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How will the EU Approach the BRIC Countries?
Future Trade Challenges

I. INTRODUCTION

This paper aims at understanding the potential of partnerships of the European Union (EU) with emergent global actors (the so-called new leading powers (NLP) or BRIC countries¹), focusing on international trade law and policy. Although the power base of these actors (Brazil, Russia, India, and China – the BRIC countries) is their respective region (South America for the case of Brazil, Eastern Europe for Russia, the Subcontinent for India, and the Far East for China),² there may be specific policy areas in which their influence might be global.³ With this in mind, the paper raises interesting questions: is the EU an attractive trade partner for the new leading powers? Does the EU want cooperation with the BRIC countries? What can the EU expect from cooperation with the BRIC countries? What are the characteristics of these partners? What are the EU's priorities in its foreign trade policy? With which partners should the EU cooperate in which policy areas? With which instruments can the EU engage these partners and how can the EU internal coordination be ensured?

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1 BRIC is a term used in economics to refer to the combination of Brazil, Russia, India, and China. General thinking is that the term was first prominently used in a thesis of the Goldman Sachs investment bank. Goldman Sachs argues that the economic potential of Brazil, Russia, India, and China is such that they may become among the four most dominant economies by the year 2050. The thesis was proposed by Jim O'Neil, chief global economist at Goldman Sachs. These countries encompass over twenty-five percent of the world's land coverage and forty percent of the world's population. The BRIC countries have taken steps to increase their political cooperation, mainly as a way of influencing the United States position on major trade accords, or, through the implicit threat of political cooperation, as a way of extracting political concessions from the United States, such as the proposed nuclear cooperation with India. See http://en.wikipedia.org/wiki/BRIC#cite_note-0.


3 In 2007, the International Monetary Fund ranked China as the fourth wealthiest nation in the world in absolute terms; Brazil, Russia, and India came in 10th, 11th, and 12th respectively. See http://en.wikipedia.org/wiki/List_of_countries_by_GDP_(nominal).
The paper argues that the EU's objective of engaging with the BRIC countries on trade matters is to establish peace, security, and prosperity in the 21st century. Trade creates economic ties and generates more wealth; thus it contributes to peace and security, since nations that trade with each other do not go to war. An example is the EU integration project. To achieve this, a new and better global economic governance framework is needed. The Bretton Woods institutions, which are outdated, need to be reformed and improved.

The paper also argues that there remains substantial scope for all BRIC countries (except for Russia, which is not yet a member of the World Trade Organization [WTO]) to make further commitments towards greater liberalization within the services sectors and within all modes of supply provided in the General Agreement on Trade in Services (GATS). It will be demonstrated that, despite the commitments made within the GATS, services sectors still exhibit limitations that restrict equal competition for foreign competitors, sometimes resulting in non-compliance with the WTO doctrines of market access and national treatment. Different WTO members set different strategies for services liberalisation, reflected in their GATS or other negotiating positions. Excessive use of non-tariff barriers can lead to ineffective enforcement of GATS commitments, resulting in true market access lagging behind bound rates. Some countries keep a conservative position on their bound commitments, while in reality a more liberal access is enjoyed, affording them stronger leverage on future rounds of negotiation. A failure to effectively enforce bound commitments can also reflect an inability within a country to ensure uniform domestic implementation.

It will also be argued that the attitude of the BRIC countries to multilateralism and responsibility in global economic governance is questionable or unclear. For example, China, India, and Brazil seem to lean against "traditional" powers (mainly the U.S.), and tend to focus on South-South regionalism. Evidence of this is the trilateral developmental initiative among India, Brazil, and South Africa

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4 The Bretton Woods institutions are the organizations set up as the result of the UN Monetary and Financial Conference held in July 1944. Representatives of forty-four Allied nations met in Bretton Woods, New Hampshire, which led to the signing of the Bretton Woods Agreements. The World Bank and the International Monetary Fund were established and became known as the Bretton Woods institutions. For further reading, see Stiglitz, J. *Globalization and its Discontents*, Penguin, London, 2001, chapter 1.

5 Non-tariff barriers or non-tariff measures are measures other than tariffs applied by governments at the border that determine the extent to which a good or service has access to the import market.


7 See, for example, the results of the July 2008 WTO Mini-ministerial conference, where WTO members' latest attempt to salvage a deal in the Doha round broke down. Import-sensitive China and India were pitted against the US's demands for predictable market access for farm products.
It is therefore necessary to pave the way for responsible multilateralism for the common goal, i.e., the establishment of peace, security, and prosperity in the 21st century.

The research method used has been an interdisciplinary qualitative approach to the analysis of law, international political economy, and international relations, thereby moving away from the textual-formalistic reading of law. It is my conviction that significant answers to legal questions can be found only in a wider political, economic, and social context.

The paper is divided into four parts: after the introduction, the EU's bilateral/regional approach to the NLP will follow, with an examination of each of the BRIC countries in their trade relations with the EU coming next, followed by the conclusion.

II. BILATERALISM/REGIONALISM

Traditional views of international law maintain the essentially bilateralist view set forth in the late Eighteenth Century by de Vattel's *Le Droit des Gens ou Principes de la Loi Naturelle*: states, as sovereigns, are bound and limited in their actions only by those rules to which they themselves have agreed to be bound and limited (explicitly in the case of treaties, explicitly or implicitly with regard to customary law). The consent- assumption of bilateralism is in turn based on the concept of legal equality of states – factual inequalities play no role. Obligations

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8 The India, Brazil, South Africa (IBSA) Dialogue Forum represents three important poles for galvanizing South-South cooperation and greater understanding between three important continents of the developing world namely, Africa, Asia and South America. The forum provides the three countries with a platform to engage in discussions for cooperation in the field of agriculture, trade, culture, and defense among others. See Wikipedia, available at [http://en.wikipedia.org/wiki/India-Brazil-South_Africa_Dialogue_Forum](http://en.wikipedia.org/wiki/India-Brazil-South_Africa_Dialogue_Forum).


10 Ibid. at para. 25.

11 See de Vattel, E., *Préliminaires*, para. 18 ("... Un nain est aussi bien un homme qu'un géant: une petite République n'est pas moins un Etat souverain que le plus puissant royaume"). As Anghe carefully reminds, us, however, the Westphalian idea of sovereignty was limited to European states, with the factually unequal colonies of the European states having severe repercussions on the further development of international law:

"European states were sovereign and equal. The colonial confrontation, however, ... was not a confrontation between two sovereign states, but rather between a sovereign European state and a non-European society that was deemed by jurists to be lacking in sovereignty – or else, at best only partially sovereign. ... [W]hat passes now as the defining dilemma of the discipline, the problem of order among states, is a problem to which, from the time of its origins, has been peculiar to the specificities of European history. And, further, ... the extension and universalization of this European experience, which is achieved by transmuting it into the major theoretical problem of the discipline, has the effect of suppressing and subordinating other histories of international law and the peoples to whom it has applied".

owed by and to states are therefore uni-dimensional and, importantly, discrete as well as specific to treaty partners. Therefore, unilateral actions in a bilateralist world would always be a legitimate response to a violation of the acting state’s rights.\textsuperscript{12}

While the results of bilateralism as a legal instrument include a relatively clear set of international legal rules and a necessary adherence to the (instinctively pleasing) principle of reciprocity, other results are less desirable. First, despite bilateralism’s emphasis on the notion of states’ legal equality, as Simma points out, "bilateralism unveils, and even endorses, the crucial dependence of the enforceability of a State's international legal rights upon a favourable distribution of factual power."\textsuperscript{13} Due to the inherently unequal nature of bilateralism, the enforceability of the "weaker" state’s legal rights cannot be considered assured. Moreover, bilateralism permits states to be internationally "morally uncommitted,"\textsuperscript{14} even if they are not so domestically. States in a bilateralist system are, according to Philip Allott, able to tolerate "oppression and starvation and disease and poverty, human cruelty and suffering, human misery and human indignity, of kinds, and on a scale, that they could not tolerate within their internal societies."\textsuperscript{15} The full competence to address internal affairs also leaves the states the freedom to ignore problems external to their territory.

In the case of the EC vis-à-vis the BRIC countries, what can the EU offer the BRIC countries to foster trust, a sense of cooperation and respectfulness, as well as a better multipolar framework of global economic governance? The EU can offer a large market, while the markets of the BRIC countries are of smaller economic relevance, except for the case of China where, according to predictions, China's economy will overtake that of the U.S. by 2050.\textsuperscript{16} How will the EU manage the new phenomenon of moving from a global economic equilibrium, dominated principally by the EC and the U.S., to a new trend in which we have new voices and centers of gravity in the world economy? There is certainly a need to reform the current Bretton Woods institutions.

\textsuperscript{12} This view continues to be promoted. For example, in the report by the International Law Commission’s Special Rapporteur on Unilateral Acts of States, discussing comments by state representatives to the inclusion of the concept of "autonomy" in the definition of "unilateral act," one sentence notes a bilateralist resistance to such an inclusion: "For some members, however, unilateral acts cannot be autonomous because they are always authorized by international law." Victor Rodríguez Cedeño, International Law Commission Fifty-fourth Session, Fifth Report on Unilateral Acts of States, A/CN.4/55, 13 at para. 53 (4 April 2002).


\textsuperscript{16} See YaleGlobal online, available at \url{http://yaleglobal.yale.edu/display.article?id=7402}. 
A. Regional Integration

The EU has a long history of promoting regional integration in other parts of the world, especially among developing countries. This is based on its own nature as the oldest and most advanced regional scheme, coupled with the perception among leading European policymakers that the EU does indeed constitute a model for others. The EU has therefore long viewed itself as a "natural" supporter of regional initiatives, a view that sparked the increasing externalization of its model over time. This policy has become one of the cornerstones of the EU's development policy, and the incentive of offering market access to the EU’s large internal market in support of such a strategy has gained in salience in recent years. By promoting regional integration, therefore, the EU actively influences emergent forms of regional governance in other parts of the world.

The EU's main motivation for the promotion of regional integration is predicated on trade and economic gains. According to this view, the EU needs to have important economic interests at stake in order to get involved in the integrative efforts of other countries. These interests are two-fold: first, the EU promotes the integration of national markets into regional economies to benefit from economies of scale when accessing them with their own goods. Second, through the negotiation of bi-regional trade agreements, the Union has a powerful tool to shape the framework of economic governance in counterpart regions.

The Union has a lot to gain from the integration of small, fragmented markets into larger economic units in which EU products can circulate more easily. Market size has become an important criterion for investment and trade decisions by private companies and serves as a strong incentive for European traders and investors: "the whole will grow faster than the sum of its parts, offering outlets for our exports and opportunities for our investors." This rationale is best reflected in the EU's new approach to integration in Africa through the negotiation of economic partnership agreements (EPAs): they "should deal with all factors that constrain business activities in ACP countries" through "the creation of open, integrated regions sufficiently large to trigger economies of..."

18 European Commission, "Support for Regional Economic Integration Efforts among Developing Countries," COM(95), 219 final (Brussels, 16 June 1995, p. 6).
20 Lamy, P. "Regionalism and Multilateralism in Latin America" speech delivered at the Federação das Indústrias do Estado de São Paulo, 10 July 2001.
scale, support trade and attract foreign investment."²³ Such a strategy has been
evaluated by one commentator as indicating that it "is based upon securing
market access for European producers while selling the concept of the European
'model' of regional integration."²⁴ As the creation of regional markets goes hand
in hand with the development of a regional economic governance framework, the
Union has an interest in being able to access the enlarged market on terms that
are favorable to its own industry. Regional economic integration is an ongoing
process that is never complete. The EU has a comparative advantage to other
such schemes as the integration process is the most advanced and it can
therefore draw on its long experience in formulating common rules to impact the
economic integration process of others.²⁵

B. Advantages and Disadvantages of FTAs

EC trade policy uses a pyramidal structure with regard to the various degrees
of trade preferences that it offers to different countries and regions. The BRIC
countries have by and large been at the bottom of the preference pyramid thus
far. An unofficial ranking of the preference pyramid would look as follows starting
from the top: new EU Member States and accession candidates, countries with
which the EC has a free-trade agreement, countries of the Mediterranean region,
the African, Caribbean and Pacific countries, and the BRIC countries in relation to
the Generalized System of Preferences.²⁶ So there appears to be a potential to
offer more market access to the BRIC countries and embed this in a policy-
centered foreign policy approach.

Why is trade important in the political arena? A trade agreement is often
considered to belong to a bilateral political agreement, even if the scope might
be rather limited (e.g. Asian bilateralism). Trade is about money, and money is a
powerful instrument to foster political relations. Trade can be used as a "carrot"
or as a "stick." It is used as a "carrot" when preferences for certain countries

²⁴ Farrell, M. "The EU and Inter-Regional Cooperation: In Search of Global Presence?," in A.
Verdun and E. Jones, The Political Economy of European Integration, (Routledge, January
²⁵ Anne-Sophie Claeys and Alice Sindzingre, "Regional Integration as a Transfer of Rules: The
Case of the Relationship between the European Union and the West African Economic and
Monetary Union (WAEMU)," paper given at Development Studies Association Annual Conference,
²⁶ The Generalized System of Preferences, or GSP, is a formal system of exemption from the
more general rules of the WTO. Specifically, it is a system of exemption from the most-
favored-nation (MFN) principle that obligates WTO countries to treat the imports of all other
WTO countries no worse than they treat the imports of their most favored trading partner. In
essence, MFN requires WTO countries to treat imports coming from all other WTO countries
equally, that is, by imposing equal tariffs on them, inter alia. See Wikipedia, available at
create competitive advantages versus third parties. Trade can also be used as a "stick." For example, 1) to deny preferences to a certain country when granting them to others, thereby creating discrimination and trade diversion; 2) through trade defense instruments\(^{27}\) such as antidumping and safeguard measures; and 3) the WTO-dispute settlement system.

If we look at bilateral free-trade agreements (FTAs) as instruments for liberalizing trade, the "carrot" function is important since FTAs offer preferential market-access, whereas in the "stick" function it does not seem to be realistic to withdraw preferences, as the free-trade agreement in question would need to be breached. This situation seems hardly imaginable and thus not a credible threat. From the emerging-markets perspective, another reason for the attractiveness of signing a free-trade agreement with the EC is their competitive advantage. A free-trade agreement can level the playing field, for example for Brazil in relation to Mexico and Chile, both of which already have FTAs with the EC. Moreover, there is an insurance against trade defense instruments as these are generally less used against trade partners. Furthermore, the EU could offer additional incentives (and therefore show generosity to build more political trust) by granting larger concessions or demanding fewer concessions than would be the case in a purely reciprocal give-and-take situation. However, even if the EU concessions were possible, what would the EU want to obtain in return? Market access seems to be the evident answer. This is what trade negotiations are about. The Commission's Directorate-General for trade would come under pressure if EU concessions were not used to enhance market access for European exporters in growing and important emerging markets.

However, there are also disadvantages to FTAs, even if FTAs are WTO-compatible according to GATT Article XXIV.\(^{28}\) Further proliferation of FTAs results in transaction costs that serve to the detriment of multilateral trade liberalization at the WTO level, thereby provoking a fragmentation of multilateralism. In this sense, I would argue that the EU has responsibilities for the multilateral trading system and therefore should be defensive in bilateralism; in other words, the EU should only react when other countries move first with FTAs to EU export markets. That was the case with the U.S. and Japan after the suspension of the Doha round in July 2006, when the European Commission, on behalf of the EC and its Member States, started negotiating FTAs with India, ASEAN, and South Korea. The aim was to not lose the opportunities offered by the new emerging markets in Asia.

Since July 2006 (the date of the Doha round of multilateral trade talks suspension), we have seen the obvious weaknesses and deficiencies of the multilateral trading system and, as a reaction, the proliferation of regionalism –

\(^{27}\) Trade defense instruments are protective mechanisms that are legal under the WTO Agreements. They may be triggered to counter the effects of dumping, subsidies and unexpected import surges causing injury to domestic industry. Such mechanisms include antidumping measures, countervailing duties and safeguards. See *Dictionary of Trade Policy Terms*, 5th ed., Cambridge University Press, 2007, p. 101.

\(^{28}\) GATT Article XXIV basically acknowledges that regionalism within multilateralism is WTO-compatible.
although this has been happening for quite some time now\textsuperscript{29} – and bilateralism. What does this mean for the future of global economic governance?

After the suspension of the WTO Doha negotiations, the European Commission looked ready to refocus its commercial strategy on bilateral free-trade agreements so as to catch up with the US and Japan.\textsuperscript{30} Bilateralism/regionalism is the normal consequence of failed multilateralism.\textsuperscript{31} This certainly has dangerous repercussions on weak economies.\textsuperscript{32} Officially, concluding the Doha Round remains the EC’s number-one priority, but, since negotiations were suspended in July 2006\textsuperscript{33} – when last resort talks failed to bring an agreement on reducing farm subsidies and lowering tariffs, leading therefore the WTO chief Pascal Lamy formally to suspend the Doha Round – the EC has been looking for other ways to open up foreign markets\textsuperscript{34} and keep up with its main trade rival, the US, which is currently leading the race to conclude free-trade agreements (FTAs) with high-market-potential countries.\textsuperscript{35}


\textsuperscript{30} European Commission ‘Research shows big potential gains from new EU FTAs’ Memo (23 April 2007).

\textsuperscript{31} On the dilemma of bilateralism versus multilateralism, see G Glania and J Matthes \textit{Multilateralism or Regionalism? Trade Policy Options for the European Union} (Centre for European Policy Studies, 2005).

\textsuperscript{32} Trakman, however, claims that bilateralism can actually help developing countries in the world trading system. See L Trakman ‘The Proliferation of Free Trade Agreements: Bane or Beauty?’ University of New South Wales Faculty of Law Research Series Paper 54 (2007).

\textsuperscript{33} After five years of troubled negotiations, the Doha Development Round, aimed at freeing global trade and at extending the benefits of globalisation to developing countries, was suspended following the failure of negotiators to reach a compromise about reducing farming subsidies and lowering import tariffs. The resumption of the Doha talks took place in February 2007. See Leal-Arcas, R. \textit{Theory and Practice of EC External Trade Law and Policy}, Cameron May, London, 2008, p. 564.

\textsuperscript{34} This has been the case with emerging markets. See European Commission, “Global Europe: Competing in the World,” COM(2006) 567 final, 4 October 2006, p. 5.

\textsuperscript{35} Nevertheless, it is worth mentioning that this proliferation of bilateral trade agreements outside the WTO process is perceived as betraying the multilateral ideals that underlay the WTO and its forerunner, the GATT.
The European Commission’s decision\textsuperscript{36} to launch new bilateral trade negotiations\textsuperscript{37} with countries such as India, South Korea, and the 10 ASEAN\textsuperscript{38} states\textsuperscript{39} ‘could further complicate its trade regime, and divert interest from the multilateral trading system’,\textsuperscript{40} according to a bi-annual report carried out by the WTO on the EC’s trade policies and practices. On the specific case of ASEAN, European and Southeast Asian leaders agreed to step up efforts towards concluding a deal establishing what would be one of the largest free-trade zones in the world, at a bilateral summit in Singapore in November 2007. However, talks were overshadowed by disagreements about how to deal with the military dictatorship in Myanmar following its bloody crackdown on pro-democracy protesters in September 2007.\textsuperscript{41} The Commission also hopes to negotiate more far-reaching agreements than would be possible under the WTO talks, by tackling issues such as investment, competition policy, and public procurement – known as the Singapore issues – which were dropped from the Doha agenda in 2003.\textsuperscript{42} This return to a system of bilateral agreements and FTAs will mean that the large WTO members would be able to strong-arm the small members and the multiplication of trade rules and tariffs would generate higher transaction costs and damage the trading and investment environment.

However, in a speech to the European Parliament’s International Trade Committee on 17 October 2006, Lamy warned that bilateral deals could contribute to weakening the multilateral trading system.\textsuperscript{43} Moreover, he argued that the growing number of bilateral and regional trade talks\textsuperscript{44} risked distracting from

\begin{enumerate}
\item Council of the European Union ‘Conclusions on the Recommendations to open Negotiations with Countries of ASEAN, India and South Korea’ 2795 General Affairs Council meeting (23 April 2007).
\item See speech given by Pascal Lamy to the European Parliament’s International Trade Committee, where he warned that the Doha failure will seriously weaken the trading system. Available at http://www.wto.org/english/news_e/sppl_e/sppl44_e.htm.
\end{enumerate}
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attempts to clinch a long-elusive global deal. He noted that when it came to bilateral talks, some countries appeared to be promising concessions beyond what would be needed to unblock the multilateral negotiations. Before the US Chamber of Commerce, he said:

While bilateral agreements can be a useful complement, I do not believe they can substitute a strong multilateral trading system. Bilateral agreements are by their very nature discriminatory. They have obvious limitations in terms of issues covered since they do not tackle the toughest areas where trade restrictive and distorting measures, such as subsidies, still prevail. They may lead to trade diversion as opposed to trade creation. And they complicate the trading environment of economic operators who have to abide by a spaghetti bowl of different rules. In short, bilateral agreements are not the easy way out.

Patrick Messerlin argues along the same lines by saying that multilateral liberalisation of trade should be the center of European trade strategy, and claims that the recent shift in EC trade policy to negotiate bilateral agreements is taking the EC into dangerous waters on the grounds that the bilateral trade agreements considered by the EC are generally characterised by high tariff and non-tariff barriers in goods, as well as by restrictive regulations in services and investment. Woolcock, however, argues that the EC’s increased use of FTAs is compatible with its commitment to multilateralism, but only if the bloc redefines its concept of ‘all trade’ as being 95% of trade and avoids excluding large bands of sensitive products in specific sectors such as agriculture. While the EC will find that it might be able to address some of its specific concerns through bilateral agreements, I believe that it will not be able to answer all of them. In addition, the countries that the EC will negotiate with in these bilateral negotiations will want to see some concerns, like subsidies in agriculture, addressed somehow and that will only be through the multilateral, that is, WTO, process.

In the face of globalisation, the EC must remain open. It must also ensure that markets abroad are open to its own exports. European businesses often find it difficult to access foreign markets due to high tariff and non-tariff barriers, as well as discriminatory measures applied against foreign companies. Removing such barriers is particularly important in the services sector, which represents

45 The same argument is made by a WTO report, which claims that the EC’s decision to seek bilateral free-trade agreements, as well as its rising agricultural tariffs, could be detrimental to the Doha negotiations on a global-trade pact. See World Trade Organization ‘Trade Policy Review. Report by the European Communities’ WT/TPR/G/177 (22 January 2007).
around 70% of Europe's jobs and of the EU's gross domestic product (GDP),\textsuperscript{50} but which faces higher trade barriers than goods, mostly due to restrictive national regulations, such as technical standards, licensing requirements or national discrimination.

This proposal of bilateral trade agreements as a result of the suspension of the Doha talks is diametrically opposite to the EC's previous trade strategy, in which the focus was strongly on multilateral negotiations within the WTO, and free trade deals were primarily driven by the logic of development or geopolitics rather than economic interests. That said, US businesses in Europe urged EU and US leaders to stop neglecting the transatlantic relationship in favour of boosting relations with China and India. They argued that the two transatlantic economies have become so highly interdependent that their future growth and job creation relies not on improving their relations with China and India, nor in completing a successful Doha Round, but in removing existing barriers to trade and investment in order to create a veritable transatlantic single market.\textsuperscript{51}

Another argument of why bilateralism is taking over multilateralism is that, as experience shows, regional trade agreements have been instrumental in providing reciprocal trade liberalization, and have significant effects for the multilateral trading system as the share of global trade conducted regionally reaches unprecedented levels.\textsuperscript{52} From this perspective, one could argue that, if the aim is progressive liberalization of international trade, regionalism is certainly contributing to this goal.

As WTO membership has grown, interests have diversified, and negotiations have become more cumbersome, countries have resorted to establishing regional trade agreements (RTAs).\textsuperscript{53} RTAs focus on the interests of countries in a particular region or group of regions, and not on global interests. By 2010, the WTO estimates that nearly 400 RTAs will be in effect. RTAs allow for more efficient

\textsuperscript{50} A region's gross domestic product, or GDP, is one of several measures of the size of its economy. The GDP of a country is defined as the market value of all final goods and services produced within a country in a given period of time.


trade negotiations and permit countries greater freedom to choose their trading partners, trade deals and conditions of trade. However, since RTAs operate outside the multilateral WTO system, many questions as to how the transition from a multilateral to a regional trading system will shape the way we think about social, political, and environmental issues arise. For example, how will trade relations between developed and developing nations change? Will RTAs become a tool for implementing the policy agenda of the powerful? What social, environmental, and political issues will arise under RTAs? Will RTAs hamper attempts to develop global standards on labor rights, women's rights, environmental protection, and other social issues?

Let us now present a country-by-country examination of bilateral trade relations between the EU and the BRIC countries.

III. TRADE ANALYSIS OF THE EU VIS-À-VIS THE BRIC COUNTRIES

Before starting with a trade analysis of the EU vis-à-vis the BRIC countries, it is important to note the differences among these countries. The BRIC countries may be classified in two groups. The first group is composed of Brazil and India, which are not yet global economic superpowers but are only starting to grow into a more powerful role. Therefore, the EU can try to foster this development in a cooperative stance and establish trust with Brazil and India. A second group, composed of China and Russia, is more assertive than the first group in some areas. It is in this group where we find major problems with the EU. In this sense, the EU could be in a strong position but is not because of the EU dependence on Russian energy supply, and because of the large Chinese market and the fact that China is a growing economic and political power.

A. Brazil

The EU is Brazil's main trading partner, while Brazil represents the EU's main trading partner in Latin America. Brazil is an efficient agricultural producer with strong interest in EU agricultural liberalization. Furthermore, Brazil constitutes 1.5% of EU services trade with the world, with EU exports of services to Brazil totaling €4.4 billion and EU imports of services from Brazil in 2005 totaling €3.9 billion. The 1992 EC-Brazil Cooperation Agreement provides the institutional setting for the political ties between the EU and Brazil and a framework for cooperation in trade in services, among other fields. Since the establishment of the 1995 inter-regional Cooperation Agreement between the EC and its Member

55 Eurostat.
States, on the European side, and Mercosur, on the South American side, EU-Brazilian negotiations have mainly been carried out through this framework.59

Since 2000, the EU and Mercosur have been in the process of negotiating a bi-regional Association Agreement, including a free trade area. This will be the backbone of future bilateral trade relations. Substantial progress in the trade chapter of the agreement allowed both parties to realistically envisage a conclusion of negotiations by the end of October 2004. However, on October 20, 2004, at the occasion of a Mercosur-EU trade negotiators meeting at the ministerial level in Lisbon, trade ministers concurred that the offers on the table did not reach the degree of ambition that both parties expect from this agreement and decided to give negotiations more time. Following a number of technical contacts in 2005 to discuss the ways to re-engage the process, trade ministers met again on September 2, 2005 to discuss a way forward.61

In 2005, Brazil represented 80% of Mercosur's GDP and is critical to Mercosur's further integration.62 In my opinion, in addition to the EU agricultural liberalization issue mentioned earlier, this intra-Mercosur disparity is one of the reasons why the EU-Mercosur negotiations for the conclusion of a bi-regional Association Agreement, including a free-trade area, which began in April 2000, do not seem to come to an end: on the South American end, there is a tremendous imbalance of power within Mercosur; Brazil is an enormous market of 190 million people, whereas Uruguay is of insignificant interest to Brazil, with a total population of 3.5 million people. This asymmetry makes Mercosur's search for a common position vis-à-vis the EU very difficult.

In July 2007, the EU-Brazil Summit, in the framework of a Strategic Partnership, reaffirmed both parties' commitment to resolving the EU-Mercosur negotiations between the two blocs (which have been effectively stalled for more than two years), resolving the Doha round of trade negotiations, as well as

58 MERCOSUR stands for Mercado Común del Sur (Common Market of the Southern Cone) and is composed of Brazil, Argentina, Paraguay, and Uruguay. On 9 December 2005, Venezuela was accepted as a new member, but not scheduled to be officialized until later. It was founded in 1991 by the Treaty of Asunción, which was later amended and updated by the 1994 Treaty of Ouro Preto (December 17, 1994). Its purpose is to promote free trade and the fluid movement of goods, peoples, and currency.

59 See generally speech by Ferrero-Waldner, Benita "Steering the EU/Brazil-Mercosur Relationship for the Challenges Ahead," Instituto Roberto Simonsen and the Federation of the Industries of the State of Sao Paulo Sao Paulo, Brazil, 12 July 2005.


62 World Bank's World Development Indicators.


64 1st EU-Brazil Business Summit, Lisbon 4 July 2007, p. 3.
initiating a dialogue on the EU and Brazilian shipping market developments.\textsuperscript{66} Despite liberalisation processes throughout the 1990's, Brazilian goods and services markets still enjoy a relatively high level of protection through various barriers to trade of both a tariff and a non-tariff barrier nature, especially in transport and ports.\textsuperscript{67} Furthermore, despite the approval of the Montevideo Protocol on Trade in Services of Mercosur\textsuperscript{68} by the Mercosur Council\textsuperscript{69} in 1997, Brazil has yet to ratify the Protocol. Brazil has not participated in any other preferential treatment agreements in services to date. Moreover, Brazil's specific commitments under the GATS cover the following areas: communication services, business services, construction services, financial services, distribution services, tourism, and transport services. Although it participated in the WTO negotiations on financial services and in the negotiations on basic telecommunications, as of June 2003 Brazil had ratified\textsuperscript{70} neither the Fourth Protocol on Basic Telecommunications\textsuperscript{71} nor the Fifth Protocol on Financial Services.\textsuperscript{72}

So what is Brazil's interest in EC trade policy? Brazil's main interest is the EU's agricultural liberalization, given that Brazil is considered a highly efficient agricultural producer that is expected to gain tremendously from the EU's liberalization. If this will be the case after the conclusion of the Doha round, it will certainly be so even more from a potential free-trade agreement between the EC and Brazil. Moreover, Brazilian exports of agricultural products (such as coffee, cocoa, and sugar) to the EU account for 41\% of Brazilian exports,\textsuperscript{73} and for 10\% of EU imports. These numbers show the importance of agriculture for Brazil.

What can the EU offer Brazil? The EU could grant tariff preferences in agriculture and other goods where Brazil is competitive, such as biofuels and ethanol as environmental goods. Brazil is by far the world's most important producer of fuels made from plants and it has the greatest potential worldwide

\begin{thebibliography}{9}
\bibitem{65} Ibid, at p. 2.
\bibitem{66} Ibid.
\bibitem{67} European Commission, "Brazil," available at \url{http://ec.europa.eu/trade/issues/bilateral/countries/ brazil/index_en.htm}.
\bibitem{68} Council Decision 13/97.
\bibitem{69} The Mercosur Council consists of the foreign affairs and economics ministers of the four Mercosur's Member States. Its presidency rotates among the Member States, in alphabetical order, every six months. The Council is responsible for the political leadership of the integration process among Mercosur's Member States and for taking decisions to ensure the implementation of Mercosur's objectives. Moreover, the Council is the legal representative of Mercosur, entitled to sign agreements with third parties. For more detailed information, see Porrata-Doria, R. \textit{Mercosur: The Common Market of the Southern Cone}, Carolina Academic Press, 2005, pp. 27-28.
\bibitem{70} The reason for non-ratification of the Fourth Protocol on Basic Telecommunications was due to incompatibilities between Brazil's specific commitments and the Brazilian legal and regulatory framework in place since July 1997.
\bibitem{71} WTO/S/L/20, 30 April 1996.
\bibitem{72} WTO/S/L/45, 3 December 1997.
\bibitem{73} OECD, "Brazil would gain from freer agricultural trade but small farms need to adjust," available at \url{http://www.oecd.org/document/62/0,3343,es_2649_34487_35584190_1_1_1_1,00.html}.
\end{thebibliography}
for affordable biofuels. The country’s traditional sugar cane cultures provide biomass for the production of ethanol, and soy beans are used to make fuel oils.\textsuperscript{74} However, granting tariff preferences in agriculture to Brazil may present difficulties. The main reasons for these difficulties are: 1) the Doha round of multilateral trade negotiations should have priority over regionalism or bilateralism; 2) it is only reasonable to liberalize agricultural subsidies multilaterally in the context of the Doha round; hence the strong Brazilian interest in a successful Doha Round; and 3) agricultural tariff preferences to Brazil would harm the interest of the poorer developing countries. Moreover, a tension between the EU and Brazil exists over biofuels. Europeans are under pressure to develop stronger sustainability criteria for biofuels imports, and may drop the current target of having biofuels account for at least 10\% of vehicle fuel by 2020. For its part, Brazil has warned of a potential WTO dispute if EU environmental norms turn out to harm Brazil's ethanol exports.\textsuperscript{75}

\textbf{B. India}

According to a communication of the European Commission, "the focus of [EU-India] relations has shifted from trade to wider political issues."\textsuperscript{76} However, trade continues to play a major role between the two parties. EU trade with India has more than doubled since 2000. India has significantly increased its number of trade diplomats in recent years, which shows its commitment to the world trading system. The EU and India hope to increase their trade in both goods and services through negotiations for a free trade agreement. The current negotiations over an EC-India FTA, whose parameters were set out in the report of the EU-India High Level Trade Group,\textsuperscript{77} commenced in June 2007,\textsuperscript{78} and parallel negotiations include a maritime agreement, since maritime transport accounts for 53\% of the total transportation transactions, being unequivocally the major mode of transportation.\textsuperscript{79} The main framework for trade dialogue between the EU and India is, nevertheless, the WTO. There is an India-EU Strategic Partnership\textsuperscript{80} as well as its Joint Action Plan\textsuperscript{81} which outline commitments to reciprocally tackle existing barriers to trade and increase bilateral trade flows.

\textsuperscript{77} European Commission, "Report of the EU-India High Level Trade Group to the EU-India Summit," 13 October 2006.
\textsuperscript{78} For further information on this, see Rollo J. "Spice Route to Europe? Prospects for an India-EU Free Trade Area," Chatham House, IEP/JEF BP 07/02, October 2007; see also the report prepared by the Centre for the Analysis of Regional Integration at Sussex and CUTS International, "Qualitative Analysis of a potential Free Trade Agreement between the European Union and India".
\textsuperscript{79} Eurostat.
The EC-India FTA has been progressing increasingly slowly for some months, but continues to represent a major opportunity for European firms. There are still some key barriers to doing business in India and national treatment concerns, which European companies wish to overcome. In fact, in 2008 the World Bank ranked India 120 (out of 181 economies) in terms of the "ease of doing business." This is the case of telecoms and courier services, the latter being a service where India has not yet made any offers or commitments within the GATS. Several sectors, including maritime transportation, construction, and telecommunications, require the approval of the Foreign Investment Promotion Board prior to establishment. In distribution services, where the EU has taken a leading role in advocating the liberalization of market access, there are currently no retail commitments, and in some sectors including express delivery, draft legislation currently threatens existing market access.

Mode 3 of the GATS (commercial presence) has been most liberalized in India. The Indian Ministry of Commerce increased foreign equity limits to 74% in all telecom subsectors between 2000 and 2006, and to 100% in internet service provision lacking a gateway. This foreign investment comes with a number of non-quantitative restrictions relating to national treatment. Strict guidelines exist on the permitted composition of an Indian company's board, with a majority required to have Indian citizenship.

Moreover, in addition to tariff barriers to imports, India also imposes a number of non-tariff barriers in the form of quantitative restrictions, import licensing, mandatory testing and certification for a large number of products, as well as complicated and lengthy customs procedures. Furthermore, there is a high variety in treatment in the various sectors and among Indian states, which creates confusion and additional costs for foreign companies seeking to establish in India. The postal and courier services have in recent years undergone a period of worldwide liberalization. The EU has advocated further liberalization and an increase in the scope of coverage pertaining to the GATS commitments. In this sense, the EU has been working consistently to eliminate monopolies in the postal and courier services sector.

As for the specific case of telecommunications, European service providers looking for growth opportunities are eager to supply to large markets in emerging economies.
economies such as India. The current area of coverage in many emerging countries remains low to date. If emerging economies were to further liberalize their telecommunications markets, European providers would benefit from large gains. Accordingly, the EC requests that all countries, except for least-developed countries, allow full competition in their telecom markets. At the moment, the competition difficulties include the granting of exclusive rights to suppliers and mandatory economic needs tests for new entrants. In addition, there are often severe limitations on foreign equity and regulations which render some foreign operators unable to gain establishment by disallowing majority control of their businesses and restricting the types of legal entity permitted. The difficulty in decreasing legislation on these limitations to the national treatment principle has been compounded by the fact that many countries lack an independent telecom regulator.

Since 2002 the telecom industry in India has grown rapidly, with subscribers to wired and wireless service increasing from 44.97 million in March 2002 to 225 million in June 2006, an average annual growth rate of 49.5%. Within this growth, mobile telephony dominates, reaching 185 million subscribers in June 2007, from 13 million in 2003, an average annual growth rate of 94%. During the same period, private participation increased significantly, from a 15.1% market share in March 2002 to 64.1% in November 2006, eroding the share of India's two public sector providers, Bharat Sanchar Nigam Limited and Mahanagar Telephone Nigam Limited.87

Between August 1991 and July 2007, India's telecom sector collected approximately US$ 20 billion in foreign direct investment (FDI), accounting for nearly 10% of all foreign direct investment. FDI has been particularly high in recent years, in the aftermath of increasingly progressive liberalization, with US$ 2.3 billion to the telecom sector in the 2006-2007 fiscal year and US$ 3.4 billion in the first three months of 2007-2008 alone.88 The growth of India's telecommunications sector has been driven by necessity as well as a trend of autonomous liberalization since 1991. Telephone density has primarily grown in cities, with 2006 urban rates at 51.5% and rural areas at 1.85%. The Indian government's original plans were to increase rural connections to 50 million by the end of 2007 and to 80 million by 2010 to remedy this development gap, using subsidies that primarily aid the mobile telephony infrastructure.89

In the WTO framework, under the current Doha round of trade negotiations, additional commitments have been offered by India, with the most recent revision in 2005 including broad liberalization of the telecoms sector, with a 49% foreign equity cap in all subsectors besides data and message transmission services (i.e., electronic mail, voice mail, et cetera), where 74% foreign investment was allowed. During the approval process, overseen by the Foreign Investment Promotion Board, preference is given to foreign operators willing to

transfer technology to Indian joint partners, and upon gaining market access, no subsidies which domestic companies enjoy are afforded to foreign operators. The lack of national treatment in this regard is notable, given the universal service obligation's\textsuperscript{90} ambitions to remedy low rural teledensity rates through the use of subsidies.

Telecommunications services are not only important economic drivers, but they are also indispensable for trade and development. A liberalization of the telecommunications services sector assists communication infrastructures for businesses and individuals and reduces costs for industry and private users. The case of Morocco demonstrates how liberal domestic policy measures can deliver impressive results. In June 1997, Morocco implemented a broad reform program through its telecom sector law. This law laid the foundations for private participation and competition. This broad-reaching law established the independent regulator and provided for the privatization of the incumbent operator.\textsuperscript{91} In 1999, a second license was awarded to a consortium led by Telefónica and Portugal Telecom for license fees amounting to US$1.1 billion.\textsuperscript{92} This figure alone was equal to approximately two years of Morocco's capital inflows.\textsuperscript{93} In addition, the competition induced the incumbent to lower tariffs to almost 50\% of its former level within one year and to double its number of subscribers within two years.\textsuperscript{94} Within two years of issuing the license, Morocco had increased its mobile penetration to 5 million.\textsuperscript{95} In December 2000, 35\% of Maroc Telecom was sold to Vivendi Universal for 23.3 billion dirhams, a figure which significantly exceeded those from comparator countries.\textsuperscript{96}

As for construction services, as they become more globalized, there is a need for large civil engineering companies to export high-quality design as well as engineering and management services. European construction companies are well suited to the globalization trend. Most emerging markets have a high-volume of construction activity with a low-margin for profit, and European companies are in a strong position to take advantage of the increasing need for infrastructure in emerging economies. The main issues to resolve in construction services are lack of openness, lack of market transparency, market access

\textsuperscript{90} Universal service obligation provides the basis for the public to have access to an affordable basic voice telephony service, as defined by the governing body, and capable of being applied consistently across all Member States. The level of basic service and its evolving definition is reviewed periodically. See Birds-Eye.Net, available at http://www.birds-eye.net/definition/acronym.cgi?what+is+USO=Universal+Service+Obligation&id=1153058029.


\textsuperscript{93} Ibid, at p. 4.

\textsuperscript{94} Ibid, at 3, 4.

\textsuperscript{95} Ibid, at 3.

barriers, and national treatment concerns. For example, many countries apply high foreign equity requirements needed to underwrite the risk of undertaking construction activities, which discriminates against medium-sized foreign construction companies. There are also many examples of discriminatory licensing and registration procedures. Therefore, an opening of construction markets and government procurement rules in emerging countries would not only benefit EC trade but would also strengthen the capacities of emerging economies.

1. India’s Interest in the EC-India Trade Relations

So what is India interested in? The EU is India’s largest trading partner with 21% of Indian exports. India is interested in more access to the EU service market since India is an efficient service supplier in sectors such as IT and software, engineering, and call-centers. There is a tremendous IT human capital in South Indian cities such as Bangalore and Hyderabad. India has also a great interest in the export of textiles as well as in the pharmaceutical industry.

Another key issue where India has a great interest is in the so-called Mode 4 of the GATS (temporary migration). Mode 4 commitments allow people to travel to another WTO country to provide services for a short period of time. Mode 4, however, is not about access to local labour markets and should therefore be clearly distinguished from economic immigration. In fact, the GATS Annex on Movement of Natural Persons stipulates that the GATS “shall not apply to measures affecting natural persons seeking access to the employment market of a member, nor shall it apply to measures regarding citizenship, residence or employment on a permanent basis.” Furthermore, the scope of coverage of Mode 4 is limited to the category of “service supplier.” Therefore, a controversy arises because Mode 4 may be associated with immigration policy since Mode 4 could become the backdoor to immigration and have implications on education, health systems, and other social benefits provided in the EU, for example, that may not exist in other countries. This relationship between the two concepts (Mode 4 and immigration policy), however, does not appear anywhere in the GATS. In this respect, a major success of the Doha Development Agenda would be for the WTO membership to agree conceptually on the scope of Mode 4.

In the United States, members of the U.S. Congress have warned on several occasions that they will oppose any concessions on Mode 4, arguing that


99 For the purpose of this paper, a clear semantic and conceptual distinction is acknowledged between temporary migration (i.e., Mode 4 of the GATS) and immigration (which implies permanent residency in a country to which one is not native).

100 Annex on Movement of Natural Persons Supplying Services Under the GATS, para. 2.

101 GATS Article I.2.d.
the issue is an immigration issue rather than a trade matter.\textsuperscript{102} The U.S. has been under pressure from developing countries to improve its commitments on Mode 4. India in particular wants Washington to allow more of its computer professionals to work temporarily in the United States, but the issue is extremely controversial because of its link to immigration issues, particularly since the September 11, 2001, terrorist attacks and heightened security in the wake of those attacks.\textsuperscript{103}

Since there is no categorization in Mode 4, the only informal requirements are: 1) that the service be temporary, and 2) that the service provider not seek permanent entry in the labor market of the WTO Member where the service takes place. However, the question remains: which type of service providers will not seek permanent entry in the labor market? Once again, Mode 4 creates a division between developed and developing countries of the WTO in the sense that developed countries do not want Mode 4 to become a substitute for immigration – the argument being that there is already immigration in developed countries – whereas developing countries want a full practice of Mode 4 as temporary migration.\textsuperscript{104}

According to Pascal Lamy, opening Mode 4 may generate benefits for both originating and receiving countries. For originating countries the benefits are in terms of remittances and the development of human capital. Receiving countries also benefit from the increased mobility of services suppliers. Mode 4 can therefore be a win-win game.\textsuperscript{105} Yet, it is in this Mode 4 where we find the greatest discrepancy among EU Member States in services trade: some EU countries are in favour of liberalising Mode 4, whereas others are more reluctant.

With its extensive use of skilled and unskilled labour, the construction sector is strongly affected by limitations on the movement of natural persons in WTO members in general. Nationality and residency requirements or other staffing requirements for persons employed by foreign firms could constitute limitations on market access and national treatment.\textsuperscript{106} Requirements to employ and train local staff may place a burden on the supplier. Such requirements, even if imposed on an equal basis to all domestic as well as foreign firms, could still constitute de facto national treatment limitations.\textsuperscript{107}

\textsuperscript{103} Ibid.
\textsuperscript{104} Interview with Mr José Plaza, Spanish trade diplomat dealing with international services trade, in Madrid, Spain, on March 15, 2006.
\textsuperscript{105} See speech by P Lamy 'Why services are crucial for concluding the WTO Doha Round' European Services Forum and the London School of Economics conference (15 October 2007).
\textsuperscript{106} According to the scheduling guidelines in document MTN.GNS/W/164, nationality requirements are normally considered as limitations on market access (equivalent to a zero quota), whereas a residency requirement would need to be judged on a case-by-case basis whether it constitutes a de facto national treatment limitation or a non-discriminatory measure subject to the disciplines of Article VI:5.
\textsuperscript{107} GATS Article XVII:3 states that 'Formally identical or formally different treatment shall be considered to be less favourable if it modifies the conditions of competition in favour of
It is argued that Mode 4 of the GATS remains essentially subject to strict domestic regulations and limitations. Yet, many countries accept the importance of temporary migration as a necessary element to become more competitive in a knowledge-based society in the world. In Europe, a new global approach is needed so that migration strikes the right balance among the risk of labour market shortages, economic impacts, negative social consequences, integration policies, and external policy objectives. Moreover, the changing demands of an ageing society and a labour market in constant evolution have challenged established assumptions about migration from outside the EU.

As argued above, immigration is different from temporary migration. However, the EU is tackling its lack of temporary migrants with the creation of a new EU immigration pact. EU leaders are trying to increase the attractiveness of Europe for highly skilled people, students, and researchers in order to fill its looming demographic crisis and related skills shortage. Although not legally binding, the pact builds upon the EU Blue Card initiative, approved by the European Parliament in November 2008, and the European Commission's
Policy Plan on Legal Migration. It aims to make it easier for skilled migrants to come to the EU by replacing 27 different national visa regimes with a single European one.

EU Member States seem to disagree on the definition of highly-skilled worker for the purpose of the EU Blue Card. In the end, it was agreed that to qualify for a European Blue Card, immigrants must find an employer which offers a salary at least 1.5 times higher than the average pay in the host country, with derogations to lower the pay to 1.2 times the national average for sectors with acute labor shortages. EU governments also seem to disagree on how quickly the Blue Card should be handed out following the date of application. The aim is to do it as soon as possible. For some, this means thirty days, but for others sixty or even ninety days. Businesses, by contrast, say they could wait two weeks at most. They therefore lament that the current Blue Card scheme remains rather unattractive from a business point of view and call for a more ambitious plan.

However, in the UK, a study published by the House of Lords concluded that immigration has very small impacts on GDP per capita, whether these impacts are positive or negative. This conclusion is in line with findings of studies of the economic impacts of immigration in other countries including the U.S. Furthermore, the report found no systematic empirical evidence to suggest that net immigration creates significant dynamic benefits for the resident population in the UK. Moreover, it is possible that there are also negative dynamic and wider welfare effects. These conclusions are, in my opinion, unfortunate as immigrants tend to be better workers than natives, willing to work more for less.

2. What the EU can Offer

What can the EU offer India? The EU is prepared to offer predominantly business services such as financial services or telecommunications (in the latter case, by providing mobiles in rural India, for example), which appear feasible to some extent. Services are critical for any economy. The services sector currently contributes more to economic growth and job creation worldwide than any other sector. In Europe, services account for over 77% of the GDP and employment.


Despite this, services currently still represent less than 30% of European external trade.\(^{120}\) This demonstrates that trade liberalisation in the services sector is of great importance for the EU. Furthermore, in a speech given by Lord Vallance of the European Services Forum to the EU-India Business Summit on 12 October 2006, he said that developed and developing countries will miss out on enormous potential economic gains because services have once again been taken hostage of agriculture even though the latter represents only 8 per cent of world trade and 2 per cent of developed countries economy.\(^{121}\)

\[\text{C. China}\]

The EU is currently China's largest trading partner. China's trade expansion started in 1978, when the country initiated reforms and opening-up policies. For the past decade, its position as a strong player in international trade has been remarkable.\(^{122}\) Structural reforms in China, including trade liberalization, have resulted in annual real GDP growth rates in excess of 10% over the past 4 years, rising per capita income and poverty reduction. In the process, China has become the world's third largest trader.\(^{123}\)

In early 1978, a trade agreement was concluded between the European Economic Community (EEC) and China, which was replaced by a Trade and Economic Cooperation Agreement between China and the EEC in 1985.\(^{124}\) The European Community continues to work towards improving bilateral trade relationships. Commissioners Peter Mandelson and Benita Ferrero-Waldner met with Chinese trade Minister Bo Xilai on 4 November 2005 to discuss the Doha trade round, but also a wide range of issues including the environment, energy and intellectual property. The first EU-China Strategic Dialogue at Vice Foreign Minister Level was held in London in December 2005. At the 9th EU-China Summit in September 2006 in Helsinki, the EU and China agreed on opening negotiations for a new comprehensive framework agreement covering topics such as energy, sustainable development, cooperation in Africa, and the protection of intellectual property rights. This was due largely to the mutual agreement by both parties that the current 1985 agreement no longer reflects the scope, depth, or overall nature of their current relationship.

So negotiations about a more comprehensive Partnership and Cooperation Agreement (PCA) started in January 2007. The new PCA will cover all components of the EU-China relationship and provide a comprehensive management framework. The prospective PCA is expected to lay the foundation for enhanced

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\footnote{120}{European Services Forum, "Position Paper on EU Free Trade Agreements," 28 February 2008, p. 2.}
\footnote{121}{See speech by Lord Vallance of Tummel at the Seventh EU-India Business Summit in Helsinki (12 October 2006).}
\footnote{122}{Zhao, Renfeng "China and India: A comparison of trade, investment and expansion strategies," Chatham House, 1 June 2007, p. 2.}
\end{footnotes}
cooperation, including the enforcement and, where possible, the upgrading of environmental, social, labour and safety standards. It will also hold comprehensive dialogues on over 20 ongoing sectoral dialogues with a view to promote cooperation in all sectors, including on economic and financial matters, in both bilateral and multilateral fora. With regard to these existing sectoral agreements, the PCA will complement rather than replace these agreements.125

In general, the PCA will be negotiated on the basis of a commitment to the principles of good governance, the rule of law, effective multilateralism, the fight against corruption and improved transparency. As such the PCA will contain a standard clause on human rights. The PCA will foster cooperation to find international solutions to global issues such as climate change, including energy cooperation, by stimulating energy efficiency and the promotion of renewable energy. Increased cooperation will also be sought in education, culture and science. It is envisaged there will be increased grass-roots level peer-to-peer exchanges of unions, students, academics, business associations, non-governmental organizations and other areas of cooperation.126

However, although cooperation dialogues between the EU and China already exist on many levels, a free-trade agreement between the EC and China is not on the horizon since it would alienate other EC trading partners and it would create much resistance from within the EU and from third countries. China is already very competitive without an FTA with the EC. China attempts to establish itself as a gravity center in Asia by concluding many low-quality, politically motivated bilateral FTAs in the region.127 One wonders the extent to which China is serious about multilateralism, given China’s minimal involvement in it.128 China is a strong economic power with increasingly sophisticated production in the coastal regions. Peter Sutherland argues that, since joining the WTO in December 2001, China has enjoyed significant economic growth. The rigorous economic regulation requirements needed to join the WTO have worked as a catalyst for Chinese political and economic reform.129

Yet, China insists on keeping the status of a developing country despite its size both economically (currently, the fourth largest economy in the world) and demographically (the most populated country in the world). Compared to the other BRIC countries which are WTO members, China plays a rather timid role

126  Ibid.
128  Recent FTAs signed by China include those with ASEAN countries, Hong Kong, Macao, Pakistan, as well as the Gulf countries. See "WTO Trade Policy Review, Report by the People's Republic of China," WT/TPR/G/161, 17 March 2006, paras. 77-82.
130  We are referring here to Brazil and India, the public lobbyists on behalf of the emerging markets, which are much more multilaterally pro-active than is the case of China. For a
both in the Doha round as well as in the WTO's dispute settlement system. China has only brought two cases before the WTO as complainant, compared to more than 15 cases brought by India and more than 20 by Brazil. Why? Arguably, because China is a rather young WTO member, it still needs to improve its skills and competences on WTO matters, culturally it tends to avoid disputes since the country has much influence from Confucius, and it has a rather inefficient bureaucracy. For the Doha negotiations to succeed, greater leadership from China is necessary. China should play a more prominent role in the international economic institutions. In this sense, the EU expects China to assume a responsibility commensurate with the benefits it derives from the world trading system. Why? Because with greater power and a greater voice comes greater responsibility.

There are many differences and difficulties between the EU and China in the trade field: the protection of intellectual property rights, counterfeiting and product piracy, China's delay in enforcing WTO rules, China's competitive advantage from poor social and environmental standards, or unfair subsidies to favoured national industries (which is a manifest violation of one of the fundamental principles of WTO law, that of no unfair trade), to name but a few. According to the European Commission, "China is the single most

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132 In the first years right after China's accession to the WTO, China's inclination was to handle trade disputes through negotiation rather than WTO adjudication. When threatened with WTO litigation during its initial years of WTO membership, China opted to compromise to avoid formal WTO complaints. See, for example, BNA WTO Reporter, "EC Threatens WTO Suit Against China Unless it Lifts Coking-Coal Restrictions," 25 May 2004.


135 See, for example, Zakaria, F. The Post-American World, Allen Lane, 2008, pp. 109-114, explaining the correlation between the Chinese legal system and Confucianism.

136 This attitude, however, is slowly changing to a more aggressive and proactive role of China in the WTO. See Gao, H. "China’s Participation in the WTO: A Lawyer’s Perspective," 11 Singapore Yearbook of International Law, pp. 1-34, at p. 34, 2007.


important challenge for EU trade policy.” As argued by former trade commissioner Mandelson, "doing business in China remains attractive. However, it is equally clear that much work needs to be done to create a level playing field for European companies, concerning market access, transparency and protection of intellectual property." The Chinese market is still relatively closed to the goods Europe seeks to export. China may have lowered its tariffs substantially since 2001, but barriers 'behind the border' in the Chinese market are costing European businesses more than EUR 20 billion every year in lost exports. Nevertheless, as can be seen in the chart, when comparing with the rest of the BRIC countries, China is the main partner for both EU imports and exports:

1. Possible Ways to Improve the EC-China Trade Relations

What can the EU do in the trade field to improve its relations with China? Can trade policy be used to improve bilateral relations with China and induce China to be more responsible and multilateral? Cooperation is a priority despite the fact that the European Commission has mentioned in the past the use of tougher measures if China does not rectify some of its actions. Perhaps an extension of a
high-level strategic dialogue146 similar to the U.S.-China Strategic Economic Dialogue would make sense.147 In this sense, Commission President Barroso and Chinese Prime Minister Wen launched a new EU-China High Level Economic and Trade Dialogue Mechanism in Beijing on April 25, 2008.148 Proposed by the Chinese authorities and approved at the EU-China Beijing summit in November 2007, this mechanism will strengthen the dialogue between both sides, and will provide a new tool for dealing with the problems confronting European companies trying to establish themselves in China, especially in the fields of investment, market access, and protection of intellectual property rights.149

Other constructive approaches could be the launch of a cooperation program with China on intellectual property protection, closer cooperation between the EU and the U.S. on intellectual property rights with a joint action in key markets such as China, or the creation of an intellectual property rights helpdesk for EU businesses in China. However, China has grown very self-confident in recent years and knows that EU businesses depend on access to the Chinese market.

D. Russia

There is a Partnership and Cooperation Agreement between the European Communities and their Member States and the Russian Federation.150 The agreement was signed in 1994 and entered into force on 1st December 1997. The agreement regulates the political, economic, and cultural relations between the EU and Russia and is the legal basis for the EC’s bilateral trade with Russia. One of its main objectives is the promotion of trade and investment as well as the development of harmonious economic relations between the parties. Although trade is growing between the EU and Russia, it remains largely concentrated in the energy and minerals sectors, although trade in services is growing rapidly too.

The EU and the Russian Federation are planning to start negotiations on a new PCA to provide the contractual framework for EU-Russia relations in the years to come, thereby replacing the existing 10-plus-year-old PCA.151 This new

146 See in this sense the favourable views of former Commissioner Mandelson toward dialogue, rejecting thereby trade boycotts against China, as such moves only damage the interests of ordinary Europeans and Chinese. European Commission, "Mandelson says new high level economic group can help EU and China weather political storms," 15 April 2008, available at http://ec.europa.eu/trade/issues/bilateral/countries/china/pr150408_en.htm.

147 Given the growing importance of China in world affairs, it is interesting to note the potential shift in the U.S. from a past trans-Atlantic focus to a future and inevitable trans-Pacific focus. See Kissinger, H., "The Three Revolutions," Washington Post, 7 April 2008.


151 See Joint Statement of the EU-Russia Summit on the Launch of Negotiations for a New EC-Russia Agreement, 27 June 2008.
legally binding agreement would provide a sustainable and comprehensive framework for bilateral relations. Although both sides seemed comfortable with each other at the June 2008 EU-Russia summit held in Khanty-Mansiysk (Russia), tension remains. The two sides also diverged as regards the form that the new Partnership Agreement should take, with Russian President Medvedev voicing support for a document that is "short, without too many details," while the EU wants a more detailed text, with precise wording on energy and security issues in particular. "The new agreement should be inextricably linked with Russia’s advancement in democratic standards, rule of law, and human rights. In economy it should incorporate – among others – the principles of the Energy Charter Treaty and its Transit Protocol," said liberal Polish MEP Janusz Onyszkiewicz, European Parliament’s rapporteur on the EC-Russia agreement.

In this context, the EU is eager to pursue, once Russia has acceded to the WTO, a deep and comprehensive economic integration agreement between the EC’s and Russia’s interdependent economies, building on and going beyond the PCA and WTO provisions. However, negotiations for a new PCA had not started due to objections by Poland because of the Russian ban on Polish meat and vegetables, where Russia claims that the meat contains excessive levels of antibiotics. In addition, Lithuania also objected, which the EU’s rotating presidency at the time (Slovenia) heavily criticized for not withdrawing its objections to initiating talks on a new PCA between the EU and Russia. Lithuania wanted to obtain assurances from Russia over certain issues including

energy supply and involvement in regional conflicts in Georgia and Moldova.159 These difficulties, however, were solved on May 27, 2008 when EU foreign ministers formally approved launching talks with Russia over a new PCA – an issue that had been deadlocked for almost two years.160 However, due to the disproportionate Russian reaction to the attack of South Ossetia capital by Georgian forces in August 2008, EU leaders decided to postpone the talks conditional upon Russian troops withdrawing completely from the positions prior to the August invasion.161

A key feature of the talks will be energy relations, with the EU increasingly concerned by gas disputes between Russia and neighbouring countries such as Ukraine, through which supplies to the 27-nation bloc must be brought. Brussels is also seeking to diversify its energy supplies in order to overcome the EU's dependency on Russia.162 To this end, the EU offered in September 2008 financial and political support for a €15 billion trans-Saharan pipeline to carry natural gas from Nigeria to European markets.163 The planned 4,300 km pipeline would stretch across Nigeria, Niger, and Algeria, where gas would be shipped to Spain and Italy. A week before the EU's offer for the trans-Saharan project, and to cooperate on gas exploration, production, and transportation, Gazprom, the Russian energy giant, signed a memorandum of understanding with the Nigerian National Petroleum Corporation in Moscow.164 The simultaneous moves by Brussels and Moscow illustrate the scramble for natural resources as continued growth in the global economy fuels ever-increasing demand for energy.165

Currently, there are large problems in the political sphere between the EU and Russia, based on conflicts and mistrust. In fact, when Peter Mandelson was EU trade commissioner, he used to say that the current phase is the hardest since the late 1990s and that it is a serious test of the EU-Russia relationship. An issue of bilateral tension between Russia and the EU is energy security. Another issue is the trade conflict because of the Russian ban on Polish meat on health grounds discussed earlier, and the fact that on April 1, 2008 Russia increased its duties on exports of wood. According to the European Commission spokesman for trade,


164 Ibid.

165 Ibid.
Sweden and Finland have complained that Moscow's plans to sharply increase its timber export taxes – from the current 25% of raw timber value to 80% at the beginning of 2009 – will hurt European paper companies. Helsinki said it was considering taxing Russian goods crossing its territory in retaliation. Nevertheless, the European Commission's position regarding Russia is that of a stronger multilateral engagement of Russia: "We continue strongly to support Russia's WTO accession, which is not just in Russia's interest, but in the interest of everyone who trades with Russia. It is important that we make progress on this issue and see Russia firmly anchored in the international trading system." This position, however, is not entirely shared in Moscow as there is some skepticism about Russia's accession to the WTO because, as a major resource exporter, it might not need to join the WTO, and because the WTO bindings and rules are not welcomed.

1. Possible Ways to Improve the EC-Russia Trade Relations

In this context of conflict and mistrust between the EU and Russia, what can the EU do in the trade field to improve its relations with Russia, the largest economy in the world still outside the WTO, which has been pursuing membership in the global trade body for nearly 15 years? The EC, which is by far Russia's biggest trading partner and source of investment, has a vested interest in smoothing out ongoing disagreements mentioned above and facilitating Moscow's entrance into the WTO. Indeed, the 27-member trading bloc hopes to begin negotiating a free-trade agreement with Russia once its membership in the global trade body has been finalized. Removal of non-tariff barriers, the achievement of regulatory convergence, and openness to investment flows seem necessary to benefit from a real common European economic space. However, neither a free-trade agreement nor WTO accession seems overly attractive for Russia, given that Russian energy exports are in good demand in the world and are not subject to restrictions.

Notwithstanding this, Russia has made significant progress in its WTO accession talks, having already signed protocols with more than 60 WTO member states. All applicants for WTO membership must negotiate bilateral accords with any WTO member that requests one. As with most WTO decisions, any single Member has the power to block Russian accession. The only bilateral talks that remain unresolved are the negotiations with Ukraine and Georgia. Despite historic strains on trade issues between the two countries, Kiev has indicated that it intends to facilitate Moscow's membership in the global trade body.\(^{171}\)

As for Georgia, although it completed a bilateral accession deal with Moscow in 2004, it withdrew its signature from that agreement two years later.\(^{172}\) Georgia again broke off bilateral talks with Russia in April 2008, saying that it would veto Russia's bid unless the country agreed to stop operating customs checkpoints in Georgia's separatist territories of Abkhazia and South Ossetia. Georgia also wants Russia to lift its ban on imports of Georgian wine and other products.\(^{173}\) In August 2008, Georgian troops invaded the breakaway region of South Ossetia. South Ossetia and Abkhazia are officially part of the territory of Georgia, but are in fact autonomous and largely under Russian influence. Russia responded with massive military action, invading part of Georgia.\(^{174}\) This incident will certainly not persuade Georgia to facilitate Russia's accession to the WTO. The EU delegation to Russia, led by French President Sarkozy on September 8, 2008, nevertheless succeeded in convincing Russian President Medvedev to agree to a complete withdrawal of troops from Georgia.\(^{175}\)

Michael Emerson argues that it would be in the West's interest to include Russia in its political, economic and security plans, as both parties aim at common objectives.\(^{176}\) True partnership between Russia and the EU seems essential to security and prosperity on the European continent in the 21st century.\(^{177}\) Furthermore, cooperation seems to be a plausible way to improve relations with Russia.\(^{178}\) This is not always easy since there are contradictory positions of the

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171  Ibid.
178  Paami Aalto argues that the difficult question of the EU's responsibilities toward Russia is best approached as a problem of community. Applying a broad notion of the wider European community can make it easier for the Union to be sensitive vis-à-vis its gigantic neighbour to
EU toward Russia. The new EU Member States do not think in the same way as the old EU Member States vis-à-vis Russia for historical reasons. At the St Petersburg Summit in May 2003, the EU and Russia agreed to reinforce cooperation with a view to creating four EU/Russia common spaces within the framework of the existing Partnership and Cooperation Agreement. It was decided to create a common economic space; a common space of freedom, security and justice; a space of cooperation in the field of external security; as well as a space of research and education, including cultural aspects.

Regarding the common economic space, it aims at increasing opportunities for economic operators, a further step towards establishing a more open and integrated market between the EU and Russia. The main objective of the common economic space is to put in place the conditions for increased and diversified trade and create new investment opportunities by pursuing economic integration, elimination of trade barriers, regulatory convergence, market opening, trade facilitation and infrastructure development by closer cooperation, exchange of information, and sharing of best practices. The roadmap on the common economic space was adopted at the EU-Russia Summit in Moscow on 10 May 2005 and provides for various dialogue fora. The idea behind the common economic space is to prepare the ground for a future and deep free-trade agreement. However, there has been little substantial progress so far.

In sum, Russia's economy, although strong, still has structural weaknesses. It needs to diversify its economy into other sectors such as services and investment in critical parts of infrastructure. Moreover, education and research are under-resourced. In this sense, it is worth noting that Russia has formed a new government body designed to control foreign investment in so-called "strategic" sectors, whereby acquisitions of interest exceeding 25% of voting shares in Russia's strategic commercial organizations by foreign investors must be approved by the special governmental commission. Furthermore, companies operating in "strategic" sectors cannot place more than 25% of shares outside Russia. Russian companies doing geological exploration and extraction of resources at strategic deposits are not allowed to place more than 5% of shares overseas.

the east and, as a consequence, to define its policies toward it. The issue of belonging and identity are thus fundamental to delineating the EU's responsibilities toward Russia regardless of whether we speak of the EU-Russia strategic partnership or the regional cooperation level. See Aalto, P. "The EU, Russia and the Problem of Community," in Mayer, H. & Vogt, H. (eds.) A Responsible Europe? Ethical Foundations of EU External Affairs, Palgrave, 2006, pp. 98-118.

In Fraser Cameron's view, speaking with one voice vis-à-vis Russia, although it is difficult in some areas, is likely to produce far greater benefits for the EU than trying to cut bilateral deals. See EurActiv, "EU-Russia relations 'should be more positive',' 9 April 2008, available at http://www.euractiv.com/en/foreign-affairs/cameron-eu-russia-relations-positive/article-171457.


2. A Note on Energy Security

As mentioned above, the common economic space provides for various dialogue fora, the most relevant of which is certainly the energy dialogue. At the Sixth EU-Russia Summit on October 30, 2000, it was agreed to institutionalize an energy dialogue on a regular basis between the EU and Russia to enable progress to be made in the definition and arrangements for an EU-Russia Energy Partnership. Russia has been a reliable supplier of energy into the EU for many years, despite periods of internal difficulties. Likewise, the EU continues to be the dominant market for Russian energy exports. This strong mutual interest and interdependence means that energy is an ideal sector in which relations can be progressed significantly for the further development of an EU-Russia strategic partnership.

EU dependency on Russian gas imports is currently over 40% and is expected to rise considerably in the coming decades, unless supply sources are diversified and/or greater emphasis is placed on locally generated renewable sources of energy. Unlike oil, which can be transported easily in tankers, gas is still transported mainly via pipelines, making Europe dependent on existing supply and transit routes. The need for the EU to diversify supplies was underlined by a dispute between Ukraine and Russia in January 2006, which led to interruptions to supplies of Russian gas for some EU Member States. The EU was understandably alarmed since about 25% of all gas consumed in the EU

By energy security, we mean the threats of supply and price disruptions arising from risks associated with the sources of oil and gas supplies, the transit of oil and gas supplies, and the facilities through which oil and gas are delivered. There are two major dimensions of these risks:

- short-term supply availability versus long-term adequacy of supply and the infrastructure for delivering this supply to markets;
- operational security of oil and gas markets, i.e., daily and seasonal stresses and strains of extreme weather and other operational problems versus strategic security, i.e., catastrophic failure of major supply sources and facilities.


For an analysis of Russia's exponential macroeconomic success based on energy supply, see Vinhas de Souza, Lúcio, A Different Country. Russia's Economic Resurgence, Centre for European Policy Studies, Brussels, 2008, pp. 73-82.


The dispute between Ukraine and Russia recalled a quarrel in 2006 when deliveries to Western Europe were briefly interrupted, highlighting the EU's dependency on Russian gas and prompting it to seek new supply routes. One wonders how reliable Russia is as an energy supplier.

Despite the need for the EU to diversify supplies of gas, Greece and Russia signed an agreement on April 29, 2008 to start construction on the South Stream pipeline. South Stream was launched in 2007 by Italy's Eni and Russia's Gazprom. It is designed to pump 30 billion cubic meters of Russian gas a year to Europe, under the Black Sea via Bulgaria, Greece, Serbia, and Croatia to Italy. Under the plans, one of its branches will go through Hungary, which recently joined the project, and will then reach Austria. However, some European officials seem to have doubts about the intentions of Gazprom. Europe's perception of Gazprom as "a political weapon of the Kremlin" is wrong, according to top Gazprom executive Alexander Medvedev, who claims that Gazprom is perceived by the EU as "an instrument of Russian foreign policy." Medvedev is puzzled by statements that an increase in Gazprom's gas deliveries constitutes a threat to the EU's security. According to him, the suggestion that Gazprom would invest billions of dollars in expensive gas export pipelines so that the Russians could then disrupt them for political reasons looks absurd, especially in view of the substantial contribution these gas exports make to Russia's budget and the country's economy.

Another project is the so-called Nord Stream project which is a German-Russian plan of a Baltic Sea gas-pipeline. The project has come under attack from central and eastern European countries, since they fear that Russia might use the pipeline, which bypasses their territories, to impose higher energy prices on them. Furthermore, the European Parliament is concerned about the geopolitical implications and environmental impact of the project. It is nevertheless paradoxical to note that some EU Member States have signed agreements with Russia for the creation of gas pipeline projects, although the aim of the EU is to minimize its dependence on Russian energy supply.

By contrast to these two projects, another natural gas pipeline called Nabucco, although endangered because of the Russia-Georgia conflict in August 2008, would bring gas from the Middle East and Central Asia to Europe via

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192 Ibid.
193 Ibid.
Turkey, Bulgaria, Romania, Hungary, and Austria. The project, scheduled to be completed by 2013, is geopolitically significant on energy-security grounds because it will bypass Russia, but has encountered financial problems and a lack of political will from some EU Member States. Russian Ambassador to the EU Vladimir Chizhov dismissed the potential of the Nabucco project, especially the plans to bring gas from Turkmenistan or Azerbaijan, arguing that the resources of the two Central Asian countries would be insufficient. The only way to fill the Nabucco pipeline is with Iranian gas, he said. However, with an embargo currently on Iran, there is no gas.

Others such as Wolfgang Ruttenstorfer, the CEO of Österreichische Mineralölverwaltung, claim that there is enough gas to make Nabucco happen. On this note, Iraq has shown interest in selling gas to Nabucco, and discussions have already taken place about the transfer of substantial amounts of Iraqi gas via Syria and the trans-Arabian gas pipeline, or directly via a link between Iraq and Turkey.

The following map shows the current pipelines projects of Russian oil and natural gas:

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199 Ibid.
200 Iran, which holds 15% of the world's estimated gas reserves, is not on the list of countries that would participate in Nabucco due to the uranium enrichment row between Western countries and Tehran, which prevents the EU from developing the project with Iran.
Generally, the EU is in a weak position vis-à-vis Russia since it needs energy security. Russia has been making autocratic use of its energy policy. The EU continues to have considerable dependence on Russian energy supply: the share of EU imports from Russia is 30% in the case of oil and 44% in the case of natural gas.203 So the EU should diversify its energy supply sources by dealing with alternative markets such as the Middle East, Norway,204 Nigeria,205 or Algeria.206 By the same token, Russia is dependent on its energy exports. One major economic issue for Russia is the failure to diversify its economy. If the EU is diversifying, Russia also needs to think about diversifying its exports to other regions of the world. Furthermore, the construction of pipelines is not cheap, and Russia needs to secure its sources of tax revenue.207

IV. CONCLUSION

The EU is definitely an attractive partner for the BRIC countries as it provides much in its trade relations. In fact, the EU is Brazil's, Russia's, India's, and China's largest trading partner. Although the EU does want cooperation with the BRIC countries, in my opinion, using trade policy as a "carrot" in a policy centered approach does not have much scope beyond current existing efforts. The European Commission's Directorate-General for external trade is already very active. So, few new initiatives seem possible.

Nevertheless, there is some, although limited, room for trade policy concessions at the multilateral level: with Brazil, in the case of agriculture and the Doha round; and with India, the resistance with Mode 4 of the GATS. As expressed earlier, the EU could offer additional incentives to the BRIC countries by granting larger concessions or demanding fewer concessions than would be the case in a purely reciprocal give-and-take situation.

However, even if the EU concessions were possible, what would the EU want to obtain in return? Market access seems to be the evident answer. This is what trade negotiations are about. The European Commission's Directorate-General for external trade would come under pressure if EU concessions were not used to enhance market access for European exporters in growing and important emerging markets.

When it comes to bilateralism with Russia and China, an FTA with the EC does not seem to be a suitable trade instrument at the moment. Nevertheless, the EU can expect a mutual benefit as well as greater economic and political ties.

What remains to be done? In my opinion, it is not about what, but how you negotiate: the European Commission should negotiate more constructively, without patronizing, and instead accepting the BRIC countries as equal players in the current multipolar framework of global economic governance. This is difficult to achieve as there are differences among the BRIC countries: Brazil and India are not yet economic superpowers; they are only starting to grow into a more powerful role. The EU should try to foster this positive development in a cooperative stance and establish trust.

China and Russia, however, are in some areas more assertive than Brazil and India. So EU partnerships with China and Russia are more difficult than with Brazil and India. The EU is not in a stronger position vis-à-vis China and Russia due to the large Chinese market and China’s growing economic and political power. In this sense, the EU expects China to assume a multilateral responsibility commensurate with the benefits it derives from the world trading system because with greater power and a greater voice comes greater responsibility. Compared to India or Brazil, China's role in the world trading system is rather passive both at the WTO's dispute settlement system as well as in the Doha Round of multilateral trade negotiations. China therefore appears to lack an internationalist view to world trade affairs, being more focused on its internal development and concluding many low-quality, politically motivated regional FTAs.

In Russia's case, the renaissance of the country's self-confidence seems evident thanks to its vast energy supply. Nevertheless, I maintain my point that Russia should have as a priority the conclusion of negotiations to enter the WTO in order to fully integrate into the global trading system and protect its growing interests on world markets. WTO membership will certainly help eliminate any discrimination against Russia in its trade and investment. Moreover, on energy Brussels should diversify its energy supplies in order to overcome the EU's dependency on Russia, and greater emphasis should be placed on locally generated renewable sources of energy.