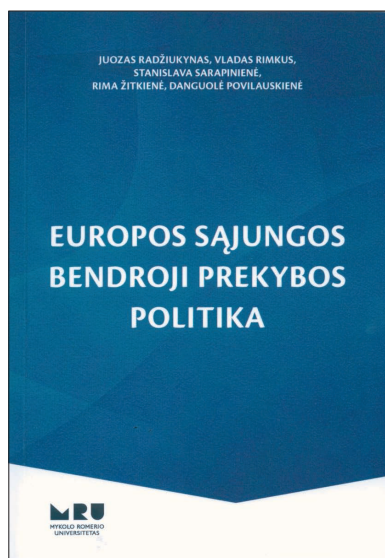


COMMON TRADE POLICY OF THE EUROPEAN UNION (Review of the textbook)

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Introduction

Globalisation, integration, co-operation, market economy and other global-scale processes have involved the majority of countries, including Lithuania. These complex and continuously changing processes often take shape and manifest themselves elsewhere, but they do, in one way or another, affect most economic entities and inhabitants in Lithuania. Even specialists experience difficulties with their understanding, not to mention students.

Most of us are participants of international trade – we buy, sell, represent, mediate, etc., but we are rarely able and dare to give advice, evaluate or recommend without having doubts in this interesting, continuously changing, developing and all-covering field of activity.

The determination and ability of the team of the textbook's¹ authors, namely, Faculty of Economics and Finance Management of Mykolas Romeris University Prof. Dr. Rima Žitkienė, Assoc. Prof. Dr. Juozas Radžiukynas, Assoc. Prof. Dr. Vladas Rimkus, lecturers Stanislava Sarapiniene and Danguolė Povilauskienė, not only to overview, systemise and evaluate the common trade policy of the European Union (EU), its instruments, experience, prospects, but also to analyse their application in the Lithuanian economy are worthy of acknowledgement and compliment.

¹ Juozas Radžiukynas, Vladas Rimkus, Stanislava Sarapiniene, Rima Žitkienė, Danguolė Povilauskienė. EUROPOS SAJUNGOS BENDROJI PREKYBOS POLITIKA. Vadovėlis. – Vilnius: Mykolas Romeris universiteto leidyba, 2011, 468 p.

The questions – What is taking place at an EU institution when regulating international trade? What effect will it have on us? What new possibilities will be created? What changes are inevitable? – have long occupied the minds of most business entities. It is very important that replies to these questions be provided by the specialists being beside us, working for the benefit of our country and our people, and thinking like us rather than by the experts or consultants financed and representing the interests of obscure parties, hence the newly published book is useful both for students and practitioners.

Therefore, the textbook *Common Trade Policy of the European Union* for students, doctoral students, and not only, is a long-awaited-for and useful book which will occupy an honourable place on the shelves in libraries of Lithuanian universities and other higher education institutions among the most popular textbooks. Regrettably, the circulation of such an excellent textbook, which so far has no equivalent in Lithuania, is as few as 100 copies.

Review of the textbook

The introduction and nine chapters of a respectable 466-page long textbook, prepared and published in less than a year, consider the concept of the EU's trade policy, the mechanism of its formation and implementation, the instruments of this mechanism, the procedure for their application, the participation of EU institutions, international organisations, EU Member States and other countries and their influence in shaping the trade policy at the EU and international level in a highly consistent, comprehensive, qualified manner and by employing numerous examples and statistical data to illustrate statements.

The author of five out of nine chapters of the textbook is Assoc. Prof. Dr. Juozas Radžiukynas (chapters 1-4, 6). The topics addressed and the material presented by him make up the kernel of the textbook, which is complemented by other members of the team of the textbook's authors in a well-reasoned, qualified and respectable manner.

The *first chapter* of the textbook considers the areas of activities of the EU, the general and specific goals of the EU, analyses the exclusive, shared and complementary competence of the EU and the EU Member States, the powers and jurisdiction of the main institutions forming and implementing the EU's common trade policy (the Council of the European Union (the Council of Ministers), the European Commission and the European Parliament), discusses the key issues, development of the scope of the common trade policy from the establishment of the European Economic Community until the present day, the instruments of the common trade policy.

The aspiration to shape and implement the common trade policy which would serve as a basis for trade of the European Economic Community (since 1 November 1993 – the European Union) with third countries was provided for as early as in Article

3 of the Treaty establishing the European Economic Community (the Treaty of Rome),² and Articles 131-134 of this Treaty stipulate the main principles of formation of a common commercial policy.

The common trade policy is implemented first and foremost with a view to avoiding the harmful consequences arising due to differences in trade policy of various countries. This original and the main goal of the common trade policy later underwent changes. Initially limited to introduction of a common customs tariff, formation of a common trade policy towards third countries, development of the principles of trade policy and the rules for their implementation, the EU was gradually involving new areas of activities, such as elimination of non-tariff trade barriers, regulation of export and import, development of trade protection measures, regulation of trade in services.

The common trade policy is closely related to such areas of activities as competition, industrial, transport and agricultural policy, creation of the common market, hence at the beginning of the chapter the author looks at the areas of activities of the EU, the EU's general and specific goals. The analysis of powers of the main EU institutions enables to develop awareness of the place and role of the EU's common policy in legal regulation of the EU's activities.

In this section (Sub-section 1.3. Stages of the EU's economic integration), Assoc. Prof. Radžiukynas identifies five stages of economic integration. Notably, only three of them are explained to the reader. Others, including the stage of the Economic and Monetary Union, are not further analysed or explained due to the lack of importance, for being rather basic or for other reasons. Meanwhile, it is they that are at the centre of debate and argument, thus the authors are likely to produce a continuation of this publication in the future.

Developments in the field of international trade, international business, international economic relations and other areas of activities determine the necessity to adjust, amend or supplement the agreements achieved, the principles used, and the provisions applied. The EU's common trade policy is no exemption. The content, areas of action, scope and other elements of this policy have been continuously changing, are changing and will change in the future.

Section 1.4 of the first chapter ('Scope of the EU's common trade policy') reveals the provisions and principles of the EU's common trade policy, analyses the impact of the Lisbon Treaty on its content, areas of action and scope. The concept of trade has long been identified with trade in goods, and from the end of 2009, after entry into force of the Lisbon Treaty, the EU's trade *de jure* and *de facto* has covered not only trade in goods, but also trade in services and direct foreign investments. This is a major and cardinal shift with regard to the concept of the scope of the EU's common trade policy.

Changes in the role and remit of competence of the main institutions of the EU, primarily the European Parliament, linked with the Lisbon Treaty are overviewed in

² Six European states, namely, the Kingdom of Belgium, the Italian Republic, the Grand Duchy of Luxembourg, the Kingdom of the Netherlands, the French Republic and the Federal Republic of Germany, signed on 25 March 1957 in Rome the Treaty establishing the European Economic Community and the Treaty establishing the European Atomic Energy Community (Euratom).

the next-to-last section of the first chapter. Belonging to the exclusive competence of the EU and shaped through the efforts of all the EU Member States, the EU's common trade policy is not of importance to the EU and its institutions and is of little relevance to the Member States. I hope that an updated and supplemented edition of this textbook will soon be published and will discuss, more widely and in greater depth, the forms of participation of the EU Member States in the process of shaping the EU's common trade policy, decision-making procedures and the response of Lithuanian authorities to the Lisbon Treaty and changes in the EU's common trade policy.

At the end of the first chapter, the instruments of the EU's common trade policy are given a brief mention; the author looks at tariff and non-tariff measures of trade regulation, instruments of trade protection, customs procedures and other ways, means and actions of formation and implementation of the EU's common trade policy, which are further elaborated in other chapters of the textbook.

The EU, just as other countries (unions, commonwealths of countries), regulates international trade and accomplishes this through the multilateral, bilateral and unilateral dimension of the EU's common trade policy. The three dimensions are discussed in the first three *sections of the second chapter*.

In respect of the multilateral dimension, the chapter reveals the influence of the General Agreement on Tariffs and Trade (GATT) (currently the World Trade Organization (WTO)) on the development and liberalisation of international trade, describes the main principles used in multilateral negotiations among the WTO member countries, the completed and ongoing rounds of negotiations (Doha, Uruguay, Tokyo, etc.).

The bilateral dimension of the EU's common trade policy covers customs unions, associations, free trade, economic partnership and other EU treaties and agreements with third countries, which are discussed in detail in the second section of this chapter by giving examples and presenting statistical data.

Application of the EU's unilateral trade preferences (a common preference system), the special incentive arrangement for sustainable development and good governance as well as other measures applied by the EU and discussed in the third section of the chapter are attributed to the unilateral dimension of the EU's common trade policy.

The last section of the second chapter is devoted to the preferential origin of goods: it reveals the purpose of the preferential origin of goods, reviews the legal regulation of the preferential origin of goods, analyses the documents confirming the preferential origin of goods, the conditions and forms of facilitated confirmation of the preferential origin of export goods and other elements determining the preferential origin of goods. A considerable advantage of the textbook is a detailed analysis, by the author, of the preferential origin of goods, which in other publications is presented in a rather superficial and fragmented manner. This is a topical issue both from the theoretical and practical perspectives.

A large number of examples are given when analysing the criteria of acquisition of the origin of goods, the methods used to determine whether a commodity was treated

or processed properly in order to acquire origin, cumulation rules and other issues of the preferential origin of goods. These examples allow for an improved and simplified understanding of the material being taught, hence there could be more such examples in other sections of the book.

The *third chapter of the textbook* overviews the procedure for collecting and processing data on foreign trade carried out in the EU Member States. Foreign trade statistics in non-Customs Union countries are usually collected on the basis of customs declaration data. Foreign trade statistics on the basis of customs declaration data were collected in Lithuania prior to its accession to the EU, also in the EU Member States until 1993, that is, before development of Intrastat and Extrastat trade statistics.

Regardless of the use of uniform Intrastat and Extrastat trade statistics in all the EU Member States, foreign trade statistical data in the EU countries are published in a variety of ways. In an EU Member State, data on the foreign trade pursued by the state may be published according to a general and/or special trade statistics system, one of the differences being inclusion or non-inclusion of goods stored in customs warehouses in export and import volumes. Data are usually reported to the Statistical Office of the European Union (Eurostat) according to a special trade statistics system (as it is in Lithuania), but in some EU Member States national data of foreign trade are published according to a general trade statistics system. The methodology presented in the book draws the reader's attention to the fact that, when comparing foreign trade statistical data of individual EU Member States, one needs to take into consideration the trade statistics system used for the collection and processing of these data.

The second section of the chapter (Extrastat trade statistics) presents data on the scope of the Intrastat and Extrastat in the EU Member States in 2008, but there is a lack of more detailed statistics characterising Lithuania within the EU.

The *fourth chapter* discusses tariff measures of trade regulation, such as customs duties, tariff classification of merchandise and customs valuation. The chapter reveals the essence of customs duties, describes the types of customs duties, the functions performed, clarifies the impact of customs duties on the country's consumers and producers. The chapter presents methods, analyses specific examples, illustrates protection of the goods produced in the internal market with the help of customs duties, discusses the protection coefficients characterising the degree of protection.

By reviewing the EU's Common Customs Tariff and the tariff classification of merchandise used in the Member States, the author clarifies the Harmonized Commodity Description and Coding System, the Combined Customs Tariffs and Foreign Trade Statistics Nomenclature, the structure of the EU's Common Customs Tariff, the components of the TARIC database and its national supplement in Lithuania – the LITAR database. All of these issues have been presented clearly and consistently, with references to primary sources, but the Lithuanian integrated tariff could have been considered in a greater detail.

Suspension of customs duties and administration of tariff-rate quotas, exemption from customs duties and other issues of application of customs duties are discussed in the fifth and sixth sections of the fourth chapter.

At the end of the chapter, legal regulation of customs valuation and its significance for international service are addressed. All of the six methods provided for in the WTO Agreement on Customs Valuation³ have been examined in a highly qualified and detailed manner, with theoretical statements interpreted in specific practical situations and focusing, certainly, on the absolutely dominant transaction method. This chapter considers the new INCOTERMS⁴ terms of delivery, which have been in use since this year, also the role of the sales and purchase broker in international trade.

Notwithstanding a variety of topics discussed in the fourth chapter and a close interconnection among these topics, the author has succeeded in reviewing all of them in a proper and concise manner, although at first sight the analysis of the problems concerning the origin and customs value of goods in the chapter 'Measures of tariff regulation of foreign trade' seemed to be a highly complicated task.

The increasing scope of international trade has not only a positive, but also a negative impact on the countries engaged in trade. For instance, disproportionately large flows of cheap goods, promotion of export from some countries with a detrimental effect on the economies of importing countries, unfair trade and a number of other phenomena relating to international trade. Following their discussion at the WTO Tokyo Round and Uruguay Round, an agreement was reached on trade protection measures and an agreement was drafted.

In the *fifth chapter of the textbook*, Assoc. Prof. Dr. Vladas Rimkus reviews the trade protection granted by the EU, its measures, the legal regulation and application of these measures, a separate case of which, namely, non-tariff measures of regulation of foreign trade, is considered in the sixth chapter of the textbook by Assoc. Prof. Dr. Juozas Radžiukynas.

This chapter examines the concept of trade protection, the key principles of application of trade protection measures, the most frequently applied trade protection measures and their application practices. Application of anti-dumping, compensation and other trade protection measures pursues common interests of the EU Member States by taking account of the interests of the producers, workers and consumers of these countries.

The authors of the textbook discuss legal regulations of the trade protection measures as applied by the EU and their connection with the WTO rules on fair trade. Theoretical material is successfully illustrated by presenting statistical data and analysing specific practical cases. On the basis of Council implementing Regulation (EU) No 964/2010 of 25 October 2010, the readers of the textbook will be familiarised with

³ The seventh (Tokyo) Round of the General Agreement on Tariffs and Trade (Geneva, 1973-1979) produced the Agreement on Implementation of Article VII of the GATT, also referred to as the WTO Customs Valuation Agreement.

⁴ INCOTERMS – the Incoterms rules or the International Commercial terms.

a specific case of application of dumping measures, when the importer to the EU is a non-market economy system. This gives rise to specific procedural and economic consequences, and the presented material and the methods of analysing the situation allow for a better understanding of the legal and organisational aspects of application of anti-dumping measures. The authors have made a successful choice of the example of application of anti-subsidy measures discussing five schemes of subsidy application alongside with more detailed sub-schemes, which enables the readers of the textbook to familiarise with the likely actions of countries relating to unfair practices of supporting local producers.

The *sixth chapter of the textbook* looks at non-tariff trade regulation measures, clarifies the significance of standards, technical regulations, sanitary and phytosanitary measures for international trade, describes the main requirements stipulated in the EU's new approach directives and sustainable standards. This chapter discloses the main requirements concerning safety of the food products supplied on the EU market, discusses the activities of the institutions responsible for consumer safety and health protection in Lithuania, examines the control of quality and safety of the goods imported to the EU by customs authorities.

The common trade policy also covers the EU's internal legal provisions, which consist of the export and import rules. In the *seventh chapter of the textbook*, Stanislava Sarapinienė provides an in-depth and comprehensive analysis of the role of customs authorities in the EU's common trade policy, discusses the customs procedures applied by the EU, considers the connection between customs and business, the principles of customs activities and the latest EU directives in the area of customs.

This chapter reveals the role of customs authorities in administering the common trade policy at the external borders of the EU, discusses customs procedures, the peculiarities of their application, analyses the issues of improvement, facilitation and computerisation of customs procedures, considers the latest customs initiatives towards improvement of the business environment and facilitation of international trade.

In 2005, the World Customs Organization (WCO) adopted at the annual session of the Council the Framework of Standards to Secure and Facilitate Global Trade, based on two pillars: 'Customs-to-Customs' and 'Customs-to-Business partnership'. The first section of this chapter discusses the security standards adopted by the WCO, the vision of the Lithuanian customs and the factors determining changes in the Lithuanian customs.

The second section of the chapter (7.2 Application of customs procedures in international trade) deals with customs procedures, customs warehouses, EU transit system and declaration of goods for customs procedures. In this section, the material is presented in a qualified, consistent, logical and condensed manner, hence discussion of customs procedures and some other issues considered in this chapter in the first and ninth chapters of the textbook is unnecessary.

At the end of the chapter, the authors introduce authorised economics operators, facilitated procedures for the import, export and transit of goods, the information systems used by customs. The chapter looks at the Electronic Customs Multi-Annual Strategic Plan and the measures facilitating international trade and business as provided for by the Modernised Community Customs Code⁵.

The role of customs in implementing trade protection measures has always been of considerable importance. However, it is the provision of the Modernised Customs Code on the mission of customs authorities that clearly identifies, for the first time, the links between international trade and customs and focuses on responsibility of customs for administration of international trade at the external borders of the EU and ensuring of security of the general supply chain.

The scope of common trade policy is gradually expanding, and following the signature of the Lisbon Treaty trade in services and direct investment in the EU are becoming the key objects of regulation of international trade. The aspiration to liberalise trade in services, to regulate granting of subsidies, which is of much importance for trade in services, to develop and to implement effective measures of regulation of international trade in services is well understandable. However, accomplishment of these objectives is still way ahead for, as it seems, at least several decades, because a number of complex problems need to be resolved before a decision can be adopted.

In the *eighth chapter of the textbook*, Prof. Dr. Rima Žitkienė reviews trade in services, which is a topical and dominant, but also a relatively little regulated area of trade. The introduction to the textbook prepared by Prof. Dr. Rima Žitkienė briefly and accurately describes the contents of the textbook and its constituent parts, stresses the outstanding elements of the textbook, its purpose, relevance and novelty.

The chapter analyses the nature of services, their features, gives an overview of the international services market, ways of provision of services. The problem of classification of services, whose solution is only being initiated at the international level, is discussed.

This chapter deals with legal regulation of international trade in services at the EU and global level, analyses protectionism and liberalism in the area of international trade in services, presents the peculiarities of these phenomena in different fields and countries, discusses the EU legal acts having the purpose of speeding up the liberalisation of the services sector of the internal market, describes the specific features of provision of transport, tourism, medical and other international services.

Danguolė Povilauskienė has prepared the *ninth (final) chapter of the textbook*, which presents an overview of protection of intellectual property in international business and international trade, the risk management system in customs and its role

⁵ Regulation (EC) No 450/2008 of the European Parliament and of the Council of 23 April 2008 laying down the Community Customs Code (Modernised Customs Code) //OJ, 2008, L 145.

in combating trade in counterfeit goods. The chapter reveals the concept of intellectual property, discusses its impact on international trade, considers the key provisions of the WTO in the field of protection of intellectual property rights. The chapter also analyses protection of commercial symbols and new electronic forms of intellectual property in international trade.

For students and practitioners, the textbook is of importance as it looks in detail into the instruments of legal regulation of protection of industrial property rights and provides an overview of the activities of institutions responsible for protection and exercise of intellectual property rights. The specific role of customs in putting a stop to international circulation of counterfeit goods is revealed.

This section also presents information about the WTO, the WCO and other relevant international organisations, discusses the legal basis for application of customs supervisory measures, risk management in the area of international trade. It is noteworthy that a certain part of the section's material repeats the information contained in other sections of the textbook, hence it would have sufficed to refer the reader to respective sections of the textbook.

Conclusions

One of the shortcomings of the textbook is the use of varying concepts. In the course of preparation of the textbook, it would have been useful to draw up an index of the main notations, abbreviations and also possibly the main concepts intended for all authors of the textbook, because in this textbook the same notations are introduced in different chapters, whereas some notations are introduced several times in the same chapter or even section. I hope that the next edition of the textbook will consider another important component of international trade, that is, direct investment.

Regardless of the mentioned observations, this textbook is among the first, if not the first, textbooks in Lithuanian to discuss international trade in detail and in a qualified and well-reasoned manner. It is important that international trade in services is also analysed in a general context. Therefore, the textbook is the first to provide a comprehensive and integrated analysis of international trade, common policy in the field of trade, the place of customs institutions and their role in international trade by linking trade in goods and services and direct investment. The scientific significance of the publication lies in identification of the key topical issues, discussion of the methodological aspects of business analysis.

The textbook *Common Trade Policy of the European Union* will help its readers to understand the global, European and regional-scale processes taking place in the areas of international trade, customs activities, intellectual property protection and other international activities and, most importantly, will permit to acquire relevant competences in these complex and dynamically changing areas of activity.

BENDROJI EUROPOS SĄJUNGOS PREKYBOS POLITIKA

(Vadovėlio recenzija)

Alvydas JABLONSKIS

Santrauka. Recenzijoje apžvelgti vadovėlio skyriai, kuriuose nagrinėjama ES prekybos politikos samprata, jos kūrimo ir įgyvendinimo mechanizmas, šio mechanizmo instrumentai, jų taikymo tvarka, ES institucijų, tarptautinių organizacijų, ES institucijų, ES valstybių narių ir kitų šalių dalyvavimas bei įtaka formuojant prekybą ES ir pasauliniu mastu.

Kompleksiškai ir integruotai analizuojama bendroji prekybos politika, muitinės institucijos vieta ir vaidmuo tarptautinėje prekyboje, susiejant į visumą prekybą prekėmis, paslaugomis ir tiesiogines investicijas.

Išleistas vadovėlis padės jo skaitytojui susivokti pasauliniuose, europiniuose ir regioniniuose tarptautinės prekybos, muitinės veiklos, intelektinės nuosavybės apsaugos ir kituose tarptautinėje veikloje vykstančiuose procesuose ir užims savo deramą vietą Lietuvos universitetų ir kitų aukštųjų mokyklų bibliotekų lentynose.

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Moksliniai interesai – tarptautinė prekyba, logistika.