

# **Regionalism versus Multilateralism: An Assessment of the European Union Trade Policy**

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## **ABSTRACT**

In 2006 the European Union (EU) decided to abandon its moratorium on negotiating new free trade agreements. Since then, numerous negotiations have been started. In particular, the EU joined in the scramble for preferential market access starting bilateral negotiations both with individual countries, as in the case of India, Canada, Ukraina and Russia, and with regional sub-groupings, such as the Association of Southeast Asian Nations (ASEAN) and Mercosur.

The discriminatory character of these agreements is controversial in economics, not simply because of the classic (so-called 'Vinerian') view that they can sometimes reduce trade by diverting it, rather than creating it, but also because of the unresolved disagreements over when a regional trade agreement is likely to precede, rather than preclude, more global agreements. In this paper, we use a computable general equilibrium (CGE) model to assess the effects of the possible agreements between the EU and different partners. We evaluate the impact of the free trade agreements by themselves, assess their mutual compatibility, and compare them with a benchmark free trade scenario.

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