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GEO-ECONOMICS OF THE EUROPEAN UNION IN G-20 CONTEXT: FOCUS ON TRADE[1]

Abstract: *In today's global world economic priorities of a country take precedence over political interests. The new era of geo-economics has its own effects on the European Union (EU), too – intensifying cooperation among EU member states has either reflected their national interests, or developments in the global environment, affecting prospects of their future prosperity. Geopolitical interests of the EU ensure peace across the European continent and geo-economic priorities seem to be prominent in EU actions. Global geo-economic balance is the outcome of rivalry between (or among) super trading blocs rather than between (or among) individual countries. The aim of this article, therefore, is to scrutinize recent developments significant for negotiations on the European level in the G-20 context from the perspective of the EU as a regional as well as a global actor. Yet, due to the complexity of the issue focus will be just on trade and its potential for the EU seeking a boost for its economic growth.*

Keywords: *geopolitics, geo-economics, G-20, EU27, EA17, free trade agreements (FTAs)*

JEL: F 13, F 14, F 15, F 51, F 60

Introduction

"Trade quarrels may still be contained by the fear of the economic consequence of an action-reaction cycle of punitive measures but they will no longer simply be suppressed by political interventions on both sides, urgently motivated by the strategic imperative of preserving alliance cooperation against a common enemy. Threat must be now economic, not military."

E. Luttwak

[1] The article results from scientific research conducted at the University of Economics in Bratislava in the framework of the VEGA project No. 1/1057/12 (Department of International Trade, Faculty of Commerce UEB) titled *Solving the Debt Crisis in a Monetary (not Fiscal) Union and Factors of Future Deepening of the Crisis in Europe and in Slovakia* and represents a partial output of the Ph.D. thesis "Geopolitical and Geo-Economic Determinants of Further Developments in European Integration" of Ms. Vladimíra Repášová at the University of Economics in Bratislava.

In the phase of the newly shaping world order and reinforced global challenges, the European Union (EU) needs to determine whether it is only a political partner for superpowers or a real power having its own recognised position as well as potential in multipolar world.[2] Not just the United States is challenged by emerging powers nowadays; the EU has been facing emerging economies, the financial/debt/economic crisis[3], energy (inter)dependence and other issues significant for the changing international environment. As the European Commission sees it: *"the reality is that in such an interconnected world, the Member States on their own and in isolation from the rest of the EU are no longer able to effectively address the challenges of globalisation. General observations of the EU situation describe well also the challenges and need for response for the customs union: globalisation demands more European unity, more unity demands more integration and accepting that we are all 'in the same boat'"* ([7], p. 3-4). The EU is not one nation, but as far as its members act in terms of the EU motto "United in diversity", it can successfully define and fulfil its own geostrategy continuously shaped by geopolitics and geo-economics.

Formation of new economic cooperation known as G-20 "upgraded" G7/G8 and taking into consideration the growth potential of emerging economies, there will be addressed calls for shared support to trade openness. The European Commission initiated a monitoring activity following the outbreak of the financial/debt/economic crisis in autumn 2008 later underlined by the reinforced EU trade policy agenda; just like the eighth edition of the report on the monitoring of potentially trade restrictive measures was released before the G-20 November 2011 summit, the recent ninth report was made available prior to the G-20 June 2012 summit – with reference to the commitment dating back to the beginning of the crisis in autumn 2008: not to apply trade restrictive measures during the financial/debt/economic crisis and to rectify any measures introduced. Free trade expansion is a testimony of the rising role of geo-economics and global geo-economic balance is the outcome of rivalry between/among super trading blocks rather than between individual countries (assuming that states and blocs of states will always exist).

The aim of this article, therefore, is to scrutinize recent developments significant for negotiations on the European level in the G-20 context from the perspective of the EU as a regional as well as a global actor. Yet, due to the complexity of the issue

[2] According to Samuel Huntington, a representative of the new geopolitical world order, if Europe acts as one unit, its future will be ensured ([24], p. 367).

[3] In recent years, the following articles mostly those related to the ongoing crisis have been published in the *Economic Review Journal*: MUCHOVÁ, E. – KÁLOVEC, M.: Finančné a hospodárske krízy vo svetle ekonomickej teórie. In *Economic Review*. Vol. 40, 4/2011, pp. 460-475; PONOMARENKO, E. V.: Crisis Lessons: the Review of Russian and International Experience. In *Economic Review*. Vol. 40, 3/2011, pp. 334-345; ŠIKULA, M.: Crisis and Post-crisis Adjustment and New Challenges for the Economic Science. In *Economic Review*. Vol. 40, 2/2011, pp. 188-202; STANĚK, P.: New Paradigms of Global Economy. In *Economic Review*. Vol. 40, 2/2011, pp. 203-207; ČAPLÁNOVÁ, A. – ŠUJANSKÝ, M.: Teoretické prístupy k ekonomickému cyklu – východisko pre pochopenie súčasných krízových procesov. In *Economic Review*. Vol. 40, 1/2011, pp. 22-38; BOGALSKA-MARTIN, E.: La rhétorique de la crise et le grand dévoilement. Quelques remarques sociologiques. In *Economic Review*. Vol. 39, 3/2010, pp. 352-361.

focus will be just on trade and its potential for the EU seeking a boost for its economic growth. A combination of qualitative and quantitative methods will be applied to explore the ambitious EU trade agenda on the background of recently released data on extra-EA17 and extra-EU27 trade.

1 Shift from Geopolitics to Geo-economics

Principal tools for implementing a *geostrategy* are *geopolitics* and *geo-economics*. *Geopolitics*[4] is concerned with geographical[5] factors: it refers to how strategic location, natural resources, population and the whole territory can modify economics and have an effect on relations between states [22]. A fusion of geography and economics, spatial and political aspects of economics and resources, dependence on the existence of territorial entities of the world economy and their economic interest are the principal dimensions of *geo-economics*.

The main interpreter of the definition of geo-economics is Edward Luttwak. According to his definition, geo-economics is "*the continuation of the ancient rivalry of the nations by new industrial means"* [29][6]. His understanding of geo-economics served to name the successor system of inter-state rivalry that developed in the aftermath of Cold War geopolitics. He argued that state authority could actually be reasserted anew "*not in the names of strategy and security this time, but rather to protect 'vital economic interests' by geo-economic defences, geo-economic offensives, geo-economic diplomacy, and geo-economic intelligence"* ([29], p. 19).

Some geo-economic visionaries recommend orientation on networks, not blocks[7] – preferring connections, not iron curtains, and maintaining cross-border ties instead of national territories [32]. In the past, security and territorial domination were the key concern of powerful states[8], and they have repeatedly led to wars or regional

[4] Geopolitics is not to be perceived outside a real time perspective – framed by a particular process and timing in order to facilitate true understanding of the situation in given time and space – shaping the context ([25], p. 156).

[5] *See* KOFROŇ, J.: Geopolitika na pomezí geografie a mezinárodních vztahů – Mezi prostorem inter-subjektivním a objektivním. In : *Mezinárodní vztahy*. Vol. 47, 2/2012, pp. 57-78.

[6] *See also:* LUTTWAK, E.: *The Coming Global War for Economic Power: There Are No Nice Guys on the Battlefield of GeoEconomics*. The International Economy 7(5), 1993, pp. 18-67; LUTTWAK, E.: *From geopolitics to Geo-economics: Logic of conflict, Grammar of Commerce. National Interest*, 1990. In O'TUATHAIL, G. – DALBY, S. – ROUTLEDGE, P. eds. *A Geopolitics Reader.* London: Routledge Press, 1998. ISBN 0-415-1627-0.

[7] Cf. *"Unlike its geopolitical counterpart, the geoeconomic balance of power is a game between super-trading blocs, rather than between individual states (or groups of states). It is also a non-zero-sum game, which is another difference from the past."* ([23], p. 115)

[8] Albeit the terms *geopolitics* and *geopolitical activity* continue to be referred to mainly in association with countries and alliances, and while geopolitical activities in the foreign policy and military context have been indispensable in pursuing interests backed by power, globalisation transformed the concept of geopolitics. Hence, pursuing economic interests is predominant nowadays; geopolitics has stretched out from the (nation) state level to corporate level and capital as a production factor ([35], p. 15). Cf. ([23], p. 114).

conflicts[9]. What matters nowadays in terms of recognition as a superpower is to ensure prosperity. The idea of being the world's leading economic power contributes to fundamental conflicts of interests. Economic issues confront the importance of military power and a great amount of attention is paid to "outperforming" in terms of the level of GDP of various countries in the so-called developed world by emerging economies ([34], p. 2).

Reflection of strategic behaviour as the result of new situation brings progress of civilisation, that is why current definition of geo-economics specialises in sustainable economic development as well. While world population accounted for almost 7 billion in 2010, it is expected to exceed 9.5 billion by 2060; the share of world population is foreseen to be roughly sustained by most G-20[10] members, with notable relative decreases envisaged besides China by the EU, Brazil, Indonesia, Japan, and the Russian Federation (Fig. 1a).

[9] Even though geo-economics analyses strategies related to the economic order through power and international influence relevant for the (nation) state or corporate level driven by the potential of economic and social development, geo-economics does not symbolise the end of conflicts and territorial claims ([28], p. 14-17).

[10] Within G-20 the role of the EU and the USA has declined in favour of the BRIC(S) countries with Brazil, the Russian Federation, India and China as the key players contributing to global governance; internally, G-20 is marked by heterogeneity of economic as well as social development of its members. *See* FÁREK, J.: Globální agenda společenství G20: ambiciózní cíle a návrat k realitě. In *Mezinárodní politika*. Vol. 36, No. 1/2012. ISSN 0543-7962, pp. 4-7.

Fig. 1a

Demographic and economic growth of G-20* in 2010 (vs. 2060)

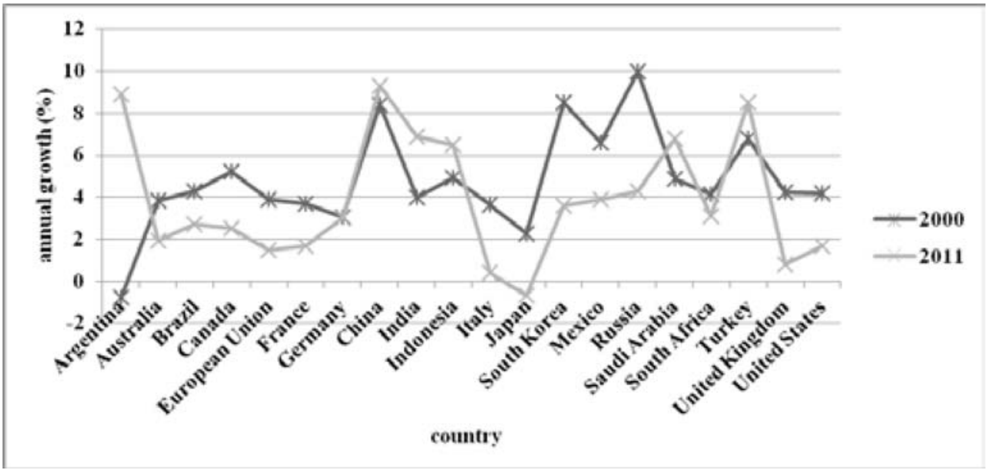
Country/ Region	Popula-tion (in mil.)	% of world population	GDP at current prices (bn. €)	% of world GDP	Index of GDP at constant prices (base 2000 = 100)	Population (in mil.)	% of world population
	2010					**2060**	
EU27	**501.8**	**7.3**	**12,260**	**25.8**	**114**	**516.9**	**5.4**
Argentina	40.4	0.6	279	0.6	153	51.3	0.5
Australia	22.3	0.3	959	2.0	136	32.7	0.3
Brazil	194.9	2.8	1,576	3.3	142	216.9	2.3
Canada	34.0	0.5	1,190	2.5	120	45.1	0.5
China	1,341.3	19.5	4,329	9.1	271	1,211.5	12.6
India	1,224.6	17.8	1,299	2.7	209	1,718.0	17.9
Indonesia	239.9	3.5	534	1.1	166	290.3	3.0
Japan	126.5	1.8	4,118	8.7	107	103.2	1.1
Mexico	113.4	1.6	779	1.6	120	142.8	1.5
Russian Federation	143.0	2.1	1,116	2.3	160	120.8	1.3
Saudi Arabia	27.4	0.4	328	0.7	137	46.3	0.5
South Africa	50.1	0.7	274	0.6	141	57.1	0.6
South Korea	48.2	0.7	765	1.6	150	44.3	0.5
Turkey	72.8	1.1	554	1.2	146	90.8	0.9
United States	310.4	4.5	10,898	22.9	117	421.0	4.4
World	**6,895.9**	**100.0**	**47,570**	**100.0**	**-**	**9,615.2**	**100.0**

* *G-20 covering the EU27, non-EU27 G-20 participants in alphabetical order and the world total*
Source: Adapted from EUROSTAT: *THE EU IN THE WORLD – Comparing demographic, economic and social trends among the G-20 members.* Eurostat newsrelease STAT/12/166, 28 November 2012.

Albeit China and India will remain the most populous countries as pointed out in Fig. 1a, population of the latter is expected to outnumber the former. The EU27 and the United States currently represent nearly half of world output with their share of world GDP of 25.8 and 22.9 respectively; still, just in the case of China and India the index of GDP at constant prices more than doubled when compared with the 2000 base as a result of high annual growth rates *(due to the limits of the paper annual % GDP growth of G-20 of 2000 and 2011 compared, as well as world development of merchandise exports and imports value along with real GDP annual average growth rates in % for 1991 – 2011 are further merely illustrated in Fig. 1b and 1c, respectively)*.

Fig. 1b

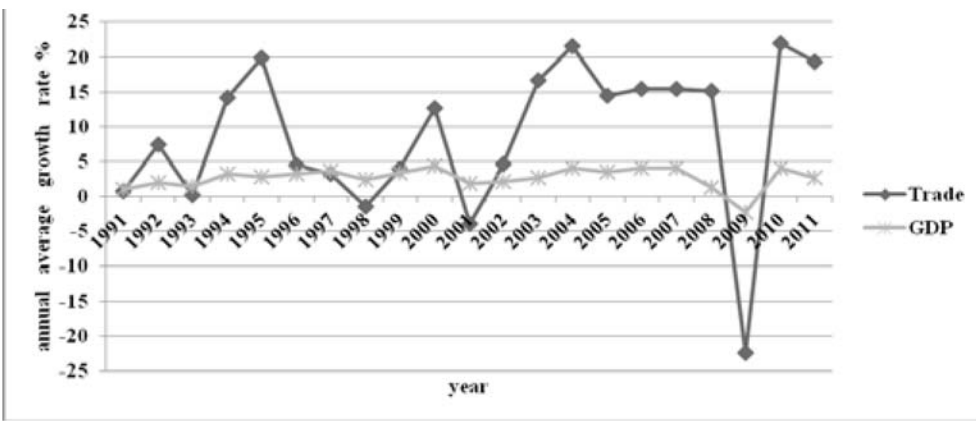
Annual % GDP growth of G-20* (2000 and 2011 compared)



* *G-20 covering the EU27, France, Germany, Italy, the United Kingdom and non-EU27 G-20 members*
Source: WORLD BANK: World DataBank (BETA) _ World development indicators, 2012-13. Available at: http://databank.worldbank.org/data/views/reports/tableview.aspx?isshared=true&ispopular=series&pid=1001# ;
http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?order=wbapi_data_value_2011+wbapi_data_value+wbapi_data_value-last&sort=asc.

Fig. 1c

World development of merchandise exports and imports value and real GDP annual average growth rates in % (1991-2011)



Source: UNCTAD: Unctad _Economy indicators, 2012. Available at: http://unctadstat.unctad.org/TableViewer/tableView.aspx?ReportId=102, http://unctadstat.unctad.org/TableViewer/tableView.aspx?ReportId=109.

The European Commission states in its *Progress report on EU trade and investment relationship with key economic partners* ([6], p. 5) that *"the rise of emerging economies is one of the most important economic factors of our time. It* *has intensified competition in terms of price and quality as well as access to energy and other raw materials. It has also created a new group of affluent middle-class consumers. While growth is expected to be close to zero in the EU in 2012, the Chinese and Indian economies are still expected to grow by 6 to 9%, even when they slow down."*

The visibility of *"*catching-up*"* by emerging markets is also reflected in a statement of Arvind Subramanian from the Peterson Institute for International Economics: *"If emerging markets keep on growing three percentage points a year faster than America (conservative estimate), they will account for two-thirds of the world's output by 2030. "* Two-fifths of global GDP measured at PPP will be made up by four emerging markets (in alphabetical order): Brazil, China, India and Indonesia ([33], p. 3-8). Nowadays, as a result of the financial/debt/economic crisis we are witnessing not just decelerated economic growth of the EU27 and the USA, but also deterioration of a series of economic parameters across the G-20 (Fig. 1d).

Fig. 1d

Consumer price indices, public finance balance and gross public debt of G-20*

	Consumer price indices (base 2000 = 100)	Public deficit/ surplus (% of GDP)	Gross public debt (% of GDP)
	2011		
EU27	**130**	**-4.4**	**82.5**
AR	273	-3.3	44.2
AU	139	-4.3	22.9
BR	203	-2.6	66.2
CA	126	-4.5	85.0
CN	130	-1.2	25.8
IN	201	-8.7	68.1
ID	240	-1.6	25.0
JP	97	-10.1	229.8
MX	163	-3.4	43.8
RU	353	1.6	9.6
SA	137	15.2	7.5
ZA	188	-4.6	38.8
KR	142	2.3	34.1
TR	554	-0.3	39.4
US	131	-9.6	102.9
World	**-**	**-**	**-**

* *G-20 covering the EU27 and non-EU27 G-20 participants (country names in alphabetical order)*
Legend (country codes in alphabetical order): AR – Argentina; AU – Australia; BR – Brazil; CA – Canada; CN – China; ID – Indonesia; IN – India; JP – Japan; KR – South Korea; MX – Mexico; RU – Russian Federation; SA – Saudi Arabia; TR – Turkey; US – United States; ZA – South Africa.
Source: Adapted from EUROSTAT: *THE EU IN THE WORLD – Comparing demographic, economic and social trends among the G-20 members.* Eurostat newsrelease STAT/12/166, 28 November 2012.

In 2011, G-20 has in economic terms demonstrated a variety of trends: consumer prices indices[11] in an interval from 97 (Japan) and 130 (EU27) to 554 (Turkey); public finance balance as a % of GDP ranging from the deficits of -10.1% (Japan) and -4.4 (EU27) to a surplus of +15.2% (Saudi Arabia); as well as the gross public debt as % of GDP spreading from 7.5% (Saudi Arabia) to 82.5 (EU27) or 229.8% (Japan) as documented by Fig. 1c. Hence, the EU leaders have lately repeatedly emphasised the potential of its trade, which will be referred to next, for economic growth.[12]

2 Geo-economics of the EU: Inward Scrutiny

"The EU remains the world's largest exporter, importer, source and recipient of foreign direct investment. We have managed to hold on to our 20% share of total world exports despite the rise of China, while Japan and the US have seen huge declines in their shares." ([6], p. 8)

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Currently available non seasonally adjusted cumulative data (Fig. 2a) on extra-EA17 and extra-EU27 trade indeed demonstrate positive developments on a year-to-year basis (i.e. Jan-Sep 2012/Jan-Sep 2011; Jan-Oct 2012/Jan-Oct 2011; Jan-Nov 2012/Jan-Nov 2011), with exports growing at a faster pace than imports and even resulting in a trade balance surplus of approx. 75 bn. EUR in the case of the Euro area.

[11] base 2000 = 100

[12] While theoretical approaches (*for further details see e.g.* AWOKUSE, T. O.: Trade openness and economic growth: is growth export-led or import-led? In *Applied Economics*. Vol. 40, Issues 1-3 (January – February 2008), pp. 161-73. ISSN 0003-6846 print/ISSN 1466-4283 online. DOI: 10.1080/00036840600749490; CHAN, K. S. – DANG, V. Q. T.: Multilateral Trade and Export-Led Growth in the World Economy: Some Post-War Evidence. In *Empirical Economics*. Vol. 38, Issue 3 (June 2010), pp. 689-703. ISSN 03777332. DOI 10.1007/s00181-009-0285-7) examine causality in a number of respects including *ELG: export-led growth*; *GLE: growth-led exports*; and *ILG: import-led growth* perspective, leading indicators – according to the European Commission – currently suggest that *"GDP in the EU is now bottoming out and we expect economic activity to gradually accelerate. The pick-up in growth will initially be driven by increasing external demand. Domestic investment and consumption are projected to recover later in the year, and by 2014 domestic demand is expected to take over as the main driver of strengthening GDP growth."* ([14], p. 1).

Fig. 2a

EA17 and EU27 trade: exports, imports and trade balance (non-seasonally adjusted data[13])

	EA17			EU27		
	Extra-EA17 Exports	Extra-EA17 Imports	Trade balance	Extra-EU27 Exports	Extra-EU27 Imports	Trade balance
Jan-Sep 2011 (bn EUR)	1,288.5 r	1,316.4 r	-27.9	1,146.5 r	1,288.4 r	-141.9
Jan-Sep 2012 (bn EUR)	1,390.9 r	1,337.0 r	53.9	1,255.3 r	1,341.0 r	-85.7
Trend	+7%	+2%	–	+9%	+4%	–
Jan-Oct 2011 (bn EUR)	1,436.7 r	1,465.3 r	-28.6	1,282.1 r	1,435.2 r	-153.2
Jan-Oct 2012 (bn EUR)	1,560.0 r	1,496.9 r	63.1	1,406.5 r	1,502.0 r	-95.5
Trend	+8%	+2%	–	+9%	+4%	–
Jan-Nov 2011 (bn EUR)	1,592.6 r	1,616.3 r	-23.7	1,421.1 r	1,583.6 r	-162.6
Jan-Nov 2012 (bn EUR)	1,723.9 r	1,649.0 r	74.9	1,552.6 r	1,651.9 r	-99.3
Trend	+8%	+2%	–	+9%	+4%	–

Explanatory note:
EA17 – Euro Area
r – revised data (cf. Eurostat newsrelease – euroindicators 161/2012 – 16 November 2012; STAT/12/183 – 17 December 2012; 7/2013 – 15 January 2013; 25/2013 – 15 February 2013)
Source: Adapted from EUROSTAT: *October 2012 Euro area international trade in goods surplus of 10.2 bn euro – 9.4 bn euro deficit for EU27.* Eurostat newsrelease – euroindicators STAT/12/183, 17 December 2012; EUROSTAT: *November 2012 Euro area international trade in goods surplus of 13.7 bn euro – 1.7 bn euro deficit for EU27.* Eurostat newsrelease – euroindicators 7/2013, 15 January 2013; EUROSTAT: *First estimate for 2012 Euro area international trade in goods surplus of 81.8 bn euro – 104.6 bn euro deficit for EU27*. Eurostat newsrelease – euroindicators 25/2013, 15 February 2013.

In Jan-Nov 2012 compared with Jan-Nov 2011, EA17 exports just like EU27 exports of primary goods (food & drink; raw materials; energy) accelerated at a pace faster than the that of exports of manufactured goods (chemicals; machinery & vehicles; other manufactured goods). Imports of manufactured goods, which are dominant in overall EA17 as well as EU27 trading, stagnated. Unlike in the case of the EU27, negative trade balance of the EA17 resulting from trading with primary goods was compensated by trading in manufactured goods.

Following the cumulative data on extra-EA17/EU27 trade, inward scrutiny of geo-economics of the EU will in the scope of this article focus on individual EU member states' total on a year-to-year basis (Jan-Nov 2012/Jan-Nov 2011) as indicated in Fig. 2b.

[13] The data based on information provided by EU Member States reflect situation in December 2012/ January 2013/February 2013 subject to multiple revision for up to 2 years following the month in question; it goes without saying that national concepts may differ from the harmonised methodology applied by Eurostat, possibly leading to differences between figures indicated in the source and those published on the national level (in terms of raw data as well as seasonally adjusted series).

Fig. 2b

EU member states' total (intra-EU + extra-EU) trade (non-seasonally adjusted data[14])

	Total exports			Total imports			Trade balance	
	Jan-Nov 2011 (bn EUR)	Jan-Nov 2012 (bn EUR)	Trend	Jan-Nov 2011 (bn EUR)	Jan-Nov 2012 (bn EUR)	Trend	Jan-Nov 2011 (bn EUR)	Jan-Nov 2012 (bn EUR)
AT (EA17)	117.6	120.2	2%	126.7	128.4	1%	-9.1	-8.2
BE (EA17)	315.4	321.7	2%	308.1	312.9	2%	7.3	8.8
BG	18.7	19.3	3%	21.4	23.5	10%	-2.7	-4.3
CY (EA17)	1.2	1.3	5%	5.7	5.3	-8%	-4.5	-4.0
CZ	108.2	113.5	5%	100.7	101.4	1%	7.5	12.1
DE (G-20, EA17)	974.3	1 016.3	4%	829.3	841.7	1%	145.0	174.6
DK	73.9	76.3	3%	62.9	66.9	6%	11.0	9.5
EE (EA17)	11.1	11.7	5%	11.7	12.7	8%	-0.6	-1.0
EL (EA17)	20.5	24.5	19%	40.6	43.5	7%	-20.1	-19.0
ES (EA17)	201.9	210.1	4%	247.2	240.0	-3%	-45.3	-30.0
FI (EA17)	52.1	52.7	1%	55.2	54.3	-2%	-3.1	-1.6
FR (G-20, EA17)	393.0	409.8	4%	476.2	485.0	2%	-83.2	-75.2
HU	74.7	75.4	1%	67.9	68.8	1%	6.8	6.6
IE (EA17)	83.8	84.9	1%	43.8	45.1	3%	40.0	39.9
IT (G-20, EA17)	344.5	359.2	4%	371.5	350.1	-6%	-26.9	9.0
LT	18.4	21.0	14%	20.9	22.9	9%	-2.5	-1.9
LU (EA17)	14.4	14.0	-3%	19.3	19.7	2%	-4.8	-5.7
LV	8.6	10.0	16%	10.7	12.1	14%	-2.1	-2.1
MT (EA17)	2.9	2.8	-1%	4.2	4.5	7%	-1.3	-1.6
NL (EA17)	439.0	469.9	7%	394.7	423.9	7%	44.2	46.0
PL	125.2	132.7	6%	139.4	141.0	1%	-14.2	-8.3
PT (EA17)	39.6	42.2	7%	54.8	51.9	-5%	-15.2	-9.7
RO	42.0	41.8	0%	50.6	50.5	0%	-8.6	-8.7
SE	123.5	124.9	1%	116.3	117.0	1%	7.2	7.9
SI (EA17)	23.1	23.3	1%	23.5	23.0	-2%	-0.4	0.3
SK[1] (EA17)	52.9	58.8	11%	52.8	56.3	7%	0.1	2.5
UK (G-20)	330.5	336.0	2%	443.9	488.9	10%	-113.4	-152.9

Legend:
AT – Austria; BE – Belgium; BG – Bulgaria; CY – Cyprus; CZ – Czech Republic; DE – Germany; DK – Denmark; EE – Estonia; EL – Greece; ES – Spain; FI – Finland; FR – France; HU – Hungary; IE – Ireland; IT – Italy; LT – Lithuania; LU – Luxembourg; LV – Latvia; MT – Malta; NL – Netherlands; PL – Poland; PT – Portugal; RO – Romania; SE – Sweden; SI – Slovenia; SK – Slovakia; UK – United Kingdom.
Source: Adapted from EUROSTAT: *First estimate for 2012 Euro area international trade in goods surplus of 81.8 bn euro –104.6 bn euro deficit for EU27*. Eurostat newsrelease – euroindicators 25/2013, 15 February 2013.

While Greece, Latvia, Lithuania and Slovakia witnessed a two-digit increase of their exports over Jan-Nov 2012, Bulgaria, and the UK (besides Latvia) reported a two-digit rise of their imports. In identical period five (BE, DE, IT, NL, SE) out of top 10 EU traders in terms of value (AT, BE, DE, ES, FR, IT, NL, PL, SE, UK)

[14] Ibid footnote 13.

documented a trade balance surplus, but majority of EU members registered a trade balance deficit.

According to *The Global Enabling Trade Report 2012* (covering 26 out of 27 EU member states as displayed in Fig. 3), 9 out of 11 EU members with their respective imports and exports exceeding min. 1% of world total in 2010 retained (4. SE; 13. DE; 20. FR) or improved their 2010 rank (7. NL; 11. UK; 21. BE; 31. ES; 48. PL; 50. IT) in 2012.

Fig. 3

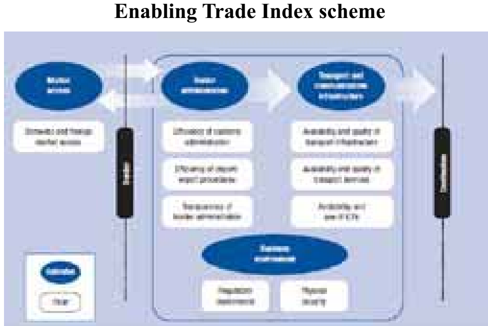
Imports and exports of covered EU member states as their share (%) of world total (2010) and a comparison of the Enabling Trade Index[15] 2012 ranking[16] & 2010 ranking[17]

Imports and exports as share (%) of world total (2010)		**ETI 2012 rank**	**ETI 2010 rank**	Imports and exports as share (%) of world total (2010)		**ETI 2012 rank**	**ETI 2010 rank**
Denmark	0.77	3(-)	3	Slovenia	0.18	33(↑)	35
Sweden	1.11	4(-)	4	Portugal	0.43	35(↑)	36
Finland	0.48	6(↑)	12	Cyprus	0.07	37(↓)	31
Netherlands	3.46	7(↑)	10	Czech Rep.	0.80	41(↑)	42
Luxembourg	0.40	10(↓)	9	Lithuania	0.13	45(↓)	41
UK	3.58	11(↑)	17	Hungary	0.58	47(↑)	49
Germany	7.47	13(-)	13	Poland	1.03	48(↑)	58
Austria	1.06	15(↓)	14	Italy	3.00	50(↑)	51
France	3.69	20(-)	20	Latvia	0.07	52(↓)	46
Belgium	2.54	21(↑)	24	Slovak Rep.	0.38	55(↓)	47
Ireland	1.01	22(↓)	21	Greece	0.37	67(↓)	55
Estonia	0.08	26(↓)	23	Romania	0.34	69(↓)	54
Spain	2.03	31(↑)	32	Bulgaria	0.15	74(↑)	78

Source: WORLD ECONOMIC FORUM: *The Global Enabling Trade Report 2012*. Geneva : World Economic Forum, 2012. ISBN-13: 978-92-95044-29-6, pp. 6-9, 114, 122, 134, 160, 162, 164, 174, 178, 180, 186, 190, 202, 212, 216, 234, 240, 242, 274, 296, 298, 302, 316, 318, 322, 326, 350.

Fig. 4

Enabling Trade Index scheme



Source: WORLD ECONOMIC FORUM: *The Global Enabling Trade Report 2012*. Geneva : World Economic Forum, 2012. ISBN-13: 978-92-95044-29-6, pp. 6-8.

[15] According to the introduced definition ([38], p. 6), the ETI *"measures the extent to which individual economies have developed institutions, policies, and services facilitating the free flow of goods over borders and to destination"*.

[16] out of 132 countries worldwide

[17] out of 125 countries worldwide

Aggregate Enabling Trade Index scheme (Fig. 4) depicts the *Enabling Trade Index* mechanism with the four subindexes (Market access[18]; Border administration[19], [20], [21]; Transport and communications infrastructure[22],[23],[24]; Business environment[25],[26]) defined through their individual pillars.

As it is beyond the scope of this article to examine the ETI ranking of all EU members in detail, some of them ranked high among ETI 2012 top 10 performers (1. Singapore[27]; 2. Hong Kong SAR; 3. Denmark; 4. Sweden; 5. New Zealand; 6. Finland; 7. the Netherlands; 8. Switzerland; 9. Canada; 10. Luxembourg) will be briefly referred to as a showcase. ETI 2012 top 10 performers represent relatively small, open economies seeking efficiency through trading due to the size of their domestic markets, e.g. Singapore and Hong Kong SAR are associated with open trade policies, outstanding infrastructure, well-functioning border administration just like favourable business environment, followed by Denmark and Sweden, which are characterised by strong business environments, efficient border administrations as well as highly-developed infrastructures ([38], p. xvi). According to the *Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee on the State of the Customs Union*, certain EU customs administrations regularly feature in international rankings among the top globally and as an exclusive

[18] The *domestic and foreign market access pillar* measures the level of protection of a country's markets, the quality of its trade regime, and the level of protection that a country's exporters face in their target markets.

[19] The *efficiency of customs administration pillar* measures the efficiency of customs procedures as perceived by the private sector, as well as the extent of services provided by customs authorities and related agencies.

[20] The *efficiency of import-export procedures pillar* extends beyond customs administration and assesses the effectiveness and efficiency of clearance processes by customs as well as related border control agencies, the number of days and documents required to import and export goods, and the total official cost associated with importing as well as exporting, excluding tariffs and trade taxes.

[21] The *transparency of border administration pillar* assesses the pervasiveness of undocumented extra payments or bribes connected with imports and exports, as well as the overall perceived degree of corruption in each country.

[22] The *availability and quality of transport infrastructure pillar* measures the state of transport infrastructure across all modes of transport in each country.

[23] The *availability and quality of transport services pillar* complements the assessment of infrastructure by taking into account the amount and the quality of services available for shipment, including the quantity of services provided by liner companies, the ability to track and trace international shipments, the timeliness of shipments in reaching destination, general postal efficiency, and the overall competence of the local logistics industry.

[24] The *availability and use of ICTs pillar* includes the penetration rates of these tools – including mobile phones, Internet, and broadband – in each country.

[25] The *regulatory environment pillar* captures the extent to which the country's regulatory environment is conducive to trade.

[26] The *physical security pillar* specifically gauges country-level violence (both in terms of general crime and violence as well as the threat of terrorism), as well as the reliability of the police services in enforcing law and order.

[27] *See* EUROPEAN COMMISSION: *EU and Singapore agree on landmark trade deal*. Brussels, 16 December 2012, IP/12/1380; EUROPEAN COMMISSION: *Facts and figures: EU trade agreement with Singapore*. Brussels, 16 December 2012, MEMO/12/993.

EU competence, the European Union's customs union has become one of the success stories of European integration and European policy[28]; still, responsibility for implementing customs legislation is primarily linked to EU member states although some of the challenges result from expanding globalisation of trade, business models (e.g. e-commerce), logistics or threats. On the one hand, benefits of the customs union are commonly shared across the EU, but on the other hand, due to geography or trade routes there are member states carrying a disproportionate share of the implementation cost burden. Even though the EU customs union has undergone significant reform and modernisation of legislation, procedures as well as working methods, these need to be adequately implemented and further extended to the governance of its operational functioning ([7], pp. 3 and 17).

3 Geo-economics of the EU: Outward scrutiny

"EU customs handle 17 % of world trade – over 2 billion tonnes of goods a year with a value of 3,300 billion EUR. Between 2004 and 2010, despite the impact of the financial crisis, the value of EU external trade has grown by almost 50 %. The EU is at the centre of global trade and supply chain logistics, and is the number one trading partner for the United States, China and Russia." ([7], p. 8)

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Following inward scrutiny of geo-economics of the EU oriented on individual EU member states' total on a year-to-year basis (Jan-Nov 2012/Jan-Nov 2011), outward scrutiny of geo-economics of the EU will in the scope of this article focus on main trading partners of EA17 and EU27 on identical year-to-year basis (Fig. 5).

[28] Cf. NEUMANN, P.: Globální ekonomická governance: její formy, projevy a vývoj v EU a hlavních centrech světové ekonomiky. Vol. XVI, 1/2011, pp. 93-113; KRATOCHVÍL, P. – NOVÁK, O. – POJEROVÁ, P.: EU jako aktér: analýza „rámování" jako součásti aktérství Evropské unie. In: *Současná Evropa*. Vol. XVI, 1/2011, pp. 3-16; KRPEC, O. – HODULÁK, V.: Politická ekonomie zahraniční obchodní politiky – instituce, regulace, sociální a politický kontext. In: Politická ekonomie, Vol. 60, 1/2012, pp. 20-39.

Fig. 5

Main trading partners of EA17 and EU27 (non seasonally adjusted data[29])

	EA17							
	EA17 exports to			**EA17 imports from**			**Trade balance**	
	Jan-Nov 2011 (bn EUR)	Jan-Nov 2012 (bn EUR)	Trend	Jan-Nov 2011 (bn EUR)	Jan-Nov 2012 (bn EUR)	Trend	Jan-Nov 2011 (bn EUR)	Jan-Nov 2012 (bn EUR)
UK (EU27)	196.8	211.9	8%	153.0	154.4	1%	43.8	57.5
US (G-20)	183.0	207.2	13%	129.1	139.2	8%	53.9	68.1
CN (G-20)	105.3	111.1	6%	201.9	197.1	-2%	-96.6	-86.0
RU (G-20)	73.4	84.0	15%	127.1	131.7	4%	-53.7	-47.7
CH (EFTA)	100.0	107.9	8%	75.0	74.9	0%	25.0	33.0
PL (EU27)	83.8	83.3	-1%	64.6	66.2	2%	19.1	17.1
CZ (EU27)	59.9	61.1	2%	69.6	70.6	1%	-9.7	-9.5
SE (EU27)	55.8	54.8	-2%	48.8	48.4	-1%	7.0	6.4
JP (G-20)	36.0	41.3	15%	48.6	45.2	-7%	-12.6	-3.9
TR (G-20)	52.2	54.7	5%	32.3	31.1	-4%	19.9	23.6

	EU27							
	EU27 exports to			**EU27 imports from**			**Trade balance**	
	Jan-Nov 2011 (bn EUR)	Jan-Nov 2012 (bn EUR)	Trend	Jan-Nov 2011 (bn EUR)	Jan-Nov 2012 (bn EUR)	Trend	Jan-Nov 2011 (bn EUR)	Jan-Nov 2012 (bn EUR)
US (G-20)	240.5	270.9	13%	175.9	190.7	8%	64.6	80.2
CN (G-20)	124.1	132.8	7%	271.1	268.1	-1%	-146.9	-135.3
RU (G-20)	99.2	114.5	15%	182.5	195.7	7%	-83.3	-81.2
CH (EFTA)	128.2	123.9	-3%	86.3	98.1	14%	41.9	25.8
NO (EFTA)	43.0	46.1	7%	85.1	92.8	9%	-42.1	-46.7
TR (G-20)	67.1	69.4	3%	44.2	44.2	0%	22.9	25.3
JP (G-20)	44.8	51.4	15%	63.9	59.6	-7%	-19.1	-8.2
BR (G-20)	32.6	36.3	11%	36.2	34.6	-4%	-3.7	1.7
KR (G-20)	29.3	34.1	17%	33.5	35.4	6%	-4.2	-1.3
IN (G-20)	36.9	35.0	-5%	36.9	34.5	-7%	-0.1	0.5

Legend:
BR – Brazil; CH – Switzerland; CN – China; CZ – Czech Republic; IN – India; JP – Japan; KR – South Korea; NO – Norway; PL – Poland; RU – Russia; SE – Sweden; TR – Turkey; UK – United Kingdom; US – United States.
Source: Adapted from EUROSTAT (2013). *First estimate for 2012 Euro area international trade in goods surplus of 81.8 bn euro – 104.6 bn euro deficit for EU27*. Eurostat newsrelease – euroindicators 25/2013, 15 February 2013.

Currently available non seasonally adjusted data (Fig. 5) on main trading partners of EA17 and EU27 demonstrate positive developments on a year-to-year basis (Jan-Nov 2012/Jan-Nov 2011), with EA17 exports to the USA, the Russian Federation and Japan (and even to Brazil as well as South Korea in the case of EU27) witnessing a two-digit increase over Jan-Nov 2012. Mirror effect has been documented in trading with Switzerland when EA17 exports rose and EA17 imports slightly fell, whereas

[29] Ibid footnote 13.

EU27 imports significantly expanded and EU27 exports slightly shrank. In identical period the EA17 registered a trade balance deficit with China, the Russian Federation and Japan (EU27 also with Norway and South Korea), but a trade balance surplus with the USA, Switzerland and Turkey (EU27 with Brazil and India, too).

Despite the fact that global and EU trade flows have recovered to pre-crisis levels in early 2011, the use of trade restrictive measures has still been a cause of concern. By September 2011, 424 potentially trade restrictive measures remained in force (76 were removed; [3], pp. 10 and 20); the stock of potentially trade restrictive measures adopted since the beginning of the financial/debt/economic crisis has gone up to 534 (with 89 removed) by May 2012 (Fig. 6).

Fig. 6

Potentially trade restrictive measures per country and type of measure *(October 2008 – 1 May 2012)* /

Removed or terminated measures per country and type *(October 2008 – 1 May 2012)*

Country	A	B	C	D	E	F	G	∑ by country
Algeria	3/1	4/0	2/0	3/0	1/0	0/0	1/0	**14(↑)/1**
Argentina (G-20)	**108**/2	1/0	1/0	6/0	3/0	0/0	0/0	**119(↑)/2**
Australia (G-20)	0/0	0/0	3/0	1/0	0/0	0/0	0/0	**4(-)/0**
Belarus	0/2	0/0	0/0	0/0	1/0	0/0	0/0	**1(-)/2**
Brazil (G-20)	16/0	1/0	6/0	2/0	1/0	**6**/0	6/0	**38(↑)/0**
Canada (G-20)	0/0	1/0	2/0	0/0	0/0	0/0	2/2	**5(-)/2**
China (G-20)	1/0	4/1	**7**/0	5/0	1/0	1/0	11/0	**30(↑)/1**
Ecuador	2/1	2/0	1/0	0/0	0/0	0/0	0/0	**5(↑)/1**
Egypt	2/2	0/0	0/0	3/0	2/1	1/0	0/2	**8(↑)/5**
Hong Kong	0/0	0/0	0/0	0/0	0/0	0/0	0/1	**0(-)/1**
India (G-20)	9/2	2/0	2/0	2/0	4/**3**	3/0	2/0	**24(↑)/5**
Indonesia (G-20)	15/2	**13/2**	6/3	**16**/0	**8**/1	1/0	0/1	**59(↑)/9**
Japan (G-20)	0/0	1/0	0/0	0/0	0/0	1/0	3/1	**5(-)/1**
Kazakhstan	3/2	1/0	3/0	0/0	7/0	2/0	1/0	**17(↑)/2**
Malaysia	0/0	0/0	0/0	0/0	1/0	1/0	0/0	**2(-)/0**
Mexico (G-20)	0/1	0/0	0/0	0/0	0/0	0/0	2/0	**2(-)/1**
Nigeria	4/0	0/0	1/0	2/0	0/0	0/0	0/0	**7(↑)/0**
Pakistan	0/0	0/0	0/0	0/0	1/0	0/0	0/0	**1(-)/0**
Paraguay	3/3	0/0	1/0	0/0	0/0	0/0	0/0	**4(-)/3**
Philippines	0/0	0/0	0/0	0/0	0/0	2/0	0/0	**2(-)/0**
Russia (G-20)	55/**13**	6/0	4/0	3/0	5/0	2/0	11/1	**86(↑)/14**
Saudi Arabia (G-20)	3/0	0/0	0/0	1/0	0/0	0/0	1/0	**5(↑)/0**
South Africa (G-20)	8/0	1/0	4/0	1/0	0/0	0/0	8/0	**22(↑)/0**
South Korea (G-20)	0/0	0/0	0/0	1/0	0/0	4/0	**15**/4	**20(↑)/4**
Switzerland	0/0	0/0	0/0	0/0	0/0	1/**2**	0/0	**1(-)/2**
Taiwan	0/0	0/0	0/0	0/0	0/0	1/0	5/1	**6(↑)/1**
Thailand	0/0	1/0	0/0	2/0	0/0	0/0	0/0	**3(↑)/0**
Turkey (G-20)	2/0	2/0	1/0	1/0	2/0	0/0	4/0	**12(↑)/0**
Ukraine	0/4	0/1	0/0	1/2	0/0	0/0	1/2	**2(↑)/9**
USA (G-20)	3/0	2/1	1/**5**	1/**8**	0/0	1/0	0/**7**	**8(↓)/21**
Vietnam	8/2	8/0	1/0	2/0	1/0	0/0	2/0	**22(↑)/2**
∑ by type	**245(↑)/ 37**	**50(↑)/ 5**	**46(↑)/ 8**	**53(↑)/ 10**	**38(↑)/ 5**	**27(↑)/ 2**	**75(↑)/ 22**	**534(↑)/ 89**

Explanatory notes:

Bold indicates the highest number per category;

A – Border barriers;

B – Behind-the-border measures;

C – Government procurement;

D – Services and investment barriers;

E – Export restrictions;

F – Measures to stimulate exports;

G – Stimulus (packages) and other measures;

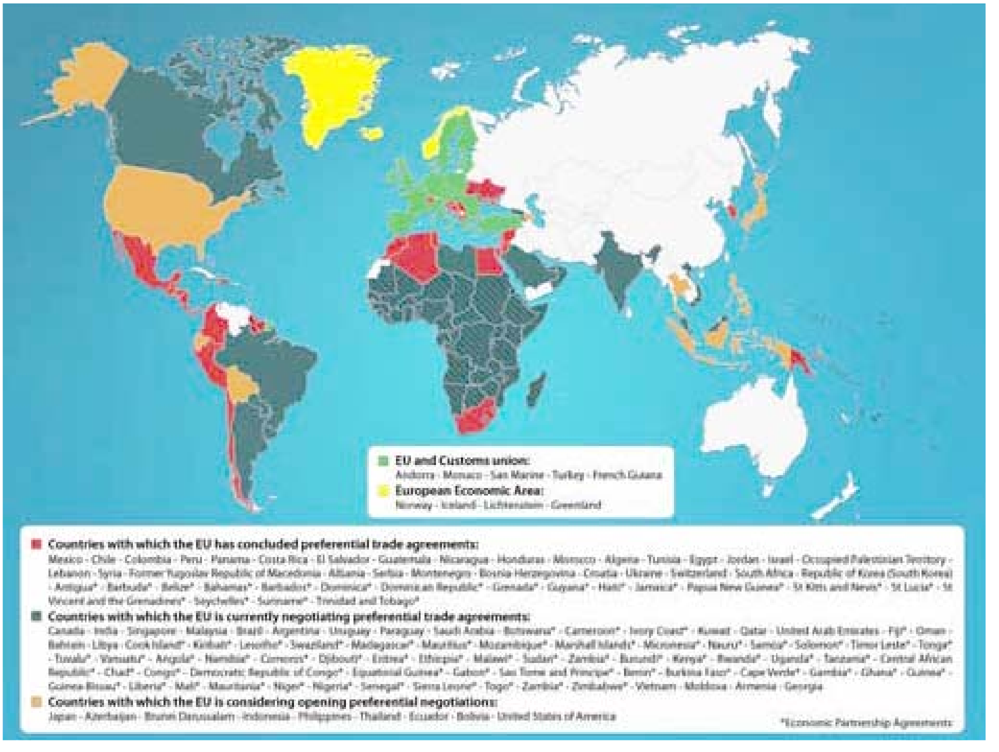
(↑)/(-)/(↓) indicates change of the status quo introduced in the *Eighth Report on Potentially Trade Restrictive Measures* indicated in the *Ninth Report on Potentially Trade Restrictive Measures* report.
Source: Adapted from EUROPEAN COMMISSION – DG Trade: *Eighth Report on Potentially Trade Restrictive Measures – Report on trade restrictive measures identified in the context of the economic crisis (October 2010 – September 2011)*, pp. 10 and 20. Available at: http://trade.ec.europa.eu/doclib/docs/2011/october/tradoc_148288.pdf; EUROPEAN COMMISSION – DG Trade: *Ninth Report on Potentially Trade Restrictive Measures – Report on trade restrictive measures identified in the context of the economic crisis (September 2011 – 1 May 2012)*, pp. 15 and 23. Available at:http://trade.ec.europa.eu/doclib/docs/2012/june/tradoc_149526.pdf

The so-called roll-back of potentially trade restrictive measures has lagged behind expectations and some measures introduced during the crisis have even been extended and/or prolonged: *new import licensing procedures – restricting the number of entry and exit points – applying higher import and export duties* (Argentina, Russia, India, and Indonesia); *industrial support combined with trade restrictive measures* has consolidated among emerging economies (e.g. Argentina, Brazil, Russia, India, and China); reinforced, new or planned *trade-related restrictions* especially of China, India, Russia, Brazil, Argentina and Algeria *in government procurement* (including local content requirements) and the rising number of *trade-related restrictive measures adopted in the services and investment areas* (Argentina, China, Indonesia, and Brazil) continue to be monitored; *restrictions of raw material exports* were reinforced by new measures introduced e.g. by India, Indonesia, Russia and China; new economic stimulus packages alongside other measures to stimulate exports (Brazil, China, India, South Africa and Ukraine).

In the framework of the *"Compact for Growth and Jobs"* and besides effects of the Single Market; the Digital Single Market; the Internal Energy Market; the Europe 2020 Strategy; and labour mobility, trade *"must be better used as an engine for growth. The European Union is determined to promote free, fair and open trade whilst at the same time asserting its interests, in a spirit of reciprocity and mutual benefit especially in relation to the world's largest economies. ... Whilst strengthening the multilateral system remains a crucial objective, the ongoing and potential upcoming bilateral negotiations have a particularly high economic importance. More efforts should in particular be geared to the removal of trade barriers, better market access, appropriate investment conditions, the protection of intellectual property and the opening up of public procurement markets."* ([15], p. 14). The EU regards itself as pursuing its agenda of bilateral negotiations (Fig. 7) – perhaps as the most ambitious trade and investment agenda worldwide – on an unprecedented scale.

Fig. 7

Overview of concluded, ongoing as well as possible EU negotiations on preferential trade agreements



Source: EUROPEAN COMMISSION: *Factsheet – Trade negotiations step by step*, 2012, p. 2.

When addressing its bilateral agenda of reciprocal trade opening with key trading partners the EU targets emerging countries and reviews its relationship with the most advanced trading partners. While the first are considerably more open nowadays than 10-15 years ago either as a result of commitments linked to WTO accession, or on the basis of autonomous decisions to seek own benefits from liberalisation, the transformative potential of agreements with the latter is associated with structural reforms and modernisation of the EU economy.

The European Commission indicated in its report ([6], p. 3-4) that for economic recovery to be sustainable, it will need to be consolidated by reinforced links with the new global growth centres. Estimated potential benefits (Fig. 8) brought about by the ambitious external trade agenda stand for 1.2% of GDP growth or approx. 150 bn. EUR in the short to medium run, or 2% of GDP growth or over 250 bn. EUR respectively in the long run (possibly even 2.2% and 275 bn. EUR respectively based on the November 2012 [11] and February 2013 [12] updates) comparable with expansion of the size of the Austrian or the Danish economy as well as creation of 2-2.2 million jobs in the EU in the medium run; long-term evidence from EU countries demonstrates that 1% increase in openness of the economy leads to additional 0.6% in labour productivity.

Fig. 8

Potential impact of trade agreements on GDP, exports and jobs in Europe

Country/Region	GDP		Total exports		Total imports	
	(%)	(€ bn.)	(%)	(€ bn.)	(%)	(€ bn.)
USA (G-20) *	0.52	65.7	1.40	29.4	1.35	29.0
Japan (G-20)	0.34	42.9	1.20	25.2	1.20	25.8
Canada (G-20)	0.08	10.1	0.69	14.6	0.39	6.0
ASEAN	0.035	4.4	1.60	33.7	1.40	30.1
India (G-20)	0.03	3.8	0.55	11.6	0.55	11.8
Mercosur	0.17	21.5	0.65	13.7	0.66	14.2
China (G-20) Investment *	0.03	3.8	0.07	1.4	0.06	1.3
Total	**1.2**	**152.2**	**6.2**	**129.6**	**5.6**	**118.2**
Productivity effect **	0.8	103.1	n.a.	n.a.	n.a.	n.a.
TOTAL incl. productivity effect	**2.0**	**255.3**	n.a.	n.a.	n.a.	n.a.
Jobs (1000) ***	n.a.		2164		n.a.	n.a.
South Korea (G-20) *since July 2011*	0.075	9.5	1.20	25.2	1.10	23.6

* The study commissioned by DG Trade of the European Commission simulated reduction in non-tariff – but not tariff – barriers, whereas a simulation of an EU-US 100% tariff removal conducted by DG Trade estimated an increase of EU real income by 0.02% or 3.3 bn. EUR
** Increased trade exposure by 10 percentage points (i.e. equalling exports + imports over GDP here) might lead to increased output per working-age person by 4%; see OECD (2003). *The Sources of Economic Growth in OECD Countries*.
*** In line with Sousa, N. et al.: Extra-EU exports and employment. *DG TRADE Chief Economist Note*, No. 2, 2012.
Source: Adapted from EUROPEAN COMMISSION: *Commission Staff Working Document – External sources of growth: Progress report on EU trade and investment relationship with key economic partners.* July 2012, available at:
http://trade.ec.europa.eu/doclib/docs/2012/july/tradoc_149807.pdf, p. 19.

Before 2006, free trade agreements (FTAs) covered less than a quarter of EU trade; this would account for up to a half subject to successful completion of pending negotiations with Canada, Singapore, India as well as other ASEAN states, or even up to two-thirds when considering the impact of FTAs with the USA and Japan. Moreover, it is estimated that 90% of economic growth will be generated outside Europe – with China alone representing a third – by 2015; besides the demand side, the supply side of the economy prospers from more trading as both trade and investment flows foster new ideas, innovation and technology [8].

Conclusion

Out of the global 100%, G-20 accounts approx. for 65% of population (out of which 7% the EU alone) – with the prospect of 53% envisaged for 2060 – and approx. for 87% of GDP (out of which 26% the EU alone). G-20 has recently documented a variety of (mostly adverse) economic trends, with all former Triad “centres”/

regions[30] (the EU, the USA and Japan) witnessing tendencies incompatible with sustainable economic growth such as accumulating public deficit and gross public debt (in the case of Japan even a negative inflation rate). Positive demographic trends as well as purchasing power developments particularly in China and India have, nonetheless, to some degree reinforced the growth potential hindered by the ongoing deepening economic crisis.

The European Commission indeed proceeds in line with the belief (claimed by J. C. Hsiung [23]) that a player's viability in the age of geo-economics depends very much on its economic competitiveness[31] and participation in super trading blocs including FTAs when pursuing its ambitious trade agenda. The EU is the largest trading bloc worldwide and its customs union is essential also for the functioning of the EU Single (Internal) Market, seeking identical application of common rules – related besides the common external tariff also to preferential trade, health and environmental controls, the common agricultural and fisheries policies, protection of the Union's economic interests by non-tariff instruments as well as external relations policy measures – at the external borders of the EU. In the position of a global competitor, the EU has faced intensifying pressure from the external environment on performance of its customs union, too.

From the EU perspective, new organisation of manufacturing steered by global supply chains blurs economic frontiers and transforms trade relations, so national exports and imports ought not to be viewed strictly from a narrow mercantilist angle – exports significant for economic growth and job creation necessitate imports, too. On the one hand, a new generation of FTAs is represented by the one between the EU and South Korea referred to by the European Commission as the most ambitious trade deal ever concluded by the EU. On the grounds of its comprehensive chapter on trade and sustainable development emphasising commitments of both parties to internationally recognised standards in the area of labour as well as environment it has become a benchmark for future negotiations (e.g. the EU's first "green FTA" with Singapore as a trade gateway into Asia).

Conversely, despite China's role in the world economy (and clearly in the EU's economic horizon alike) currently there is limited outlook for conclusion of an FTA with the EU beyond the prospect of an investment agreement and certain "targeted" negotiations including e.g. geographical indications. And, from "what is today an interdependence by necessity into an interdependence by choice" are the bilateral relations of the EU and the Russian Federation as of "strategic partners of a special kind" to be transformed on the basis of pragmatic solutions as noted during the December 2012 EU-Russia Summit.

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[30] Cf. e.g. BALAAM, D. N. – VESETH, M.: *Introduction to International Political Economy* (3rd Edition – International edition). Upper Saddle River (NJ) : Pearson Prentice Hall, 2005. 533 pp. ISBN 978-0-13-129365-6.

[31] Cf. the focus of a *competitiveness policy* defined by E. Fifeková as a policy aimed at shaping the macroeconomic environment, institutional framework and the business environment so as to enhance ability of the economy to face global competition on the global market under current as well as future terms. *For more details see* ([31], pp. 248-249).

The EU regarding itself as pursuing its agenda of bilateral negotiations perhaps as the most ambitious trade and investment agenda worldwide on an unprecedented scale – as pointed out earlier – is aware that the most effective way to reinforce the contribution of trade to economic growth in the short run is through enforcement of existing rights stipulated by the rules in place. Hence, the European Commission proposed a new enforcement framework for international trade rules on 18 December 2012 (to ensure that trade agreements on paper are translated into real results for citizens and companies) calling for: EU trade sanctions when a country fails to comply with an arbitration ruling under multilateral or bilateral dispute settlement rules; an action to defend EU interests when third countries adopt bilateral or regional safeguard measures unduly hindering EU trade; suspension of trade benefits granted to a WTO member that modifies its concessions to the EU under Art. XXVIII GATT 1994 without providing compensation to the EU.

Since hegemony of the USA and the crucial role of Europe in the international environment have been undermined, the first and foremost challenge for the EU is to assume a greater role in international affairs through different stages of development and economic cooperation. President of the Employers' Group at the European Economic and Social Committee (EESC) Henri Malosse sees the future of Europe in the involvement of large as well as small businesses in its trade and external policies claiming that *"innovation, knowledge and technology initiated by trade can promote inclusive growth, sustainable development and prosperity both here in Europe and in regions where the European Union is seen as a key partner such as Africa, South America, India and Japan"* [16]. Furthermore, President of the EESC's International Trade Group Jonathan Peel believes the need of European businesses to share a consistent, coordinated strategy *"would become increasingly important as civil society started to play a critical role in monitoring implementation of key elements of EU Free Trade Agreements"* [16]. To conclude, communication of the ambitious EU trade agenda is of growing importance even with respect to the EU business community as observed in a recent interview with the Secretary General of ACEA Ivan Hodač published in the Slovak weekly *Trend* where he maintained: *"First the industry needs to find a consensus. I cannot claim anything when addressing a representative of the European Commission if it is not on behalf of the entire industry. Further, I do not represent the French, the Italians or the Germans. A disadvantage, but also an advantage, of the ACEA association is that we need to speak on behalf of all. The disadvantage is that it takes some time before we reach an agreement. But then – and that's the advantage – Brussels listens. (...) When I am approached by a Brussels officer stating where there is the Korean red line that cannot be overstepped in the negotiations, I wonder where ours is. The officer responds there is none. On one side of the table there is a Korean – or now there will be a Japanese – counterpart, on the other side of the table there is a neutral representative of the Commission. Who will win in the negotiation? The one representing someone real – economic interests of a country, or someone* *who claims to represent European interests – as a virtual entity? That is a great disadvantage for us."*[32]

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It goes without saying that the new era of geo-economics has a variety of effects on the European Union, e.g. from the European perspective a "new-generation FTA" ([13], p. 4) is represented by the one between the EU and South Korea. As part of the European Commission's industrial policy, the *CARS 21* (*Competitive Automotive Regulatory System for the 21st century*) process originally launched in 2005 made recommendations for the short-, medium- and long-term public policy in the regulatory framework for the EU automotive industry that enhances its global competitiveness. In the light of the persisting global economic crisis (*global context*), focus of our follow-up research will be on the EU Single Market as well as progress of the Europe 2020 agenda (*European context*) as a guideline for boosting competitiveness of the EU27(28) through reinforced positioning of the automotive industry in its member states (*national context*).

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