostat, 2018) Overall, the trade patterns are positive with a lot of perspectives for growth.

Figure 14. Imports-Exports between the EU and India, 2008-2017 (Mio €)



Source: created by author based on data from Eurostat.

“For Brazil, the biggest gains are concentrated not only in exports and access to imports from EU countries, but also in major sectors. Brazil will be able to obtain cheaper inputs for the production of industrial goods with the total elimination of its import tariffs for several products, thereby eliminating some of the costs of production when buying these products from other markets. Consequently, these benefits will increase the competitiveness of Brazilian products.” (Piacitelli, 2017) FTA negotiations boost the national economy, give opportunity for companies to recover production scale and prospects for the recovery of Brazil’s economy.

As for the India, it has the biggest gains in particular sectors, including business services, textiles/apparels. Although, “the benefits for India from a trade agreement with the EU cannot be measured just by the growth of one sector or another. Access to a large market would pay off in the future, especially when Indian firms improve their productivity, and can compete with European players. A step-by-step easing of tariff and non-tariff barrier would allow a gradual growth in productivity and the resilience to compete with global markets.” (Nair, 2017)

Conclusion

To sum up, the foreign trade policy of the state is part of the state economic policy. It implements, firstly, the common line of the state in international relations; secondly, a specific relationship with each country. The main goal of trade policy is the creation of favorable external and internal conditions for the economic growth of the country. At the same time, the trade policy of each particular state or in our case the European Union is an important factor in the development of the world community. One of the UN reports says: “Using trade policy as an instrument of industrial diversification and the creation of value added remains key. Moreover, exports of goods and services can provide increased incomes for poor people, government revenue, opportunities for employment, including high paid jobs abroad, particularly for women and young job-seekers. Exports can thus contribute to the achievement of MDGs, by lifting people out of poverty and empowering women...” (Gibbs, 2007, p. 8)

We have identified that among the main tasks of the international trade policy are the protection of the national economy by trade and political methods, the provision of favorable conditions for the export of goods and services and for the entry of national suppliers into the world market, the development of a common national and international legal framework, etc. The sphere of trade policy, social and economic relations, is constantly expanding and today covers the exchange of technologies, information and knowledge, investment cooperation, monetary policy, etc. Besides, the trade policy is implemented through various instruments and measures of an economic, technical, administrative, legal nature.

The EU countries are conducting a Common Trade Policy. The formation of a common trade policy took place gradually, beginning with the creation of a customs union for the EU member states that gave impetus to the rapid development of trade within the EU and contributed to its transformation into the world's largest importer and exporter.

The EU has developed a Strategy for access to third country markets, which aims to open new markets for the EU and increase the competitiveness of its products and services in third countries. The task is to reduce the level of protectionism on the part of the EU, since without this it is impossible to expect similar concessions from third countries. Particular attention is taken on the conclusion of various trade agreements with partner countries.

The EU countries are interested in economic cooperation with India, since they consider the market of this country to be one of the fastest growing in the world, but customs duties still hamper the development of bilateral cooperation. Moreover, India, with its steady demographic and economic growth, is an excellent partner for the EU countries. India receives its economic dividend not only through the development of manufacturing, the pharmaceutical industry and the IT sector, but also to a large number of citizens under the age of 30, which contributes to the economic growth of the country. India's potential is now at its peak, and by population, India is twice as large as the European Union.

However, there are a lot of factors that are keeping EU and India from convergence and successful agreement on FTA, even though both parties express their willingness to work together. The major differences that have been appearing since 2007 are on key issues like intellectual property rights, duty cut in automobile and tax reduction on some groups of products, human rights.

The trade relations between EU and Brazil haven't been that smooth either. The FTA is negotiated with the grouping Mercosur where Brazil is one of the members. Both parties acknowledge that the ultimate goal is to create a full-fledged common market between the EU and Mercosur. Over the past almost twenty years, the negotiations have been intensified or stuck from in different periods, that was often associated with the inability of one side or another to make concessions.

Throughout the negotiating process, one of the key contradictions was agriculture. The countries of Mercosur are large agricultural producers, not to mention that Brazil is included in the top list of world exporters of agricultural products. For Europeans, Latin American "food ambitions" are a big problem, given the traditional uneasy attitude of agricultural producers to opening markets for external players. The European bureaucracy regularly has to deal with the discontent of the agrarians, who fear not to withstand competition with cheaper and bulk goods from the outside. The reverse situation, is observed in the trade in industrial goods and partly in services: here the countries of Mercosur are dragging out the process by setting the longest period for the gradual abolition of customs restrictions precisely for European industry.

Nevertheless, recently in the relations of the EU with both Brazil and India has been some progress and parties are bringing FTAs to the table again in hope to agree on the remaining issues.

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