INTRODUCTION

The European Union (EU) has been a proponent of the idea of free trade since the onset of the European integration process. It has undertaken activities aiming at the removal of trade barriers not only at the regional level, but also at the international level through the General Agreement on Tariffs and Trade (GATT). The accumulating processes of economic globalisation and the changes taking place in the international division of labour and also the appearance of new competitive markets (i.e. emerging markets) have influenced the changes in the perception and use of the European Union’s attributes of its trade policy. The above changes determine the specification of the subject of research undertaken in the article, which is the European Union’s trade strategy in the presence of modern transformations. The essence of the EU strategy is, first of all, to protect the interests of the EU as a whole and its individual business entities, and secondly to create the conditions in which the EU can fulfil the role of a global player in the global economy. The research aim of the paper is the analysis of the European Union’s new approach to the realisation of the idea of free trade which is the backbone of the trade strategy adopted by the EU. The article will attempt to answer the research questions: whether the growing role of some economies of developing countries is a threat for the EU’s position in the global economy; whether the European Union actions undertaken in the external dimension will have an impact on the economy of the European
Union itself, or on the contrary, whether the strengthening of the European Union’s internal market should be considered a priority by the Union in the context of changes in the international economic relations. Research methods characteristic for social sciences, such as, inductive, comparative, statistical methods and source criticism were used in the article.

THE IMPLICATIONS OF ECONOMIC GLOBALISATION PROCESSES FOR INTERNATIONAL TRADE RELATIONS

From the decade of the 90s of the 20th century in the international division of labour changes have been taking place which affect the transformation of the architecture of international trade. They are connected with rapidly occurring processes of economic globalisation which cause the fact that international trade functions in a different environment and that it has become, as Richard Baldwin writes, more comprehensive. Technological innovations have led to changes in the system of production relations between states and have opened to international enterprises the possibility of deploying production divided into different tasks in various parts of the world. Shaped global production networks have become today the dominant mode of production organisation, and being outside them condemns the country to remain on the economic periphery. Interpenetration of trade in goods, international investments in the development of production facilities, modern technology, long-lasting business relationships, use of service infrastructure in order to coordinate scattered production, according to R. Baldwin, leads to the formation of the goods-investments-services chain constituting the ‘heart’ of today’s multilateral trade system. These changes create many opportunities for growth and development, but at the same time increase competitive pressure.

The processes of economic globalisation and a proper development strategy enabled many countries to access the global market, increase the participation in international exchange and join the group of countries with the highest income. Exemplary examples of the winners of the processes of


economic globalisation are the Asian newly industrialised countries (South Korea, Taiwan, Hong Kong, Singapore), although the analysis of changes in international trade clearly shows an increasing share of a growing group of developing countries in global exports and imports. We are talking here not only about such examples as, among others, China, India, Brazil, whose spectacular economic success meant that these countries have joined the list of the most competitive economies in the world, but also Russia, Mexico, Thailand, Malaysia, the United Arab Emirates, Saudi Arabia and Turkey – which have high places (up to place 25 out of 50) in the list of the world’s major exporters and importers. Economic development of countries from the developing group intensifies the competition in terms of prices, quality of products and direct foreign investments, as these countries not only attract foreign investment, but they act as an investor abroad. The growing share of these countries in the trade exchange also positively affects their increased interest in the presence in the markets of other developing countries, creating a new trend in the international exchange on the so-called South-South line.

The processes of economic globalisation have finally led to deepened diversification of the already heterogeneous group of developing countries. Some of them achieve successes on the road to development, while others remain on the margins of international exchange, in particular the countries classified as the least developed countries (LDCs). This dichotomy affected

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3 The criterion for separating developed and developing countries is an indicator of national income per capita, which is used by the World Bank for the classification of countries for statistical, operational and analytical purposes.

the European Union’s withdrawal from the term ‘a group of developing countries’ because in its opinion this notion is inapplicable today, which in turn influenced the changes in the selection of instruments by the EU, not only in trade but also in terms of its development policy.

THE EUROPEAN UNION’S POLICY IN THE PRESENCE OF CHANGES IN INTERNATIONAL TRADE RELATIONS

The increasing importance of newly appearing attractive markets (i.e. emerging markets) and the dynamically changing world economic landscape determined changes in the policy of the European Union which is one of the key participants of the international exchange of goods and services. The EU is a major global exporter of goods (the share of 15.3%) and the second world importer after the United States (the share of 14.8%). In the case of trade in services, the EU has a position of a leading global exporter and importer with the share respectively 25.2% and 19.7%. Moreover, the EU is the biggest recipient and supplier of foreign direct investments. Therefore, a priority objective in EU policy in response to the ongoing transformation is the protection of the interests of the Union as a whole and its individual business entities, and the creation of conditions in which the EU can continue to play the role of a ‘global player’. The attitude which best corresponds to the occurring economic transformations, according to European Union policy is to strive for continuous deepening of trade liberalisation, understood as a gradual opening of the markets, according to the principle that ‘liberalisation drives liberalisation’. It is nothing new because the removal of trade barriers has accompanied the idea of European integration since its inception, as a result of which the EU’s modern economy of is one of the most oriented to the outside, where the average applied tariff rate is approximately 5.5%, and nearly a quarter of EU import is exempt from customs duties5.

The glorification of the EU’s free-trade idea has been noticeable in the documents adopted by it as well as in actions taken in the multilateral and bilateral dimension. Despite the permanence of the EU’s position in relation to the liberalisation of trade, it is possible to notice a change in the approach to the substance of trade liberalisation. Initially, in fact, the EU perceived

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The deeper liberalisation of international trade as a factor benefiting its own economic operators and concentrated on activities supporting them. In the document of 14 February 1996 entitled *Global challenges for international trade: market access strategy for the European Union* the active support for European companies was considered a key task. The opening of the European economy was treated as a tool enabling European businesses to obtain numerous outlays at lower prices, to achieve economies of scale, to implement innovations, to access third country markets more easily. In later years the EU modified its approach weaving the protection of its own enterprises into the strategy of increasing the competitiveness of the EU economy, which was to be complemented by external plans of the creation of conditions for development in the face of opportunities and challenges arising from the processes of economic globalisation. This approach favoured the European Union in the creation of the image of an entity aiming at the creation of a global market, not only in its own interest, but also in other countries'. The EU presented the assumptions of this type in both strategies: Lisbon and Europe 2020 and, among others, in the documents: *Global Europe: competing in the world* (2006), or *Trade, growth and development. Tailoring trade and investment policy for those countries most in need* (2012). In the currently implemented Europe 2020 strategy, aimed at increasing employment and creating a more modern, efficient and sustainable EU economy, trade policy is recognised as a key element of its external dimension. The importance of free trade is now for the EU, as the largest trading bloc in the world, increasingly important especially in the face of forecasts saying that in the next 20 years it is predicted that 90% of the world’s growth will be generated outside Europe, with a third falling on China alone. It is, however, already a fact that after the contemporary economic crisis, exports on the South-South line have rebounded much faster than the global export and emerging economies are now seen as economic powers leading to the exit out of the crisis.

Therefore, the European Union’s striving to maintain its leading position in international trade will require from it mainly actions supporting the inclusion of European enterprises in the global production chain, ensuring the EU market easier access to services, investments, public procurement markets of third countries, assuring the supply of raw materials and energy, intellectual property protection and the promotion of environmental protection and labour standards. EU prosperity depends on trade, which is why, free trade is one of the key driving forces stimulating the development of the European economy.
THE EUROPEAN UNION’S METHODOLOGY OF IMPLEMENTATION
OF THE FREE TRADE IDEA

Originally, in the opinion of the EU, the best way to promote the idea of free trade was the WTO multilateral system, for if trade becomes global, the rules should also be global. For the EU the WTO initially served as a platform for the realisation of its global commercial interests and gaining new sales markets. Therefore, the European Union was the main advocate of the adoption of the WTO ‘single undertaking’ formula which in parallel revolutionised the principle of special and diverse treatment applicable to developing countries. In practice, this meant a return to the basic principle of the multilateral system which is the reciprocity of benefits and concessions, from which in the days of the GATT there was an exception applied to developing countries, allowing them to evade the provisions liberalizing international trade (the principle of non-reciprocity). However, in the face of emerging new lucrative markets in developing countries, mainly in Asia, and deepening processes of economic globalisation, a return to the idea of reciprocity became crucial for the EU, since only its observance gave the EU chances of entering the markets of interest to it. The EU has repeatedly stressed that open markets will bring the desired results only if Europe rejects protectionism and if other markets remain open to Europe. The unequivocal commitment to the principle of reciprocity was highlighted in the communication of 2010 in which the European Commission clearly announced that the nature of the EU economy will remain open, but Europe ‘will not be naive’. Europe’s openness requires that its partners with developed economies as well as emerging economies take a similar effort in the spirit of reciprocity and mutual benefit. Moreover, the EU’s aim was the introduction by means of the WTO of the liberalisation of international trade according to its interests, an example of which was the proposition of new areas for opening of markets in which the EU has a comparative advantage (e.g. Singapore issues) and the agreement to accept the liberalisation obligations to the extent in which they do not affect negatively the interests of the EU as a whole (e.g. the common agricultural policy, textiles). The guarantor of compliance with the established rules and, above all, of the

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7 Trade facilitation, rules of competition, public procurement and foreign direct investment.
control of unilateral actions of trading partners was to be a dispute settlement system.

Key changes in the methodology of the implementation of the idea of free trade used by the EU took place with the progressive paralysis of the WTO in connection with the increasing displeasure of developing countries with the implementation of the decisions of the Uruguay Round and the lack of progress of the Doha Round negotiations. The change of EU policy consisted in moving the focus from the multilateral level to the bipolar one which became the main channel for the realisation of the EU’s trade interests through free trade agreements, which the EU began to treat as a strategic tool to implement the EU’s trade policy in the external dimension. By means of them, the Union implements a plan of comprehensive trade liberalisation in the face of the legislative paralysis of the WTO. Moreover, it adjusts its trade policy to dynamic changes occurring in the world economy, and primarily pursues its strategic commercial interests, which it could not materialise at the WTO forum. It is evidenced by the thematic scope of free trade agreements negotiated and concluded by the EU with third countries. They are not limited to the rules governing the requirements of the creation of free trade areas and customs unions in accordance with Art. XXIV of the GATT and V GATS, the General Agreement on Trade in Services, but they exceed the minimum requirements of the WTO and they have a comprehensive character (comprehensive programme). Thus, they include issues such as, among others,: the competition rules, foreign direct investments, public procurement, labour standards, environmental protection and in justified cases taking into account the regulations pertaining to the management in the sphere of finances, taxes and judicial proceedings. In this way, the EU tries to transfer its regulations to the international level, becoming the creator of the multilateral economic order.

The European Union excluded basically only LDCs from the plan of the implementation of a comprehensive vision of trade liberalisation through free trade agreements, although if they have a need and desire to enter into such an agreement with the EU, then nothing stands in the way. Nevertheless, for the poorest countries, the EU launched in 2001 a programme called ‘Everything But Arms’ which gives the right to completely free access to the EU market for products originating in these countries, except arms and ammunition. The key interlocutors for the EU in the negotiations of free trade agreements were initially countries identified as ‘priority partners’, then ‘more advanced countries and developing regions’, and today the focus is on ‘strategic economic partners’. In each case, the main criteria for
the selection were, among others: the potential of the economy, applied trade barriers on imports from the European Union, the status of trade negotiations by future EU partners with its competitors and their possible impact on the EU market. Taking the above into account, the European Union currently has a dominant position in terms of the number of signed and implemented free trade agreements, against all such agreements notified by the WTO. As of September 2015 these are 36 agreements with a further 12 agreements which have been notified to the WTO in accordance with the notification procedure\(^8\). They include countries from all continents and with different levels of economic development. Among them there are agreements concluded, inter alia, with: Mexico, South Africa, Chile, South Korea, the Mediterranean countries (Algeria, Egypt, Morocco, Tunisia, Jordan, Lebanon, Israel, the Palestinian National Authority\(^9\)), the Eastern Partnership countries (Moldova, Georgia, Ukraine), Central American countries (Guatemala, Honduras, Costa Rica, Nicaragua, Panama, El Salvador) and South America (Colombia and Peru\(^10\)), as well as with the countries forming the group of African, Caribbean and Pacific (ACP) countries. Due to the size of this group (79 countries), the EU decided to conclude the so-called EPAs (Economic Partnership Agreements) with the individual regional groups of the ACP countries\(^11\). As of today (September 2015) such agreements were concluded with the Caribbean (14 CARIFORUM Member States\(^12\) with the exception of Haiti), Eastern and Southern Africa (4 countries of ESA\(^13\)), Pacific (2 states – Papua New Guinea and Fiji), as well as Cameroon and Ivory Cost.

\(^8\) Data from: www.wto.org
\(^9\) Negotiations are underway with Morocco, Jordan, Tunisia on the conclusion of the agreement on Deep and Comprehensive Free Trade Area.
\(^10\) In July 2014 the negotiations with Ecuador were completed and after the ratification process, this country will join Peru and Colombia.
\(^12\) CARIFORUM- *Caribbean Forum of African, Caribbean and Pacific States.* The countries which signed an agreement with the EU are Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Dominican Republic, Grenada, Guyana, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago.
\(^13\) ESA – *Eastern and Southern Africa.* The countries that signed the agreement with the EU are: Mauritius, Madagascar, Seychelles, Zimbabwe.
Currently, negotiations of free trade agreements were concluded in 2014 with Singapore, Canada and the EPAs with countries of the EAC, SADC and West Africa, but due to the ratification process in both cases their provisions are not yet binding. The European Union is still negotiating with India, Japan, Malaysia, Thailand, Vietnam and the United States. Crucial from the point of view of the European Union will be the negotiations with strategic economic partners, to which the Union includes apart from the United States (the main trading and investment partner of the EU), India and Japan, as well as China, Russia and Brazil. Negotiations with the first three countries are already underway and both parties are willing to complete them. In the case of China, the second trading partner for the EU, as of now, talks are underway concerning the conclusion of the comprehensive investment agreement, gradually abolishing restrictions in the access to investments. Negotiations with Brazil and Russia (agreements replacing the current partnership and cooperation agreement) do not have great chance of success in the near future. In the case of Brazil they depend on the talks between the EU and MERCOSUR\textsuperscript{14}, and in the case of Russia they depend on the political situation in connection with the conflict in Ukraine.

In parallel to the negotiations of free trade agreements, the EU is also now keenly interested in talks on concluding the Trade in Services Agreement. With a key position in the international trade in services, the EU aims at deepening the liberalisation of access to the service market for third countries. The central place in the negotiations is taken by the talks on the liberalisation of financial services, which is particularly advantageous for the EU because it has a leading position in world exports of financial services amounting to 160 billion USD in 2013, compared to the USA achieving 84 billion USD\textsuperscript{15}.

The negotiations involve 24 countries (including the EU) which together hold about 70% of the world trade in services. Much easier access to their services markets, would give the EU economic growth and additional jobs in the service sector, a key sector of the EU economy employing around 73% of the population. Although negotiations are conducted on the basis of the main principles of the GATS, they are not carried out under the auspices of the WTO. Nevertheless, countries which are members of the WTO (including the EU) are engaged in this process and the system itself is open to the members of the WTO which, if they decide in the required majority, can make TiSA

\textsuperscript{14} The negotiations with MERCOSUR conducted from 1999 were suspended in 2004. Their restarts took place in 2010.

become part of the legal solutions of the WTO and it will be extended onto all WTO members.

And finally, the European Union has also used free trade to increase its competitiveness in the political sense. Political changes after 1989 resulted in freeing development aid from the influence of ideology, and the idea of providing development assistance began to be criticised as ineffective in the process of economic development (aid fatigue). The triumph of neo-liberal ideology in the decade of the 90s of the 20th century was used by the EU to change the architecture of international development cooperation, plying, as the main donor of development aid, the role of the creator of the new order in which trade became the basic condition of development. The examples of the newly industrialised countries of Asia, Latin America as well as China, India and Brazil suggested that in the times of economic globalisation it is impossible to negate the openness to trade and access to foreign investments and technologies. The economic growth of these countries encouraged both developed and developing countries to treat trade as an effective tool for economic growth. Supporting trade as a development strategy, the EU implemented, the program, the only one so far in the world, abolishing all barriers to access to its market for goods from LDCs, except arms and ammunition. We are talking here about the aforementioned initiative of the EBA, in force since 2001. In this way, the EU endeared itself to developing countries, which was particularly important during the opening of negotiations in the Development Round convened by the WTO in November 2001\(^{16}\). In addition, through the EBA initiative, the EU began to set the patterns of conducting policy directed towards the poorest countries in the world, which undoubtedly strengthened the EU’s international prestige and its position in the implementation of the EU’s global interests.

**SUMMARY**

The advantages of free trade have been well known at least since the times of Adam Smith and the European Union is one of their advocates. However, economic transformations in the contemporary world economy have changed the conditions of conducting trade and strengthened the

position of some economies of developing countries, which have become competition for the European Union. In response to these changes, the EU has solidified the views in which free trade was treated as a key condition for achieving growth and creating new jobs. The strategy of action adopted by the EU is carried out on two mutually complementary, internal and external levels. Without a strong internal market and competitive enterprises there will be no strong European Union on the outside. And conversely, the EU’s inner strength is dependent on openness and fair rules on foreign markets, in particular those which are key trading partners for the EU. It seems that the methodology of implementation of the cherished idea of free trade used by the Union ensures its competitiveness in the changing global economy. Statistics show that the EU is a leading participant in international exchange and the world’s largest supplier and recipient of foreign direct investments. Free trade agreements, as a strategic instrument in the EU’s external trade policy are supposed to further strengthen the position of European companies on foreign markets and to increase investment protection and the possibility of making foreign direct investment by the EU, in particular in its main trading partners. The completion of all the ongoing trade negotiations, as the European Commission estimates, should affect, among others, the increase of the EU GDP by 2% and the activation of employment of more than 2 million people. In addition, the EU, through free trade agreements, guarantees the realisation of its interests in the protection and enforcement of intellectual property rights and the access of European companies to public procurement markets in third countries. Similarly, in relations with developing countries, the mechanisms adopted by the European Union mean that the EU is the world’s largest importer of products (including raw materials) from developing countries.

The actions to improve the Union’s competitiveness in the global economy undertaken in the external dimension seem to be well planned and effectively implemented. It is certainly affected by the fact that the common commercial policy is the exclusive competence of the EU and that the EU is entitled to establish the regulations and the role of the member states is to apply them. These activities must, however, be more strongly supported by the strengthening of the internal market and policies which are essential for competitiveness, in the spheres of, among others, research and innovation, information technologies, energy or the environment. However, the Union

\[\text{The European Commission. 2014. } \textit{The European Union Explained. Trade. Brussels, p. 5.}\]
may have problems with this due to the persisting economic problems of the euro area, 0.9% economic growth in the EU, the failure of the realisation of the Lisbon Strategy and the ineffective way of the Europe 2020 strategy implementation.

REFERENCES

THE EUROPEAN UNION’S STRATEGY OF ADAPTATION
TO THE CHANGES TAKING PLACE
IN THE CONTEMPORARY INTERNATIONAL TRADE

Summary

The article raises the issue of transformation in contemporary international trade and its impact on the policy of the European Union. Economic globalisation, global value chains, growing new economic powers threatened the position of the European Union, which had to choose the right strategy for responding to these changes. Free trade has become the ideological determinant of EU policy, which guarantees economic growth in both developed countries and developing countries. The article consists of three parts, introduction and summary. The first part of the article presents the implications of globalisation for modern international trade relations. The second part was devoted to the analysis of the Union’s policy towards the ongoing transformations. In the third presents the methodology used by the Union in the implementation of the idea of free trade.

STRATEGIA UNII EUROPEJSKIEJ DOSTOSOWANIA DO ZMIAN ZACHODZĄCYCH WE WSPÓŁCZESNYM HANDLU MiĘDZYNAKARODOWYM

Streszczenie

Стратегия Европейского Союза применительно к изменениям, происходящим в современной международной торговле

Резюме

Статья затрагивает проблематику перемен в современной международной торговле и их влияние на политику Европейского Союза. Глобализация в экономике, глобальные производственные цепочки, образующиеся новые экономические державы, стали угрозой для позиции Европейского Союза, которому пришлось выбрать новую стратегию в условиях перечисленных выше перемен. Свободная торговля стала идеологически определяющей для политики ЕС, гарантирующей экономический рост как для развитых, так и для развивающихся государств. Статья состоит из трёх частей, введения и заключения. В первой части статьи представлены последствия процессов глобализации для современных международных торговых отношений. Вторая часть посвящена анализу политики ЕС в отношении происходящих преобразований. В третьей же представлена методология, применяемая Европейским Союзом в сфере внедрения идеи свободной торговли.