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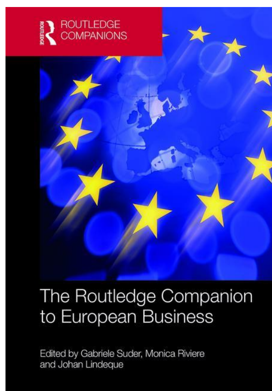

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Free trade agreements and regional trade agreements with third countries and European business

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FREE TRADE AGREEMENTS AND REGIONAL TRADE AGREEMENTS WITH THIRD COUNTRIES AND EUROPEAN BUSINESS

Terrence R. Guay

Introduction

Trade is a central aspect of international business. It also is one of the core economic foundations of the European Union (EU). Cross-border trade, as well as investment, broad economic ties and cultural linkages were viewed by the EU's founders as fundamental building blocks for European peace, political cooperation and prosperity (Dinan 2014). Through the various treaties and agreements since the 1950s, tariffs (or taxes) on the import of goods and services amongst EU member countries have been eliminated, and non-tariff barriers (such as regulatory differences or quotas limiting the quantity of imports) are continuously being identified and eliminated. The 1985 Single European Act (SEA) sought to remove all barriers to the trade of goods and services, and to the free movement of capital and people within the EU (Sandholtz and Zysman 1989). Today, for the most part, operating in multiple EU countries is much easier for business than was the case a few decades ago. A regional trade agreement (RTA) is an accord between two or more countries anywhere in the world to reduce or eliminate tariffs and other barriers to trade on selected goods and services. The EU has become the world's most successful RTA (Katsoulis 2016).

Given the EU's experience with promoting trade ties internally, it is not surprising that the EU has sought to forge closer trade relations with other countries around the world. This chapter will briefly describe how the trade and EU studies literatures explain the EU's involvement in global trade. It then reviews the range of trade agreements the EU has conducted with countries around the world. The chapter concludes by proposing areas where additional scholarly work is necessary.

Trade and the EU

Mainstream economic theory dating to Adam Smith and David Ricardo contends that trade, in the aggregate, creates mutual benefits for the countries involved. The problem, however, is that

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losses are often concentrated in specific industries and locations where less competitive companies operate (Krugman 2000). This provides incentives for interest groups adversely affected by trade to seek to influence trade agreements and trade policy (Coen and Richardson 2009). One way the EU sought to overcome the political obstacles that can make trade agreements difficult to achieve was to form a customs union. A customs union is one of the most complex forms of RTAs because, not only does it reduce tariffs and trade obstacles amongst its members, but it takes the process one step further by requiring all members to have the same tariffs with non-members (Krueger 1997). This is particularly challenging because a country may prefer to trade with another country outside the RTA for certain goods, but may find it more difficult or expensive to do so upon joining a customs union. For example, one reason the United Kingdom (UK) did not join the EU in the 1950s was out of concern that its trade patterns at the time were heavily weighted toward members of the Commonwealth (Urwin 1995). Joining the EU's customs union would mean having to raise tariffs on products from Australia, Canada, New Zealand and elsewhere to the levels established by the EU. A customs union therefore requires much more political cooperation. Since countries often have to expose less-competitive domestic industries to greater international economic competition for the sake of organisational unity, customs unions impose a more complex negotiating environment among members. For EU members, the reduction in tariffs internally may be offset by higher tariffs on non-member countries, thereby reducing some of the opposition by less competitive industries. But it may also distort global trade, since less competitive companies within the customs union have a tariff cushion, which puts companies from non-member countries at a price disadvantage (Frankel 1997).

Trade policies obviously affect business decision-making. A reduction in trade barriers makes a country a more attractive market for a company's goods and services (Bhagwati 2004). In some cases, companies may try to avoid a country's tariffs by increasing foreign investment. Because the EU is a customs union, such strategies can be very effective. A South Korean company, for example, may choose to build a factory in the Czech Republic to avoid tariffs that would be imposed if automobiles were exported from Asia to the EU. By manufacturing cars in the Czech Republic, the South Korean company can ship cars throughout the EU without facing tariffs or other trade barriers. That is an important reason why the EU's total stock of inward foreign direct investment (FDI) amounts to €4.8 trillion (Eurostat 2017).

Because customs unions require deep levels of political cooperation to face down domestic interest groups and obtain compromise on the level of external tariffs, they are rare. The EU is the most sophisticated customs union in the world. Mercosur (whose members include Argentina, Brazil, Paraguay, Uruguay and Venezuela) is a partial customs union since it includes hundreds of exceptions to a common external tariff. The most common RTA is a free trade agreement (FTA) (Suder 2011). In an FTA, member countries agree to reduce some (but usually not all) tariffs and other trade barriers amongst member countries. But each country is allowed to maintain their own set of tariffs with non-members, and is free to establish their own trade deals with the rest of the world. Because the UK was unwilling to commit to a customs union in the 1950s with the six founding members of the EU, it formed an FTA with Austria, Denmark, Ireland, Portugal, Sweden and Switzerland – the European Free Trade Association (EFTA). For a number of years, EFTA represented an alternative RTA for European countries unwilling to commit to the wider and more political integration of the EU. But, ultimately, the rapid economic growth of EU members in the 1950s and 1960s, as well as shifting trade patterns that made the UK and other EFTA participants more dependent on trade with the EU, led Denmark, Ireland and the UK to abandon EFTA and join the EU in 1973 (Abrams et al. 1990).

FTAs are not nearly as comprehensive as customs unions, but they can serve other purposes. FTAs may be a first step in expanding a range of relationships with other countries. The North

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American Free Trade Agreement (NAFTA) covers a range of goods, but also allows Canadian, Mexican and US authorities to cooperate more closely on immigration, drugs and security issues (Hufbauer and Schott 2005). The EU has forged FTAs with the Balkans and North Africa, in part to promote regional stability (Woolcock 2007). FTAs may also represent the extent of what is politically possible and, therefore, viewed as better than no deal at all. Finally, FTAs may be used as a diplomatic tool to nudge countries toward the interests of others. The EU has used FTAs with countries such as Turkey as an incentive to make additional economic reforms and, more recently, with Canada and Japan to put pressure on the United States to negotiate a trade deal with the EU (Sbragia 2010).

Although companies devise strategies in response to the complex global web of trade agreements, FTAs also spawn corporate investment decisions. Since countries that are members of an FTA have different tariffs with non-members, clever managers of companies from non-member countries might try to circumvent relatively high tariffs imposed by one member country (A) by exporting to a second member (B) with lower tariffs, and then shipping the product to country A within the rules of the free trade agreement. But most FTAs contain 'rules of origin' that require a certain percentage of a product's content to be manufactured in a member country to be eligible for tariff-free entry (Chase 2008). As a result, RTAs often shape investment decisions by multinational corporations (MNCs), giving them incentives to have facilities in at least one RTA member in order to have preferential access to other countries. Consequently, many MNCs, including Europe's BASF, Fiat,and Philips, have built factories in northern Mexico to take advantage of lower production costs, while also having tariff-free entry for their goods in the USA and Canada.

Given the size of the EU's market, with a GDP of about €15 trillion and over 500 million relatively rich consumers, the EU can be a formidable negotiator of FTAs. By negotiating on behalf of the entire membership, EU trade officials can obtain terms much more favorable than would be the case if each of the members were left to negotiate on their own. There is some research that contends that the EU is a global 'market power', using access to its market and regulatory impact as leverage with other countries (Damro 2012). Only the USA and China have similar degrees of influence in global trade. Thus, the EU has considerable influence in developing a global trade strategy (European Commission 2015).

Even with these advantages, it can be difficult for the EU to reach agreement on RTAs. One reason is that not all companies gain from trade. As the EU makes market concessions with other countries, once-protected industries become susceptible to more intense competition. These companies and their workers may well lobby relevant EU bodies, as well as their national governments, to block or weaken certain aspects of a deal under negotiation. Environmentalists also are opposed to certain aspects of trade agreements, particularly if they believe governments are sacrificing clean air, water or biodiversity for the sake of corporate interests. As a result, non-governmental organisations (NGOs) and other interest groups have become increasingly important actors in global trade negotiations (Guay 2014).

The EU's trade negotiations are conducted by the European Commission, following general instructions (or 'mandates') given by the Council of Ministers that represents member state preferences. Once the Commission concludes an FTA, the Council of Ministers (and in some cases the European Parliament) must approve the overall terms. On sensitive trade issues, such as audio-visual, health and education, member states must be unanimous in their consent. Business has a mixed record with respect to its influence over the direction and outcome of trade negotiations (Dür et al. 2015; Wilson 1985). Trade associations within the EU are typically two-tiered, with a national association representing the collective interests of a particular industry within a member country, which is then a member in a Europe-wide business group. Consequently,

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it can be very difficult for such a broad-based organisation to speak with a firm voice about its members' trade preferences (Woll 2009). So, while the Commission does meet and listen to business trade associations and individual companies, it is more important for business to have good communication with national trade officials who ultimately will need to approve an EU-brokered deal (Lawton and Rajwani 2015).

Role of the World Trade Organization

The World Trade Organization (WTO) currently consists of 164 countries and aims to establish rules governing global trade and the reduction of tariffs and other barriers to trade. Established in 1995, the WTO operates under the 'most-favoured-nation' principle, which requires members to offer the same trade terms to all other members without discrimination, although some exceptions (like RTAs) are allowed. RTAs may have the effect of diverting trade from more efficient outcomes. For example, if Argentina and Brazil, both members of the WTO, trade more coffee and beef with each other as a result of their RTA Mercosur, this may come at the expense of Japanese beef and Kenyan coffee producers who face higher tariffs since they are not members of Mercosur. Despite this apparent violation of WTO principles, the WTO recognises the value of RTAs, since such agreements aim to further reduce trade barriers, even if it is amongst a subset of WTO members.

As a result, RTAs have proliferated in recent years, largely as an easier-to-negotiate alternative to a WTO deal. According to the WTO, only a handful of RTAs existed in the 1950s. In the period 1948–1994, the General Agreement on Tariffs and Trade (GATT), which was the predecessor of the WTO, received 124 notifications of RTAs. Since the creation of the WTO in 1995, over 400 additional RTAs have been notified (World Trade Organization 2017). As of June 2017, 279 RTAs were in force (since some of the earlier ones have been reconfigured, and some are not yet operational). The EU is not alone in proactively negotiating FTAs. The USA, Japan, China and other countries have chosen this route, too. Whilst the EU member states mainly do so via their regional association, these countries use their economic clout to obtain greater access for their companies in other countries' markets. This competition to negotiate FTAs puts pressure on the EU member states, represented by the European Commission, to do likewise, so that their firms are not at a competitive disadvantage.

The GATT and WTO successfully completed eight rounds of trade agreements starting in 1947 (Van Grasstek 2013). Each round reduced tariffs on an ever-wider range of goods amongst its members. The most recent negotiations began in Doha in 2001, and thus is known as the Doha round of trade talks. This round is still under negotiation for two reasons. First, earlier rounds focused mostly on manufactured goods. The Doha round sought to make big cuts in the obstacles to the cross-border trade of services, such as finance, retail and transportation, which favoured Western MNCs. But these areas are still heavily protected in many developing countries. The Doha round also aimed to cut subsidies and other obstacles to the trade in agricultural goods. However, this is a sector that is politically sensitive to Europe, Japan, the USA and other richer countries that are not willing to expand access to their markets in this area. Second, the global political economy changed considerably at the beginning of the twenty-first century. The EU also sought to introduce rules governing antitrust (competition) policy and foreign investment, and include safeguards for the environment and labour, but found little support from other countries. During earlier rounds, the USA and EU dominated trade negotiations and could fairly easily persuade other countries to go along with deals that the two heavyweights had hammered out. But the rise of emerging markets in Asia and Latin America, particularly China, India and Brazil, introduced new actors at the international level with different trade interests than the EU

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(Woolcock 2010). With their own MNCs and expanding middle classes, these countries could challenge the demands made by the EU and USA. Such countries were unwilling to open their markets to Western service MNCs if richer countries continued to block many agricultural imports from developing countries. The result has been an impasse within the WTO.

The range of European trade agreements

The EU has formed economic and trade agreements with neighbouring European countries with varying levels of cooperation. The closest level is inclusion in the EU's customs union. This is the category for Andorra, Monaco, San Marino and Turkey. The three 'microstates' also forged agreements with the EU to use the euro, and began negotiations in 2012 that could lead to participation in the Single Market. These countries face no tariffs on exports to the EU, and have agreed to a joint customs tariff along with the member countries. A second category includes association agreements, stabilisation agreements, free trade agreements, and economic partnership agreements. The most integrated of these is the European Economic Area (EEA) consisting of Norway, Iceland and Liechtenstein. The purpose of the EEA has been to integrate the EFTA countries into the EU's Single Market, due to their geographic proximity and close economic ties, without requiring EU membership. The EFTA still exists, but has suffered from a loss of members who have migrated to the EU. Today, EFTA members include only Iceland, Lichtenstein, Norway and Switzerland. Swiss voters rejected membership of the EEA in 1992, but a series of bilateral agreements between Switzerland and the EU have effectively replicated most of the EEA's provisions. The third category is partnership and cooperation agreements, which is what the EU has forged with various countries around the world.

For some parts of the world, the EU has viewed trade agreements as an important component of economic development (Suder 2011; Zielonka 2008). This is particularly true for the African, Caribbean and Pacific (ACP) countries, most of whom were former European colonies. The EU has established Economic Partnership Agreements (EPAs) with many countries in this region. Of the world's 49 least-developed countries, 39 are in the ACP – mostly in Africa. While this programme in theory should positively affect ACP countries' economies, the volume of ACP exports to the EU has declined during the more than 30 years of the programme's existence. Another EU programme to facilitate trade with less-developed countries is its Generalized Scheme of Preferences (GSP). There are three main variants of the GSP. The first is the full or partial removal of tariffs on two-thirds of all product categories. The GSP+ scheme removes tariffs completely on the same categories to countries that ratify and implement core international conventions relating to human and labour rights, the environment and good governance. Finally, the Everything But Arms (EBA) arrangement provides duty-free and quota-free access to all products from all least developed countries with the exception of arms and ammunition (Gradeva and Martinez-Zarzoso 2015).

The EU's focus on economic development has occasionally put it at odds with countries that were not party to these FTAs (Alter and Meunier 2006; Josling and Taylor 2003). A controversial case dating from the 1990s challenged tariff preferences that the EU granted to ACP banana exporters. Designed as a way to help banana farmers in ACP countries, the EU granted duty-free access to these producers. At the same time, the EU imposed tariffs ranging from 15 to 20 percent on Latin American exporters on the first 2.5 million tons of bananas, and significantly higher rates above that amount. US MNCs Chiquita Brands and Dole Food Co., who had significant operations in Central and South America, encouraged the USA to initiate a complaint in the WTO, eventually joined by Ecuador, Guatemala, Honduras and Mexico. The case, the first dispute between the EU and USA to be heard by the WTO, began in 1995. The

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EU was found to be in violation of WTO rules in 1997 and, after making minor changes to its banana import policy, again in 1999. The USA retaliated, as WTO rules allow, with tariffs amounting to $191 million annually on EU exports to the USA. After more legal wrangling and delays related to the failed Doha trade talks within the WTO, the EU reached an agreement with Latin American banana exporters to reduce import tariffs, while also compensating ACP countries for lost sales (Suder 2011).

The UK and Brexit

The June 2016 referendum in the UK on whether to leave the EU ('Brexit') brought the differences between an FTA and a customs union back into focus. Leaving the EU means that companies exporting from the UK to the remaining member countries will no longer have the same duty-free access to the EU market. This is significant because 51 per cent of UK goods exports go to the EU, while only 7 per cent of EU exports go to the UK (*Economist* 2016). The first phase of Brexit negotiations revolved around the terms of the UK's withdrawal from the EU, which was complicated by the EU's rules allowing the free movement of goods, services, capital and people, as well as budgetary and institutional commitments. This was followed by a negotiation over trade terms for access to each other's markets. It is possible that the UK could eventually develop an arrangement similar to current EEA members such as Norway. However, those countries allow citizens of EU countries to live and work in them, and it was the migration of many Eastern Europeans to the UK in the decade after 2004 (when ten countries joined the EU) that was a major reason why many UK citizens voted in favor of Brexit (Shipman 2016).

Clearly, the negotiations are wide-ranging and complex and will have significant effects on business. As mentioned above, upon the formation of either an FTA or customs union, trade patterns typically change in the direction of greater trade flows between member countries. Both forms of trade agreements can shape foreign investment. Many companies built factories or set up their European headquarters in the UK in the decades after that country joined the EU in 1973. Firms would not only be utilising the UK's attributes of labour force flexibility, English language, access to finance and legal system, but they also could sell their goods to continental Europe without having the common external tariff imposed (Kneller and Pisu 2004). Foreign MNCs have invested a total of $1.2 trillion in the UK – far more than Germany ($771 billion) or France ($698 billion) and almost 16 per cent of the EU's total FDI (UNCTAD 2017). Brexit has required MNCs to rethink their European strategies. While there are a number of reasons why MNCs locate to the UK, including the country's legal system, language and sector-specific strengths, one of the most important advantages of the UK location – tariff-free entry to the EU market – has changed. This is particularly problematic for the financial services industry. Many banks have moved substantial staff and operations from London to EU cities such as Amsterdam, Dublin, Frankfurt or Paris (Goodman 2017). Brexit poses the risk of investment flight from the UK, which could dissuade other member countries from considering leaving the EU (Hobolt 2016; Taylor 2007). More broadly, Brexit represents scepticism and disenchantment with globalisation in all its forms – economic, political and cultural convergence – in the international community (Meyer 2017; Rodrik 2011).

The EU and the USA

The EU and the USA are each other's biggest trading partner. In 2016, almost 18 per cent of the EU's manufactured goods exports, and over 20 per cent of all goods trade (or €610 billion), was with the USA (European Commission 2017). For the USA, the EU accounted for

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about 19 percent of exports, imports and total trade. Total service trade amounted to almost €240 billion, with similar amounts in both directions. Despite the enormous amount of transatlantic trade, non-tariff barriers in the forms of regulations and product standards prevent even greater levels of transactions. Consequently, authorities initiated negotiations on the Transatlantic Trade and Investment Partnership (TTIP) in 2013. Despite the benefits that would accompany an agreement, TTIP proved too controversial on both sides of the Atlantic (Eliasson and Garcia-Duran 2016). Highly secretive meetings conducted during 15 rounds of talks provided an opportunity for opponents to raise concerns about the effects that TTIP might have on public services, the environment, privacy and individual rights, and the ability to devise regulations that reflect local sensitivities and values. Candidate and ultimately US President Donald Trump announced his opposition to TTIP, effectively ending negotiations. Ironically, the EU and USA are participants in dozens of FTAs, but do not have one with each other. Tariffs between these two entities are governed by WTO rules. Brexit complicates any revival of a USA–EU FTA, since the UK is interested in negotiating a bilateral FTA with the USA, which cannot be accomplished until the UK finalises its departure from the EU, leading in all probability to yet another FTA (Oliver and Williams 2016; Wilson 2017).

The EU and Canada and Japan

Despite the inability of the EU and USA to establish an FTA, or perhaps because of it, the EU negotiated deals with two of its most important trade partners: Canada and Japan. Canada, the EU's tenth-biggest trading partner, reached an agreement with the EU in 2016 that would eliminate tariffs on 99 per cent of goods (*Globe and Mail* 2017). The Comprehensive Economic and Trade Agreement (CETA) was approved by the European Parliament, but because of EU rules also requires national parliaments to vote in support of it. Therefore, CETA's terms will be provisionally applied until all parties approve them. European and Canadian officials view CETA as a prominent stand against protectionist and anti-globalisation sentiments in many countries around the world, including opponents of the pact in Canada and Europe. In addition to tariffs, CETA includes other measures, including greater access to sub-national (i.e., provincial and city governments) procurement, pharmaceutical patents, professional certification and the creation of an investor protection court (Hübner et al. 2017).

In July 2017, the EU announced that a trade agreement with Japan, its sixth most important trade partner, was nearing completion (Kanter 2017). The deal would provide European and Japanese automakers greater access to each other's markets, as well as open agricultural markets and government procurement. The agreement could create a bloc to rival NAFTA, currently the world's largest FTA. While the details still need to be worked out, the initiative, when combined with CETA, indicates that the EU is pursuing a global trade strategy that shows a preference for FTAs with select partners rather than a WTO pact, and a willingness to counter current protectionist trends in the USA (Meunier and Nicolaidis 2006).

Emerging markets

With the rise of Brazil, Russia, India, China and South Africa (BRICS), as well as numerous other emerging economies since the end of the Cold War in 1989, the EU has responded to the corresponding changes in the global political economy (Keukeleire and Hooijmaaijers 2014; Renard and Biscop 2012). The EU has identified several countries, including Brazil, India and South Africa, as 'strategic partners' and signed agreements with them based on mutual interests, specific to each relationship. One of the key components of nearly all of these partnership

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agreements is trade. Total EU–China trade grew from €260 billion in 2006 to €515 billion in 2016 (European Commission 2017). The EU is China's biggest trading partner; only the USA trades more with the EU. But, significantly, China is not one of the countries with which the EU has a formal partnership or FTA (Holslag 2011; Smith and Xie 2011). Like China, India is an increasingly important trade partner, ranking 11th in 2016 (European Commission 2017). Negotiations on an FTA began in 2007, but have yet to yield tangible results (Khorana and Garcia 2013). The main problem is that a comprehensive FTA would challenge India on precisely some of the areas in which it is anxious to retain national control, including investment and the operations of EU companies in India. Yet an FTA with India has the potential to counter-balance the EU's reliance on trade with China and strengthen relations with a key Asian partner on a range of non-trade issues, including security and democratisation. Brazil's situation is similar to India's (Van Loon 2015). Brazil is the EU's 11th-largest trade partner and, while the EU does not have an FTA with that country, it has been trying to form one with Mercosur for some time. Negotiations began in 2010, were put on hold two years later due to disagreements over EU agricultural policies and industrial protectionism by Mercosur countries, and restarted in 2016. An FTA would bolster the EU's already established position as Mercosur's leading trade partner, accounting for over one-fifth of Mercosur's total trade in 2015 (European Commission 2017). EU exports to Mercosur more than doubled between 2005 and 2015 to €46 billion. A partnership with Mercosur would counteract growing Chinese economic relations in the region (Paczkowski 2015). So, a key part of the EU's strategic partnership with Brazil, which is the largest economy within Mercosur, is obtaining greater trade and investment access to the wider region. Although the EU is South Africa's biggest trade partner, the African country ranks only 17th amongst EU trade partners – well behind Brazil, China and India (European Commission 2017). Thus, despite being Africa's biggest economy, South Africa represents only a small part of the EU's global (and African) trade interests. In 2016, the EU signed an economic partnership agreement (EPA) with the Southern African Development Community (SADC), whose current members include Botswana, Lesotho, Mozambique, Namibia, South Africa and Swaziland. Under the SADC EPA, the EU fully or partially removes customs duties on 98 per cent of imports from South Africa, and grants full market access to the other five countries (European Commission 2016). So, like Brazil, South Africa serves as a useful entry point to a wider regional FTA (Fioramonti and Kotsopoulos 2015). The evolving relationships that the EU is experiencing with these and other emerging markets underscores how trade can often be linked to other foreign policy objectives (European Union 2016).

Conclusions

RTAs are an important component of the EU's role as a global actor (Bretherton and Vogler 1999; Soderbaum 2005). The formation of trade agreements with other countries allows the EU to expand liberal economic norms and values, particularly in emerging markets and developing countries with little experience in open markets. With a more protectionist US foreign economic policy under the Trump administration, there are more opportunities for the EU to pursue FTAs with other countries. Negotiations over the EU–Japan trade agreement described above received greater attention from Tokyo once the USA abandoned the Trans-Pacific Partnership – a deal that was completed by trade negotiators but needed country ratification. Absent the USA, the global trade space may provide further opportunities for the EU. Given the impasse within the WTO, and increasing influence of non-Western countries, it seems more likely that the EU will continue its strategy of negotiating FTAs with individual countries. This allows the EU to open other countries' markets for European MNCs, and using the

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attractiveness of the EU market as a bargaining chip (Suder 2013). Important future research will include examining how the EU chooses where to forge FTAs, and the actors involved in influencing such agreements, including the increasingly important roles of emerging market MNCs (McGuire et al. 2012).

Going forward, there are at least three important research streams for scholars to pursue. The first is to develop a deeper understanding of how the EU chooses which RTAs to pursue. Obviously, there are some two-level game negotiations between the EU and its member states, and the EU and non-EU countries (Putnam 1988). But interest groups, particularly Europe-based MNCs, have preferences based on their global strategies, and the inter-relationships of these groups and their relative bargaining power must be better understood (Dür 2008). A second area that requires deeper understanding is how the 'losers of globalisation' impact trade policy-making. This group includes less competitive industries that face increasing pressure from foreign firms once RTAs come into effect, as well as their supply chains, workers and communities in which they operate. Measuring their ability to resist and shape RTAs, and the various resources at their disposal, will lead to a better understanding of constraints on the EU when negotiating trade pacts (Meunier 2007). Finally, more research is needed on the interests of other countries who seek trade deals with the EU. How, for example, do the strategies of emerging market MNCs seeking to compete in the European market influence their home governments' decisions to pursue FTAs with the EU (Santos and Williamson 2015)? How do countries use FTAs with the EU to leverage wider foreign policy goals with the EU and non-EU countries? These and other research questions will provide plenty of work for scholars to do on the growing importance of RTAs in the global political economy.

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