The chapter deals with the phenomena taking place mainly in the last decade, whereby both the EU and the US try to make trade deals with countries traditionally belonging to the sphere of influence of the other. Known examples are: EU-Mexico trade agreement; foreseen EU-Mercosur agreement; EU-Chile agreement; US-Morocco, US-Jordan agreements and many more. The paper tries to give provisional answers to the following questions: What drives the EU and the US to dare? Are these deals strategic? Are they economically worth the effort of negotiating them? Is encroachment part of a more general movement to signing deals with any country in the world, neighbour or non neighbour? Are neighbours less important for the EU and the US than before? What are the implications of encroachment or erosion of traditional spheres of influence for the international trade order? In the paper, focus is laid on the interests of the EU and the US (the ‘hubs’), not on the interest of their partners (the ‘spokes’).

1. A Brave New World

Quite a few experts in international economic relations, whether economists or political scientists, were predicting less than two decades ago that the 21st century would be characterised by the emergence of trading or trade ‘blocs’ in the context of what was then baptized as the ‘New Regionalism’.

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1 This chapter is based on research done while serving at the CEPII (Paris) during my last sabbatical year. It is an updated adaptation of a working paper written for this institution.

2 This would happen through a domino process of bloc creation. For instance Frankel and Wei (1998) explain how the creation of a continental trade bloc (made up of natural trade partners) may lead to the creation of a competing second one, and so on. J. Frankel and S. Wei, ‘Open Regionalism in a World of Continental Blocs’, IMF Working Paper WP/98/10, 17 p.
contain in their title the word ‘blocs’, including from the most serious international institutions.\(^3\)

Even one of the former GATT’s General Secretaries, Renato Ruggiero, said in a speech in 1997 that the new RTAs (Regional Trade Agreements) were about “securing regional spheres of influence in a world, marked by growing competition for markets, for investment and for technology”.\(^4\) Clearly Ruggiero’s scenarios remind the setting of the 1930s. He feared the development of concentric circles around two focal points or hegemonic trade superpowers, namely the US and the EU. For him, it reflected an inability of the transatlantic community to coordinate its trade interests and vision, all being an outcome of the end of the Cold War. The prevailing idea was that the world was suffering from a bout of so-called regionalism, namely a doctrine or ideology that argues that countries should promote trade preferably with countries of the same region\(^5\) rather than with any other country in the world. This was supposed to be the case for different reasons, be they political, cultural, defensive and last but not least economic. It was argued that regionalism could have potentially lethal consequences not only for the open multilateral world trade system as embodied by the laws of the WTO but also for world peace.\(^6\)

In the last decade, and to the astonishment of many, the international business press has reported about the conclusion of trade agreements that, not long ago, would have been considered belonging to the realm of political fiction. A good illustration, for instance, of what is here mentioned is the conclusion of a Free Trade Agreement (FTA) between the US and South Korea recently. Experts of the World Bank have been using the term ‘Additive Regionalism’\(^7\) when relating to the new wave of agreements with multiple partners concluded by countries with partners scattered all over the world as it would be a new fashion or trend. The US concluded for instance an FTA with Bahrain in 2004, whereas the latter country was already then a member of the Gulf Cooperation Council, aspiring to become a Customs Union. Obviously, sometimes new programs or policies are launched and never come to fruition. But what seems important here is that they are openly announced. The EU, a regional hegemon but also a trade superpower, has never been able to achieve its negotiations for the conclusion of an FTA with

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5 A region is characterised by a geographical dimension, in conjunction with its extra-regional perception and regional identity.