

# Journal of Contemporary European Research

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**Editor**

Simona Guerra

**Volume 9, Issue 4 (2013)**

**Special Issue Editors**

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# Journal of Contemporary European Research

Volume 9, Issue 4 (2013)

Introduction

## Theorizing European Union Trade Politics: Contending or Complementary Paradigms?

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### Citation

Orbie, J. and Kerremans, B. (2013). 'Introduction - Theorizing European Union Trade Politics: Contending or Complementary Paradigms?', *Journal of Contemporary European Research*. 9 (4), pp. 493-500.

First published at: [www.jcer.net](http://www.jcer.net)

## Abstract

This special issue aims to take the first step towards an inter-paradigmatic debate in the study of European Union trade politics. In this introduction we highlight the importance of trade as an EU policy domain that is currently undergoing radical changes. We also give a brief overview of the literature on EU trade politics, pointing to the fragmentation of different theoretical approaches. Furthermore, we suggest that more dialogue between different paradigms may be fruitful. We conclude by situating the contributions to this special issue in terms of their theoretical and ontological perspectives.

## Keywords

Paradigms; trade policy; IR; EU

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Different, often contending and perhaps even conflicting theories have tried to explain the European Union (EU) in general and EU external trade policies in particular. This special issue aims to take the first step towards an inter-paradigmatic debate in the study of EU trade politics. The common commercial policy is one of the oldest common policy domains of the EU and also the most powerful area of its foreign policy. The political importance of EU trade policy has considerably increased over the past twenty years. The conduct of trade policy has equally become more and more contested by politicians and non-governmental organizations (Young and Peterson 2006). The coming into force of the Lisbon Treaty in December 2009, which upgraded the role of the European Parliament in trade policy-making and extended the EU's competences to 'behind the border' issues such as investment, intellectual property rights and services, has further reinforced these trends. Since the negotiations at the World Trade Organization (WTO) have been stalled, the EU has embarked on an ambitious agenda of bilateral free trade agreements. Since the end 2000s EU preferential trade agreements are no longer exclusively directed at developing or neighbouring countries: industrialized trading powers such as South Korea (signed in 2010), Japan, Canada and the United States are the new priorities for the EU's bilateral trade agenda. The launch of the negotiations on a Transatlantic Trade and Investment Partnership (TTIP) with the US in July 2013 was a remarkable achievement in itself. The issues on the negotiation table are wide ranging and will continue to spark public debates in the years to come. The European Commission argues that a transatlantic trade agreement would stimulate economic growth in Europe and thereby contribute to solving the economic crisis. In addition, the EU-US trade talks have a geo-political dimension, not at least in reaction to the emergence of China and the proliferation of trade agreements in Asia. More closely to its own borders, the EU has also started trade negotiations with countries such as Ukraine (initiated in 2012), Moldova and Georgia. While these markets are less important for the EU from an economic perspective, the geopolitical relevance of the trade arrangements as part of Europe's wider Neighbourhood Policy cannot be underestimated.

In short, EU trade politics are undergoing fascinating changes. The involvement of new actors within the EU (e.g. the European Parliament), the bilateral negotiations with new trading partners (e.g. the US), the emergence of new venues (e.g. bilateral negotiations) and new issues (e.g. investment) within a changing internal (e.g. eurocrisis) and international (e.g. multipolarity) context will undoubtedly stimulate a new wave of academic research into the politics of EU trade. Understanding and explaining these evolutions will require innovative and sophisticated theoretical tools. In doing so, scholars can build on a relatively large existing literature. During the last fifteen years, academic research on the EU's external trade policies has expanded rapidly. A once

neglected policy domain of the EU caught an increasing amount of attention from scholars.

This has generated an extensive, but at the same time highly fragmented literature. There are two characteristics with regard to the resulting research. The first is that the analysis of EU trade policy-making has been increasingly refined, starting with questions of competence and the resulting institutional dynamics (Meunier & Nicolaïdis 1999) and leading to accounts on the resulting trade policy outcomes, and the causal mechanisms that mattered in the generation of such outcomes. Factors such as the interaction between path dependencies and unintended consequences (Young 2004; Hanson 1998), the interaction between majority requirements and policy preferences (Meunier 2000), and principal-agent dynamics have been prominently present in these (Delreux & Kerremans 2010; Damro 2007; Frennhoff-Larsen 2007; Elsig 2007; Kerremans 2004), this with a growing attention for the interplay between the EU-decision-making process internally, and the specific external context in which trade policies is being developed (the WTO, the context of competitive liberalization) (Sbragia 2010; Young 2007; Dür 2007; Zimmerman 2007; Billiet 2006; De Bièvre 2006).

The second characteristic of the analysis of EU trade policy-making has been the increasing convergence between rational choice approaches (or scholarly work strongly inspired by it) and constructivist insights into the role of ideas, identities and discourses (cf. Siles-Brügge 2011; Orbie 2011; Daugbjerg & Swinbank 2009; Richardson 2009; Niemann 2004; Van den Hoven 2004; Elsig 2000). In addition, there have been a number of studies based on critical theory (De Ville and Orbie 2013; Hurt 2012; Langan 2011; Storey 2006), although this is still a minority in the EU trade policy literature.

Most work on the EU's trade policies is organized on thematic lines. Four relatively recent special issues are indicative of this: 'The European Union and the New Trade Politics', co-edited by Alasdair Young and John Peterson (2006); 'The EU in International Trade Negotiations', co-edited by Andreas Dür and Hubert Zimmermann (2007); 'The social dimension of EU trade politics', co-edited by Fabienne Bossuyt, Myriam Gistelincq, Bart Kerremans, Jan Orbie and Lisa Tortell (2009); and 'The Politics of EU Trade and Development', co-edited by Maurizio Carbone and Jan Orbie (2014 forthcoming) – respectively dealing with the new trade-related issues, the EU's external trade negotiations, the social-trade linkage, and the trade-development nexus.

Overall however, the attention for different paradigms in the study of the EU's external trade policies has been more implicit than explicit. Only a few authors tend to explicitly engage in a debate between different paradigms in their search for an explanation of trade policy processes or outcomes in the EU. This is in the first place the case for these authors that write outside a rational choice perspective. To be sure, there has been a gradual reduction in distance between rational choice approaches and some work that is heavily inspired by constructivist thinking. Some of the authors that have been involved in this rapprochement are included in this special issue. On the other hand there seems to be a continuing (and possibly even growing) distance between mainstream approaches to EU trade politics and radical or critical approaches.

This project has been inspired by a frustration over the fragmentation of the existing literature and the near-absence of inter-paradigmatic dialogue. Building on previous insights, this special issue attempts to shift the focus towards the theoretical debate per se, by engaging in a debate between different theoretical perspectives, including theoretical perspectives that are considered to be out of the mainstream, such as critical theory and critical political economy. A general feeling behind this special issue is that, warranted or not, IR theory and EU studies face a situation of growing mutual insularity among authors that write in different paradigms (Walker 2010). Part of this fragmentation is understandable. Scholars from different backgrounds publish in different journals, tend to read each other's work only to a limited extent, and sometimes entertain biased, or even caricatured perceptions of each other's work and

findings. As different paradigms are often rooted in different ontologies and epistemologies, communication among them is far from evident. Indeed, scholars from different paradigms seem to speak in different languages. It would be naïve to believe that bringing scholars from different paradigmatic strands together will change this. That suddenly, they would start communicating in the same language. Such an evolution may not even be desirable.

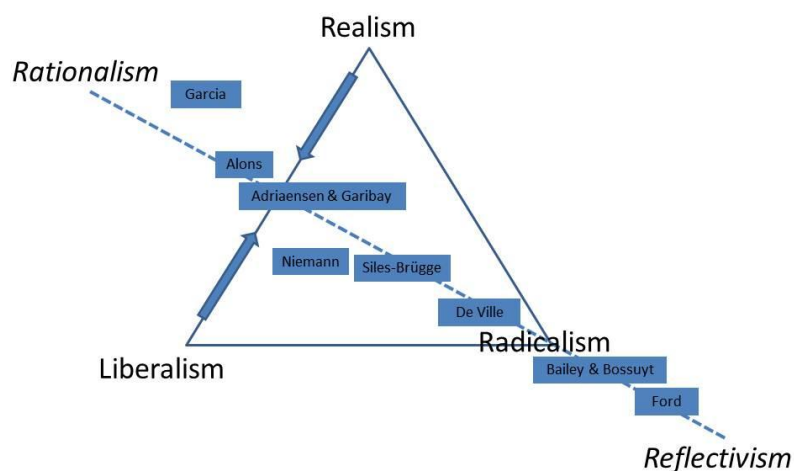
However, we start from the assumption that there may be potential in fostering a dialogue between such diversity of approaches. The distance among these so-called 'paradigms' may be smaller than it seems at first sight. It may also be that different paradigms approach the same questions from different, but complementary angles. And it may be the case that one paradigm may help another in the formulation and testing of alternative hypotheses and expectations, or in the development and use of new methodologies; or that it contributes to the sharpening of one's own arguments and assumptions. If that would be the case, a confrontation among different paradigms may yield new findings, or may deepen existing ones. There would be an added value then, to contention and even conflict. The scientific and practical relevance of our assumption on the merits of inter-paradigmatic dialogue will be elaborated in the concluding section of this special issue.

The purpose of this special issue is about bringing people from different strands of political science<sup>1</sup> together on a common theme with the aim of deepening and refining knowledge through debate and dialogue. There are several reasons why EU trade politics was chosen as the common theme. First, the EU constitutes a challenging but promising area for inter-paradigmatic dialogue. According to the pluralist model, the study of EU politics is 'an inherently multidisciplinary affair' and 'benefits from the inputs of work from diverse epistemological and methodological standpoints', since the EU is a 'new type of polity' (Rosamond 2006: 15). In an institutionally-unique setting such as the EU, 'the challenges of knowledge production are substantial and the stakes in reconciling work along other dimensions higher.' (Jupille 2006: 209) Second, we focus on EU trade because it closely corresponds to our own research expertise and because we believe that it is sufficiently specific to allow for a meaningful dialogue (ensuring that contributors talk about the same thing), while also being broad enough to allow for a wide variety of perspectives and interpretations. As argued above, trade constitutes one of the most important EU policy domains. EU trade policy also situates itself at the intersection of European integration studies, comparative politics, international relations and international political economy.

Therefore, we involved scholars from different paradigmatic traditions. In dialogue with the authors of this special issue, each contribution is situated on Figure 1 which represents the theoretical triangle of realism, liberalism and radicalism on the one hand, and the cross-cutting ontological divide between rationalist and reflectivist approaches on the other hand. While there are many other possible and more sophisticated ways to categorize the various debates between different paradigms, schools of thought, meta-theories etc., we will use this map as a heuristic device.

The articles by Gerry Alons and Maria Garcia come closest to a realist reading of EU trade policy. Alons stresses that a focus on member state preferences is essential for understanding EU trade policy. She illustrates this through her analysis of the preferences of Germany in the Uruguay Round negotiations on trade and agriculture. Alons uses an interest-based approach, although her analysis includes not only material but also ideational factors. Garcia presents the EU explicitly as a rationalist and realist trading actor that mainly aims to safeguard its economic interests in the international economic order. Her analysis also leaves room for ideational elements. The empirical focus is on the different preferential trade agreements negotiated by the EU, including bi-regional negotiations.

Figure 1: Situating the authors in the inter-paradigm debate (based on Waever 1996: 165)



Johan Adriaensen and Montserrat Gonzáles-Garibay remain close to the rationalist end of the continuum by arguing that the EU's policies are contingent upon a generic cost-effectiveness calculation constrained by the internal and external context where decisions on labour standards have been taken. Aiming to explain why the EU has been reluctant to include enforceable labour rights in trade agreements, the authors react against explanations in terms of what they call 'sui generis' and 'normative power' approaches and suggest that rational choice institutionalism may be more suitable.

On the other side of the spectrum, David Bailey and Fabienne Bossuyt also tend to criticize the notion of normative power Europe. From a critical social theory perspective, they castigate scholars' surprise with the discrepancy between the EU's rhetoric as a 'progressive force for good' on the one hand and the contents of its trade policy on the other hand. Instead, drawing on broad claims within the Marxist tradition, Bailey and Bossuyt conceptualize the EU as a site of domination. They identify three mechanisms of domination which are then applied to recent developments in EU trade policy, in particular the Global Europe agenda and the new trade agreements with Asian and Latin American countries. Lucy Ford's article also problematizes 'conventional' analyses of EU trade policy based on a critical realist approach. More specifically, her approach draws from neo-Gramscian theories and global political ecology, which focus the attention to respectively mechanisms of hegemony and challenges of sustainability. As such the author proposes a more holistic approach to studying EU trade policy. Ford illustrates her argument using examples from trade policy debates, such as the discussion on Investor-State Dispute Settlement disciplines and the extraction of petroleum from tar sands in the context of the Canada-EU Comprehensive Economic and Trade Agreement.

The other three articles can be situated more in the middle of the inter-paradigmatic debate, even if important differences between the authors also exist. Gabriel Siles-Brügge develops an innovative constructivist framework in order to explain how the European Commission managed to complete the bilateral trade negotiations with South Korea despite the financial crisis and the opposition from powerful interest groups. The author argues that rationalist approaches in International Political Economy cannot explain this puzzle. Just like Alons and Garcia, he also examines the often overlooked role of ideas in trade policy; in line with Bailey and Bossuyt, and Ford, he stresses the importance of 'neoliberal understandings of socioeconomic order' in explaining the European Commission's trade strategies. Ferdi De Ville also starts with a critique of rational choice analyses of EU trade policy which he considers to be "a-historical" and "a-political". One difference with the previous article is that De Ville emphasizes the time

dimension: EU trade policy can only be understood by taking into account the influence of past policies and ideas. His theoretical framework constitutes a critical variant of historical institutionalism with 'reactive sequencing' as a core concept. As opposed to the narrower 'path-dependency' concept of what he calls 'conservative' historical institutionalism, reactive sequencing conceives of policy evolutions as chains of events produced by reactions and counter-reactions. Empirically, De Ville discusses the general strategic evolution of EU trade policy since the conclusion of the Uruguay Round and the Commission's 'Trade, Growth and World Affairs' communication.

Arne Niemann's revised neofunctionalist framework does not explicitly aim to provide a critical or normative perspective to EU politics, but rather to explain integration outcomes. Compared to the original neofunctionalism, this approach comes closer to constructivist ontologies concerning the socio-cognitive dimension and the mutual constitution of agency and structure. As such, also Niemann argues that rational choice dynamics cannot fully explain the outcomes. The ambitions of revised neofunctionalism are also more modest than the original version, e.g. by taking into account countervailing forces which lead to stagnation of or even opposition against integration. Empirically, Niemann applies this framework to the revision of the provisions on the EU's Common Commercial Policy in the Lisbon Treaty. He addresses the puzzle why the negotiations leading to the Lisbon Treaty entailed the transfer of competences in areas such as services, intellectual property rights and investment, where the previous negotiations on the Maastricht, Amsterdam and Nice Treaties largely failed to do so.

In the concluding article, the editors come back to the question of inter-paradigmatic dialogue that inspired this special issue project. In the first part, three questions are addressed: (i) Is it possible to engage in inter-paradigmatic dialogue?; (ii) Is such an exercise desirable?; and if so, (iii) How should this be achieved? We go back to the Kuhnian debate about the so-called incommensurability of different paradigms and argue that there is a need for engaged pluralism in political science. In the second part, we look at the extent to which a reading of the articles in this special issue indicates that a confrontation among different paradigms as well as between different theories can be or become a learning experience. We point to a number of commonalities among the articles, despite their often-different backgrounds, and reflect on a number of issues on which the different articles could dialogue better one to the other, this with reference to a causal chain. While this analysis also shows the limits and difficulties encountered during such an endeavor, it also makes clear that inter-paradigmatic dialogue may be more fruitful than often assumed, and that there is ample room for a more reflexive dialogue within the scholarly community.

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## ACKNOWLEDGEMENTS

We would like to thank all the participants to the Workshop on 'Diverging Paradigms on EU Trade Policy' (Leuven, 16-17 December 2010), the anonymous reviewers, the JCER editors and Anke Schmidt-Felzmann. Sarah Bouckaert provided research assistance for the closing article.

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<sup>1</sup> We consider the discipline of political science broadly, including comparative politics, international relations (IR), international political economy (IPE), and European Union (EU) studies. However, we limit ourselves to debates *within* the discipline of political science. For calls for inter-disciplinarity in studying the EU, see e.g. Manners (2003) and Rumford and Murray (2003).

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# Journal of Contemporary European Research

Volume 9, Issue 4 (2013)

## European External Trade Policy: The Role of Ideas in German Preference Formation

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### Citation

Alons, G. (2013). 'European External Trade Policy: The Role of Ideas in German Preference Formation', *Journal of Contemporary European Research*. 9 (4), pp. 501-520.

First published at: [www.jcer.net](http://www.jcer.net)

## Abstract

In the literature examining European Union external trade policy, the relative influence of the Commission, the member states and interest groups are an issue of ongoing debate. This article will argue that member states can still play an important role and that a focus on member state preferences is therefore crucial in understanding European external trade policy in general. An interest-based explanation of state preferences is proposed in which both material (political and economic) and ideational variables are included, whereas material explanations alone dominate the current research in the trade policy field. An in-depth case study of German preference formation and position taking with regard to the agricultural chapter of the GATT Uruguay Round (1986-1993) shows the interplay between material and ideational interest. As well as German preference formation being guided by Germany's trade interests and political interests (particularly when these interests were united and governmental sensitivity was high), considerations concerning the Franco-German friendship, affecting Germany's ideational interest, also proved to be a constant in the preference-formation process.

## Keywords

Germany; European trade policy; GATT Uruguay Round; Agriculture

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This article investigates German preferences with regard to the agricultural chapter of the General Agreement on Tariffs and Trade (GATT) Uruguay Round (1986-1993) and its role in European Union (EU) position taking in these negotiations.<sup>1</sup> In the literature explaining European trade policy, the relative influence of the Commission, the member states and interest groups is an issue of ongoing debate. In this article the position that, even though external trade policy is within the exclusive competences of the EU, member states still can play an important role during trade negotiations will be defended. In order to arrive at full and convincing explanations of EU trade policy in general, one therefore needs to take account of member state preferences and how these preferences are formed. However, research on 'the role of individual member states in the formulation of EU trade policies' and on the domestic preference formation processes in member states is relatively scarce (Dür and Zimmerman 2007: 777, 783). To the extent that trade preferences are theorised, it is often assumed that domestic economic variables, such as factors of production (Rogowski 1989), factor specificity (Frieden 1991) or the pressure of economic interests (Moravcsik 1998; De Bièvre and Dür 2005), are decisive in shaping state preferences on trade liberalization. When it comes to agricultural trade, agricultural interests in particular are expected to be influential (Keeler 1996). I will argue, though, that an exclusive focus on the material domestic sources of trade policy preferences does not only overlook the potential influence of external pressure on governments, but also neglects non-material ideational sources of these preferences. In this article, it is assumed that, in domestic preference-formation processes, a government will take account of both its material (political and economic) *and* its ideational interests.

German preference formation concerning the agricultural chapter of the GATT Uruguay Round is in this respect a valuable case to study for two reasons. First, Germany's position in the negotiations is particularly interesting because, compared to the other European member states, it had the most internally-split preferences. While the industrial sector urged the government to agree to further liberalization of trade (also in the agricultural domain), the agricultural sector was keen on protection. Second, apart from these domestic pressures, the German government was under contradictory external pressure as well. On the one hand, the United States (US) tried to convince Germany to plead for trade liberalization during European decision making on the Uruguay Round, while, on the other, France sought German support for a protectionist

stance on agriculture, appealing to the long-standing Franco-German friendship. This article will show how these incompatible pressures and interests, through the domestic German decision-making process, resulted in the preferences Germany defended with respect to the agricultural chapter of the Uruguay Round.

The study on the German case in itself does not provide an explanatory model of (trade) preference formation which is directly applicable to all other EU member states. This would require a larger scale comparative case study, which is not feasible within the constraint of this single article and would be at odds with presenting an in-depth analysis of preference-formation processes. It is particularly the latter that this article aims at, by contributing to filling the void of in-depth empirical studies on trade preference-formation processes. Although this article does not seek to develop a theory of trade preference formation by EU member states in general, the German case study shows how different variables interact to explain trade preferences and allows the development of scope conditions for the relative importance of the different variables. These can subsequently be applied to theory formation and theory testing in a larger scale comparative case study of EU member state preferences.

First, the analysis will engage in the wider scientific debate on European decision-making regarding external trade and the relative importance of the European Commission, member states and interest groups in this process. This will result in the presentation of the theoretical assumptions and expectations that inform the analysis of the German case study. Second, the article presents the case description, based on several "decision moments", when GATT proposals or Commission proposals concerning the European position on agriculture, which needed to be defended in GATT, were on the agenda. It is at these moments in the negotiations that member states have to make their preferences explicit and the periods leading up to the definition and articulation of the national preferences are pre-eminently appropriate to analyse the effects of different variables on German preference formation.

## **EUROPEAN TRADE POLICY AND MEMBER STATE PREFERENCES**

### ***Commission versus member states?***

In the scholarly literature on European trade policy, the relative influence of the European Commission, the member states and interest groups are a matter of ongoing debate. With respect to the relative autonomy of the Commission as opposed to the role of member states, the debate in the 1990s revolved around an intergovernmentalist approach emphasising the power of member states (whose preferences were assumed to mirror those of domestic economic interest groups) (Moravcsik 1998) versus (neo)functionalist explanations focusing on the autonomy of EU institutions (Hayes 1993). More recently the debate has primarily been couched in terms of a principal-agent model. According to Kerremans (2004: 364) this model is 'an instrument to understand the interaction between the Commission and the member states in the context of multilateral trade negotiations'. Applying the principal-agent model to European trade policy, the member states (the principals) delegate decision-making power concerning external trade policy to the EU (the agent) and subsequently try to keep control over this agent to prevent him from acting with too much autonomy and possibly against the interests of the principals (Dür and Elsig 2011: 328).

Member states delegated the execution of European external trade policy through Article 113 [133] of the Treaty of Rome which established the European Economic Community, giving the Commission the sole authority to negotiate multilateral trade agreements on behalf of the member states. Nevertheless, due to the role of the Council of Ministers in the policy process ample opportunities exist for control by member states. At the start of the policy process, prior to any negotiations, the Commission does not only need

authorisation from the Council to engage in such negotiations, but the Council may also issue a directive giving the boundaries within which the Commission has to negotiate (Kerremans 2004: 368). During the second phase of the policy process, the actual negotiations, member states are able to monitor the negotiations closely through the Article 113 [133] Committee, consisting of member state representatives (Kerremans 2004: 369).<sup>2</sup> Finally, at the end of the process, the Council has the sole authority to adopt international trade agreements — by qualified majority in areas of exclusive EU competence and by consensus in areas of mixed competence. In fact the consensus rule is applied more often than strictly required, especially when the interests of particular member states are 'severely at stake' (Bretherton and Vogler 1999: 50).<sup>3</sup> The Commission therefore cannot afford to ignore the preferences and demands of the member states during the negotiations and risk losing their support. Although the Commission can try to gain leverage over member states by using certain strategies such as divide and rule or by proposing package deals on a take-it-or-leave-it basis (Woolcock and Hodges 1996; Vahl 1997), agricultural negotiations, the focus of this study, tend to be highly politicised both in the European arena and within member states, which is likely to enhance the role of member states relative to that of the Commission (Orbie 2007: 41-42; Bretherton and Vogler 1999: 77).

### ***The influence of interest groups***

A further issue in the debate on European trade policy is the degree to which interest groups influence these policies through lobbying the Commission or member states. Irrespective of whether authors explicitly couch their arguments in terms of the principle-agent model or not, this debate revolves around those defending the *collusive delegation* argument and their opponents who emphasise interest group influence.<sup>4</sup> The collusive delegation argument holds that states delegate decision-making authority in order to reduce the influence of interest groups on policy making. In this vein, Sophie Meunier and Kalypso Nicolaidis (1999: 480) argue that with respect to trade policy 'such delegation helped insulate the policy-making process from domestic pressures, thus promoting a more liberal international order.'<sup>5</sup> Furthermore, delegation will enable the member states to shift the blame for unpopular policies (Arnold 1990). An important assumption underlying the collusive delegation argument is that the domestic policy process is usually dominated by protectionist trade interests (Dür 2008: 28). The costs of trade liberalization are often concentrated, affecting one or a small number of societal interests, whereas the gains are dispersed. As a result the negatively-affected groups are likely to mobilise, while the consumers gaining from trade liberalization (confronted with a collective action problem) are unlikely to do so. Delegation thus aids member state governments by insulating them from domestic interest group pressure for protectionist trade policies.

Those defending the interest group approach share the assumption (also implicit in the collusive delegation argument) that domestic politicians wish to be re-elected and will therefore reject policies that would result in concentrated losses for specific societal groups (Dür 2007: 462; De Bièvre and Dür 2005: 127). However, they repudiate the idea that delegation will significantly restrict the influence of interest groups. This expectation is simply disproved by studies showing the influence of interest groups on EU trade policy making in various cases (see Van den Hoven 2002; De Bièvre and Dür 2005). Considering the EU's institutional framework, this should not come as a surprise, according to Dür (2008: 30-31), because the Council's consensus rule is also applied to the trade policy field. Lobbying governments will therefore still be effective and the Commission will take account of interest group preferences, because it realises that it would not be able to get member state approval if it ignored interest pressure.<sup>6</sup> Thus, Van den Hoven (2002: 23) argues, interest groups in the trade field are not only expected to influence member states, but are also regarded as having particular influence on the Commission due to their legitimizing role:

The Commission's ability to represent the EU in multilateral negotiations and to keep member states united behind its negotiating position, largely depends on keeping interest groups satisfied with the concessions that it is giving and receiving in the WTO.

On the level of the state, the international political economy literature often emphasises the domestic sources of economic policy, assuming that the preferences of domestic economic actors somehow translate into state preferences (see for example Milner 1988 and Knopf 1988). Some stress factors of production (capital and labour) when explaining a state's openness to trade liberalization (Rogowski 1989), while others focus on factor specificity (Frieden 1991). It is important to note, though, that even if one considers societal demands to be the primary determinants of trade policy, this does not mean these policies will always be of a protectionist nature. Notwithstanding the often concentrated losses and dispersed gains of free trade, Dür (2007) found that exporters tend to lobby against losses (as in terms of market shares) and will thus mobilise when governments propose protectionist trade policies that harm their trading interests. Import-competing interests therefore need not always be dominant in domestic politics. In the words of Dür (2007: 462), 'As politicians thus have to find a balance between satisfying exporter interests and maintaining protection for import-competitors, the relative strength of the two constituencies would determine the extent of the initiative in favour of exporters.'

### **AN INTEREST-BASED APPROACH INCLUDING IDEATIONAL VARIABLES**

From this discussion of the scholarly debate on the relative influence of the Commission, member states and interest groups on European trade policy, we may first of all conclude that the influence of member states should not be underestimated, particularly in such politicised domains as agricultural trade. Secondly, and this is partly a result of the member states' continued importance, interest groups still have ample opportunity to influence their domestic government and also — due to its wish to maintain the support of member states — the Commission.

If these were the only considerations, an analysis of the preferences, mobilisation and strength of competing German interest groups should suffice as an explanation for German preferences on the agricultural chapter of the Uruguay Round. I would argue, however, that such an approach would neglect external (i.e. international) and ideational determinants of trade policy preferences and, considering the contradictory external pressures on Germany and France's appeal to the Franco-German friendship during the GATT Uruguay Round, analysing the potential influence of such variables is crucial in the case under study.

I therefore emphasise the role of governments in selecting a preferred policy option within constraints which are not only political in nature (e.g. farm lobby pressure).<sup>7</sup> Instead, I assume that a government will defend the policy option which it deems to be most attractive from the perspective of its political, economic and ideational interests. The political interest essentially covers the relative power position of a state internationally and the wish of the government to remain in office domestically. It is because of the government's consideration of its political interest that interest groups are able to influence domestic preference formation and the government will particularly be sensitive to their pressure when elections are approaching. As regards the economic interest, governments strive to increase national wealth and improve living standards. Common explanations of states' trade policies often are restricted to an analysis of these material interests. However, arguments based on political or economic interests frequently do not tell the whole story. They overlook the fact that, under conditions of imperfect knowledge of the political and economic costs and benefits of different policy options, political actors often rely on ideas about 'how the world works' and 'who we

are', also to identify the appropriate policy. Apart from material interests, I therefore also distinguish ideational interests, which refers to defending ideas that are central to the state and shape the beliefs of the state's decision-making elite. These ideas can be embedded in a state's national identity or in its policy paradigms (the principles underlying its policies). National identity answers the question 'who we are'. It reflects 'shared norms and narratives that sustain we-ness', distinguishing the "self" from the "other" (Banchoff 1999: 268), including through images of a common past or 'collective orientations towards the future' such as 'a sense of mission in the world' (Peters 2002: 13-14). The national identity shapes the set of policy options deemed appropriate and makes some options more attractive than others. By including these ideational variables and their effects in the analysis of state preferences, I also respond to a common constructivist criticism of rational-choice analysts, which states that their models underestimate the influence of non-material factors on foreign policy.<sup>8</sup>

While the German political and economic interests during the Uruguay Round can be analysed on the basis of the different pressures (domestic and international) that were brought to bear on the German government and estimates of the effects of trade liberalization on different sectors of the German economy, it is necessary to first identify relevant German policy paradigms and identity aspects relating to its position in the world, in order to estimate the ideational attractiveness of different policy options. With respect to the relevant economic policy paradigm, Germany is generally non-interventionist and disposed towards trade liberalization. However, the agricultural sector is an exception (Weiss 1989). In this sector a comprehensive mix of instruments, ranging from subsidies to tax benefits and direct payments, is used to intervene. Important principles in this interventionist agricultural policy are the *Einkommensorientierten Produktpreispolitik* (Führer 1996: 22) and the *bäuerliche Landwirtschaft* (Bulletin 25.3.1987). The former emphasises high guarantee prices and guaranteed sales quantities, with the aim of safeguarding farm income, while the latter indicates the German idea of small-scale farming based on environmentally-friendly and animal-friendly production methods.

Turning to the relevant aspects of German identity, Germany pictures itself as a *neue Handelsstaat*. This is a state that does not prescribe for itself a strong military role in international relations, but wishes to be powerful due to its economic accomplishments and competitiveness (Rittberger 1992: 223). Associated with Germany's identity as a *Handelsstaat* is its prioritization of the international extension of free trade principles (Markovits and Reich 1991: 59). At the same time however Germany also attaches great importance to the Franco-German friendship (Cogan 2003). While for France the *amitié privilégiée* (Delorme 1994: 42) served geo-political goals as it made it feasible 'to tie Germany into European integration by any means possible, and not to allow it to become an independent power' (Haywood 1993: 278-279), the Germans have generally been prepared to defer to France's wishes and hand 'to their French counterparts the political leadership of Europe' (Cogan 2003: 99). This appears to have been related to the German conviction that *Selbsteinbindung* (in Europe in this case) was necessary in order to 'prevent Germany from reverting to its old ways and to guarantee peace and security for Germany and its neighbours' (Van Esch 2007: 274). In terms of identity construction, it is argued in this respect that 'Germany's international identity has been constructed around a multilateral and European position' (Bulmer and Paterson 1996: 18). And with respect to Germany's European policy, the Franco-German relationship — and within it the close connection between Kohl and Mitterrand — are so essential that the relationship is considered an 'institutional reflex and part of [Germany's] identity' (Bulmer and Paterson 1996: 29). Although debate erupted within Germany after reunification about whether Germany should continue its European and international policies as usual or, instead, act more unilaterally based on its potential for European hegemony, Germany chose to operate within the context of multilateral and EU institutions and continued to value Franco-German cooperation (Janning 1996; Hamilton 1991).<sup>9</sup>

The Franco-German friendship has quasi-regime-like qualities, in that it entails (unwritten) behavioural norms (Cole 2001). With respect to issues that one or other or both regard as politically salient (their interests being fundamentally at stake), Germany is expected not to support policy options that France opposes because they are detrimental to fundamental French interests (even if supporting the decision would serve German material interests), and vice versa. In this context, Douglas Webber (1999: 48) states that 'the deference shown by the one government to the other may lead it occasionally to adopt positions on (...) issues contrary to those dictated by domestic political considerations.' Apart from influencing the preferences Germany defends in negotiations, deference due to the Franco-German friendship may also surface in the policy-making process, because the nations may refrain from putting too much pressure on each other on issues affecting their vital interests.

As implicated in the quote from Webber above, it is important to note that the behavioural incentives based on different interests do not necessarily strengthen each other, but can also be conflicting. If material and ideational considerations coincide, ideas strengthen the (un)attractiveness of the behavioural option under consideration and provide the government with additional legitimacy for its position of rejecting or accepting the option. When ideational considerations and material incentives collide, it can be expected that the degree of domestic pressure and the sensitivity of the government (Van der Vleuten 2005) will decide whether material incentives trump ideational considerations or not. The greater the degree of domestic pressure and governmental sensitivity, the more likely it becomes that material interests eclipse ideational interests.

It is this interest-based approach, including both material and ideational interests that will guide the analysis of German preference formation regarding the agricultural chapter of the Uruguay Round in the next section. As this is not the first scientific study focusing on the EU and agriculture in the Uruguay Round, it is important to elucidate how this analysis complements and can be contrasted with earlier analyses. Much of the scientific work on the Uruguay Round focuses on the proceedings of the talks and the role of the prime antagonists, the United States and the European Union, without delving deeply into the preference formation in separate member states (see for example Paemen and Bensch 1995). The research questions guiding such research instead concerns the autonomy of the Commission relative to member states (Vahl 1997) or the link between institutions (as decision-making rules within the EU) and negotiating outcomes (Meunier 2005; Davis 2003). To the extent that these authors touch on member states preferences, their analyses tend to be descriptive, without problematising and explaining the preferences described. Notable exceptions are Keeler (1996) and Patterson (1997). Both authors emphasise the importance of interest groups at domestic level. Keeler develops a theoretical argument explaining why farm lobbies in particular are likely to influence state preferences on agriculture and agricultural trade. He underpins these theoretical claims with empirical illustrations of French and German decision making during the Uruguay Round. What the current article adds is an in-depth case analysis, partly based on primary archival records, that allows me to draw conclusions on the mobilisation and influence of not only agricultural organisations, but also the industrial lobby, which defended different preferences. Patterson (1997) aptly argues that, when it comes to analysing the behaviour of the EU in international negotiations, a third level needs to be added to Robert Putnam's classic two-level games (1988), in order to distinguish between the international, the European and the domestic levels. The win set at domestic level would then be the set of all European level agreements that would gain the necessary majority in the EU member states. This coincides with the interest-based analysis in this article to the extent that I will analyse the preferences of competing German interests regarding the agricultural chapter of the Uruguay Round. An important difference empirically, however, is that my analysis involves preferences concerning the GATT negotiations rather than the negotiations over the Common Agricultural Policy, which is the topic of Patterson's article (touching on GATT issues in an indirect manner

only). Finally, what the current article contributes to the scientific debate, as compared to the other publications referred to, is an analysis of the role of ideas in preference formation regarding trade policies.

## **GERMAN PREFERENCES IN THE GATT URUGUAY ROUND**

### ***1982-1986: Reaching agreement on the launch of a new GATT Round***

The Uruguay Round of GATT negotiations was initiated at the beginning of the 1980s, during a time of international economic slowdown and increasing protectionism. Agriculture figured prominently on the agenda and in particular the US was keen on subjecting this sector to stricter GATT discipline (Davis 2003: 272-273). However, many GATT partners, among them important EEC member states, were not yet eager to start another round of GATT negotiations (Paemen and Bensch 1995: 32; Meunier 2005: 103). In the early 1980s Germany was positively disposed towards a new round of GATT negotiations even though broader support for such negotiations was still lacking in the EEC as a whole. Due to the economic crisis at this time, Chancellor Helmut Kohl attached great importance to a new GATT round (*Bulletin* 14 October 1982); and given Germany's economic interests as a trading nation with a strong competitive position in the industrial sector, this preference seems natural. Liberalization would only be costly for the insufficiently competitive agricultural sector. The *Deutsche Bauernverband* (DBV), the agricultural interest group, urged the EEC to be uncompromising and prevent the Common Agricultural Policy (CAP) ending up on the negotiating table (*Deutsche Bauernkorrespondenz* November 1982), but they did not oppose a new GATT round altogether (*Bulletin* 19 September 1986). At the same time industrial interests, such as the Bund Deutscher Industrie (BDI) and the Bundesverband des Gross- und Aussenhandels (BGA), mobilised in favour of a new GATT round and argued that the EEC should be willing to put the adverse economic consequences of its agricultural policy up for discussion, in order to prevent trade conflicts in other areas that could damage German industrial exports (*Handelsblatt* 5 November 1986).<sup>10</sup>

As gains in the industrial sector were likely to outweigh losses in the agricultural sector, both economic and domestic political considerations, on balance, favoured German acceptance of a new round of GATT negotiations which included agriculture. In the international political domain, however, incentives were mixed. On the one hand the US had singled out Germany as the subject for their particular pressure, in an attempt to convince it to actively seek to steer European decision making towards a more positive position on a new GATT Round.<sup>11</sup> On the other hand, France tried to convince the EU member states to reject a new GATT round and in particular to object to the inclusion of agriculture in GATT negotiations.<sup>12</sup> German diplomacy and position taking during the run-up to the Uruguay Round between 1982 and 1986 reflect these contradictory pressures.

Germany repeatedly expressed its preference for a new round of trade negotiations as a necessity in strengthening the multilateral trading system and as a way to restrain protectionist tendencies and prevent economic and political confrontations, which Germany, due to its dependence on exports, could not afford.<sup>13</sup> Nevertheless, in spite of its own desire for a new GATT round, Germany seriously took account of France's resistance to EEC participation. At a meeting of the Article 113 Committee in November 1982 the German minister of economics, Otto Lambsdorff, did not put too much pressure on his French counterpart, Michel Jobert, because Germany wished to avert a clash with France.<sup>14</sup> Even when, by 1984, the Commission and an increasing number of member states began to develop a more positive attitude towards a new GATT round, Germany remained careful in its attempts to convince the French of the benefits of such negotiations.<sup>15</sup> Despite US requests, it did not organise a meeting between European trade ministers to accelerate decision making on the matter.

Apart from influencing German diplomacy towards France, considerations of the Franco-German friendship also affected the German position, moving it closer to French demands. During a Council meeting in March 1985 the member states reached agreement on an EEC declaration conveying its willingness to take part in a new GATT round. France was able, however, to get an extensive paragraph on agriculture included, indicating numerous conditions and reservations on this issue. France could do this because it won the support of Germany during the meeting. It is claimed that the initially liberally inclined German position moved closer and closer to the protectionist French position after telephone calls between Paris and Bonn (interview Frans Engering 20 February 2004).<sup>16</sup> With respect to the G7 conference in Bonn in July 1985, where François Mitterrand refused to commit himself to a specific date for the launch of the new trade round, Helmut Kohl emphasised that Germany's relationship with the French was particularly amicable (explicitly referring to the *deutsch-französische Freundschaft*) and that Germany and France wanted to operate in tandem.<sup>17</sup> German diplomacy therefore focused on convincing the French that they, too, in the longer term stood to benefit most from a more open world trade system.<sup>18</sup> The German preparatory documents for Council meetings provided various outlines for speeches by the German representative, each geared to responding to a different French position.<sup>19</sup> German declarations were therefore highly dependent on the position taken by the French in the negotiations.

In September 1986 a GATT Ministerial Conference was planned in Punta del Este, to launch the new trade round. During this meeting the EEC became isolated, because most of the GATT parties were willing to accept the declarations that had been proposed, while the EEC, under pressure from the French, was forced to withhold its support for these texts. France was in particular opposed to the emphasis on and explicit reference to export subsidies in the text (Vahl 1997: 74; *Agra Europe* 19 September 1986) and threatened to leave the negotiating table if its agricultural interests were not taken sufficiently seriously (*United Press International* 18 September 1986). Germany, for its part, was less concerned about the precise formulation of the opening declaration, but regarded the launch of a new GATT round as a goal in its own right (*Handelsblatt* 19 September 1986, 22 September 1986). It made extensive diplomatic efforts and tried to find formulations with the aim of appeasing and convincing the French, in order to remove their resistance (*Handelsblatt* 19 September 1986). Eventually France accepted a compromise text, in which export subsidies were no longer explicitly mentioned and which included the objective of 'increasing discipline on the use of all direct and indirect subsidies and other indirect measures affecting directly or indirectly agricultural trade.' (*Agra Europe* 26 September 1986) This formulation met the French demand that protectionist policies of states other than EEC members would be part of the negotiation as well. According to German negotiators, it was due to German and US pressure that France eventually accepted the opening declaration. A tacit agreement existed between France and Germany, with the support of Kohl, that the principles of the CAP were not to be put up for discussion (interview Lorenz Schomerus 29 March 2007).<sup>20</sup>

It is claimed that France eventually agreed to include agriculture in the Uruguay Round to prevent a 'major break with Germany' (Webber 1998: 37; Paemen and Bensch 1994: 46). The German government clearly also valued the Franco-German friendship and was willing to make immense diplomatic efforts to gain French approval before accepting the opening declaration, risking deadlock even when important German economic interests were at stake. After the negotiations in Punta del Este, the German Minister of Economics, Martin Bangemann, stated in the *Bundestag* that with respect to agriculture 'Franco-German cooperation had fully stood the text' and that he had kept in close contact with the French ministers of trade and of agriculture during the negotiations in order to develop compromise formulas.<sup>21</sup>

The analysis presented above shows that while political and economic interests advocated a preference for a quick start of a new GATT round, ideational considerations

regarding the Franco-German friendship affected German diplomacy and position taking. From the start Germany made clear that it wanted a new GATT round, a position that resonated well with its overall economic interests and the balance of domestic mobilization. Nevertheless, it was willing to defend a more protectionist position on agriculture to placate the French, even though this could put the launch of new GATT negotiations in doubt and thus be detrimental to its own economic interests. During the negotiating process, the frequent Franco-German bilateral consultations also seem to indicate a collaborative reflex consonant with the Franco-German friendship. For a full understanding of the German preferences and diplomatic behaviour, both material and ideational interests therefore need to be taken into account.

### **1990: Breakdown at Heysel**

Once the new GATT round, now referred to as the Uruguay Round, had been launched, the actual discussions began in 1987 in fifteen negotiating groups, including a separate group for agriculture (Paemen and Bensch 1995). Because of this separate treatment, the French and German ministers of agriculture were united in their resistance to too great a degree of liberalization in this sector. As long as no differential treatment of domestic support (German interest) and export assistance (French interest) was foreseen, their interests coincided. During the first half of the Uruguay Round the agricultural negotiations mainly focused on the form and modalities of an agreement and it was not until 1990 that negotiations started on actual reduction percentages for customs duties, domestic support and export assistance (Vahl 1997). The GATT partners had committed themselves to tabling agricultural proposals by October 1990. These would be the basis for the Heysel conference in December 1990, during which the Uruguay Round was originally scheduled to be completed (Paemen and Bensch 1995: 140-141). In the run-up to this conference, the European Commission put a proposal before the Council of Ministers to reduce agricultural support by 30 per cent. A heated and protracted debate erupted.

During this debate the German government was faced with contradictory incentives. Domestically, the Deutsche Bauernverband rejected the Commission proposal, which it equated with selling out on the notion of the *bäuerliche Landwirtschaft* and bowing down to the demands of the United States (*Die Welt* 8 October 1990). They argued that to support the reductions proposed would endanger the multifunctionality of the European agricultural sector and compromise community preference (*Deutsche Bauernkorrespondenz* November 1990). The farm lobby appealed to Chancellor Kohl 'to wield his full power in striving for a solution in GATT that gives farmers a future' (*Deutsche Bauernkorrespondenz* November 1990; *Bulletin* 18 October 1990). The industrial lobby, however, mobilised in favour of concessions on agriculture, in order to conclude the Uruguay Round as soon as possible (*Die Welt* 18 October 1990; *Agra Europe* 7 December 1990). In the international arena US pressure for a far-reaching European proposal was counterbalanced by French insistence on rejection of the Commission proposal on the basis of its damaging effects on community preference and export potential.<sup>22</sup>

In the autumn of 1990, upcoming elections (increasing governmental sensitivity to domestic pressure) combined with the fact that the farming population formed an important part of the grassroots support for the governing coalition (Keeler 1996: 141; Weiss 1989: 80-81), increased the likelihood that farm pressure would decisively influence the German government. Elections for the *Landtag* in Bavaria — where the *Christlich Soziale Union* (CSU), sisterparty of the *Christlich Demokratische Union* (CDU), was highly dependent on the farm vote — and the five East German *Länder* were to be held on 14 October, and the first all-German general elections since reunification were scheduled for 2 December. Farmers were aware of their electoral clout and threatened

Kohl that he would lose their votes if he did not reject any proposal resulting in farm price reductions.<sup>23</sup>

Under these contradictory pressures the German government was divided on the issue: the Minister of Agriculture, Ignaz Kiechle, vehemently opposed the Commission proposal, whereas Helmut Haussmann, the Minister of Economics, welcomed it (*Frankfurter Rundschau* 9 October 1990; *Süddeutsche Zeitung* 9 October 1990; *BMWI Tagesnachrichten* 17 October 1990). Kohl intervened on the side of Kiechle and it was decided that Germany would continue its resistance in the Council and would only accept such a proposal if additional measures in the form of direct income support were included and if community preference was guaranteed (*Agra Europe* 19 October 1990). It is argued in this respect that Kohl prevented the Ministry of Economics prevailing over the Minister of Agriculture, because he was very sympathetic to agricultural interests, appreciating not only the economic but also the social value of agriculture (interview Feiter 21 May 2001; interview Franz-Josef Schomerus 29 March 2007).<sup>24</sup> Kiechle and Kohl both agreed that a GATT deal was important for German industry and agriculture, but they were unwilling to sacrifice the agricultural sector in order to reach such a deal (*Bulletin* 26 October 1990). The German preference clearly dovetailed with the position defended by the farm lobby. Secondary literature and media sources contend that, considering the upcoming elections, the CDU/CSU (Christian Democratic Union of Germany and Christian Social Union of Bavaria) could not take the risk of alienating the farmers (Davis 2003: 287; Paemen and Bensch 1995: 178; *Agra Europa* 26 October 1990; *Financial Times* 29 November 1990; *New York Times* 13 November 1990).

Despite German and French resistance the Commission succeeded in winning the support of nearly all other member states by the end of October and the United Kingdom and the Netherlands began to put pressure on the chancellor's office and the ministry of economics to accept the agricultural proposal.<sup>25</sup> At the same time France pressed Germany to stand firm — fearing that Franco-German solidarity might falter because the Commission had met a number of German demands.<sup>26</sup> When a watered-down version of the Commission proposal was on the table at the Council on 26 October, Germany indeed initially seemed willing to accept the compromise, until the French Minister of Agriculture, Louis Mermaz, indicated that the solution did not satisfy France.<sup>27</sup> Kiechle then explained that Germany was not prepared to accept a proposal that was opposed by France (*Agence Europe* 29 October 1990; *Agra Europe* 2 November 1990; *Frankfurter Rundschau* 30 October 1990). Again, Germany risked stalemate in the Uruguay Round, which would be detrimental to its industrial interest, in order to support France.

Concerns relating to the Franco-German friendship remained important during further European decision making on the Commission proposal. While the state secretaries' committee on European affairs, in preparation for the 5 November Council meeting, instructed the German negotiators to accept the Commission proposal even if France continued to reject it,<sup>28</sup> Kiechle did not do so during the Council meeting, but instead supported the French demand for 'a more precise statement on community preference.' (Vahl 1997: 137) Kohl had apparently overruled the state secretaries' committee and the *Frankfurter Rundschau* (7 November 1990) stated 'the directions of the chancellor for the German delegation to support France's demands for protection to the end were of critical importance.' Only after changes in accordance with France's wishes were made in the Council declaration, did both France and Germany accept the Commission package, on 6 November 1990. Despite speculation that Germany would soften its stance after the parliamentary elections of 2 December (*New York Times* 10 December 1990), Germany held firm in its support for the French and backed its rejection of additional European concessions during the Heysel conference (Davis 2003: 292).

This account shows, first of all, that farm lobby pressure effectively influenced the position of the government (under conditions of high governmental sensitivity) and, secondly, that Germany, and Chancellor Kohl in particular, valued the Franco-German friendship so highly, that it was willing to forego Germany's wider material interest in

order to satisfy the French. It may not only have been Kohl's personal friendship with Mitterrand that influenced his preferences, but it should also be noted that Germany needed French approval of the integration of former Eastern Germany in the EEC. Germany could therefore not afford to alienate its French friend. The preference formation regarding the Commission proposal is a good example of how material and ideational considerations can strengthen each other, resulting in German support for France and rejection of the Commission proposal

### **1992: The US and the Commission reach the Blair House Accord**

After the collapse of the talks at Heysel, GATT Secretary General Arthur Dunkel tried to get the negotiations back on track by presenting a compromise agreement in December 1991: the Draft Final Act. This could only be adapted on the basis of proposals that were accepted by all GATT partners. The main antagonists, the EEC and the US, now began negotiating bilaterally, in order to reach an agreement on agriculture. These bilateral negotiations intensified after the EEC reached agreement on the MacSharry reforms of the CAP in May 1992 and resulted in the Blair House Accord in November 1992.

An important development that started in 1991 and continued in 1992 was that both within the government and across German society at large the scales began to tip in favour of trade liberalization in agriculture. At a cabinet meeting in October 1991 it was decided that Germany would now aim for a swift conclusion of the Uruguay Round and strive for EEC concessions on agriculture to reach this goal. Although the Minister of Agriculture, Kiechle, did not support this decision, he was overruled by the other ministers who favoured a more flexible negotiating position, and he no longer enjoyed the backing of Kohl, who emphasised that the failure of the Uruguay Round would be a catastrophe that should not be allowed to happen (Webber 1999).<sup>29</sup> Domestically, societal pressure was split between a liberal coalition of industry and business lobbies, scientific institutes and the liberal and socialist parties on one side, and the farm lobby on the other. Free trade proponents blamed the agricultural sector for the deadlock in the GATT talks and demanded that the government overrule the narrow interests of German agriculture and defend Germany's wider export interests (*Financial Times* 21 March 1992; *Die Welt* 10 November 1992). Both the liberal and the socialist parties urged Kohl to put pressure on Mitterrand to reach a compromise (*Frankfurter Allgemeine Zeitung* 6 November 1992; *Financial Times* 5 March 1992). In the words of Bundestag member Wolfgang Roth, 'we still have to get our French friends to budge in the next few days' (*Deutscher Bundestag Plenarprotokoll* 12/112, 14 October 1992). The farm lobby, however, continued to oppose any concessions on agriculture, claiming that community preference and the multifunctionality of German agriculture had to be defended (*Deutsche Bauern Korrespondenz* April 1992; May 1992; *Bulletin* 18 March 1992). When the EEC and the US reached the Blair House Accord in November 1992, the industrial lobby urged the government to endorse it and convince the French government to compromise (*Süddeutsche Zeitung* 24 November 1992). The farm lobby, though, argued that the German government should follow the French example and say no to the compromise (*Deutsche Bauern Korrespondenz* December 1992).

At this point international pressure came to the fore. While Germany, following the 1991 cabinet meeting, began to argue for concessions on agriculture, France increased its pressure on Germany by appealing to Franco-German solidarity in order to win German backing for its own stance. It warned Germany that it would strike at the heart of Franco-German relation if it failed to support France.<sup>30</sup> When the Blair House agreement was reached France immediately rejected it and was counting on the support of its German friends. French government officials claimed that, although some in the German government wanted to accept the compromise, the Chancellor was far more reluctant and sympathetic to France (*Libération* 14 October 1992). Considering Kohl's prior refusals give in to domestic demands to put Mitterrand under greater pressure – Kohl

stating that 'anybody who knows French politics should know that would be a fatal thing to do' (*Financial Times* 24 March 1992) – the French expectation of support seemed to have some basis.<sup>31</sup>

Nevertheless, in the final analysis, Germany gave its wider economic interests priority over its ideational interests in terms of the Franco-German friendship. The agricultural deal was expected to open the door to a full GATT agreement (including the agricultural sector), which would be advantageous to German industrial interests. Moreover, the costs for the agricultural sector would probably be limited, because part of the reductions could be met by implementing the MacSharry CAP reforms agreed by EEC member states in May 1992. Even Kiechle agreed that Germany should accept the Blair House Accord, in the interest of a well-functioning trading system. He advised Kohl not to reject the agreement as, with respect to agriculture, German and French interests differed and the government had to ask itself how far solidarity with France should be taken on this issue (*Süddeutsche Zeitung* 30 November 1992). It should therefore come as no surprise that Germany indeed accepted the accord (*Bulletin* 20 November 1992).

The analysis above shows how its political and economic interests led Germany to accept the Blair House Accord in 1992. While political considerations still resulted in a protectionist stance in 1990, the tipping of the domestic balance of interests towards liberalization provided the incentive to accept the deal. The farm lobby was alone in its demand for rejection and even its preferential access to the governing parties could not counterbalance the overwhelming domestic pressure in favour of concessions on agriculture. In the end, political and economic considerations therefore outweighed Germany's ideational interest in the Franco-German friendship.

### **1993: From Blair House to the Final Accord**

The Blair House agreement did not result in a complete GATT deal (covering all negotiation domains) as swiftly as had been hoped. The (especially French) resistance to the agricultural agreement restrained the Commission from making further commitments on other negotiating issues, because a qualified majority would be required in the Council to approve the eventual GATT agreement dealing with all negotiating areas. It was clear that France was not likely to accept such an agreement unless the agricultural deal had been renegotiated. In 1993 Germany was in a difficult situation. On the one hand it wanted a swift conclusion of the Uruguay Round, but on the other it also wished to preserve the Franco-German friendship and therefore had to take the French demands for renegotiation seriously. Economic interests and the balance of political pressure provided clear incentives to prioritise the conclusion of the Uruguay Round. Industrial groups maintained 'a constant barrage of messages to Kohl's office, urging him to finish the Uruguay Round without further ado' (Paemen and Bensch 1996: 239). Proponents of a GATT agreement increasingly put pressure on the government not to sacrifice German interests for the sake of French agricultural interests and the Franco-German friendship (*Handelsblatt* 18 February 1993; 10 March 1993).

When France began to step up its lobbying efforts to renegotiate the Blair House Accord, industrial interest groups demanded that the German government resist these demands (*Frankfurter Allgemeine Zeitung* 10 July 1993). The socialist party warned that Germany's reputation as a *Handelsstaat* was at stake (*Deutscher Bundestag. Plenarprotokoll* 12/190, 2. July 1993, 14613). What is more, all parties in parliament agreed that reopening agricultural negotiations would jeopardise the chances of success of the Uruguay Round as a whole (*Handelsblatt* 13 September 1993). The only societal interest group supporting France's demand for renegotiation was the Deutsche Bauernverband (*Süddeutsche Zeitung* 11 September 1993). At international level both the US and the GATT Secretary General signalled that the Blair House Accord was non-negotiable and that December 1993 would be the final deadline for a complete GATT

agreement (Swinbank and Tanner 1996: 108-109). If this deadline was not met the Uruguay Round would have failed. GATT partners expected Germany to intervene in EEC decision making, as Germany was widely seen as the only European member state that could convince the French (*Frankfurter Allgemeine Zeitung* 2 September 1993; *Die Welt* 11 September 1993). Germany's reputation as a *Handelsstaat* was therefore at stake. At the same time, however, Germany was faced with increasing pressure from the new French government to support its demand for renegotiation.<sup>32</sup> France also sent a memorandum to its European partners, shortly before to the Council meeting in September 1993 at which a decision was to be taken on the matter.<sup>33</sup> Although its government had hitherto been reluctant to make explicit references to any use of the veto by France, it became clear in September that a French veto was still considered a genuine possibility. If France were indeed to veto the complete GATT agreement the result would be disastrous for Germany.<sup>34</sup>

Considering its varying interests, the German cabinet agreed that reaching a GATT deal should be Germany's priority and that renegotiation of the Blair House Accord would probably not be to its advantage (*Bulletin* 27 February 1993). Klaus Kinkel, the Minister of Foreign Affairs, argued: 'When it comes to supporting the French, we have reached the limit. We really need to arrive at an agreement now.'<sup>35</sup> It was considered that the last chance to reach an agreement was in 1993 (*BMWI Tagesnachrichten* 21 June 1993). Prior to bilateral talks between Mitterrand and Kohl in August 1993, Kohl was therefore advised not to make any concessions on the GATT issue (Paemen and Bensch 1995: 239; *Handelsblatt* 31 August 1993).

Nevertheless, at the press conference after his meeting with Mitterrand and Balladur, Kohl stated that Germany also had problems with the Blair House agreement and that cooperation was needed to reach a solution (*Frankfurter Allgemeine Zeitung* 2 September 1993; *Der Spiegel* 6 September 1993). The German ministers were puzzled by Kohl's statement and immediately emphasised that the German position with respect to Blair House had not changed (*Agra Europe* 27 August 1993). Germany sought to distance itself from any suggestion that it might join France in demanding a renegotiation of the accord (*Agra Europe* 3 September 1993). However, both the Ministry of Foreign Affairs and the Chancellor's office had now become concerned that France was prepared to cause a European crisis over the issue. They therefore preferred to placate the French as much as possible, without endangering the GATT negotiations.<sup>36</sup> As a result Germany agreed to consultations with France on the matter and called on other European member states to take French concerns seriously (*Agra Europe* 3 September 1993; *Wirtschaftswoche* 17 September 1993). In preparation for the Council meeting on 21 September the Germans signalled that they would not agree to a renegotiation of the Blair House Accord, but were amenable to bilateral talks between the US and the EEC on how it was to be interpreted (*Agra Europe* 10 September 1993). At the Council meeting, Germany therefore agreed to authorize the Commission to enter into consultations with the US to seek "clarification" of the agreement (which in practice entailed renegotiating it) (Webber 1998: 55). Germany was willing to go a long way to get France onside, provided that doing so would not endanger the successful conclusion of the Uruguay Round (interview Lorenz Schomerus 29 March 2007). Ludewig, one of the German negotiators, said that although Kohl did not provide them with actual mandates on this matter, those close to him knew his position — 'be nice to the agricultural people, be nice to the French, but do not put the Uruguay Round at risk.' (interview 5 April 2007)<sup>37</sup>

An important question then is how we should explain Kohl's actions in the whole process. Some argue that Kohl supported the French in August 1993 because he had become convinced that the French government would fall if the Blair House Accord was not renegotiated and that the French would rather use their veto in European decision making than end up facing a governmental crisis at home (Webber 1998: 52;). Another explanation could be that Kohl was responding to pressure from the German farm lobby,

which did not like the Blair House agreement either. However, considering the overwhelming domestic mobilisation against renegotiation and in favour of a swift GATT deal, it is highly unlikely that farm lobby pressure would have been decisive. Officials involved in the negotiating process agree that Kohl's stance can only be explained by his wish to do something for the French, because of the value he attached to the Franco-German friendship and his personal relations with Mitterrand.<sup>38</sup> France claimed its vital interests were at stake and requested German support. Furthermore, on issues other than the Uruguay Round, Germany was in need of French support. A monetary crisis had broken out in the European Monetary System in the summer of 1993 and Germany needed cooperation from France in the Council of Ministers to push through additional support measures benefiting German agriculture.<sup>39</sup> It is claimed that the French were skilful in connecting the two issues, to put Germany under additional pressure to back the French demands over the GATT negotiations (*Frankfurter Allgemeine Zeitung* 10 September 1993). There was further speculation that Germany had agreed to "clarification" of the Blair House agreement in exchange for French support not only regarding its agrimonetary concerns, but also its wish to see the European Central Bank located in Frankfurt (*Agra Europe* 24 September 1993; *Financial Times* 30 September 1993).

The new talks between the Commission and the US on the agricultural agreement resulted in some (minor) additional concessions by the US on 6 December 1993. A Final GATT Accord (covering all the negotiating areas) was subsequently reached on 15 December and Germany accepted it immediately. Whereas economic and political interests had trumped ideational considerations related to the Franco-German friendship in 1992, concerns about the latter again figured prominently in German decision making and diplomacy in 1993. Considering that clarification in reality meant renegotiations, which could jeopardise the Uruguay Round, Germany can be regarded as having taken enormous risks for the sake of its friendship with France. This is not to say, however, that economic and political interests were ignored altogether. Germany remained adamant in its determination to reach a successful conclusion of the Uruguay Round. While in 1992 the Germans were convinced that disagreement on agriculture was the chief obstacle to a GATT deal and that the Blair House Accord would remove this hurdle, in 1993 they came to realise that French resistance to the agricultural deal (e.g. their threat of veto) was the main barrier to achieving a deal. Thus, paradoxically, the policy option of appeasing the French seemed both a necessary condition for and a potential risk in achieving a successful conclusion to the Uruguay Round. The combination of its political and economic interests and the importance of the Franco-German friendship explains how Germany devised a policy of appeasing the French, while at the same time attempting to secure a GATT agreement before the December 1993 deadline.

## CONCLUSION

The theoretical discussion and empirical analysis in this article contributes to the debate on EU external trade policy in general and the role of member state preference formation in particular. Theoretically, it adds ideational variables to the explanation of trade policy, in which field material explanations are dominant. Empirically, it complements the existing, but relatively scarce, research on the influence of interest groups with respect to EU external trade policy, by focusing on how domestic interest group's influenced domestic preference formation in Germany. The case study conducted here, shows how an empirical focus on preference formation provides insights into the wider process of European trade policy making (and the developments in international trade negotiations), which could not have been gained by an exclusive focus on the level of EU decision making. The latter would show that France and Germany delayed EU decision making, but would not provide a full explanation for why these states defended their protectionist preferences. Considering the continued role of member states in EU

external trade policy, a better understanding of how member state preferences are formed is imperative.

This analysis provides new insights into this specific process by explaining German preference formation through an interest-based approach. It was shown that a combination of material (political and economic) and ideational considerations guided German preference formation. Where the imperatives, based on the different considerations, coincided, concerns regarding the Franco-German friendship strengthened the government's resolve and provided legitimacy for the selected course of action. Thus, ideational interests and a balance of domestic interests tending towards the position defended by the agricultural lobby explain why Germany opposed the Commission proposal in 1990. When ideational imperatives ran counter to its political and economic interests in 1992, however, Germany eventually chose to defend its own material interests and accepted the Blair House Accord. Once it became clear in 1993 that France was likely to block a GATT deal if this agreement was not amended, Kohl decided it was better to placate the French, not only to maintain the Franco-German friendship and French cooperation on other European policies, but also simply to ensure that the long-awaited GATT agreement gained approval in the Council of Ministers. It is thus only by taking account of both material and ideational interests that the German preferences during the Uruguay Round can be adequately explained.

With respect to the Franco-German friendship, this study shows that it was an ever-present consideration in German preference formation. Even if it did not influence the final outcome of the German preference decisively, then at least deviating from its imperatives required explanation during the preference-formation process. Especially when a governmental leader, like Kohl in this case, valued or internalised the ideational factors considered, these ideas proved to have a decisive impact on the German position. As far as the domestic pressure exerted by different interest groups is concerned, the case study shows that governmental sensitivity does indeed increase the influence of domestic actors, particularly of those actors providing grass roots support for the governing coalition, whereas a lack of domestic pressure provides the government with more freedom of manoeuvre. These outcomes provide scope conditions – applicable to more cases than just the German one – under which certain variables may be expected to be more or less influential in a domestic preference-formation process. Further empirical research is necessary to establish whether similar explanatory logics operate in preference-formation processes in other EU member states.

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## ACKNOWLEDGEMENTS

The author would like to thank the anonymous reviewers as well Jan Orbie and Bart Kerremans for their useful comments. The author works at the Institute for Management Research at Radboud University Nijmegen. More original sources were consulted, the detailed references can be found in G. C. Alons (2010) *Against the Grain. French and German Preference Formation on Agricultural Trade during the GATT Uruguay Round*. Ede: Ponsen & Looijen.

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<sup>1</sup> In the theoretical section, when referring to the organisation in general, I will use the denomination EU, but in the empirical section, describing events before 1993, I refer to European Economic Community (EEC).

<sup>2</sup> It is argued, however, that member state control through this committee should not be overstated, because the trade experts on the committee 'tend to be socialized as an "epistemic community"', as a result of which it operates 'as a "policy collaborator" rather than a body supervising the Commission' (Bretherton and Vogler 2006: 69, in Orbie 2007: 40).

<sup>3</sup> Sophie Meunier and Kalypso Nicolaidis (1999: 480) as well as Adrian Van der Hoven (2002: 6) also point out this practice of consensus decision making in the Council.

<sup>4</sup> The author would like to thank an anonymous reviewer for drawing her attention to this particular debate.

<sup>5</sup> The principal-agent literature provides more reasons for why member states have delegated their autonomy with regard to external trade policy to the EU. Delegating trade negotiating authority to the Commission enables the EU to speak with one voice, strengthening the negotiators' credibility. Furthermore, delegation enables the EU to 'exploit a market power that is much greater than would have been achieved separately by each member state' (Kerremans 2004: 365).

<sup>6</sup> It is further argued that the collusive delegation hypothesis suffers from theoretical shortcomings. First, why would politicians delegate authority with the aim of enabling more liberal policies? The long-term welfare gains from trade liberalization should be 'close to irrelevant for their short-term electoral success' (Dür 2008: 30). Second, it is questionable whether politicians consistently share more liberal preferences than interest groups, particularly when one takes into account that 'societal actors can also influence the selection of policy-makers' (Dür 2008: 30).

<sup>7</sup> This also implies that I assume that governments are not merely conveyor belts for the preferences of domestic interest groups, but that they have their own interests and preferences. It is important to note that this deviates from the assumption, much applied in the interest approach and liberal theories, that governments and politicians do not have their own interests and preferences independent of societal actors.

<sup>8</sup> See for example, Banchoff (1999), Finnemore (1996) and Katzenstein (1996). I only focus on the effects of given state identities on state preferences, without problematising the concept of identity itself (Ruggie 1998), and will thus not investigate the prior *construction* of these identities.

<sup>9</sup> It should be noted here that the Franco-German friendship indeed was not only "constraining" for Germany, but also "enabling", if only because German initiatives in European decision making were more palatable if introduced as a Franco-German initiative (Bulmer and Paterson 1996: 28).

<sup>10</sup> BArch. B102: 271993. 7 September 1982. Bund Deutscher Industrie. Stellungnahme der Industrie zur GATT-Ministerkonferenz im November, 1982; BArch. B102: 271994. 1 October 1984. Bund Deutscher Industrie. Stellungnahme zu einer neuen Verhandlungsrunde zur liberalisierung des Welthandels.

<sup>11</sup> BArch. B102: 271991 7 March 1984. Ministry of Economics. Leiterin der Abteilung V. Informelle Ministerrunde zur Vorbereitung einer neuen 'Reagan-Runde'.

<sup>12</sup> Although France was one of the most competitive producers of agricultural goods within the EEC, it could not compete in the world agricultural market without the export restitutions (subsidies) provided under the CAP (Delorme 1994: 41). While French agriculture was highly dependent on export restitutions, the relatively small and inefficient German farms were dependent on high guarantee prices and barely needed export restitutions.

<sup>13</sup> BArch. B102 292882 4 June 1985. Ministry of Economics. Handelsministerkonferenz Stockholm, 8-10 Juni 1985. Agrarfragen.

<sup>14</sup> ArchEZ. WA-BEB-55. Ministry of Economics. Verslag van de vergadering van art. 113 (leden) op 12 November 1982.

<sup>15</sup> Germany focused on bilateral talks with France, during which it tried to convince its partner that a new GATT round was also in the French interest. It was only at this level that soft pressure was exerted however: during negotiations in the Council of Ministers Germany remained cautious about pressuring the French openly.

<sup>16</sup> Frans Engering was Director General for Foreign Economic Relations at the Dutch Ministry of Economics and attended these negotiations.

<sup>17</sup> Deutscher Bundestag. *Plenarprotokoll* 10/137. 14 May 1985, 10163.

<sup>18</sup> BArch. B102 292882 1 July 1985. Ministry of Economics. V A 5. Verhältnis EG/USA. Gesprächsziel: Frankreich bewusst machen, dass seinen Interessen langfristig am besten durch eine weltoffene Handelspolitik gedient ist.

<sup>19</sup> See for example: BArch B 102 292882 1 July 1985. Ministry of Economics. E/IV C. Gespräch von BM Dr. Bangemann mit Frau Minister Cresson am 8. Juli 1985 in Paris. Assuming that France would use the strained US-EEC relations as an argument for the claim that a new GATT round was not expedient, Germany would endorse that these tensions were manifest, but use them as another reason why GATT negotiations were indeed important: to counter US unilateral actions.

<sup>20</sup> Dr. Lorenz Schomerus was Director General for Trade Policy at the German Ministry of Economics.

<sup>21</sup> Deutscher Bundestag. *Plenarprotokoll* 10/323 25 September 1986, 17998.

<sup>22</sup> CAC 19930192. 9 October 1990, Communiqué de Premier Ministre; CAC 19920056, 16 October 1990, Conseil agricole, Intervention de M. Mermaz. The US was of the opinion that the Commission proposal, before a watered-down version of it had even been accepted by the member states, was a 'non-starter: too little too late'. Considering that the US was offering 70 to 90 per cent reductions, this was not

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surprising (ArchBuZa 26 September 1990. wasi762/19192. Coded message from the Dutch embassy in Washington to the Dutch Ministry of Foreign Affairs).

<sup>23</sup> CAC. 19920056, art 8, 2 November 1990. Diplomatic telegram from the French embassy in Bonn. Objet: UR préparation du conseil du 5 novembre 1990.

<sup>24</sup> Dr. Franz-Josef Feiter was Director General for Agriculture at the Chancellor's Office.

<sup>25</sup> ArchBUZa. VN/1985-1994: 08640. 24 October 1990. Telex from the Dutch Ministry of Economics to the Dutch permanent representation in Bonn.

<sup>26</sup> CAC 19920056, art. 8 24.10.1990. Bernard Vial. Ministry of Agriculture. Note pour Monsieur le Ministre.

<sup>27</sup> ArchBuZa. DDI DIE ARA: 1012 26.10.1990. Ministry of Foreign Affairs, Department of International Economic Relations. Memorandum: Verslag Landbouwrapport.

<sup>28</sup> BArch. B102: 736231. 2 November 1990. Ministry of Economics. V A 2. Sprechzettel. This document clearly shows that the French position was of particular importance to Germany, but in the end it concluded that it would not be in Germany's interest to support a continued French rejection of the Commission proposal.

<sup>29</sup> The reasons for this change in Kohl's priorities may be that governmental sensitivity had decreased in 1991 as no major elections were due in the near future. Further, a successful conclusion of the negotiations, and the economic advantages associated with it, became increasingly important as the costs of German unification were proving to be far higher than foreseen (*Der Spiegel* 15 April 1991; 13 May 1991).

<sup>30</sup> BArch. N1436: 21. 21 January 1992. Telex from the German embassy in Paris to the German Ministry of Foreign Affairs.

<sup>31</sup> *Wirtschaftswoche* (13 November 1992) even argued that it was Kohl's *Nibelungentreu an Mitterrand* that had caused the collapse of the bilateral negotiations in early November, a few weeks before the Blair House Accord was reached. The US had also complained that Kohl was prioritizing the interests of his farmers and his friend Mitterrand over Germany's wider economic interests (*Financial Times* 6 March 1992; 18 March 1992).

<sup>32</sup> ArchEZ. GATT-UR 1990-1993. Soc 1-199. 3 September 1993. Informal bilateral German-Dutch debriefing on high-level Franco-German consultations.

<sup>33</sup> CUEAC 8409/93, GATT 134, AGRICORG 261. 1 September 1993. Note from the French delegation. Subject: Blair House Agreement.

<sup>34</sup> It is questionable though whether France would actually have vetoed a final GATT deal, as such a deal would not only include agriculture but also other economic sectors. Losses in the agricultural sector could be offset by gains in other sectors. It is this package deal character of the final GATT agreement and the Commission's prerogative to refuse voting on separate parts of the overall deal that provided the Commission with some freedom of manoeuvre relative to the member states.

<sup>35</sup> ArchBuZa. DDI-DIE ARA: 1763. 4 February 1993. J. Douma. Message from the Dutch embassy in Bonn to the Dutch Ministry of Foreign Affairs.

<sup>36</sup> ArchBuZa. DDI-DIE ARA: 1763. 3.9.1993 boni 300/15691. 10 September 1993 brei 075/5829. Messages from the Dutch Embassy in Bonn to the Dutch Ministry of Foreign Affairs.

<sup>37</sup> Johannes Ludewig was Director General for Economic and Financial Affairs at the Chancellor's Office.

<sup>38</sup> Interviews with Feiter 21 May 2007; Schomerus 29 March 2007; Ludewig 5 April 2007. See also Meunier (2005: 118).

<sup>39</sup> ArchBuZa. DDI DIE ARA 1763 8 September 1993. brei 313/15939. Message from the Dutch Embassy in Bonn to the Dutch Ministry of Foreign Affairs. The monetary crisis worried the Germans, as it endangered the European system of 'green currencies' used in intra-European agricultural trade. German agriculture profited from this system, because it kept agricultural prices in Germany relatively high compared to prices in other member states.

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# Journal of Contemporary European Research

Volume 9, Issue 4 (2013)

## From Idealism to Realism? EU Preferential Trade Agreement Policy

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### **Citation**

García, M. (2013). 'From Idealism to Realism? EU Preferential Trade Agreement Policy', *Journal of Contemporary European Research*. 9 (4), pp. 521-541.

First published at: [www.jcer.net](http://www.jcer.net)

## Abstract

This article examines how the EU's 'conflicted power' in trade has played out within its preferential trade agreement (PTA) strategies with third parties. It does this by providing an overview of how approaches to the EU's external trade policies have evolved over time, especially since the end of the Cold War. Tracing changes in discourse in the EU's consolidated trade policy demonstrates how the policy objectives have evolved from what could be characterised as a soft and even normative power to a much more realist one, attempting to safeguard its position in the international economic order. Notwithstanding these changes, explained by a combination of international context and ideational preferences, an underlying overall continuity has remained in terms of the main economic interests to be realised through trade policy, which presents a portrait of the EU as a rational and realist (if sometimes conflicted) actor in the global economy.

## Keywords

Free Trade Agreements; Global Europe; Interregionalism; Realism; Trade policy

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Trade is one of the earliest "communitarised" policies of the European Union, where member states have delegated more sovereignty to the supranational level. Supranational prerogatives have increased as mixed competences have been delegated to the European Commission, resulting from the broadening of issues in international negotiations like the Singapore issues (competition policy, services, intellectual property and public procurement) which dominate the EU's "deep trade" agenda (Young and Richardson 2006). As the EU's first foreign policy area, and one in which the proverbial "single voice" (Meunier 2000) has largely materialised, it has become intertwined with other foreign policy aims (Smith 2001). Combining these with shifting preferences amongst member states (Baldwin 2006), the interests of economic sectors, the aggregation of interests at the domestic level and EU level, before defending its positions in the international arena, signify that the EU is truly a 'conflicted trade power' (Meunier and Nikolaidis 2006).

This article examines how this conflicted power has played out within the area of preferential trade agreement (PTA) strategies. PTAs' importance has increased in recent years, given the elusive denouement of the Doha Round at the WTO, and have become one of the EU's trade policy main areas of activity. Moreover, they present ideal case studies to analyse shifts in EU trade rationales, as they remain one of the most comprehensive foreign policy tools of the EU, given requirements that they encompass "deep trade" as well as political cooperation, democracy and governance clauses. They are also the most sought after by third parties, as others hope to benefit economically from preferential access to the EU's single market.

Providing an overview of how approaches to the EU's trade policies and PTAs have evolved over time, since the end of the Cold War; the narrative here addresses the question: how can we explain the motivations underlying EU choices in its trade policy? This is operationalised by tracing changes in discourse in the EU's consolidated trade policy with regard to PTAs, through an analysis of EU documents, as well as Trade officials' interviews, and triangulating this with developments in negotiations. These changes demonstrate how the policy objectives have evolved from what could be characterised as "soft" (Nye 1990) and even "normative power" (Manners 2002)-inspired motives (extending regional integration model, development), to more "realist" ones attempting to safeguard its businesses' competitiveness and position in the international economic order. Notwithstanding these changes, explained by a combination of international context and ideational preferences, an underlying overall continuity has

remained in terms of the main economic interests to be realised through trade policy, which presents a portrait of the EU as a rational and realist (if sometimes “conflicted”) actor in the global economy.

This portrayal offers novel nuances to the literature on EU’s trade policy. Within this literature the main debate has been between the collusive delegation camp, which claims the institutional arrangement grants the Commission independence (Nicolaidis and Meunier 2002: 175; Meunier 2005: 8-9; Woolcock 2005: 247), and those arguing policy is determined by business lobbying for liberalisation (Van den Hoven 2002; Dür 2008; Coen and Grant 2005; De Bièvre and Dür 2005). Typically, trade policy has been characterised in theoretical terms by the principal-agent relationship between the states and European Commission (Dür and Elsig 2011; De Bièvre and Eckhardt 2011; Da Conceição-Heldt 2011), which has also been used to explain preferences for multilateral or bilateral regulatory venues (Elsig 2007). Alternatively, this article argues that those shifting preferences are mediated by the underlying tension between ideational and normative-inspired preferences and realist-material preferences, with the later taking precedence. In this way, the article further posits the applicability of realist based theories to explain EU trade policy.

Traditionally, given realist theories emphasis on military power and security, they have been largely absent from the study of the EU. Recently they have been incorporated into EU scholarship, mostly in the area of foreign and security policy (Gegout 2005; Hyde-Price 2006). With the exception of Zimmerman’s (2007) explanation of the EU’s positions on Chinese and Russian WTO accession based on realist considerations of power rather than domestic mobilisation of pro-liberalisation interests, realism has been absent from studies of EU trade policy. The following sections highlight the explanatory potential of realist-inspired approaches in understanding EU trade policy. First, the article presents a theoretical framework of what “idealist” and “realist” approaches to trade policy look like. Whilst subsequent sections apply these to the narratives of different periods of the EU’s PTA policy, characterised each by overlapping objectives: “global presence” (post-Cold War); “regional integration promotion” (mostly until 2006); “development and multilateralism” (1999-2005); “competitiveness” (2006 onwards).

## **“IDEALIST” AND “REALIST” APPROACHES TO TRADE POLICY**

International Relations literature has been marked by debates pitting idealist aspirations against *realpolitik*; interest-based rational choice against ideas and value-inspired agency and constructivism (Snyder 2004; Thies 2002; Ashworth 2002). Realist and the more nuanced neorealist traditions view the international arena as an anarchic structure and self-help system where conflict arises from competition between states (Waltz 1959). States are the principal actors setting the context (Waltz 1979), where their actions are determined by strategies seeking to guarantee the security and sovereignty of the state (Mearsheimer 2001). Realism assumes states are concerned with their power position vis-à-vis competing states (hence the importance of concepts like power balancing), and cooperate only if it furthers national interests and guarantees absolute or relative gains greater to those afforded to the other parties (Waltz 1979; Grieco 1993). Although realists perceive states as unitary actors acting within a bounded rationality to increase their security, they accept these also act according to second-order interests ranked below national security; which will be sidestepped, if they conflict with core security interests or balance of power logics (Mearsheimer 2001: 46). Realist assumptions have been linked to rationalist models of decision-making (Kahler 1998: 924), where ‘foreign policy is explained by reference to the goal-seeking behavior’ of utility-maximising actors (Fearon and Wendt 2002: 54). Realism’s ‘theory of action is based on a self-interest which is defined in a predominantly materialist way in order to distinguish itself from idealism’ (Guzzini 2004: 536). Such individualistic rational choice is defined as:

'The first element is the feasible set, i.e. of all the courses of action which are rationally believed to satisfy various logical, physical, and economic constraints. The second is (a set of rational beliefs about) the casual structure of the situation, which determines what course of action will lead to what outcomes. The third is a subjective ranking of the feasible alternatives, usually derived by from a ranking of the outcomes to which they (are expected to) lead. To act rationally, then, simply means to choose the highest-ranked element in the feasible set' (Elster 1986: 4).

In a realist rationalist world, international actors are bound to look for power (Guzzini 2004: 537). However, interests can, and are, defined in economic terms as well, more so in the current globalized world (Schweller 1999; Grieco 1990), where states compete for resources to enhance economic growth (Gilpin 1987), market shares and investment. As Robert Gilpin (2001: 21) argues:

'(I)n a highly integrated global economy, states continue to use their power and to implement policies to change economic forces favourable to their own national interests and the interests of their citizenry. These national economic interests include receipt of a favourable share of the gains from international economic activities and preservation of national autonomy.'

In trade policy, once the internal decision-making processes of bargaining and interest aggregation are completed, the EU acts as a unitary entity in international negotiations. This justifies an EU-level analysis, and facilitates the application of (neo)realist concepts. As the EU's trade policy becomes increasingly concerned with economic competition and balancing against possible commercial advantages negotiated by other parties, realist/neorealist approaches, integrating commercial interests, can aid our understanding of events.

A realist EU trade policy, in this sense, would be one where the EU seeks to maximise benefits for its economic actors: e.g. milieu-shaping rule adoption, gaining allies for multilateral talks, entering a market before competitors, and not just short-term increases in trade. Such a turn is salient since the explicitly competitiveness-driven 'Global Europe' agenda (2006), which responded to a more competitive international environment. The policy signified a pragmatic and realist (in the common language usage) shift. Realist policy in this article, thus, refers to a policy that is both 'realist' in adapting to the real world and also crucially neorealist in the theoretical sense. As the ensuing empirical section demonstrates, although recent trade policy has become overtly "realist", realist considerations underlay the EU's trade policy since its inception, even if at times these have dovetailed with other foreign policy normative aims.

The materialist and individualist meta-theory on which realism and rationalism is built, and the treatment of preferences and interests as exogenous and individualistic have been heavily criticised. Explanations emphasising ideas have emerged as rivals to the rationalist emphasis on preferences (Goldstein and Keohane 1993: 4). Such 'rivalry suggests interests are not themselves ideas but material', yet even 'economists have noted that nothing in their approach prevents taking desires (or interests or preferences), as being informed by or based on norms' (Fearon and Wendt 2002: 60). The interaction of ideas and interests is, therefore, a dynamic tension, as the empirical section makes apparent. As Max Weber (1946: 280) suggested:

'Not ideas, but material and ideal interests, directly govern men's conduct. Yet very frequently the 'world images' that have been created by ideas have, like switchmen, determined the tracks along which action has been pushed by the dynamic of interest.'

As Robert Keohane and Judith Goldstein (1993: 20) contend, 'ideas help to order the world' and 'have a lasting influence on politics through their incorporation into the terms

of political debate', although the impact of particular ideas may be mediated by the institutions in which these are embedded.

Ideas have been crucial in the development of the EU's foreign policy and its study. Characterised as a 'civilian power' (Duchene 1972), which uses persuasion and the power of attraction generated by others' admiration of it,<sup>1</sup> throughout its history, the EU has leveraged its market attraction and its financial aid as a bargaining chip to extract its preferences from others. The EU has often linked these rewards (and penalties of economic sanctions) to the adoption of core European values (human rights, democracy, rule of law). This has led to interpretations of the EU as a "normative power" (Manners 2002),<sup>2</sup> to such an extent that the EU has been critiqued for subjugating its normative values to strategic interests such as regional stability (Youngs 2004). However, as Erik Eriksen (2006) argues, strategic aims can be compatible with the "normative" power argument, given that the norms diffused may very well be considered valid and legitimate even though the motives of the EU for diffusing such norms are self-regarding. James March and Johan Olsen (1998: 952) also highlight that the 'logic of consequences' (which guides rationalist views of agency) and the 'logic of appropriateness' (which explains agency in ideas-based approaches) are not mutually exclusive.<sup>3</sup> This interrelationship will become apparent in the narrative of DG Trade's policies on PTAs. Normative components like the promotion of regional integration, embedded in a 'logic of appropriateness', also followed strategic aims of milieu-shaping and market creation, in line with the 'logic of consequences', and show how ideas can suggest a path for the attainment of realist interests. The ensuing narrative, therefore, focuses on how particular policies have been affected by ideas and values held by institutional policy-makers, (the ideational component), and provided the avenues for the pursuit of material interests. Criteria for "realist" and "ideational" trade policy are summarised in Table 1 and it will be shown that it is the dynamic interplay of these forces that helps to explain the evolution of the EU's trade policy in recent decades.

Table 1: 'Realist' and 'Idealist' Trade Policy

Policy style	Objectives	Inspiration
<b>Realist</b>	Material: Market creation Market opening & access Business opportunities Competitiveness Economic power position	'Logic of consequences' Profit / power maximization
<b>Idealist</b>	Promotion of values: Democracy Governance Development Regional integration	'Logic of appropriateness' Self-perception of European identity/identity formation

## ESTABLISHING A 'GLOBAL PRESENCE' THROUGH PTAS

The EU's success as a PTA has motivated others to emulate it, affording its 'soft power' through 'deference' and 'attraction' (Nye 1990). Given its institutional bias in its international negotiations based on its organic experience of market integration reliant on legalistic and regulatory regimes (Young and Peterson 2006), the EU has also actively promoted regional integration. Traditionally, the EU's bilateral trade policy lacked an overarching plan. It derived from past relations and the uploading of national interests

and special relationships into the EU external relations (Lamy 2002a). Prior to 1999, the Commission's Directorates dealing with external affairs were organised geographically. Thus, PTA initiatives were promoted as each commissioner sponsored each PTA as a way of increasing 'his patch of power' (Peterson and Bomberg 1999: 104). Geographic initiatives also reflected the nature of the political objectives to be achieved by leveraging the EU's market attraction. This period witnessed an upgrading of political, financial and technical cooperation agreements of the 1970s-1980s into agreements with trade liberalisation, investment, and political cooperation (Bretherton and Vogler 2006: 67).

"Third generation" agreements included conditionality clauses furthering the EU's normative values of democracy, human rights and rule of law. Trade was linked to the CFSP's goals: 'to develop and consolidate democracy and the rule of law, and respect for human rights and fundamental freedoms' (Title V Art. 11.1, Treaty on European Union 1993). Normative aims were tempered by a desire to ensure security and stability (Youngs 2004), especially in its near abroad. Agreements were signed with the Central and Eastern European countries (CEECs) and the Mediterranean Basin. The European Agreements, which paved the way for Eastern enlargement, were the most comprehensive, and as commentators argue, the most successful in achieving the EU's desired policy transformations given the enticing carrot of membership (Smith 2004). The Barcelona Process (1995) aimed at PTAs between North Africa and the EU, in the hope of extending some of the internal market aspects to the area and enhancing cooperation in migration flows, improving stability and furthering the security aims of the CFSP (Gómez 2003). The launch of PTA negotiations with the Gulf Cooperation Council (GCC) has been regarded as a way of ensuring access to Gulf oil and fostering stability in the region using the EU's market attraction as a means of exchange (Antiewicz and Momani 2009; Nonneman 2007).

Alongside realist-inspired stability/strategic motivated PTAs, the EU also engaged in development-motivated PTAs. Relations with former colonies in the Africa Caribbean Pacific (ACP) were regulated through the Lomé Conventions and were characterised by asymmetry allowing ACP exports preferential access to the EU's market. These harnessed the EU's institutional bias and ideational belief in trade as a vehicle for development ('logic of appropriateness', based on its experience), which has been criticised especially given restrictions on agricultural exports (McQueen 1998), as well as by other WTO members that felt discriminated. This led the EU to eliminate asymmetric preferences in the Cotonou Agreements of 2000. The Economic Partnership Agreements (EPAs) that make up the framework of the Cotonou Agreements have instead been critiqued for enforcing neoliberal liberalization on the developing world (Hinkle and Schiff 2004; Stevens 2006).

Economically-motivated PTAs were also initiated in the 1990s between the EU and Latin America. Commentators agree that the Global Agreement with Mexico (1997) and the commencement of negotiations with Mercosur and Chile (1999) were responses to the creation of NAFTA in 1994, and subsequent loss of market share in Mexico, and the launch of negotiations for a Free Trade Area of the Americas (FTAA) (Bessa-Rodrigues, 1999; Barrau, 1999; Briceño Ruiz, 2001). Officials at the Commission's Directorate General for External Relations conceded that the sudden involvement of the USA in PTAs 'raised alarm bells', and that there was an effort to engage with that part of the world, within the broader post-1989 agenda of establishing a 'global presence' (DG Relex interview 2007). Consequently, the Commission's 1994 'Basic Document on Relations with Latin America and the Caribbean' suggested upgrading relations with this region, and extending some form of association to the most advanced economies: Mercosur/Chile and Mexico (European Commission 1994b). This would guarantee EU access to these markets in the face of a potential FTAA. These PTAs clearly followed a 'realist' logic of balancing against the USA and furthering EU commercial interests.

Whilst embedded within the overarching EU trade policy objectives of freeing trade, EU PTAs were characterised by heterogeneity and varied rationales (strategic, developmental and economic). Furthermore, all negotiations embodied the EU's new normative goals through democratic clauses. The pursuit of certain ideals extended beyond the promotion of EU values of human rights, democracy and rule of law associated with 'normative power Europe' (Manners 2002), and incorporated the pursuit of regional integration. This was apparent in all PTA negotiations with the notable exception of the agreement with Mexico. Here the economic imperative of limiting the trade diversions caused by NAFTA (Barrau 1999) at the behest of EU domestic exporters (Dür 2007) hastened negotiations and resulted in this anomaly, which reiterates the ever-present material interests underlying EU trade policy as expressed in the Treaties. Relations with the CEECs also took on a bilateral approach where the EU was able to better exert conditionality, but resulted in successful regionalism with the expansion of the EU's own regional integration eastwards (Smith 2005). Promoting regional integration and the development of international relations upon the basis of interregional relations was a crucial element of the EU's external relations and encapsulated its hopes for a multipolar world.

### **EXTENDING THE EU REGIONAL INTEGRATION MODEL THROUGH PTAS**

Interregionalism, relations between regional groupings, became a hallmark of the EU's external relations in the late 1990s (Hardacre and Smith 2010). The underlying logic 'to export the EU's model of regional integration and governance and to create new alliances in order to shape a less asymmetric world' (Santander 2002: 495) was based on the EU's officials' belief in the superiority of the EU's model of economic and institutionalized integration as a basis of stability and development (interviews DG Trade and DG Relex and COREPER 2007). Discourses in the Commission's documents from the 1990s onwards betray these ideational preferences:

'EMPHASIZING the *fundamental importance* attached by the parties to *consolidating and strengthening regional integration*, a key factor in the development of the GCC Countries and the stability of the Gulf region' (European Community 1989: 3).

'To *support* efforts by Asian countries to cooperate at the regional and subregional level such as the ASEAN Regional Forum with a view to *enhancing peace and security* in the region and (...) strengthen the Union's relations with regional groups such as ASEAN or SAARC' (European Commission 1994b: 4).

'Cooperation shall provide effective assistance to achieve the objectives and priorities which the ACP States have set themselves in the context of *regional and sub-regional cooperation and integration*, including inter-regional and intra-ACP cooperation' (Art. 29 Cotonou Convention 2000).

'The *European Union believes that regional integration processes are vital tools for the attainment of global integration*. Its own *experience* shows that when a region has resolved its internal problems, it is better able to integrate itself in the global arena, in which, the consolidation of regional blocks entails a greater global equilibrium. Mercosur's integration is a process of great importance to the European Union' (European Commission 2002: 2).

'*Regional integration is a key element for stability, economic growth and investment* and for increasing the weight of both regions on the world stage...we *encourage and strongly support* Latin American and Caribbean countries to proceed with their respective regional integration processes' (Declaration of Vienna 2006: 11).

'The region also faces the need to further its *regional integration* agenda, which is an *essential* tool to *preventing conflict, consolidating democracy, good governance and fostering sustainable development* (European Commission 2007c: 13)'. (author's italics)

Integration is, thus, embedded within the EU's normative aspirations as well as its geopolitical interests (security and stability). This dovetailed in the late 1990s with developments in regional integration elsewhere (Mercosur, Andean Community and ASEAN commitments to create customs unions). EU policy-makers, also shaped by their own socialisation within the EU's system and belief in its success, chose to support these regional initiatives by engaging in interregional relations as the Commissioner for the developing world, Manuel Marín (2010), and the European Parliament President, Maria Gil-Robles (2010), at the time, have admitted. Both also expressed regret that the institutionalised EU-style integration that they thought would develop from their 1990s initiatives never materialised.

The EU actively used interregional relations to encourage regional integration elsewhere. It facilitated the creation of infrastructure necessary for economic integration (e.g. Hidrovía project, Brazil-Buenos Aires and Montevideo-Buenos Aires roads financed with EIB loans) (European Commission 1994b: 9), and devoted half of cooperation funds to Mercosur to measures to improve institutions (European Commission 2007a). It funded activities to enhance institutional capacity by instilling information exchanges, technical assistance, and cooperation between the ASEAN Secretariat and European Commission (EU/ASEAN Vision Group 2005: 17). Such exchanges also enabled the EU (especially the Commission) to act as mentors to other integration processes and attempt to influence them to adopt EU style standards furthering the EU's milieu-shaping preferences.<sup>4</sup>

More coercive persuasion, by means of conditionality, has also been employed by the EU to further this ideational aim of creating 'a world of regions open to one another' (Marín 2010). The EU has entered into EPAs with ACP regional groupings rather than states, although as Tanja Börzel and Thomas Risse (2009: 16) note this worked only where prior regional integration projects existed. Conditionality was stronger in the cases of the opening of negotiations for Associations Agreements with Central America and the Andean Community. Despite these countries' entreaties to the EU to negotiate with them, the EU refused for over half a decade in the early 2000s, and conditioned negotiations to the higher levels of regional integration:

'The Parties recognise that the prospect of Association Agreements should give a new impetus for strengthening regional economic integration processes (...)

This process will start, at this stage, with a joint assessment phase of the respective integration processes of the Central American and Andean Community's. The assessment will lead, in due course, to negotiations (...) Any future Free Trade Agreement shall be built upon the outcome of the Doha Development Agenda and the realization of a sufficient level of regional economic integration' (Guadalajara Declaration 2004: 8).

A Joint Assessment Exercise was set up for the EU to monitor regional integration progress, but it lacked a clear *ex ante* methodology and developed progressively following an agenda set by the European Commission (Adiwasto et al. 2006: 13), clearly revealing that the level of integration had to be deemed sufficient by the EU. Similarly, the EU rejected Singaporean requests for PTA negotiations in 2003 (interview DG Trade 2007) and only opened negotiations with Central America, the Andean Community and ASEAN, all of them regional groupings, in 2007.

The normative implications of this are to re-shape the world according to EU lines, including the export of its model and its regulations as well as enabling the EU to control the agenda of relations and ensuring other regional blocs remain open, leading some to

view this as a form of 'soft imperialism' (Hettne and Söderbaum 2005). In a constructivist reading of interregionalism it is a 'vehicle to gain international acceptance of its (the EU's) own model of integration' (Söderbaum et al. 2005: 372), which results from the 'need to forge a common European identity among the people of its constituent nations and by a belief in the utility of regions as unit for organizing the global economy' (Aggarwal and Fogarty 2004: 14). Yet, very realist materialism is intertwined with these normative aims and recalls the free trade aims of trade policy in the Treaties. From the EU's perspective PTAs with individual Central American states, or Singapore, would offer marginal increases in EU welfare. It was economically more relevant to negotiate with an integrated grouping which would represent a more interesting market (interview DG Trade 2007), whilst offering savings in time and resources in negotiations (Reiterer 2005: 14).

### **DEVELOPMENT, WTO DOHA ROUND AND PTAS**

In late 1999, the structure of the Commission's external relations DGs changed to a thematic structure with DG Trade, DG Relex, DG Enlargement and DG Development, (Nugent and Saurugger 2002). Although, within the DGs, desks were still distributed geographically and both a division for WTO negotiations and one for PTAs continued to co-exist, the new structure facilitated overarching Trade initiatives (e.g. Global Europe). Pascal Lamy's leadership of the new DG Trade combined in time with an internal debate in the Commission's in favour of South-South integration (interview DG Trade 2007), and the launch of the WTO's Doha Development Round (DDR) in 2001. Policies under his stewardship were influenced by this, as well as Lamy's preferences for multilateral negotiations (interview DG Trade 2007; Woolcock 2007). His significance in shaping the ideational direction of trade policy during this period has been highlighted by Sophie Meunier (2007), although she acknowledges that steering the policy more in one direction or another is only possible in the absence of a conflict with the material interests of member states. Encompassing the promotion of integration, Lamy developed a doctrine of 'harnessing globalization', to guide his DG, whereby:

*'The European blend of market integration, common rules and social safety net mechanisms can serve as an inspiration for many countries in coping with the effects of globalization. The European Union is interested in promoting politically managed globalization so as to ensure that its potential benefits are shared more widely across nations and societies and that social values are prioritized' (Lamy 2002b: 1).*

This 'was a broad and encompassing doctrine that subordinated trade policy to a variety of trade and non-trade objectives, such as multilateralism, social justice and sustainable development' and was defended at the WTO (Meunier 2007: 906). Favouring multilateralism and influenced by the skepticism of economists concerned with the undermining of the multilateral trading system by increasing numbers of PTAs (Thurrow 1992; Baldwin 1993; Bhagwati 2008; Krugman 1991), Lamy enacted a moratorium on new PTAs. Given policy lock-ins from past commitments creating path dependency, Lamy was forced to continue PTA negotiations that had already commenced with Mercosur and Chile (Garcia 2011), the Gulf Cooperation Council and within the Barcelona Process.

During the late 1990s, the EU's PTA initiatives responded to challenges of the post-Cold War world, a desire to create a 'global presence' and carve a role in a multipolar world. This was furthered in the early 2000s as the EU sought international leadership within the WTO, by supporting the DDR, and pushing its 'managed globalization' ideas. Trade and development were interlinked at the multilateral level and in the EU's own policies. EPAs are described as a way of bringing the EU's development regime in line with WTO compliance. In 2002, the European Commission published several communications explicitly linking its trade and development policies (European Commission 2002a,

2002b). It suggested focusing development aid to supporting adaptation to and accession to WTO (European Commission 2002a: 6). Imbued in the belief that those countries with greater participation in global markets show higher growth rates (European Commission 2002a: 8) and the EU's socialised belief in the economic success of its liberalization model (interviews DG Trade and Relex 2007), it supports greater liberalization.

Although developing states could perhaps benefit from more trade, EU measures aimed to improve regulatory systems, ensure compliance with TRIPS, standards and safety measures (European Commission 2002a: 22), in other words, exporting its preferred regulatory system and in essence ensuring developing producers had to face similar regulatory constraints as EU producers, and that EU investments would be protected by stable legislation (material interests). Betraying its institutional bias and its policy-makers' ideational 'logic of appropriateness', the Commission stressed the need for greater South-South cooperation and regional integration, as a way of gaining economies of scale, greater FDI and ensuring stability and security (European Commission 2002a: 13). This offers a justification for the continuation of interregional negotiations within an ideational regime in DG Trade now leaning towards the WTO.

Further inconsistencies in the EU's region-building logic and interregional agenda in PTAs appeared in the 2000s in relations with the Mediterranean. The original Barcelona Process promoted regional integration, although it aimed at negotiating individual PTAs (as opposed to bloc-to-bloc as with ASEAN and Latin American groupings). This pragmatic approach was due to the absence of clear regional initiatives in the region, and the realist security and stability motivation behind these PTAs. In 2003, with Eastern enlargement underway redrawing the EU's external borders, the Commission launched the European Neighbourhood Policy (ENP), and the Barcelona Process became absorbed into it. The EU continues to promote regional integration as a way of achieving security and stability: '[t]he EU must act to promote the regional and sub-regional cooperation that are preconditions for political stability, economic development, and the reduction of poverty and social divisions in our shared environment' (European Commission 2003: 3).

However, the ENP does not provide for any institutionalisation of the regional dimension and undermines the previous emphasis on region-building by turning this area into just another one within the broader ENP (Börzel and Risse 2009: 21). Compared to the Barcelona Process, ENP downgrades the regional dimension to 'a complementary, and in fact optional, element, although the ENP incorporates 'a much stronger conditionality that goes hand in hand with the country-to-country approach that the policy implies, and which could be viewed as an indication of the EU's new sense of reality' (Del Sarto and Schumacher 2005: 25). This 'new sense of reality' was further heightened within DG Trade with the abandonment of the normative aims of region-building in the second half of the 2000s as the DDR faltered and its leadership changed. During Lamy's tenure, ideational normative constructs like 'managed globalisation', linkages of trade and development, and normative support for region-building, co-existed with the pursuit of 'realist' economic interests as well as geostrategic goals of security as can be seen in the changes in the ENP. Thus, even in this period where the institutional rhetoric displayed more normative underpinnings, there was a tendency for EU material interests to trump more idealistic facets of the policy.

## **COMPETITIVENESS AND INTERESTS IN THE EU'S PTA STRATEGY**

Peter Mandelson (Trade Commissioner 2004-2008), a committed free-trader, was unlikely to alter policy in terms of creating a global free trade system. The 'Global Europe' strategy of 2006 manifests that '[t]he WTO remains the most effective way of expanding and managing trade in a rules-based system, and a cornerstone of the

multilateral system. The Doha Development Agenda remains our first priority' (DG Trade 2006: 2).

However, Mandelson faced a new international situation, where other actors had limited faith in the DDR. PTAs had been increasing, especially in Asia and Latin America (Fiorentino et al. 2006), prompting others to follow suit as they feared trade diversion effects creating a kind of 'domino effect' (Baldwin 1993). EU and USA perceived predominance in setting WTO rules, and the new PTA wave, encouraged China to commence negotiations with ASEAN in 2001 and others (Jiang 2010; Zeng 2010). Crucially, US Trade Representative Robert Zoellick pursued a 'three-dimensional trade strategy' (Schott 2006: 98) abandoning prior preferences for multilateral liberalization in favour of simultaneous multilateral, regional and bilateral negotiations so as 'to exert latent pressure on recalcitrant liberalisers by concluding PTAs' with other states. The world was in the midst of a PTA negotiation bonanza, whilst the EU had voluntarily withdrawn from new negotiations. Faced with this, Mandelson steered the EU's PTA trade policy in line with what other states were doing.

'Global Europe' presents PTAs as compatible alongside commitment to the WTO, and in a departure from Lamy's era, advocates new PTA negotiations, including with individual states. It is symptomatic of the 'competitiveness' ideational justification offered, and its linkages with the competitiveness-driven Lisbon Agenda re-launched in 2005, that DG Trade presents new criteria for choosing PTA partners:

'The key economic criteria for new FTA partners should be market potential (economic size and growth) and the level of protection against EU export interests (tariffs and non-tariff barriers). We should also take account of our potential partners' *negotiations with EU competitors*, the likely impact of this on EU markets and economies...'

'Based on these criteria, ASEAN, Korea and Mercosur (with whom negotiations are ongoing) emerge as priorities. They combine high levels of protection with large market potential and they are active in concluding FTAs with EU competitors' (DG Trade 2006: 11).

India, Russia and the GCC are mentioned as potential candidates too, if less urgent, as they were not in direct negotiations with the USA. The 'new competitiveness-driven FTAs (DG Trade 2006: 11) focus on furthering the EU's economic interests by strengthening links with markets that will be important in the future (Woolcock 2007: 4). In terms of content, they offer continuity with the 'deep trade agenda' that Lamy (2002) had favoured seeking the liberalisation of services, investment, public procurement and enforcement of intellectual property rights (DG Trade 2006: 11, 13). There is also a concern with staying on a par with competitors: 'Where our partners have signed FTAs with other countries that are competitors to the EU, we should seek full parity at least' (DG Trade 2006: 11), which accounts for the choice of PTA partners (Korea was negotiating with the USA as were Thailand, Malaysia and Singapore, and ASEAN was negotiating with China) and is reminiscent of the EU's celerity in negotiating a PTA with Mexico in the aftermath of NAFTA, even though it had not contemplated it in the 1994 strategy for Latin America (European Commission 1994a).

Despite the new pragmatism, 'Global Europe' maintained some of the previous ideational normative elements. Although the prior discourses of development, which Mandelson still applied in speeches (Mandelson 2005), were absent from the Document, it acknowledged the need to address the 'losers' from globalization and reiterated: 'we should also seek to promote our values, including social and environmental standards and cultural diversity, around the world' (DG Trade 2006: 5). The latter serves the dual purpose of enhancing EU influence and also exporting its standards thus placing its own producers on a par with, or even at an advantage over, those from other parts of the world. It is, therefore, not bereft of material interests linked to competitiveness. Further

continuities are present in the support for region-building through negotiations with blocs. Indeed 'Global Europe' prioritises negotiations with Mercosur, ASEAN (both regional groupings), but also accepts individual states (South Korea), and the pragmatism of bilateral negotiations became more apparent throughout the negotiation process.

In May 2007, the EU and ASEAN commenced PTA negotiations, but with difficulties, given differences amongst ASEAN members and the EU's requirements. Concerned with not losing competitiveness to the USA and China, in March 2010, on a trip to South East Asia, the Trade Commissioner, Karel De Gucht (since 2009), announced the launch of bilateral PTAs with Singapore and Vietnam, and, in November, negotiations with Malaysia commenced.<sup>5</sup> These are the states that had already closer economic ties with the EU, and the ones expected to benefit most from PTAs (ECORYS 2009). These states were amongst the group of six ASEAN states that had already begun to implement their PTA; with China (in January 2010) and Singapore and Malaysia also had PTAs with the USA (see Table 2).

Table 2: Timeline of EU, USA, Chinese FTAs in East Asia

	CHINA start	CHINA conclude	USA start	USA conclude	EU start	EU conclude
<b>ASEAN</b>	2001	2007(2010*)			2007	
<b>Hong Kong</b>		2003				
<b>Macao</b>		2003				
<b>Thailand</b>		2003	2004 (suspended 2006)			
<b>Singapore</b>		2008		2003 (2004)	2010	2012
<b>South Korea</b>			2006	2007 (2011)	2007	2009 (2011)
<b>Malaysia</b>	(ASEAN)		2006 (trade investment framework agreement 2004)		2010	
<b>Vietnam</b>	(ASEAN)				2010	

ASEAN: Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, Viet Nam. Dates in brackets represent implementation dates when these differ from the conclusion of the negotiations. \*2010 for Brunei Darussalam, Malaysia, Singapore, Philippines, Thailand, Indonesia, 2015 for the others. Sources: European Commission DG Trade website, US Trade Representative website, ASEANWEB (2012)

Notwithstanding this pragmatic approach the EU remains intent on a subsequent bloc-to-bloc FTA with ASEAN:

'The launch of FTA negotiations with Singapore, for us, marks the beginning of a deeper engagement with Asia, and in particular in our relations with the ASEAN region. Although Singapore is the 'first one in', our door remains open for other ASEAN countries interested in negotiating a comprehensive free trade agreement with us. We are not available to do shallow FTAs, but we will be mindful of differences in levels of development' (De Gucht 2010a).

Although not highlighted as key priorities in the 'Global Europe' document, in the early 2000s Central American and Andean Community states had negotiated PTAs with the USA, and asked the EU for negotiations. The EU responded by postponing negotiations

until a sufficient degree of integration had been achieved. In 2007 the EU began negotiations with the Andean Community and Central America. As with ASEAN, a bloc-to-bloc negotiation failed. In the case of the Andean Community, Bolivia boycotted negotiations and Ecuador withdrew in 2009 over intellectual property clauses. The EU's decision to continue negotiations with Peru and Colombia on an individual basis contrasts with the negotiations with Mercosur (see Doctor, 2007). The fact that Peru and Colombia had already agreed PTAs with the USA, unlike Mercosur states, and the EU's new competition-driven policy, account for this pragmatic turn.<sup>6</sup> Table 3 shows the USA has held the initiative in recent years, in contrast to the situation in the late 1990s when the EU led in negotiations with the Mercosur and Chile (García 2011: 513).

*Table 3: USA and EU Free Trade Agreements with Latin America*

	USA start	USA end	USA implement	EU start	EU end	EU implement
<b>Mexico</b>	1988	1992	1994 NAFTA	1996	1997	
<b>Chile</b>	2000	2003	06/2003	1999	2002	01/2003
<b>Mercosur</b>				1999		
<b>Brazil</b>				Strategic Partnership 2007		
<b>Andean Community</b>				2007	failed	
<b>Peru</b>	2004	2006	2009	2007	2010	Likely in 2013
<b>Colombia</b>	2004	2006		2007	2010	Likely in 2013
<b>Ecuador</b>	2004	Stopped 2006		2007	Withdrew 2009	
<b>Central America</b>	2003	2006	2006-2009	2007	2010	Likely in 2013
<b>Panama</b>	2005	2007		Incorporated into Central America negotiations in 2008		
<b>All of Latin America</b>	FTAA 1994	Unlikely prospects, stalled 2005				

Sources: DG Trade (2012); USTR (2012)

By contrast, bloc-to-bloc negotiations with Central America, achieved a degree of regional integration (Panama's participation was made conditional on it joining SIECA, which it did). This is an area with an overwhelming dependence on the USA and keen to diversify, which explains formal acquiescence with EU demands. However, it is worth noting that even at the signing of the agreement in May 2010, Commission President José Manuel Barroso emphasised, the EU still expected more regional integration, when he stated that '[w]e hope this agreement between the regions will also contribute to strengthening Central American integration and institutional government there' (EU-LAC Summit Press Conference, 19/5/2010).

Mercosur was highlighted as a priority area in 'Global Europe' and is an area where the EU still hopes to achieve its interregional objectives, as the agreement has been finalised since 2004, pending a final deal on access to the EU's agricultural market (Doctor 2007; Klom 2003; Schneider 2006). In the absence of Mercosur-USA negotiations it seems there is less impending pressure to achieve a deal. In the meantime, the EU has taken other steps to strengthen its position in the region, within the new paradigm of competitiveness. Recognising the significance of Brazil in the world economy and its leadership position within the G20 and South America, in 2007 the EU gave Brazil a

special status as a 'strategic partner'. Within the Strategic Partnership the Commission (2007: 9) 'look(s) to Brazil to make a constructive contribution towards the conclusion of a balanced and comprehensive EU-Mercosur agreement', which would offer economic advantages to EU service and manufacture industries (IARC 2008). Beyond this desire to achieve an EU-Mercosur deal, the document also focuses on a host of trade issues (including financial services, intellectual property) in which the EU would like to pursue greater access and recognition of standards with Brazil, which would damage the EU-Mercosur relation, as Brazil would gain exclusive benefits, and which betrays the EU's clear economic interests in this market.

In the midst of a serious financial and economic crisis, the 'Trade, Growth and World Affairs' strategy issued in November 2010 follows the line of 'Global Europe', and is justified with greater appeals to 'the triple benefits of trade' opening: 'economic growth, consumer benefits and job creation' (DG Trade 2010a: 5). It links Trade policy to the EU's 2020 growth strategy aimed at creating smart, sustainable and inclusive jobs and growth (just as Global Europe was linked to the Lisbon Agenda). The 2010 Strategy continues past trends, it reiterates commitment to the Doha Round (DG Trade 2010a: 9), prioritises competitiveness-driven FTA negotiations (DG Trade 2010a: 10), and focuses on 'deep trade' issues of international liberalisation of public procurement and regulatory regimes (DG Trade 2010a: 6). It retains some linkages to sustainable development, and the overt 'competitiveness' language of 'Global Europe': 'We need to do more to leverage the effectiveness of internal and external policies and thereby enhance Europe's competitiveness in the global market place' (DG Trade 2010a: 7).

The sense of competition with new economic giants is clear when it asserts that trade policy needs to pay special attention to the US, China, Japan, Russia, India and Brazil (DG Trade 2010a: 10). As these are the largest economies (China, India, Brazil also the fastest growing) and the EU's top trade and investment partners, prioritising these seems perfectly rational from a strategic point of view. A purely pragmatic step, yet it does represent a shift from the late 1990s-early 2000s greater self-confidence and external projection aims (interregionalism, values) pursued by the EU. 'Trade, Growth and World Affairs' reveal an ongoing ideational belief in the benefits of liberalisation and globalization (despite the crisis). A preparatory paper for this Document endeavours to stress the benefits of trade: 'The role of trade will be crucial in ensuring that potential market opportunities are translated into additional businesses and jobs' (DG Trade 2010b: 26).

It also raises concerns over the imposition of trade barriers in the aftermath of the crisis, especially by non-WTO member Russia (DG Trade 2010a: 21), and posits part of the blame for imbalances at the emerging economies' door, in statements such as '[t]he ongoing process of macroeconomic adjustment must also include a greater contribution to world aggregate demand from those economies (both advanced and emerging) which ran large current account surpluses' (DG Trade 2010a: 24). DG Trade, thus, is putting forward a policy clearly aimed at pursuing what it perceives to be EU economic gain. However, the difficulty may now lie in persuading partners to acquiesce to EU regulatory preferences, at a time when some of its previous appeal may be waning, and when economies previously highly dependent on the EU are succeeding in diversifying their trade and investment relationships.

## CONCLUSION

From the previous narrative it is clear that the EU's PTA strategies have been mediated through time by the ideational preferences of DG Trade leadership, normative goals, and realist economic interests embedded in changing international developments. What is significant about PTAs as trade policy tools is the fact that economists broadly agree on their limited aggregate welfare effects (Hallaert 2008). Indeed sustainability impact

assessments commissioned by DG Trade typically project marginal welfare results for the EU (0.2-0.8 percent of GDP) (ECORYS 2008). As with other forms of liberalisation, these gains are asymmetrical with the EU's service sector poised to benefit the most from inroads made in the EU's deep trade agreements aimed at facilitating international service provision, high levels of intellectual property rights protection, and harmonising regulatory regimes. In so far as all PTAs in some way benefit the EU, even if the aggregate economic welfare effects are meager, the strategy could be said to have always been a realist pursuit of certain European economic interests.<sup>7</sup> 'Global Europe' brought this to the fore, and abandoned some of the more ideational aspects of previous trade policy regarding global governance, EU leadership in shaping such governance, and reshaping the world.

If changes in leadership provided the window of opportunity to effect that change, this was informed by exogenous events. As talks at the WTO faltered and the USA launched PTA negotiations, others followed suit, especially in Asia (Aggarwal and Urata 2006). The EU's change of heart regarding PTAs in the mid-2000s can be conceptualised within this framework, and complements the discourse of 'competitiveness' expounded in 'Global Europe'. The choice of negotiating partners is revealing; as they were all engaged in negotiations with the USA, and were in negotiations with China or expected to in the future (South Korea). 'Global Europe' presents a more unambiguously interest-seeking rationalist-'realist' policy, prioritizing economic interests in other markets and economic balancing against competitors.

'Growth, Jobs and World Affairs' continues the 'Global Europe' agenda. By remaining committed to liberalisation the Commission reveals an internal 'logic of appropriateness' and consistency affected by its own experience, ideational beliefs, and also an interest-maximising 'logic of consequences' towards economic interests (services and exporters) set to benefit from liberalisation. By relinquishing more normative aspects associated with its trade strategy in the past, the Commission has shown a willingness to adapt to the realities of a dynamic and changing international economic environment. The challenge will be to reconcile its preferences with those of increasingly powerful international partners and competitors, and indeed to balance relations with the other major economies in the globe for mutually beneficial outcomes.

Despite adaptability, throughout time we observe a large degree of continuity in EU trade policy, which is perhaps unsurprising given the pro-liberalisation objectives already set out in the Treaty of Rome: 'to the harmonious development of world trade, the progressive abolition of restrictions on international exchanges and the lowering of customs barriers' (Art. 110 Treaty founding the European Economic Community 1957). What has varied is the relative importance of the accompanying idea-inspired normative aims that are pursued through trade policy, and the ideational discourses within which the material interests in the policy have been couched and legitimised. Commitments to regional integration, and a preference for PTAs with regional groups continues, as does formal support for the WTO and for furthering development, even if post-'Global Europe' policy is more explicitly concerned with EU competitiveness and a "realist" pursuit of economic interests. It is clear the ideational and realist motivations for policy choices co-exist, with overall changes being more in format than in deep content. As shown above even when more normative in outlook, the EU's PTA policy faltered in its region-building objectives in its neighbourhood in ENP in favour of economic and security interests, clearly echoing John Mearsheimer's (2001) assertion that second-order interests will be trumped if they do not facilitate primary interests. In light of this, and of the increasingly "realist" trade policy being developed by the EU, economic realist theory offers a plausible explanation for, and framework for the analysis of EU trade policy and its positioning in the future international economic order.

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## ACKNOWLEDGEMENTS

Many thanks to participants at the Workshop 'Diverging Paradigms on EU Trade Policy' at the University of Leuven in December 2010, and especially to Jan Orbie and Bart Kerremans, as well as two anonymous referees for comments on earlier drafts. All omissions and inaccuracies remain the author's sole responsibility.

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<sup>1</sup> These are traits that Nye (1990) ascribes to "soft power".

<sup>2</sup> For more see Sjursen 2006; Hyde-Price 2006; 2008; Manners 2006; Diez 2004.

<sup>3</sup> Constructivist approaches are the newest version of idealism. Prime amongst them is Wendt's (1999) challenge to rationalism by focusing on how ideas are socially constructed and affect the creation and choices available to agents in a system.

<sup>4</sup> For more see García 2012.

<sup>5</sup> An agreement with Singapore was signed in December 2012, and in 2013 negotiations have begun with Thailand and with Japan, at their request.

<sup>6</sup> Despite including democracy and human rights clauses, part of the EU's normative agenda, these agreements have been marred by controversy with demonstrators protesting the signing on the grounds of Colombia's dubious human rights record (*El Mundo*, 19 May 2010), again revealing the competitive imperative of the deal.

<sup>7</sup> This article has focused on EU interest as agreed in the Council. Interests vary across states, economic sectors, firms, societal groups, EU institutions, and time. They are dynamic, and merit separate attention.

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# Journal of Contemporary European Research

Volume 9, Issue 4 (2013)

## The Illusion of Choice: The European Union and the Trade-Labor Linkage

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### Citation

Adriaensen, J. and González-Garibay, M. (2013). 'The Illusion of Choice: The European Union and the Trade-Labor Linkage', *Journal of Contemporary European Research*. 9 (4), pp. 542-559.

First published at: [www.jcer.net](http://www.jcer.net)

## Abstract

What explains the European Union's (EU) reluctance to include a legally enforceable social clause in trade agreements? Moreover, what explains the lack of coherence in its linkage policy across the multilateral, bilateral and unilateral levels? This article assesses the diversity of EU approaches towards trade and labour and argues that the conception of the European Union as a particular normative actor is not fully capable to grasp this diversity. Instead, the EU's policies are contingent upon a generic cost-effectiveness calculation constrained by the internal and external context where decisions on labour standards have been taken. At the internal level, decision-making rules have sometimes directed trade-labour linkage policies to a 'lowest common denominator'. At the external level, the EU's decisions have been shaped by the perceptions and market power of negotiating partners. To prove its claim, the article explores the EU's trade-labour linkage at the multilateral, bilateral and unilateral settings.

## Keywords

EU; trade; labour; normative power; rational choice

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What explains the European Union's reluctance to include a legally enforceable social clause in trade agreements? Given the EU's formidable power in trade, the high degree of integration, and the existence of American precedents, one could expect that the EU would be prone to the use of sanctions to ensure labour compliance. However, with the exception of the Generalised System of Preferences (GSP) and the Economic Partnership Agreement (EPA) with the Caribbean countries (CARIFORUM), where a weak form of conditionality applies, the EU has so far abstained from consistently using such measures and has developed a patchwork of mainly cooperation-based approaches across the multilateral, bilateral and unilateral levels.

Existing scholarship interprets this soft type of conditionality as an emanation of the particular style of European foreign policy (Orbie 2011). The EU is portrayed then as a *sui generis* normative power, bent on the dissemination of its own values (in casu labour rights). Its preference for dialogue and engagement rather than for enforcement are an example of the means through which it seeks to expand its norms (Manners 2008). In this article we argue, however, that such a view only presents part of the story and leaves the underlying process of the EU's various approaches towards the trade-labour linkage underexplored, thereby obscuring other explanatory features of the EU's policy choices. To emphasise those features, we deviate from the *sui-generis approach* and turn to a rationalist, institutionalist argumentation.

Focusing on the political processes behind the choice for a hard or soft clause, we explain the ambiguous stance of the EU in the trade-labour debate as being the product of the internal and external context wherein a policy maker operates. We conceptualise this internal and external context in institutional terms. On the one hand, the use of Qualified Majority Voting (QMV), simple majority or consensus influences the ability of the member states to attain a common position. On the other hand, the external context may validate or delegitimise the EU's decisions. Across the different fora in which the trade-labour linkage debates were held, the trade partners' perceptions of the linkage as protectionism and the relative power of those partners vary, thus influencing the costs and desirability of adding teeth to labour-related provisions in a trade agreement.

This article aims to contribute to the broader literature in three ways. Firstly, it offers an alternative explanation of the limited enforceability of the EU's social clause in trade agreements. The focus on the political process, and in particular realist and liberal constraints, complements the existing reflectivist approaches not only empirically but

also theoretically by cautioning against “false successes”. More specifically, would we still consider the EU as a normative power if it did not face such constraints? Second, it raises an additional question regarding the coherence of EU foreign policy. Previous studies on this topic have focused almost exclusively on coherence between member states and European institutions (see e.g. Portela and Raube 2012; Thomas 2012; Nuttall 2005). This article is, to our knowledge, one of the first to systematically compare and explain the behaviour of the EU in multi-bi-and unilateral (trade) fora. Finally, it contributes to the broader IPE literature on trade that, until recently, has only devoted scant attention to the social clause even though its political salience is considerable as apparent from the discussions on the Colombia and India free trade agreements.

## FRAMING THE RESEARCH QUESTION

### *Defining “the” European Position on the trade-labour linkage*

Contrary to countries such as the US or India, which have maintained a strong consistency in their trade-labour linkage positions throughout the previous two decades, it is hard to pinpoint “the” EU’s position on the issue, even in a snapshot, due to the multiplicity of policies adopted at the different levels – unilateral, bilateral, multilateral – at which trade-labour discussions have taken place. Labour elements can be found in the EU’s trade policy at each of these levels. In the first place labour issues have been assessed by the World Trade Organization (WTO) between 1994 and 2001. In general terms, the talks pitted the US against the Informal Group of Developing Countries in a highly polarised discussion on whether or not to include a labour component in the trade regime. Whereas the United States fiercely supported the establishment of a working group on labour issues at the WTO, the developing countries rejected that proposal on a principled basis by arguing that such a working group would derail in protectionist attempts by the developed countries (Haworth et al. 2005; Wilkinson 1999). In this context, it is difficult to assess the EU’s position due to the fact that it was itself, internally, a replication of the multilateral lack of consensus during the 1990s. The Council conclusions on the issue (Council of the European Union 2003), adopted by unanimity in July 2003, proposed that the EU focused on achieving coherence in policy-making in ‘all relevant international organisations, including in the WTO and in the ILO’. Furthermore it agreed to pursue the status of observer for the ILO at the WTO,<sup>1</sup> and to ‘encourage discussions (...) on the respect of core labour standards during the review of a country’s trade policy in the WTO (...)’.

Labour provisions are also present at the bilateral level in the EU’s Preferential Trade Agreements (PTAs). A division can be made between the Caribbean Economic Partnership Agreement (EPA) and the Colombian PTA on the one hand, and other trade agreements on the other hand. The bulk of EU’s trade agreements have never included any concrete linkage between labour and trade, and often contain cooperation provisions on social issues (Euro-Mediterranean Agreements), references to respect for the ILO standards in the context of that cooperation (EU-Chile, EU-South Africa) or general references to the improvement of labour standards in the preamble (EU-South Korea), loose from any trade provisions (European Commission 2010; European Union 2008b, 2009; Grynberg and Qalo 2006; European Communities 2000). Conversely, the EPA with the CARIFORUM (European Union 2008a) and the EU-Colombia PTA (European Union 2012) contain labour provisions that go beyond the above but still not as far as the GSP. The parties to the EU- CARIFORUM EPA engage into cooperation on labour matters, and the treaty provides for a limited enforcement procedure. The EU-Colombia PTA contemplates similar measures.

The third level at which concrete EU action on the trade-labour linkage has taken place is the EU’s GSP, a scheme of unilateral, non-reciprocal trade preferences designed to give

priority access to developing countries' products to the EU market. Ever since 1994, the GSP has featured a component of labour conditionality, containing both sanctions and incentives based on compliance with labour standards.<sup>2</sup> Developing countries can benefit from special trade benefits if they ratify and implement a series of international treaties, among which the eight ILO conventions containing fundamental principles and rights at work.<sup>3</sup> Nevertheless, these benefits may be withdrawn if the ratification, implementation and monitoring conditions are not met (European Union 2008a).

### ***The trade-labour linkage in context***

Even though it is difficult to assess the EU's approach to trade and labour as a whole due to the plurality of arrangements, when looked at it from the outside it is characterised by a soft, normative character that favours multilateralism, cooperation and positive incentives over sanctions. This is especially the case when the EU is compared to United States' policy, which strikes as a) more sanction-based, both at the bilateral and unilateral level and b) less focused on a normative universal conception of labour standards, since the US uses its own definition of relevant labour standards aside from the ILO's (Aasen 2009; Grynberg and Qalo 2006). From the above one may wonder why the EU at some occasions allowed for trade sanctions whereas it refrains to do so at other occasions? Moreover, why is it that the EU has opted for instruments that are not legally enforceable?

Existing studies on the linkage between trade and labour standards do not provide us with the appropriate frameworks to deal with the question above. In general, they can be divided into two groups. On the one hand, several studies have focused on whether trade and labour standards should be linked to one another, either by sanctions or by other means. Those studies, which adopt either an economic (Hafner-Burton 2005; Brown 2001; OECD 1996; Bhagwati 1995) or a legal (Howse et al. 2006) perspective, do not assess the political economy behind the social clause, but rather seek to address the prescriptive question whether labour standards should be enforced by using trade means. In other words, they do not look into why countries do or do not support a trade-labour linkage. On the other hand, a smaller group of political scholars have recently inquired into the politics behind the linkage. Attention has been devoted to policy formation of developing countries in the WTO (González-Garibay 2010) or on the EU's GSP+ (Orbie and Babarinde 2008; Orbie 2006).

In light of the rising importance of bilateral trade negotiations, recent attention shifted to assess the EU's behaviour across the whole spectrum. In this debate the notion of Normative Power Europe gained increasing traction (Orbie 2011; Manners 2009; True 2009). Two arguments feature prominently to establish the assertion that the EU behaves in accordance to the normative ideal-type : first, core labour standards are considered a part of the core values around which the EU is built, i.e. respect for human rights. Second, the methods by which that norm are diffused rely on dialogue, consultation and non-coercive matters. While insightful, such an approach has left a large part of the story untold. The reason is related to the type of research questions asked. Normative Power Europe, as a critical theory, focuses on what the EU *is* or *should be* rather than on what it does (Manners 2008). In other words, it seeks to define and assess the degree to which the EU's behaviour and policy choices are conform to an ideal-type normative power. Such a reflective approach focuses less on concepts of intentionality and the process by which policy instruments are chosen (Menon and Sedelmeier 2013). This focus is most apparent in the 'tripartite analytical method' forwarded by NPE-scholars. This method is 'based on comparing and contrasting what the EU "is" (its aims and principles); what the EU "says" (its policies and actions); and what the EU "does" (its outcomes and impact)' (Manners 2008: 10). As such it focuses more on political rhetoric, policy choices and their consequences than on the political

process underlying these decisions.

To fill this void, a rational choice analysis of the process by which policy instruments are selected provides a deeper understanding of the underlying causes behind such a choice. We are interested in why the EU behaves this way rather than what the EU is or should be. This difference in focus, however, does not imply an outright rejection of the claims made by NPE-scholars. Rather the contrary; commensurability not only implies accepting the difference in research objectives and the type of questions raised, but also embraces the lessons to be drawn from the insights acquired in alternative paradigms. In this article we aim to draw from realist insights to indicate the limitations for the impact of NPE (see Wood 2011). Liberal approaches on the other hand have emphasised that the EU is not a unitary actor and its identity and policy choices are still the emanation of the individual member states' preferences as they are combined according to the procedures laid down in the treaties (Balducci 2010).

### **THEORETICAL FRAMEWORK: THE LOGIC OF CHOICE**

Our theoretical framework starts from a canonical rational-choice model. In his theory on the 'logic of choice', Baldwin (2000) asserts that the use of power harbours an element of choice among alternative channels of influence. The logic of choice focuses on the efficiency of policy decisions, indicating a calculation of the costs associated with certain policy options vis-à-vis their effectiveness in obtaining the desired policy changes. For the study of the trade-labour linkage, the only relevant means between which the EU can choose are economic coercion (hard law in the form of trade preferences coupled to labour standard compliance, either in the form of incentives or sanctions) and symbolic or soft power (soft law, cooperation).

However, we have to acknowledge that these choices are constrained by the highly institutional setting which characterises the EU-policy making system. Any conceptualisation of the European Union as a *sui generis* entity in international relations implicitly draws upon and yet overlooks the presence of such institutional constraints that limit the availability and effectiveness in the use of certain power resources. Whether it is the absence of a noteworthy military or the inability to apply coercive measures, the EU is severely constrained in its international operations due to the institutional context within which it operates.

By applying a rational-choice institutionalist approach (Shepsle 2006), we bring these constraints to the forefront and elucidate how institutions affect the policy choices of the EU on the trade-labour linkage. The first part of this section applies the logic of choice model to the linkage debate. The second part elaborates on how such a choice is constrained by the internal as well as external institutional setting. In so-doing we seek to combine a liberal, institutionalist approach focusing on domestic political processes with a realist approach by giving due attention to the relevance of power differentials in foreign policy.

#### ***The baseline model***

Assessing the effectiveness of enforceable labour standards versus a softer cooperative approach re-opens the long-standing debate on the effectiveness of economic sanctions.

<sup>4</sup> Can countries be coerced into compliance? While opinions diverge, we follow the argument that it is the threat rather than the actual sanction that leads to compliance (Drezner 2003). Empirical research confirmed that cases where sanctions were imposed never led to significant concessions, but the threat of sanctions was successful in 57 per cent of the cases investigated (Elliot 2000). The effectiveness of a soft, coordinative

approach is lower in that regard. According to Orbie (2011), the impact of the EU's soft social clauses in terms of implementation has been rather limited. He attributed the biggest success so far to the (enforceable) GSP+ system in Latin-America. Also in preferential trade agreements it is shown that only "hard" human right clauses are effective in fostering compliance (Hafner-Burton 2005). Hence in terms of effectiveness, we retain that sanction-based approaches do have an edge over soft non-enforceable clauses.

The potential costs for the EU to apply sanctions or to engage in softer coordination are not so different. Including a soft clause does not require much investments apart from monitoring and the organisation of coordination meetings. In case of an enforceable clause there is also the costs associated with the possible sanctions applied. These are translated in the trade forgone and costs of retaliatory action. This is largely limited due to the asymmetries in trade between the EU and most of the target countries subject to such sanctions. Most of the countries with a poor record on labour standards do not represent significant markets for the EU. Evidently, India and China being the notable exception.

The puzzle in this context amounts to the question why the EU would not use its formidable power in trade and impose sanctions, seeing that – based on the logic of choice- it is the most cost-effective strategy available to the policy-makers? Instead of answering this question by referring to the normative identity of the EU, we argue that institutional constraints lie behind that choice. These are respectively the internal capacity to effectively transform the economic power of which the EU disposes, and the external context wherein the EU operates.

## **THE INTERNAL DECISION-MAKING PROCESS**

Whether a power resource represents an effective means to influence other actors' behaviour is dependent on the institutional context that constrains the use of such power. This argument is nothing new in European studies, as the gap between expectations and capabilities has featured prominent in the study of EU foreign policy. This divergence is due to three primary components: the ability to agree, resource availability and the instruments available at the EU's disposal (Hill 1993).

Over time, the European Union has largely bridged the gap with regard to the resources and instruments available, but still faces difficulties to obtain internal consensus. By consequence the 'consensus-capabilities gap' represents the main hindrance in the pursuit of an effective EU foreign policy (Toje 2008). In the area of trade, this argument has also surfaced by conceptualising the EU as a conflicted trade power (Meunier and Nicolaïdis 2006). The EU's capability to transform its 'formidable power in trade' into real influence is contingent on the extent to which it is able to speak with one voice. That ability, we argue, is influenced by three factors: the institutional rules governing trade policy-making, the lack of a clear competence of the European Commission and the plurality of motives that is used to link trade to labour policies.

The Common Commercial Policy is an exclusive EU competence. This implies that the European Union, as represented by the European Commission, is the only legal entity entitled to negotiating multilateral and bilateral trade agreements. It does so, however, on the basis of a mandate agreed by the member states in the Council of Ministers according to the rules of QMV. Similarly, the final results of the negotiations are also subjected to the Council's approval on the basis of QMV. The seemingly straightforward formal decision-making structure hides the actual prevalence of uncertainty regarding the voting rules: an informal consensus is preferred over a formal vote, especially when determining the mandate for bilateral or multilateral trade negotiations (Meunier 2000). By contrast, QMV is more likely with regard to the GSP, which is closer to the EU's day-

to-day functioning and does not involve the definition of negotiating strategies (Orbie, Vos and Tavernier 2005: 183). In other words, even though all of the EU's trade policy is in principle subject to QMV, the possibility of a formal vote appears more remote for multilateral or bilateral negotiations, where it is practically never used, than for the unilateral GSP, where it may be regarded as a last resort. The above implies that, under the assumption that a majority of EU member states favours the linkage, a state opposing the introduction of labour matters into trade agreements is more likely to succeed in tilting the EU's position to his interests during bilateral and multilateral negotiations (consensus) than in the case of the GSP (QMV as last resort).

In addition, the EU's competence to act on external matters of trade and labour is all but clear. Even though, the scope of the EU's Common Commercial Policy has been interpreted broadly by the EU's Court of Justice, labour issues in trade agreements are not explicitly part of the EU's exclusive competence. Labour standards are still a member state competence, with few exceptions (Novitz 2002). In short, the EU does not have the *obligation* to speak with one voice on trade and labour issues in multilateral fora, in contrast with negotiations related to trade in goods. Sophie Meunier and Kalypso Nicolaïdis' description of the EU as a 'conflicted trade power' is particularly relevant when it comes to issues that go beyond trade. Here possible conflicts are not limited to the contents of potential agreements but also extend to the very goals pursued by the agreements: is linking trade to labour a way of protecting domestic industries or promoting the EU's values? In such a context, member states that see trade first and foremost as just an economic policy tool are likely to have a different hierarchy of preferences than those who see it primarily as a tool for foreign policy purposes. In case of large disagreement, consensus will only be found at the most basic level, i.e. the normative underpinnings of foreign policy goals.<sup>5</sup> Toje (2008: 139) argues in this regard that 'the consensus-expectations gap is set to continue to prevent the EU from engaging in effective crisis management, leaving the Europeans to continue making statements and setting examples – rather than actually shaping world affairs.' On the basis of this discussion we expect the internal context to be most stringent in multilateral settings and less severe in the unilateral context.

### ***The external context***

The choice of means used to pursue labour standards is also affected by the external context. The question of influence is intrinsically linked to the question of scope and domain; it depends on who tries to influence whom and on which topic. Power differentials matter. While the United States under the Clinton administration imposed sanctions on Taiwan for its failure to counter the illegal trade in rhinoceros horn and tiger bones, it refrained from doing so against China

(Krustev 2010). The decision to incorporate sanctions and effectively enforce them in case of non-compliance is contingent on the size and importance of a target country.

The decision not to push for an enforceable clause or apply economic sanctions when dealing with large trading nations can be interpreted in accordance with Baldwin's logic of choice. On the one hand it affects the costs to be incurred by the EU, which are positively correlated with the amount of trade between the countries concerned. On the other hand size also affects the effectiveness of such sanctions. Whether a country acts through coercion or attraction depends on the size of the opposing partner (De Nevers 2007). Larger, more powerful countries are persuaded through softer versions of power whereas weak nations can more readily be the target of coercive forms of power.

In addition, given the inherent lack of information about the position and intentions of partners, when negotiating trade agreements, the reactions to the EU's linkage proposals will be based on the subjective assessment of the EU as opposed to its self-

conception as a normative power. In other words, developing countries will not necessarily take into account what Ian Manners refers to as the value-based identity or role of the EU, but their own views and conceptions thereof, shaped both by historical developments and strategic considerations. Summarising, 'the way in which the EU is perceived by other countries is likely to have a direct bearing on its success as a player in the international arena' (Lucarelli and Fioramonti 2009: 2). It should be noted that, even though nowadays perceptions are often studied in the framework of constructivist studies, they have long been studied from a rational point of view (Jervis 1976), and may thus be incorporated into rational-choice institutionalism, under the preliminary assumption of "bounded rationality" (Odell 2009).<sup>6</sup> These perceptions therefore matter for the ease with which the power resources used can accomplish the desired effect. This is especially the case if one aims to apply non-coercive forms of power. It is indeed difficult to portray the policy proposed as beneficial to third countries' economies when the EU is being perceived as pursuing its own –protectionist- interests.

Finally, the external context can affect the costs associated with such an approach as it reflects the odds of retaliatory action. The more the EU is isolated in its international endeavour, the more likely any sanctions imposed will be questioned. Retaliatory action is more likely and thus it increases the costs of pursuing coercive economic measures.

## **THE EU AND THE TRADE LABOUR LINKAGE: SOFT POWER BY DEFAULT<sup>7</sup>**

Based on the theoretical arguments presented above, we suggest that the EU's reluctance to include enforceable social clauses in the trade-labour domain did not emerge as such in a conscious and intentional manner, but was shaped in the first place by the internal decision-making environment of the EU, in combination with the lack of consensus among the EU's member states, which led to the pursuit of differentiated policies at the multilateral, bilateral and unilateral levels. Second, the EU's trade-labour linkage has also been shaped by the external environment: whereas the strong opposition of the developing countries at the multilateral level fostered changes in the linkage rhetoric towards a more universal, rights-based perspective, the unilateral character of the GSP made it possible to ignore the opposition towards the EU. Most data was gathered through desktop research. This includes primary documents such as speeches, ILO-reports and statements made in the WTO or in the context of bilateral negotiations but also secondary sources such as news articles from Agence Europe and academic literature.

### **THE INTERNAL ENVIRONMENT**

As has been stated above, the internal institutional setting influences the EU's international position in two ways. First, the lack of consensus among the member states and the Commission affects the EU's capacity to include coercive measures. Second, the decision-making rules governing the multi-, bi- and unilateral decision-making within the Council shaped that lack of consensus so that it produced three different outcomes at the three levels.

#### ***The multilateral level***

The lack of a European consensus on the trade-labour linkage at the multilateral level became most visible during four sets of multilateral discussions on trade and labour at the WTO during the nineties: the 1994 Marrakech Ministerial Meeting, which constituted the formal end of the Uruguay Round; the 1996 Singapore Ministerial Conference, the

1999 Seattle Ministerial Conference and, to a lesser extent, the 2001 Doha Ministerial Conference.

During the Marrakech Ministerial Conference, the lack of consensus in the EU became evident, both among the member states within the Council, and between the Council and the Commission, in the statements read both by the Commission and by the Council Presidency. The Council's statement underlined the fact that 'even in the European Union, points of view are not uniform' and attempted to balance pro- and anti-linkage arguments. The EU's member states' statements echo the Presidency's intervention: whereas Belgium, Denmark, France, Luxemburg, Portugal and Spain manifested themselves in favour of linkage, the United Kingdom's positioned itself clearly against it. In this context, it should be noted that whereas most states favouring linkage only framed the topic from a human rights perspective, Portugal linked it directly to the performance of its textile industry. By 1996, the discussion did not seem to have considerably progressed. The Commission did not make any formal proposal, but seemed to lean towards the US' pro-linkage approach. At the same time, Leon Brittan's representatives attempted to soothe the developing countries' worries by arguing, during informal meetings, that they would seek to limit the labour-trade discussion at the WTO to forced and child labour, and freedom of association (Brazilian Delegation in Geneva 1996). During the Conference, no consensus seemed to have been found at the level of the member states. Nearly all member states (with the exception of the UK) clearly manifested their will to discuss the issue at the WTO,<sup>8</sup> embedding their requests whether in normative terms of universality and workers' well-being or in economic terms of competition for local industries (Portugal). Simultaneously, the Commission only gave its support in a veiled way.

The 1998 Council statement further confirmed the lack of a particular EU consensus: the British presidency only stated that the EU attached importance to the Singapore Ministerial Declaration, without any further specification. However, by 1999, the Commission had been mandated by the Council to support an ILO/WTO working group, for which it introduced a proposal during the preparations of the Seattle Ministerial Conference. Whereas all EU members supported the proposal in their statements at the Conference plenary, the UK omitted any reference to it. At Doha, where the debate briefly resurfaced, most EU member states (Germany, France, Italy, Austria, Denmark, the Netherlands, Sweden, Luxemburg and Ireland) manifested their support for an ILO-WTO dialogue, or at least for the WTO addressing the issue. In short, until the Council conclusions of 2003 (cf. supra), the only common denominator between the UK and the rest of the EU member states plus the Commission was the same as between the linkage proponents and detractors: the Singapore Ministerial Declaration. It can further be argued that the Council conclusions of 2003, adopted by unanimity, were not the *only* but also the *lowest* common denominator of the member states' and the Commission's interests. In light of the internal disagreement, a softer, norm based approach reflects the fall-back position fostered by the institutional constraints that limit the effective use of more coercive instruments.

Two assertions can be made in the light of the theoretical argument presented above. First, the effect of the internal context on the EU's multilateral position is evident. There was a clear lack of consensus, encumbered not only by the presence of different views on the trade-labour linkage, but also by the confusion between humanitarian and economic goals and means. It was, in other words, not clear in which terms (trade protection or labour rights) the cost-effectiveness analysis should take place, and what were the alternatives for action (coercive measures or development assistance). Second, the institutional component of the internal context has also an important role in explaining the EU's position on the linkage: contrary to other commercial negotiations in which a qualified majority is enough to pass a Council decision, the consensus requirement that applies to multilateral negotiations (Orbie, Vos and Taverniers 2005) empowered those countries that were against the trade-labour linkage, mainly the

United Kingdom, to block the proposition, at the multilateral level, of any coercive measures. Furthermore, the lack of clarity as to the Commission's competence to deal with labour matters in the EU's international relations made it possible for the member states to express their views publicly in the multilateral forum.

### ***The bilateral level***

Though the bilateral level is difficult to document systematically due to the closed-doors nature of the Council decision-making, the lack of consensus among member states germane to the multilateral setting also surfaces in those negotiations. For instance, the UK government explicitly rejected a sanctions-based approach (BIS 2011), whereas the Belgian lower chamber has urged its government to put enforceable labour standards more at the forefront of trade agreements (Kamer van Volksvertegenwoordigers 2009).

The lack of consensus is further illustrated, for the most recent PTAs, by the discussions at the European Parliament (EP), which gained more competences in trade policy with the implementation of the Treaty of Lisbon. Even though the EP is generally more ambitious than the Council with regard to the pursuit of the linkage, significant divergences between the political groups can be observed when the question is raised as to how far such pursuit should go.<sup>9</sup> In this context, it may be argued that the lack of a consensus among the member states pushes the European Commission to negotiate less ambitious social clauses in its PTAs. Seeing that there is a *de facto* requirement of consensus, states opposing social clauses are likely to water down those clauses thanks to their informal veto power.

### ***The unilateral level***

Similar to the two previous cases, the decision making about the EU's unilateral GSP, reflected in several successive Council Regulations, was a contentious process. However, reconstructing that process to the letter becomes cumbersome due to the difficult access to primary Council documentation. Consequently, two non-exhaustive examples of the cleavage are provided below.

First, the discussions that followed the introduction of a Commission GSP proposal in 1994 saw labour conditionality introduced for the first time into the scheme. This was done in the form of a temporary preference withdrawal for countries using forced or prison labour, and an incentive that would reward the adoption and application of standards on freedom of association and collective bargaining and minimum employment age as laid out by the corresponding ILO conventions. As documented by Orbie (2006, 2011), the linkage was not the product of a clear consensus. Commissioner Leon Brittan included a labour dimension into his GSP proposal which was supported by the majority of the member states, but the UK and Germany opposed it.

Second, discussions re-emerged in 1997, when the Commission presented a proposal to the Council in which it advocated the application of the social clause incentives under stronger controls. Commissioner Manuel Marín openly defended an incentive-based scheme. At the time the United Kingdom, by then under a Labour government, was expected to have softened its position. Even though this time the inclusion of a social clause in the GSP was not questioned in the same way as it had been in 1994, cleavages emerged concerning the size of the custom duties' reductions that would be granted in exchange for social and environmental compliance. The more pro-liberalisation member states (Britain, Sweden, the Netherlands) aimed for a reduction 'sufficiently substantial to act as a true incentive', whereas the traditionally pro-social clause, less liberalizing states (Italy, Greece, Portugal), feared that 'these clauses would open up the

market too widely to products which are sensitive for the European market' (Agence Europe 14 April 1998). The final decision contemplated 'sufficiently substantial' customs reductions, as favoured by the more liberal member states and the Commission (Agence Europe 24 April 1998). In addition to the GSP scheme itself, divisions on the social clause's application emerged with regard to its application to Burma/Myanmar's imports in 1996, when forced labour practices by the military junta were denounced by, among others, the International Confederation of Free Trade Unions (ICFTU). Even though the consensus on the need to punish the anti-democratic regime was evident and trade preferences were eventually withdrawn, Agence Europe reported an initial disagreement within the Council (Agence Europe 9 October 1996).

In light of the theoretical argument provided above two issues are evident. First, the strong divergence across the member states' positions was similar to the disagreement at the multilateral level. Second, QMV allowed to overcome the lack of consensus regarding the introduction of a trade-labour linkage in GSP scheme, and later on the decision to implement that linkage: the very possibility to conduct a vote on the points of contention enabled the pro-linkage member states to construct majorities and overcome any opposition even if, following the tradition of consensus, QMV did not actually take place.

## **THE EXTERNAL CONTEXT**

The EU's choice of instruments to promote the trade-labour linkage has not only been influenced by the internal constraints, but also by the realist, external context, which is mainly characterised by developing countries' widespread and strong opposition to the linkage under any form. However, the extent to which that opposition has had an impact on the EU's policy has also been mediated by the level (multi-, bi- and unilateral) at which decisions take place.

### ***The multilateral level***

The previous sub-sections have made clear that the trade-labour standards debate has been characterised, at all policy levels, by heated discussions. The developing countries' opposition had, from the very beginning of the linkage discussions in 1994, two main features. It was in the first place unrelenting. Their standard formulation consists in positing that the trade-labour linkage cannot be discussed at the WTO because it may lead to protectionist measures. Secondly, it was unanimous. Even though some South American countries and South Africa did initially make some attempts to lean in favour of a social clause those efforts were soon overrun by the intensive informal coordination of mainly India and Pakistan. The developing countries' strategy proved extremely successful in influencing both the developed countries' and the ILO's discourse. In the first place, the fact that the developing countries even declined talking about whether to start a procedural discussion drove the discourse to their terrain: the linkage advocates' discursive strategies were focused on proving their innocence (attempting to convince the developing countries of their non-protectionist intentions) rather than on discussing whether or not to start a debate on the issue.

In the above framework, the European Commission (and also the US) had little choice but to reformulate its strategy, as stated by Pascal Lamy (European Commission 2000):

'After Seattle, while keeping its core idea, the EU's approach has evolved a little in order to take into consideration the preoccupations expressed by the developing countries in Seattle. We preach now the need to launch a regular

dialogue covering a larger domain, and with a larger participation of international organizations and other interested parties.’<sup>10</sup>

Later documents progressively dilute the emphasis on trade measures, universal labour standards and the circumscription of the dialogue to the WTO-ILO, and instead emphasise the need to “conciliate” and increase the coherence of international economic and social policy-making. The developing countries’ strong opposition to the labour issue did not only affect the EU’s approach directly; it obliged the ILO’s secretariat to soften its language, what on its turn allowed the EU to embed its own consensus in a multilateral normative framework. Through the mid-1990s, the ILO secretariat advocated a mildly economically oriented policy towards labour standards in the context of globalization. The topic was first addressed by the Director-General’s Annual Report in 1994 (ILO 1994). Even though that report discarded the use of trade sanctions in response to labour standards violations, it pleaded for a potential social clause that would link fundamental labour standards to the removal of already present trade barriers.

The ILO’s proposal awakened fierce opposition from the developing countries. After several embittered discussions, the ILO members adopted the 1998 Declaration on Fundamental Principles and Rights at Work, as a consensus document that would strengthen the ILO without establishing any links with trade. In this regard, the Declaration explicitly ruled out the commercial use of the four fundamental rights and principles it enshrined. At the same time, all references to the ‘social clause’ or to ‘trade and labour standards’ were replaced by the more neutral label ‘the social dimension of globalization’. This implied a broadening of the policy focus from the narrow trade-labour relationship to the much broader impact of globalization on social conditions (ILO 1998a; 1998b; World Commission on the Social Dimension of Globalization 2004).

The reforms were later (1999) synthesised in the Decent Work paradigm. The concept includes the promotion of employment, the development of social protection, the promotion of social dialogue and tripartism and the respect for the four fundamental principles and rights at work (ILO 2008; 2001; 1999). The EU’s move away from the economic language of trade and labour coincides with the increased use of the ILO’s paradigms: after 2001, the use of the “decent work” paradigm and the “social justice” emphasis, in which no trade-labour linkage attempts are made, become ubiquitous in the EU’s Commission and Council documents (European Commission 2006a; 2006b; 2004a; 2004b). At the same time, the labour conditionality present in the GSP has remained as such.

In that framework, the evolution of the EU’s discourse towards “soft power” should be seen as stemming both from the pursuit of international credibility and from a cost-effectiveness analysis. First, the lack of consensus during the first years of the debate had damaged the EU’s credibility as an external actor in two ways. On the one hand, the emphasis of some member states on the economic motivation of linkage undermined the “soft-power” approach to promote human rights, by making the EU appear as a “hypocrite power”. On the other hand, the visible lack of consensus among the member states strengthened the developing countries’ argument. By using the EU’s internal divisions as an example, the linkage opponents justified their own position: the UK’s opposition to the linkage contributed to “mainstreaming” it beyond the group of developing countries.<sup>11</sup> In this sense, the discourse’s moderation towards the ‘lowest common denominator’ helped to enhance the EU’s credibility by allowing it to speak with a single voice.

Second, cost-effectiveness elements are highly likely to have played a role in the EU’s discursive change. Confronting the developing countries over linkage entailed risks of unwillingness to discuss other topics of the multilateral agenda crucial to the EU’s liberalisation strategy (investment, services). Whereas those risks would be negligible in the case of small developing country markets, larger countries opposing the trade-labour

linkage such as India, Pakistan or Brazil did pose a larger risk, as the two remaining cases below also illustrate.

### ***The bilateral level***

At the bilateral level, the external context matters primarily with regard to the divergences in market size. First, discrepancies in market power clearly affect the extent to which the EU can negotiate a favourable deal. Second, pushing hard on non-trade issues such as labour may imply concessions on, for instance, the opening of weak sectors at home. Such trade-offs are more outspoken when negotiating with powerful trade partners, as the following three examples (the CARIFORUM EPA and the PTAs with Colombia and India) show.

In terms of market power, the CARIFORUM states are weak when compared to Colombia whose economy is more than twice as large. Colombia on its turn is dwarfed by India in terms of GDP. These differences are reflected in the social clauses that have been or are being negotiated by the EU: as indicated above, the EPA with CARIFORUM includes the most elaborated social clause in the PTAs negotiated by the EU thus far, and shares some features with the Colombian agreement: both deals contemplate a limited possibility to enforce labour-related issues through consultations and the possibility to convey a group of experts that may issue non-binding recommendations. In addition, the two agreements include a prohibition to lower labour standards to encourage trade or investments.

Further, Colombia's potential leverage regarding labour standards issues is diminished by its lack of compliance with ILO conventions. The assassination and intimidation of union officials has been a highly salient topic in the PTA negotiations: EU trade unions have complained that the social clause in this PTA would be a weakening of the earlier system governing EU-Colombia trade i.e. GSP+ (EMCEF 2011; TUC 2010), and special tripartite meetings to address the issue have taken place at the ILO. These events legitimise the European demands to a large extent, and reduce the chances of allegations of murky protectionism during the negotiations. Moreover, the fact that both the CARICOM countries as well as Colombia already agreed on a tougher clause in its negotiations with the US, softens the perception of the EU's relatively weak social clause. In the case of India, including labour issues is much more cumbersome, as debates are more concerned with the inclusion of a sustainable development chapter rather than on the concrete features of such a chapter. From the beginning of the negotiations, Indian representatives have made clear that labour issues constitute a red line (González-Garibay 2010: 780-782). This has been echoed by Commissioner De Gucht in addressing European Parliament on the 9<sup>th</sup> of May 2011: 'We also need to be clear that a sustainable development chapter which would allow the use of trade restrictions linked to social or environmental issues will not be acceptable to India.' It is thus likely that, if a sustainable development chapter is included at all in the PTA, it will be in a diluted version.

### ***The unilateral level***

Given the fact that the EU's GSP decision making does not foresee any formal negotiations with or input from the potential beneficiaries of the scheme, the potential impact those countries may exert on the final outcome is somewhat arbitrary. Discussions do, however, take place, and beneficiaries react to the measures adopted. For instance, GSP preferences were discussed in the framework of the EU-Central America relations during the 1990s, and in 1998 the Andean Community lobbied for the de-coupling of trade preferences aimed at combating drug trafficking from compliance

with labour standards (Orbie 2006). In 1998 Pakistan lobbied the member states' governments intensively in response to a complaint of child labour filed by several trade union federations (Agence Europe 25 February 1998). Similarly, the 1998 Council approval of new GSP guidelines unchained reactions from the large developing countries, with India and Pakistan openly criticizing the social and environmental clauses as a possible precedent for WTO action (Agence Europe 02 June 1998).

However, none of the aforementioned actions has ultimately an effect on EU member states. For instance, bilateral talks on GSP do not produce binding outcomes, as in the case of PTAs, and the Andean lobbying was reportedly successful only due to the support of some member states at the Council (Orbie 2006). Similarly, the Indian and Pakistani *a posteriori* complaints did not imperil the application of the GSP social and environmental clauses. In other words, from a formal viewpoint, the EU has the last word on the final form of the GSP. In spite of the lack of formal input by the developing countries, it should be noted, however, that the implementation of the GSP social measures has so far only taken place against relatively small trading partners (Sri Lanka, Burma, Belarus) whose violations of human rights and/or labour standards are consensually acknowledged by most if not all of the EU's member states. Conversely, China, which is often criticised for its human rights violations, has not been the subject of any preference withdrawal so far, and the complaints against Pakistan in 1998 were not conducive to any concrete outcome. This may be regarded as an evidence of the fact that the external context does influence the EU's unilateral policy making through strategic considerations that weigh in the way in which the GSP is implemented.

## CONCLUSION

This article raised the question why the EU has refrained from applying a sanction-based regime to enforce compliance with labour standards. Prior studies have explained the EU's soft and cooperative approach as the outcome of its particular identity. In this article, we have focused less on the outcome and more on the process. Hence, we provide an alternative explanation using liberal and realist insights. The former manifests itself in the procedural limitations to achieve consensus about an ambitious clause. The latter marks the constraints derived from the EU's (limited) power in the different forums where it could have advocated the linkage.

Lack of agreement among the member states about the EU's identity and policies have long been acknowledge to explain a lack of coherence in foreign policy. Trade is an interesting area as it is an exclusive competency. Here, the member states cannot act on their own. This article has shown that in such event, lack of coherence is manifested through the EU's behaviour in arenas where different internal rules apply. The stricter the requirement for consensus the more likely we will see a lowest common denominator position being advocated.

Our analysis has also shown that liberal and realist notions provide an alternative reading of the EU's policies as they focus more on the policy process than the policy outcome. Identifying and acknowledging the importance of such factors can help us in establishing the (lack of) intentionality behind the EU's decisions and hence assess how far the EU might still be from the ideal of a Normative Power Europe. Indeed, as Jan Orbie acknowledged in light of the then-launched trade negotiations with India: 'the principles and activities of European trade arrangements have certainly become more normative in the past decade, but the EU (at least as it is presently constituted) may soon be facing the limits of what it can achieve' (Orbie 2009: 181). Moreover, the combination of normative and protectionist motives behind the promotion of labour standards at least raises some questions as how to reconcile this diversity among intentions across the member states and distil common underlying norms and principles.

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<sup>1</sup> There is to date no formal link between the two organisations.

<sup>2</sup> In 2005 all GSP conditionalities (labor, environment, human rights, good governance) were grouped in the so-called GSP+ arrangement.

<sup>3</sup> These rights, also called 'core labor standards', are freedom of association and collective bargaining, the prohibition of forced labor, the prohibition of child labor, and non-discrimination

<sup>4</sup> For critical views on the effectiveness of (trade) sanctions see Pape (1997) and for an application to the trade-labor debate, see Brown (2001).

<sup>5</sup> Implicitly, we assume some form of hierarchy here between the ease by which consensus can be found and the instruments being pursued. It is most difficult to come to a common position with regard to the use of military force, followed by economic sanctions and finally, the normative statements. Therefore, we consider the soft power approach, based on the normative underpinning of the EU as its default position in case no consensus can be found.

<sup>6</sup> The difference between both theoretical strands lies in the fact that, in a rational-choice context, perceptions are regarded as causal variables, as opposed to constructivism, which pays attention to the extent to which those perceptions *constitute* actors' identities.

<sup>7</sup> A large part of the information contained in this section was retrieved from the WTO Documents Online facility (<http://docsonline.wto.org/>). For the sake of simplicity, references to individual documents are omitted and only sources external to the facility are indicated throughout the text.

<sup>8</sup> Luxembourg and Germany did so in a somewhat ambivalent manner. Whereas both countries stated their wish to establish an ILO-WTO dialogue, they also made clear that the topic of labor standards belonged in the ILO. Ireland did not issue any statement at all.

<sup>9</sup> This became apparent in the discussion on a resolution to include an ambitious sustainable development chapter (available at:

<http://www.europarl.europa.eu/sides/getDoc.do?type=MOTION&reference=B7-2011-0291&language=EN>. Accessed on 21 March 2013)

<sup>10</sup> Moreover, in 2002, Pascal Lamy stated that he stopped pursuing the inclusion of new labor language at Doha due to India's threat not to approve the launching of the Doha Round (European Commission 2002).

<sup>11</sup> A statement by the Brazilian Foreign Minister is illustrative in this regard: 'Even the European Union is very divided and its position will have to be the lowest common denominator' (Lampreia 10 November 1996).

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# Journal of Contemporary European Research

Volume 9, Issue 4 (2013)

## The European Union as a Conveniently- conflicted Counter-hegemon through Trade

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### Citation

Bailey, D. and Bossuyt, F. (2013). 'The European Union as a Conveniently-conflicted Counter-hegemon through Trade', *Journal of Contemporary European Research*. 9 (4), pp. 560-577.

First published at: [www.jcer.net](http://www.jcer.net)

## Abstract

This article addresses the failure by scholars of EU trade policy to fully explain the difficulties faced in realising the ‘normative’ goals contained within the European Union’s external trade policy and the conviction that it might be a ‘force for good’ through trade. In seeking to account for and, in particular, move beyond the failure to fully explain these difficulties, the article adopts a critical social science approach that focuses on relations of domination and the (potentially misleading) appearances that such relations tend to uphold. In contrast to the traditional view of the EU as a *potential* ‘force for good’, we conceptualise it as a site of domination, focusing in particular on three mechanisms through which this domination is achieved – expansive market (capitalist) exchange, the ‘Othering’ that tends to accompany such processes of expansion, and the de-politicisation necessary to achieve and/or legitimate these processes. The article proceeds to explore recent developments in EU trade policy, and in particular the Global Europe agenda and associated new generation of free trade agreements with trade partners in Asia and Latin America. In doing so, the article examines the extent to which processes of market expansion, Othering and de-politicisation have been realised in recent EU trade policy. It argues for a conceptualisation of the European Union as a conveniently-conflicted counter-hegemon through trade, whereby the EU presents itself as a potential “force for good” through trade, but simultaneously avoids the realisation of that potential (and justifies its non-realisation) by evoking the conveniently-conflicted status that arises from institutional constraints and both internal disagreements and external differences. This account, we claim, is both more plausible than the existing empirical accounts in that it is able to explain the consistent promotion of an apparently unrealisable ‘progressive’ agenda by the European Union, and an improvement upon those accounts in that it illuminates and demystifies relations of domination and certain ideas that act to uphold them.

## Keywords

EU trade policy; bilateral trade agreements; normative trade agenda; critical social science

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The literature on EU trade policy witnesses a growing number of contributions focused on the so-called normative agenda of the EU’s trade policy (see Hettne and Söderbaum 2005; Manners 2009; Orbie 2008, 2011). Espousing the view that, from the mid-1990s onwards, the EU has increasingly geared its trade policy towards becoming a progressive force in the (re)shaping of the international (trade) system, destined to reduce or prevent harm in world politics through trade, the scholarly discussion in this regard pertains not directly to what the EU can achieve *in* trade, but rather to what it can obtain *through* trade, as Sophie Meunier and Kalypso Nicolaidis (2005) famously phrased it. In particular, scholars have widely anticipated EU attempts to “harness globalization” through trade, thereby reflecting and reproducing the discourse introduced by former Trade Commissioner Pascal Lamy in the late 1990s. Thus, DG Trade’s mantra of “harnessing” or “managing” globalization explicitly puts ‘trade at the service of development’ (e.g. Mandelson 2005), arguing that EU trade policy, the most powerful and most integrated area of EU external relations, seeks to advance the development of the South, as well as promote progressive values and norms, including social norms, such as the respect for core labour standards, and environmental norms (Meunier 2007; Orbie 2008; Young 2007 – see Young’s term of ‘EU social trade policy’). As Meunier (2007: 915) puts it,

‘the EU offers access to its market as a bargaining chip in order to obtain changes in the domestic arena of its trading partners – from labour standards to human rights, from democratic practices to the environment (...) This conditionality enables the EU to leverage its trade power in exchange for a tamer, more managed competition from many developing economies.’

There exists, therefore, a shared scholarly expectation and/or aspiration that the EU could utilise its trade policy as a means through which to promote a more equitable, egalitarian and/or regulated global socio-economic model, posing something of a counter-hegemonic alternative to global neoliberalism. Nevertheless, upon empirical examination this potential appears to be hardly realised (Bossuyt 2009; Drieghe 2008; Meunier and Nicolaidis 2006; Orbie and Babarinde 2008; Stevens 2006; Van den Hoven 2006). The empirical record of the EU's trade policy has witnessed it consistently claiming to be faced with outweighing negotiating constraints that result in the downplaying of its commitment to both development (Orbie 2008) and the promotion of a 'social trade policy agenda' (Young 2007: 805-806; Dür 2008a; Dür and De Bièvre 2007; Orbie et al. 2008). Thus, the promotion of social market regulation has typically been jettisoned for a 'strategy that pursues trade liberalization at the expense of developing country trade partners' (True 2009: 742).

Despite this empirical track record, we argue that scholars have continued to expect that the European Union might realise its much discussed (and self-proclaimed) potential to become a progressive 'force for good' through trade policy. In seeking to account for the EU's limited track record in promoting an egalitarian counter-hegemonic agenda through trade policy, explanations have tended to focus predominantly on internal disagreements, between member states and between EU institutions, which have prevented a more effective policy from being adopted and/or advanced. To use the terms of Meunier and Nicolaidis' (2006) often-cited article, the European Union has a limited ability to pursue a more progressive normative trade agenda because it is a 'conflicted trade power'. The EU is considered to be conflicted both because of diverging interests between its member states and because of institutional fragmentation and disagreement over the priorities and norms that it seeks to promote through its trade power (for a number of explanations focusing on divergent positions between member states, see Young and Peterson 2006: 807; Young 2007; Orbie et al. 2008; Bossuyt 2009: 720-722; Hettne and Söderbaum 2005; Meunier and Nicolaidis 2006; Orbie et al. 2005; Orbie et al. 2008).

As an alternative approach, we advocate an analysis, which claims that the counter-hegemonic nature of commonly proclaimed EU ambitions through trade (which are largely shared by EU scholars) might be better understood if they are assumed to be unrealisable. In doing so, we present a conceptualisation of EU trade relations that adopts a critical social science approach in order to portray a mode of European domination pursued primarily through three mechanisms – expansive market (capitalist) exchange, the "Othering" that tends to accompany such processes of expansion, and the de-politicisation that forms part of the attempt to realise and/or legitimate these processes. In short, we argue that claims regarding the counter-hegemonic tendencies of the European Union's trade policy are designed to conceal and legitimate an inherently neoliberal project. This, we argue, represents a more plausible explanation for the non-realisation of the European Union's self-proclaimed "counter-hegemonic" role through trade.

Critical social science can perhaps best be considered an attempt to deal with the perennial problem facing social scientists as a result of the (unavoidably) value-laden nature of empirical observation. In short, how do we undertake empirical observation whilst simultaneously recognising that (a) ideational frameworks invariably shape our process of perception; (b) those ideational frameworks are learned through our interaction with society; and (c) that, as a result of their basis in society, ideational frameworks will therefore tend to reflect dominant practices and relations and in part serve to reproduce these. Moreover, critical social science seeks to address these problems without sliding into a relativist position whereby all "truths" or conceptualisations are considered equally plausible and equally decidable (Bhaskar 1975, 1992; Sayer 1992; Hay 2002; Bates and Jenkins 2007). Therefore, the key question for critical social science is how we might decide which of a range of contending accounts

and conceptualisations – each informed by alternative ideational frameworks – we consider to be most accurate or adequate? For Sayer (2009), the answer to this question lies in the claim that critical social science must attempt to critique and expose *unnecessary* human suffering, and in the process identify the means by which greater human flourishing can be achieved. Indeed, if we accept that perception is grounded in (unequal) social relations, which may in turn give rise to particular illusions that act in part to reproduce those social relations, we might also accept that the attempt to more accurately conceptualise those same social relations includes the dispelling of those related illusions and an undermining of the beliefs that underpin them. In this sense, critical social science seeks to identify means by which to overcome, or destabilise, domination, *including* the commonly held ideas, which uphold processes of domination (Sayer 2009: 770).

### **RECONCEPTUALISING EU TRADE POLICY: FROM A POTENTIAL 'FORCE FOR GOOD' TO A SITE OF DOMINATION**

In adopting a critical social science approach, and thereby reconceptualising EU trade policy in terms of the relations of domination that the policy acts to reproduce, it is beneficial to first consider those forms of domination that are commonly held to have been constructed *within Europe* as part of the process of European integration. Two claims regarding the social inequalities associated with the EU mode of governance are especially prominent within the European integration literature. First, a number of authors have highlighted the pro-market (neoliberal) agenda that prevails at the European level<sup>1</sup> and which has acted to sharpen the domination by capital over labour within Europe (Van Apeldoorn 2002; Scharpf 2010; Gill 2001). Second, many scholars have argued that a democratic deficit exists at the European level,<sup>2</sup> which precludes widespread popular participation, and thereby consolidates the domination by the European political elite over the European public/citizenry (Schmidt 2006; Hix and Follesdal 2006; Mair 2007). If we draw upon these criticisms to consider European governance in terms of relations of domination, we might consider the European Union as an attempt by Europe's political elite to ensure its continued rule over (and domination of) the European citizenry, through recourse to a "de-democratized" form of democracy that governs largely through the promotion and extension of the market mechanism of private exchange as the regulating principle governing social interaction, and in the process maintains the continued domination by capital over labour within the site of the European Union (see Bailey 2010 for an extended version of this argument).

Based on this critical conceptualisation, we argue that the reproduction of three mechanisms of domination, each of which have particular implications for EU trade policy-making, results from the model of governance constructed within the territory of the European Union. In highlighting each of these three mechanisms, we draw upon broad debates within relevant fields of critical social science. Thus, rather than engage in a detailed discussion of competing positions within each debate, we seek instead to identify common points of convergence. This has the advantage of enabling us to identify, in broad terms, the mechanisms that we subsequently use to inform a discussion, description and explanation of concrete developments in EU trade policy making.

#### ***Mechanism of domination 1: the (expansionary) market mechanism***

Drawing on broad claims within the Marxist tradition, we can view the European Union's internal focus on market liberalisation and the reproduction of the market mechanism as acting in turn to generate pressure for the further expansion of market exchange and therefore, in terms of trade policy, the liberalisation of external trading relations. As

Robert Boyer puts it, 'the inner logic of market relations and the incentive to permanently innovate challenge (...) domestic institutions (which would otherwise restrict market relations to a localized and bounded space)' (2011: 73; for a similar view, see Streeck 2011: 155). The predominance of market exchange as a regulative principle within a particular society, therefore, generates pressure for the further expansion of that market mechanism. As research within the Marxist tradition has noted on a number of occasions, the market both requires, but also renders problematic, the continued existence of opportunities for profit-making (Harvey 2006: 183-203). Thus, market exchange within capitalist society requires that profits can continue to be realised, despite generating a downward pressure upon the rate of profit as a result of both market competition and capital accumulation. This contradiction tends to be most easily resolved (in part) through the expansion of opportunities for capital to exploit labour, albeit acting in turn to set up those same contradictions on a yet further expanded scale still. As Karl Marx (1894) put it, '(t)he market must, therefore, be continually extended, so that its interrelations and the conditions regulating them assume more and more the form of a natural law working independently of the producer, and become ever more uncontrollable'. As a result, '(c)apitalist production seeks continually to overcome these immanent barriers, but overcomes them only by means which again place these barriers in its way and on a more formidable scale'. In this sense, the reproduction of the market mechanism as a mode of governance *within* the European Union generates pressure for greater market-searching expansion *beyond* the boundaries of the European Union, thereby producing a tendency for EU trade policy to seek the expansion of market relations and trade liberalisation. This is likely to take a form whereby EU trade policy seeks *both* an increase in opportunities for exports, but *also* welcomes increased *import* opportunities, due to the increased (and intensified) opportunities for market exchange that both elements of market expansion offer.

### ***Mechanism of domination 2: "Othering" the target of expansion***

Alongside the pressure to expand relations of market exchange, we can also draw on insights, developed largely within the postcolonialist literature, which note how attempts by expansionary systems of domination also generate pressures to (re)produce a discourse and culture that portrays that expansionary domination as normal, natural, reflecting superior qualities of the "metropole", and/or beneficial for the target ("Other") population. This also has implications for EU trade policy making. As postcolonialist literature has made clear, expansion tends to be depicted in terms of both being to the advantage of the (supposedly inferior) receiving "other" *and* (thereby) serving to legitimate the dominant values within the expanding "home" zone. As such, the postcolonialist critique 'turns the gaze back onto the colonizer to better reveal the tactics and representational practices of the dominant' (Kapoor 2008: xiv). This process of "Othering", which colonising powers tend to undertake, can adopt both positive and negative forms (see Rutazibwa 2010: 215-21). Positively, colonising forces tend to portray themselves as benevolently assisting the colonised to improve its (currently less favourable) circumstances, through promotion or prescription of particular types of behaviour, including seeking to model behaviour in the colonised region upon that of the coloniser, and encouraging colonised regions to become more similar to, engage more closely with, and/or welcome the intervention of, the coloniser. Negatively, colonising forces tend to stigmatise, prohibit and/or marginalise proponents of those forms of behaviour that might act as sources of resistance to colonisation within the colonised zone, often in terms of either discussing the inhibiting effect that such behaviour might have upon the advancement of the colonised zone itself, or through a moral critique of such recalcitrant forms of behaviour.

### ***Mechanism of domination 3: de-politicising expansionary domination***

Finally, the third mechanism of domination engendered by the EU mode of governance, which we expect to impact upon EU trade policy-making, is the tendency often noted within radical democratic theory for liberal (representative) democracy to systematically act to limit popular participation in decision-making (see, for instance, Wood 1995; Prichard 2010; Roussopoulos 2005). Thus, if the European Union is to maintain itself as an expansionary and Othering market-oriented mode of governance, it is also necessary that the process of expansion and Othering that constitutes EU trade policy-making is itself sufficiently de-politicised, by which we mean that citizens fail to effectively contest the lack of democratic deliberation that such a policy presumes (for a discussion of depoliticisation, see Burnham 2001; Buller and Flinders 2006; and as applied to the case of EU external relations, see Shields 2011). In order for this technocratic model of market-oriented governance to be workable within the European Union, and for that model to be exported and legitimated as outlined in the discussion of Othering provided above, it is also necessary that popular participation in, opposition to, or mobilisation against, such mechanisms of domination are absent (or at least minimised).<sup>3</sup> We should therefore anticipate that an EU trade policy experiencing pressure to realise market expansion and promote an Othering of target regions, should likewise be characterised by a process of depoliticisation, whereby EU political elites seek to avoid or minimise popular participation in and opposition to EU trade policy-making.

In sum, we identify three mechanisms of domination that characterise and act to reproduce the EU model of governance (and thereby generate pressure for their realisation) – expansive market (capitalist) exchange, the “Othering” that tends to accompany such processes of expansion, and the de-politicisation that forms part of the attempt to realise and/or legitimate these processes. This conceptualisation is used below to inform an account of recent developments in EU trade policy.

### **EU TRADE POLICY AND THE EXPANSION OF MARKET (CAPITALIST) EXCHANGE**

While still publicly presenting itself as a champion of multilateralism, in recent years the EU has increasingly focused on negotiating bilateral and regional trade deals in an attempt to increase market liberalisation between the EU and third countries/regions. Indeed, reversing a moratorium on bilateral and regional trade agreements introduced in 1999 by then Trade Commissioner Pascal Lamy, DG Trade reverted in 2006 to bilateral negotiations as a means to pursue further trade liberalisation in the light of (government and corporate) frustration felt at the lingering deadlock of the Doha Round of WTO negotiations. This ‘bilateral turn’ was announced by DG Trade in its “Global Europe” agenda in late 2006, which called for the active pursuit of bilateral and regional trade arrangements with emerging markets in view of securing new market access for EU businesses – the so-called new generation of free trade agreements (European Commission 2006a).

Presented as DG Trade’s contribution to the Lisbon Agenda, the “Global Europe” strategy aimed at increasing Europe’s economic competitiveness. Prospective FTA partners were therefore selected based on the key economic criteria of market potential and level of protectionism against EU export interests, whilst taking into account the partners’ negotiations or trade agreements with EU competitors. This resulted in India, South Korea and ASEAN<sup>4</sup> being singled out as three target markets of key interest to EU export companies. Simultaneously, the release of the “Global Europe” communication significantly endorsed and accelerated the EU’s plans to improve access opportunities of European companies to the regional markets of the Andean Community (CAN) and Central America.<sup>5</sup> This led to the inclusion of trade and trade-related provisions in the mandates for the Association Agreements (AAs) envisaged with the two regions similar to the provisions presented in the mandates for the FTAs with the Asian growth markets.

While the bi-regional negotiations with Central America progressed relatively smoothly, the bi-regional talks with CAN were soon suspended due to internal disagreement within the Andean bloc over some of the trade-related issues in the planned AA. Eager to proceed with the negotiations, the Council authorised a modified negotiating mandate based on a proposal from the Commission to negotiate a separate multi-party trade agreement with those Andean countries that are interested in concluding a trade pact with the EU, *in casu* Peru and Colombia. The bi-regional formula also proved difficult in the case of ASEAN. Here poor progress in the bi-regional trade talks also led the EU to hold bilateral negotiations with individual members of the Association, notably the most economically advanced members, including Singapore, Malaysia and Vietnam.<sup>6</sup> The promptness with which the EU shifted towards a bilateral track of talks with individual member countries of ASEAN and CAN overshadowed its commitment to promote regional integration in the respective regions, and revealed the EU's steadfast determination to enhance market liberalisation.

In launching the "Global Europe" strategy in 2006, the Commission clearly sought a more direct approach to securing the expansion of market exchange with third countries than had until that point been secured through multilateral negotiations at the WTO. In doing so, DG Trade sought to meet pressure to expand market relations that it had been experiencing from domestic export-oriented actors, themselves empowered by the market-oriented mode of EU governance (Siles-Brügge 2010; Dür 2011). The strategy highlighted the way in which the model of economic growth being reproduced *within* Europe generated pressure to expand market exchange *beyond* Europe's borders, thereby creating a general pressure for market liberalisation between the EU and third countries/regions. In the words of the then EU Trade Commissioner, Peter Mandelson: 'More than ever, Europe needs to import to export; to trade in order to grow. Our supply chains are global. We need to be open so that we can insist on openness from others' (European Commission 2006a: Foreword). The fact that the proposed series of FTAs were designed to be 'WTO-plus agreements' further indicated the EU's determination to improve market access for its export companies, aimed at tackling not only tariff barriers to trade but also regulatory and non-trade barriers, including issues such as competition, investment and public procurement, which – in the Commission's terms – were not yet 'ready for multilateral discussion' (European Commission 2006a: 11).

The move away from the moratorium on bilateral free trade agreements in 2006 was driven largely by concern within the EU that the US and Japan were forming trade relations with emerging countries/regions. The fear was that, should these relations be consolidated, they would pre-empt and preclude the expansion of such market exchange relations between the EU and those emerging countries/regions (Siles-Brügge 2010: 12-13; Bossuyt 2009: 707). Opportunities for market expansion were therefore threatened if the EU did not start deepening its trade relations with these growth markets. As the Commission Staff Working Document accompanying the "Global Europe" communication declared, EU exports were 'less well positioned in rapidly growing areas, particularly compared to the Japanese and US exports. We risk missing market opportunities in dynamic areas, which account already for half of world import growth' (European Commission 2006b: 5). Moreover, since the global economic crisis began in 2008, pressure to secure enhanced market exchange seems to have further built up, as the Commission has increased its focus on achieving trade liberalisation through ambitious FTAs. Declaring that 'trade has a key role to play in the economic recovery', Trade Commissioner Karel de Gucht announced a focus on further trade liberalisation at the release in November 2010 of the Commission's new trade strategy, 'Trade, Growth and World Affairs' (De Gucht 2010a).

In sum, pressure to expand market relations, generated by the need to identify new market opportunities in order to keep up with global market competitors and respond to the reduction in such opportunities created by the post-2008 crisis has had a clear impact upon EU trade policy since 2006. In contrast to more "empirical" accounts, which

have been keen to assess the extent to which this pursuit of further global market share might be accompanied by a normative, or “progressive”, counter-hegemonic agenda (see, for instance, Bossuyt 2009; Specht 2006; True 2009; Orbie 2011), the critical approach presented here plausibly depicts this process as one of market extension in order to consolidate and maintain the market relations that have already been established within and beyond the European Union.

## EU TRADE POLICY AND THE “OTHERING” OF TARGET COUNTRIES/REGIONS

EU trade policy has also shown considerable signs of reflecting pressure to “Other” those countries that are being targeted for expansionary market liberalisation as described above. As noted, “Othering” takes both positive and negative forms, as can be witnessed in the case of the new generation of FTAs.

In terms of positive forms of “Othering”, we witness three ways in which submission to the EU’s market expansion is portrayed by the EU as being of benefit to receiving (target) countries. First, the Commission (and DG Trade in particular) routinely argues that receiving countries will benefit from expanded trade relations with the European Union, in terms of an increased likelihood of achieving both greater economic development and poverty reduction. For instance, the “Global Europe” communication declared that, ‘(p)rogressive trade opening can be a powerful factor in increased productivity, growth ... and in reducing poverty and promoting development around the world’ (European Commission 2006a: Executive Summary). This tends to be depicted as the EU benevolently seeking to facilitate third countries’ development. These developmental benefits, it is claimed, will also filter down to the citizens of target countries. For example, in the position paper accompanying the Sustainability Impact Assessment for the prospective FTA with India, the Commission declared that, ‘increases in incomes, real wages, employment opportunities and declining poverty ratios could indirectly have positive effects’ on health and education in India (European Commission, 2010b: 3). Similar claims were made in the Commission’s 2010 communication, *Trade, Growth and World Affairs*, which noted that ‘developing countries that have entered global trade and production chains have seen incomes and employment grow rapidly as well as significant reductions in poverty’ (European Commission 2010a: 5). These claims have been echoed on multiple occasions by Trade Commissioner Karel De Gucht in statements made in the context of the new generation of FTAs, *inter alia*, when addressing audiences from the partner countries concerned (see De Gucht 2010b, 2010d, 2011a).

Second, DG Trade routinely argues that receiving countries will benefit from expanded trade relations with the European Union in terms of an increased likelihood of more equitable socio-economic outcomes for the receiving countries, most notably through the inclusion in the respective FTAs of a comprehensive sustainable development chapter (De Gucht 2010d). As stated by Trade Commissioner De Gucht (2011b) when addressing a Malaysian audience upon his visit to the country:

‘Trade must be inclusive so that everyone can share the benefits. It’s not just about opening markets but it’s about helping people, and countries, adjust to open markets as well. That is why setting a broad trade agenda remains so important to me. I want to make sure that the negotiations look at the trade implications on environmental and social factors. And of course there are policies outside the field of trade that are essential for prosperity to spread.’

Thus, the “Global Europe” communication announced that new FTAs would include ‘new co-operative provisions in areas relating to labour standards and environmental protection’ (European Commission 2006a: 12). Moreover, stressing the importance of dialogue with civil society, the social agenda of the “Global Europe” strategy calls for the

establishment in the partner countries of a dialogue mechanism to allow for the consultation of - as well as monitoring by - civil society regarding the sustainable development aspects of the respective FTAs. In addition, Sustainability Impact Assessments have been conducted for each of the FTAs, which as in the case of the Indian FTA, are designed to be 'preventive, mitigation and enhancement measures ... for ensuring and strengthening the pro-poor and pro-gender equality effects of the FTA' (European Commission 2010b: 8).

Third, DG Trade promotes regional economic integration as a means by which to achieve development and prosperity, thereby routinely referring to its own model and experience of regional integration. This is therefore a process whereby the EU advocates replication of the *coloniser's* mode of behaviour, which Rutazibwa (2010) refers to as an 'isomorphic intervener centric mechanism'. As envisaged in the original mandates for the negotiations with ASEAN, Central America and CAN, one of the overarching goals was to stimulate and consolidate regional integration within the respective regions, which was to be pursued through full region-to-region negotiations in all trade and trade-related areas with the three regional blocs. Even after the abandoning of full region-to-region negotiations with CAN and ASEAN (see above), DG Trade has sought to refer to the merits of regional integration in the subsequent bilateral trade talks with receiving countries from the respective regions. For instance, in a speech delivered at the Lee Kuan Yew School of Public Policy in Singapore, Trade Commissioner De Gucht (2010c) noted that,

'we have a soft spot for regional integration processes elsewhere. (...). With the ASEAN Charter and the ASEAN Economic Community Blueprint, ASEAN has set itself ambitious goals. The EU has been a long-time supporter of this process, we will continue to do so, and as a regional group you can always count on a sympathetic ear in Brussels. Nobody else knows and understands the challenges of regional integration as well as we do'.

In sum, there are three ways in which the European Union seeks to highlight the positive benefits to be reaped by "Other" countries or regions: increased prospects for international development; greater opportunities to achieve more equitable socio-economic outcomes; and advantages to be accrued by countries and regions that replicate the European Union model of governance. It is here, therefore, that we see most clearly the EU's self-declared 'normative', or counter-hegemonic, identity being proclaimed *in casu* by DG Trade.

In terms of negative forms of "Othering", the Commission and DG Trade have articulated a discourse whereby third regions or countries are denigrated for routinely acting unfairly by failing to comply with EU-led market expansion. As such, target countries and regions represent potential sites of danger or immorality that must be "civilised" by the more ethically sound European Union. We witness the Commission claiming, for instance, that 'many of the EU's major trading partners operate discriminatory procurement practices which impede the fair participation of EU suppliers in national procurement markets' (European Commission 2006b: 9). Similarly, emerging countries are considered to maintain 'unnecessarily high barriers to EU exports' (European Commission 2006a: 6). In the area of public procurement, EU exporting companies 'face discriminatory practices in almost all our trading partners' (European Commission 2006a: 8). Further, third countries undertake 'unreasonable subsidization of local companies or anti-competitive practices' and have 'little transparency over the granting of aids' (European Commission 2006a: 8). As a result, the Commission needs to 'prise open markets that are illegally closed' (European Commission, 2010a: 12). In sum, the Commission needs to act to ensure 'that European firms do not suffer in third countries' (European Commission 2010c: 14), a process which might include "'naming and shaming" third countries' that failed to enforce its commitments to free trade (European Commission 2010a: 12).

The approach that the EU is taking towards the new generation of FTAs has in fact led to accusations of neo-colonialism from partner countries, in particular in Latin America, which feel that the EU's FTA agenda does not sufficiently account for the asymmetry inherent to their trade relations with the EU.<sup>7</sup> Indeed, while the EU insists that the trade partners targeted under the new generation of FTAs are treated as 'equal partners', it cannot be denied that there exists a huge asymmetry between the EU and many of the trade partners concerned, such as Peru, Colombia, India, Vietnam, Indonesia and the Central American countries, most of which are still considered developing countries. In addition, while publicly announcing that it concedes to countries' specific needs, the EU has not refrained from concluding a multi-party trade agreement with Peru and Colombia, which it stresses Ecuador and Bolivia can still join but only if they agree to a 'Single Undertaking'.

In sum, DG Trade has consistently sought to "Other" – both positively and negatively – those countries targeted for expansionary market liberalisation. This therefore echoes forms of dominance highlighted by post-colonialist scholars, whereby informal power over third countries/regions is consolidated through the promotion of norms that express the superiority of the dominant "metropole". Whilst existing approaches to the EU's proclaimed counter-hegemonic power through trade have tended to focus on the extent to which a progressive agenda might be realised through such expansionary policies, the critical social science account developed herein instead focuses on the way in which this process can be considered an attempt to consolidate EU dominance over third countries/regions and legitimate the extension of market relations being sought.

## EU TRADE POLICY AND DE-POLITICISATION

Finally, we can witness in the development of EU trade policy clear signs of the pressure for de-politicisation (or de-democratisation) upon trade policymaking. Indeed, in many ways the institutional configuration of EU trade policy, which foresees little insight into and limited oversight of its decision-making by the 'general public' and even by elected politicians, acts to ensure such an outcome. Thus, the EU trade policy-making machinery grants considerable power and discretion to the Commission in contrast to other actors (in particular the European Parliament<sup>8</sup> and national parliaments), and the Commission tends to prioritise market-enhancing (including regulatory non-interventionist) objectives rather than market-adjusting, interventionist goals (Orbie 2008: 62). From this perspective, as Jan Orbie puts it (2008: 62), 'the limited capacity of the EU to engage in a normative external trade agenda basically relates to its *raison d'être*: the Union is institutionally designed to promote negative integration and market-enhancing policies rather than positive integration and redistribution'. In other words, and as we argued above, as an external trade actor, the EU reproduces its internal role as a market-enhancing regulatory state because of its historical internal market focus and experience. In upholding this de-politicised, de-democratised form of EU trade policymaking, DG Trade tends to adopt three broad positions, which we might consider to range on a spectrum of varying levels of DG Trade's preparedness to cede a role in policy-making to both popular contestation and input.

First, and perhaps representing the position that cedes least ground to popular concerns or demands, DG Trade has argued that contemporary economic conditions necessitate market-oriented expansion, which thereby puts the policy beyond public discussion or debate. For instance, in the "Global Europe" communication the Commission claims that 'Europe *must* reject protectionism' (European Commission 2006a: 5, emphasis added), 'more than ever, Europe *needs* to import to export' (European Commission 2006a: 7, emphasis added), and that 'economic factors *must* play a primary role in the choice of future FTAs' (European Commission 2006a: 11, emphasis added). This necessitarian discourse has (predictably) been reinforced as a result of the post-2008 global economic crisis, witnessing the Commission claim, for instance, that '(i)n today's difficult economic

climate it is more important than ever that we open up opportunities for our businesses to trade their way out of the downturn' (European Commission 2008).

Second, and showing more willingness to cede a role for public opinion, the Commission and DG Trade have actively sought to consult societal actors, but in doing so tend to discriminate between corporate actors and non-corporate actors. As illustrated by Gabriel Siles-Brügge (2010), since the launch of the Commission's Market Access Strategy in 1996, pro-liberalization business interests have been increasingly involved in various forms of consultation with DG Trade. As the author indicates, 'one of the cornerstones of this new strategy was a concerted effort on behalf of the Commission to involve business interests in policy-making. (...) This allowed, in the light of the Market Access Strategy's emphasis on engagement with pro-liberalization business groups, the services lobby to emerge as a key player in trade policy-making, which came to be closely allied to policy-makers in the Commission' (for a similar view, see also Dür 2008a). While business groups are found to wield considerable impact on the EU's trade policy agenda and outcome (Dür, 2008a, 2008b), empirical studies find little evidence of systematic influence of any civil society organisations, including that of Brussels-based European NGOs despite their actively engaging in lobbying and campaigning in an attempt to influence the European trade agenda (Dür and De Bièvre 2007; Jarman 2008; Hannah 2011; Trommer 2011).

This finding is also widely evinced in the case of the new generation of FTAs, which shows how business interests, and in particular those of export-oriented/pro-liberalisation businesses, have been *both* consulted more *and* have carried substantially greater weight than those of civil society actors, including trade unions and NGOs. Indeed, while pro-liberalisation business lobby groups, such as BusinessEurope and the ESF, have been given privileged access to the decision-making process, both during the drafting process of the "Global Europe" strategy (Siles-Brügge 2010) and during the negotiations of the FTAs concerned (Eberhardt and Dharmendra 2010), the interests of civil society have received much less attention. Apart from the few instances where civil society actors were consulted, most notably at DG Trade's institutionalised platform for dialogue with civil society, the views of NGOs and trade unions have been largely neglected. Moreover, despite the active campaigning by and mobilisation of a considerable number of civil society organisations concerned with the possible negative social, environmental and/or development impact of the FTAs,<sup>9</sup> NGOs have had little or no impact on the policy agenda and outcomes (Agence Europe 2010a; Bossuyt 2009; Eberhardt and Dharmendra 2010; Specht 2006).<sup>10</sup> In addition, as the case of the EU-Peru-Colombia FTA shows, the Commission has rebuffed deliberate attempts by civil society organisations and national parliaments to "politicise" and "democratise" the policy-making process of the FTA by demanding that the trade agreement be declared 'mixed', and therefore become subject to national parliamentary discussion and ratification. Indeed, civil society organizations from across Europe and Latin America, alongside the ITUC and the ETUC, have asked for the opening up of the agreement 'to a Europe-wide debate by elected politicians', backed by parliamentarians of Germany, UK, the Netherlands and Ireland who have presented motions demanding that the FTA be declared a 'mixed agreement' in attempt to safeguard their parliaments' participatory rights (Olivet and Novo 2011: 2; Bossuyt 2012; German Bundestag 2010; UK Parliament 2010).

Third, and ceding most ground to the notion that popular contestation and input have a legitimate place in EU trade policy-making, DG Trade has (as we have already witnessed) undertaken a number of commitments to advance extra-market values and policy goals, perhaps most obviously in the form of the counter-hegemonic, redistributive and progressive policy goals indicated above. In doing so, however, DG Trade acts to limit (and thereby de-politicise) expectations relating to the likely outcome of these efforts, most notably through specific reference both to internal divisions (between EU institutions, and between EU member states) and external differences

between the EU and third countries/regions, which act to hamper (and thereby preclude) such goals. Thus, in seeking to quell (or pre-empt), and thereby de-politicise, civil society opposition to the market-oriented nature of EU trade policy, the Commission has tended to make limited concessions by committing to pursue more progressive goals. For example, this includes practices as engaging in extensive "legal inflation", whereby extensive commitments are included in regional agreements but without the supportive legal binding mechanisms that would be necessary to ensure their implementation (Horn *et al.* 2009). This can also be observed in the case of the "social agenda" of the new generation of FTAs, in that the social provisions included in the sustainable development chapter of these trade deals are "non-binding", asking only for a "commitment" from the partner countries to implement them (Bossuyt 2009). As McGuire and Lindeque (2010: 1338) point out, this kind of "legal inflation" is 'largely about satisfying domestic European audiences'. DG Trade's institutionalised dialogue with civil society can be considered to serve the same goal. That is, by offering a consultation mechanism, the Commission, lacking an electoral mandate, aims to increase its legitimacy as a policy-maker (Hocking 2004) and thus to appease civil society.<sup>11</sup>

Legal inflation has allowed 'Member States to claim that their particular demands have been taken account of' (McGuire and Lindeque 2010: 1338). In the case of the new generation of FTAs, it has also served as a tool for the Commission to try and satisfy the European Parliament, and thus to claim that it has taken into account particular demands raised at the plenary. Indeed, the latter has been rather vocal in expressing concern about the trade deals, in particular those with India, Central America, Peru and Colombia, due to the limited attention paid to socio-economic and environmental issues (see Agence Europe 2010b, 2010c) and – in the case of India – health protection (European Parliament 2011). The Parliament is also insisting that DG Trade should not compromise on the proposed sustainable development chapter in the trade arrangements still being negotiated with India and the other Asian trade partners (European Parliament 2009, 2010). In a similar vein, the Parliament reacted quite heavily against the decision made by the Commission and the Council to drop the human rights clause in the prospective trade agreement with India (European Parliament 2008).

In responding to criticisms of the new generation of FTAs, the Commission has sought to limit expectations through reference to the impact of internal divisions in preventing more substantive achievements from being realised. Further, even when DG Trade is unable to realise its purported "social agenda" *due to opposition from third countries/regions*, the predictable nature of this external opposition is such that it can be relied upon to legitimate the minimal realisation of substantive social or progressive outcomes and therefore indirectly acts to enhance the legitimacy of DG Trade itself. Thus, DG Trade has been found playing the innocent in those cases where its attempts to embed normative goals in the new trade agreements have failed in the face of strong opposition from the partner governments and subsequent pressure from EU member states to drop the 'contested' issues off the negotiating agenda in order not to compromise the considerable trade benefits of the bilateral arrangements, most notably in the case of India.<sup>12</sup> As noted at the beginning of this article, it is these limiting obstacles, which act to lower and contain expectations, and thereby constitute a form of de-politicisation, that are most commonly referred to by EU trade scholars seeking to understand the inability of the European Union to realise a more substantive progressive agenda. This focus by EU trade scholars, we argue, acts to reproduce (rather than interrogate or demystify) one of the Commission's mechanisms of de-politicisation. In contrast, the critical social science approach adopted herein conceptualises this lowering of expectations as a more general process of de-politicisation generated by the contemporary model of European governance.

Therefore, rather than viewing the EU as a 'conflicted power through trade' (Meunier and Nicolaidis 2006), we instead conceptualise it as a 'conveniently-conflicted counter-hegemon through trade', which seeks to reconcile (potentially contradictory) pressures

to secure expansionary trade relations, the "Othering" of the target countries/regions within which such expansion is targeted, and the de-politicisation of these processes. This, we claim, is sought through the proclamation of (egalitarian, counter-hegemonic) benefits that will accrue to "Other" third countries and regions that form the target for trade liberalization, alongside reference to the convenient inhibiting divisions (both internally and with prospective trade partners) that act to prevent such egalitarian outcomes from being realised and thereby serve to lower public expectations. Whereas empirical approaches have highlighted the role of these internal and external differences in inhibiting a proclaimed "counter-hegemonic" agenda from being realised, we instead provide a plausible account of the process whereby an arguably unrealisable progressive agenda is advanced (but unrealised), and the fact of its non-realisation is (in part) legitimated through reference to the existence of internal and external differences. We claim that this approach, informed by our critical social science approach, is more adequate than alternative accounts that dominate this literature, in that it is both able to provide a plausible explanation for the phenomenon being observed, and acts to illuminate and demystify the relations of domination (and associated ideas) that it claims have resulted in the outcome occurring.

## CONCLUSION

This article has argued that existing accounts of EU trade policy have been unable to fully account for the routinely observed constraints upon the EU's frequently declared aspiration to act as a 'force for good' through trade. This, we claim, is due to an insufficiently critical approach to the study of EU trade policy-making, resulting in a tendency to reflect (rather than interrogate) the stated aims and ambitions of EU trade policy-makers. Drawing on a critical discussion of mechanisms of domination that we argue constitute the contemporary model of European governance, and which give rise to a number of pressures being exerted upon EU trade policy, we have therefore sought to reconceptualise the EU as a conveniently-conflicted counter-hegemon through trade. EU trade policy is largely driven by pressures to achieve market expansion, accompanied by a process of "Othering", the legitimation of which is sought (in part) through a discourse highlighting the egalitarian (counter-hegemonic) outcomes that will be achieved through such a process of expansion, whilst internal divergence and external differences ensure (somewhat conveniently) that such egalitarian outcomes will not be realised. As such, we substitute what we claim is a common assumption held by scholars of EU trade policy (i.e. that a global progressive agenda, to be achieved through EU trade policy, is a viable but as yet unrealised aspiration) with an alternative assumption (that EU trade policy is designed to perpetuate core mechanisms of domination and cannot, therefore, be expected to sustain progressive goals). In short, we argue that claims regarding the counter-hegemonic tendencies of the European Union's trade policy are designed to conceal and legitimate an inherently neoliberal project. Understood in such a way, we contend that we are able to provide a more plausible account of the consistently experienced obstacles impeding the realisation of the EU's commonly declared progressive agenda through trade. Thus, rather than viewing the EU as a 'conflicted trade power' (Meunier and Nicolaïdis 2006), our critical social science approach leads us instead to conceptualise the European Union as a conveniently-conflicted counter-hegemon through trade.

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<sup>1</sup> We should note that this view is contested by a number of authors, in particular those more positive about the achievements of (or prospects for) the Social Europe agenda (see, for instance, Albers et al. 2006; Heidenreich and Bischoff 2008). However, in attempting to present a conceptualisation of the European Union that focuses on relations of domination, we adopt the more critical conceptualisation that exists within the literature on the grounds that this coheres more readily with our critical social science approach.

<sup>2</sup> We should note that this claim has also been contested within the literature, perhaps most notably by Andrew Moravcsik (2004), who argues that by the standards of actually-existing democratic systems, the European Union has a number of substantive checks and balances that enable it to approximate the democratic credentials of other existing democracies. Again, however, as we are seeking to present a conceptualisation of relations of domination, we adopt in the present article the view presented within the more critical literature, on the grounds that it coheres with our critical social science approach.

<sup>3</sup> Whilst the technocratic nature of EU decision making is problematised in the present article, other scholars have adopted a more benign interpretation (see, for instance, Radaelli 1999).

<sup>4</sup> ASEAN consists of the following ten states: Brunei/Darussalam, Cambodia, Indonesia, Laos, Malaysia, Burma/Myanmar, Philippines, Singapore, Thailand and Vietnam.

<sup>5</sup> The Central American region comprises Costa Rica, Panama, Guatemala, Honduras, El Salvador and Nicaragua, while CAN consists of Bolivia, Colombia, Ecuador and Peru.

<sup>6</sup> Apart from the EU's reluctance to open its market to Myanmar, the possible conclusion of a full region-to-region FTA with ASEAN is hampered by the development discrepancies among the ASEAN economies, as well as by a set of formal complications resulting from the fact that ASEAN is not yet integrated as a customs union and has neither a harmonised legislation nor a representation mechanism.

<sup>7</sup> See, for instance, interview with then Foreign Minister of Ecuador, Fander Falconi, by the Latin American Press Agency, Prensa Latina, on 7 June 2011.

<sup>8</sup> It should be noted, of course, that the European Parliament has been granted more powers in relation to EU trade policy-making under the Lisbon Treaty. In particular, new EU trade agreements can no longer come into force without the approval of the Parliament, as the latter now enjoys co-decision power with the Council.

<sup>9</sup> Illustrative examples of such campaigning and mobilisation initiatives include an open letter signed by over 80 civil society organizations from across Europe, Asia and Latin America in April 2007, calling on the Council of Ministers 'to reject the recommendations from the European Commission that it be granted authority to negotiate the [proposed] FTAs', for they constitute 'a serious threat to social justice, gender equity and sustainable development, both within and outside the EU' (N/A 2007). Another example is a mass rally of more than 2,000 protesters in New Delhi in March 2011, protesting against the proposed inclusion of a 'data exclusivity' clause in the prospective EU-India FTA (EUObserver 2011, 3 March).

<sup>10</sup> Interview with NGO lobbyist, 20 January 2012.

<sup>11</sup> Interview with DG Trade official on 9 November 2007.

<sup>12</sup> Interview with senior DG Trade official on 5 November 2007. For more details, see Bossuyt (2009).

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# Journal of Contemporary European Research

Volume 9, Issue 4 (2013)

## EU Trade Governance and Policy: A Critical Perspective

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### **Citation**

Ford, L. (2013). 'EU Trade Governance and Policy: A Critical Perspective', *Journal of Contemporary European Research*. 9 (4), pp. 578-596.

First published at: [www.jcer.net](http://www.jcer.net)

## Abstract

This article offers a critical analysis of EU trade policy. It does so by highlighting the political and economic enclosures within which EU trade policy is embedded and that continue to hamper more holistic and interdisciplinary analyses that are argued to be necessary in order to comprehend the obstacles to and avenues towards a more sustainable and socially just world. The article critically analyses economic and political hegemony by drawing on two strands of critical international thought, namely neo-Gramscian analysis and global political ecology, employing a critical realist approach. The article identifies the perceived twin shortcomings of conventional analyses: firstly, the neglect of understandings of power relations and social justice, and secondly the lack of attention to criteria of sustainability. Within critical debates about European governance, including the governance of trade and trade policy, neo-Gramscian perspectives highlight the power relations within EU governance, exposing the mechanisms of hegemony as well as identifying potential counter-hegemonic forces. While this offers important insights, the article argues that a critical perspective cannot be complete without attention to sustainability. Political ecology makes a vital contribution to critical perspectives by highlighting the natural limits within which by necessity all human activity takes place. Using illustrations from trade policy debates, the article argues that current EU trade policy and governance is not best placed to meet the challenges of sustainability and social justice and it points to the need for more holistic systems thinking to challenge orthodoxy.

## Keywords

Critical international political economy; hegemony of economic and political orthodoxy; political ecology; social justice, sustainability

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Increasing and incontrovertible scientific evidence demonstrates that the planetary boundaries within which life on this planet flourishes are being breached to dangerous levels and if left unchecked could have severe consequences for the continued survival of human and other life forms (Rockström et al. 2009). At the same time we face a convergence of financial, energy, food, population and development crises. The sustainability movement recognises that solutions to these crises must be both sustainable and equitable (Fortnam et al. 2010, Raworth 2012). However, there is no consensus on how to deliver on both sustainability and social justice, despite decades of a discourse on sustainable development (Brand 2012). Evidence of unsustainability and injustice is widely documented and despite global efforts to address these issues, as witnessed in numerous global policy documents from the UN to the World Bank, action on these issues has been weak. Take for example the UN Convention on Climate Change, which has so far failed to negotiate a successor to even the rather unambitious Kyoto Protocol. Similarly, slow progress is being made in meeting the Millennium Development Goals, which end in 2015 (Fukada-Parr et.al. 2012).

Critical political ecological voices identify unsustainable economic doctrine – including, for example, unquestioned demands for continued and unbridled economic growth – as being at the root of both unsustainability as well as social injustice (see Kovel 2009; Foster 2009), but economic discourse is rarely questioned in the neoliberal mainstream. Indeed, economic growth is seen as the solution to questions of unsustainability and social injustice (OECD 2011; Withagen and Smulders 2012). In Europe, we find there is much progress in creating and implementing progressive environmental and social policies (Kronsell 1997; Jordan 2005). And yet in Europe too there is tension and contradiction between the creation of an economic project that is globally focussed on expansion and competition and a political project that pays attention to concerns such as social justice and sustainability. Nowhere is this tension more visible than in EU trade policy, hence this article takes trade policy as the focus in which it seeks to analyse some of these tensions.

Trade is one of the core elements of the EU's 2020 Strategy, which emphasises growth above all else. The new mantra 'smart growth, sustainable growth, inclusive growth' is speckled throughout the 34 page document (European Commission 2010). To roll out a synergistic trade policy that chimes with the 2020 strategy, the European Commission's Directorate General Trade brought out the document *Trade, Growth and World Affairs: Trade Policy as a Core Component of the EU's 2020 Strategy* in the same year (European Commission 2010a). These documents address questions of sustainability and social justice, all within a continued framework of economic growth. And yet, critical political ecological commentators might legitimately ask the question, how sustainable and just is EU trade policy? Is it possible to square current neo-liberal trade policy with the preservation of ecological and social diversity? The mining of tar sands for petroleum, for example, is a hugely destructive business both ecologically and socially, and yet is a central controversy in the current bi-lateral free trade negotiations between EU and Canada, to do with creating market access for European firms (Bartels and Henckels 2011; UK Tar Sands Network, 2011; CANC 2012). Neo-Gramscian analysis helps us to analyse these unequal power relations within EU trade policy making, where corporate interests have more sway than social and ecological voices. They help us to analyse these power relations in terms of capitalist hegemony and they show the tensions and power struggles present within European elites, over which the social European contract is fought out. Neoliberal demands for liberalisation and opening up of markets are currently taking precedence over ecological and social concerns.

Critical social theory points to the entrenched political, economic, and socio-cultural structures that reproduce unsustainability and social injustice. The challenges to planetary boundaries as well as social injustices in general force us to rethink the contours of human existence: how we, as a species, live on planet Earth, how we meet our needs through production and consumption thereby transforming nature, how we collectively organise to meet these needs. To begin to answer these questions an examination of power relations is necessary. These questions also lead to a deeper questioning of the epistemological and ontological contours of orthodox thinking on political economy, including the political economy of trade, globally and in the European domain. This article seeks to contribute to these critical conversations and interrogations, by specifically looking at EU trade governance and policy.

There is a diversity of paradigms that seek to make sense of EU trade policy. Mainstream functionalist and rationalist analyses of trade theory tend to eschew analyses of power relations as well as wider economic, political or socio-cultural structures. The main purpose is to explain trade through the rational actor model (see Dür and De Bievre 2007). This may explain actors' behaviour within very narrow margins, but does not allow for broader questioning of economic models. Core mainstream economic assumptions are taken for granted and reproduced without critical reflection. For example, Andreas Dür equates trade liberalisation with the public good 'trade policies that further the public good, that is, achieve trade liberalisation' (2008: 27). More recent constructivist approaches bring in the role of interests and ideas and allow for the analysis of non-state actors (Wallace et al. 2005). However, these ideational approaches fail to locate policy-making within the wider structures of the global political economy.

This article proposes a more holistic and critical realist framework, which enables us to take seriously our real dependence upon the physical world, as well as the real causal effects of ideology (Bhaskar et al. 2009). This allows analysing how current trade policies reflect and perpetuate broader economic, political and socio-cultural structures that at present can be described as embedded in neoliberal capitalist global hegemony (Kovel 2007; Gamble 2009), which exacerbates environmental degradation and social injustice (Gorz 1987; Foster 2002, 2009). Conventional neo-classical analysis does not reflect upon its own location within this broader terrain but rather focuses on how trade can be made more efficient, or more open. In some cases it may reflect upon how trade could be made to be more inclusive and fair (see COM 2009) and most recently trade has been

employed as part of perceived solutions to climate change through mechanisms such as carbon emissions trading (Directive 2003/87/EC; Ellerman 2009). In terms of external trade policy, however, the EU shares the WTO's emphasis on liberalization and opening up of markets and thus a commitment to concluding the WTO Doha Round (European Commission 2010a, 2010c) as well as increasingly operating a system of bilateral trade agreements (Siles-Brugge 2011; Hurt 2013: 51).

Rather than an in-depth analysis of EU trade policy, this article offers a critical analysis of the frame within which EU trade policy is located, drawing on two strands of critical international thought, namely neo-Gramscian analysis and global political ecology. Illustrations of concrete, empirical trade policy are used throughout the article, rather than organising the article into discrete sections of theory and the empirical. This is predominantly a conceptual piece, which does not make it any less causally relevant in the world. Indeed, the power of ideas and conceptual frameworks within which trade policy and trade policy making is seen to be located is very real indeed, with very real consequences for people and planet (Bhaskar et.al. 2010; Fairclough 1989). The methodological, epistemological and ontological contours of such a critical approach will be laid out below in the first section.

The second section shows how within critical debates about European governance, including the governance of trade and hence trade policy, neo-Gramscian perspectives highlight the role of particular social forces in maintaining neoliberal hegemony, notably transnational capitalist class and business elites, as well as counter-hegemonic social forces (Bieler and Morton 2001; van Apeldoorn 2001; Cafruny and Ryner 2003). Neo-Gramscian perspectives serve to highlight the power relations within EU governance, exposing the mechanisms of hegemony. While neo-Gramscian critical analyses offer important insights with regards to power and social injustice, there has been a lack of attention to issues of sustainability. This article argues that a critical perspective cannot be complete without attention to sustainability. A critical realist framework enables us to take the neo-Gramscian critique further by reminding us of the real dependence on the biosphere. In the third part I show how political ecology makes a vital contribution to critical perspectives by highlighting the natural limits within which by necessity all human activity takes place (Gorz 1987; Foster 2002, 2009). It poses a fundamental challenge to orthodox thinking, particularly economic thinking. This article argues that analyses of trade policy and governance need to include the analytical categories of both social justice and sustainability, which in turn pose fundamental challenges to orthodox theory and practice. The conclusion posits that an international political ecology and an adequate ecological economics will need to advance dialogically in order to assist in the project of sustainability and social justice.

## **A NOTE ON METHODOLOGY**

This first section explains and situates the article's approach in terms of its philosophy of social science. Broadly speaking the approach employed is informed by critical social theory, which is sometimes usefully juxtaposed to problem-solving theory (Cox 1981). Problem-solving theory describes mainstream approaches, such as functionalist and rationalist analyses, that work within the parameters of the "real" world. They do not seek to challenge or disrupt the status-quo, nor indeed ask how that status-quo evolved. Critical theory, on the other hand, seeks to analyse how and why ideas and practices become mainstream, seeks to understand the dynamics behind that and indeed how it might be disrupted or challenged (Cox 1981: 128-129). These two approaches differ ontologically in that problem-solving theory tends to focus on an empirical world that is observable, whereas critical theory, in line with critical/or scientific realism also ascribes ontological status to unobservable, such as economic, political or socio-cultural norms, values or beliefs that are historically specific and may vary over time and space (Sayer 1992; Bhaskar et al. 2010).

Critical social theory is concerned with unearthing underlying theoretical assumptions which reproduce and are reproduced in the "concrete" world and are historically specific. Theory and practice as such are intimately interwoven. Likewise the separation of economics from politics and other dichotomies are rejected (see Maclean 1999; Peterson 1992). Critical social theory recognises that all theory is necessarily value-laden and that knowledge is produced and reproduced through linguistic, conceptual, cultural and material means and shapes both theory and practice (Sayer 1992:16). Of fundamental concern are the power relations at work in the reproduction of theory and practice which are pervasive in all areas of social life. Alongside this, critical realism's explanatory critique is emancipatory, in that it allows for the possibility of alternatives – i.e. non-actualised possibilities to emerge. The real is not limited to the actual – i.e. to what "is", but includes the possible (non-actualised) (Lacey and Lacey 2010; Bhaskar et al. 2010). Similarly, critical social theory is committed to an emancipatory project of radical social change, that is to a challenging of all forms of domination (e.g. of gender, class, race, nature). However critical theory has been quite notorious for failing to theorise links between social and ecological systems of concern to the sustainability project (Dickens 2007). Hence the need for a critical political ecology that can effectively link critical social thought with ecological science in order to meet the sustainability challenge.

I use the concept of enclosures as an analytical tool. The term enclosure refers to both the material and conceptual enclosures that have emerged through as well as frame power relations within modernity; also it is traced back to the European enclosure movement, a practice integral to the historical project of the state and its institutions and providing the ground for the industrial and urban revolutions. Jeremy Rifkin has argued that it is in the nature of the nation-state to enclose ecosystems, commodify and privatise nature, optimise the expropriation of scarce resources, expand production and consumption, and advance utilitarian self-interest in the quest for progress (1991).

However, the idea of enclosure does not just refer to physical boundaries, but crucially also has social content, delineating social boundaries and relationships of power and knowledge (Saurin 1993: 51). Thus, the process of enclosure occurs not only through material practices but also in the realm of institutions and ideas. Many critical thinkers have reflected upon such dynamics of power, employing a variety of concepts that can be likened to the concept of enclosure. Notably, the Gramscian concept of hegemony has been deployed by neo-Gramscian scholars to denote the way in which dominant power relations are maintained through socio-cultural norms and institutions as well as material practices. Critical realist and discourse analyst Norman Fairclough has also argued that we should understand ideological common sense as 'common sense in the service of sustaining unequal relations of power' (1989: 84). Rather than purely a coercive process, these relations of power can also be consensual (Cox 1981: 137). The institutionalisation of certain norms, ideas and values then serves as a means of 'stabilising and perpetuating a particular order' (1981: 136). Similarly, Michel Foucault talks about governmentality as a process whereby dominant power/knowledge configurations maintain and reproduce social institutions (Foucault 1980). Enclosure further relates to what Pierre Bourdieu has called the 'realm of discourse' (1977: 168). In Bourdieu's model the possibility of competing discourses within this realm are by no means precluded, indeed it is a universe of heterodoxy as well as orthodoxy, while drawing a line between its legitimised realm and the doxa or 'the universe of the undiscussed' (1977: 168). These realms closely mirror social relations of power and can be observed in the domain of policy making, including within the EU. A critical social theory is not just concerned with how these enclosures come about and how they are maintained, but also how they are being challenged. Neo-Gramscian scholars are also concerned with the counter-hegemonic ideas and practices seeking to unsettle and challenge hegemony (see Gill 2003). Of fundamental concern in this paper is how power relations maintain particular enclosures that enable ecological degradation and social injustice.<sup>1</sup> Ecology teaches us the need for a holistic approach, or systems approach, in opposition to thinking which is fragmented by existing boundaries. The concern of critical

theory is with breaking down the boundaries that prevent a holistic approach, as well as looking towards emancipatory agency and practices. A recent collection (Bhaskar et al. 2010) demonstrates how disciplinary approaches fail to deal with the complexity of climate change, and how this further disables interdisciplinary action.<sup>2</sup>

## **REGIONAL AND GLOBAL TRADE POLICY AND GOVERNANCE: SITUATING EU TRADE GOVERNANCE**

Following on from the critical theoretical framework laid out above about how power operates through institutions and discourse, in this section I contend that EU trade policy and the governance thereof must be located within its wider politico-economic context, readily identified as neo-liberal capitalist. Further, as has been widely argued by critical scholars, the persistence of neo-classical economic thought powerfully encloses global and regional hegemony (Newell and Paterson 2010, Cato 2011). European trade governance can be located within a wider context of global trade governance. Indeed, some neo-Gramscian scholars identify European integration and governance building as *part of* global hegemony, rather than a discrete trend (Cafruny and Ryner 2003).

### ***Discursive enclosures***

Key assumptions about the economic organisation of the world are implicit within economic governance structures, including EU trade policy. For the purposes of both questions of justice and sustainability, the two key assumptions that are maintained and highlighted is that trade is the engine of economic growth (as distinct from development), and economic growth strategies are the unquestioned solutions to current crises, be they financial, economic, social or ecological (European Commission 2010d, European Commission 2010c). In orthodox economic discourse, problems such as poverty, inequality or environmental degradation are seen as externalities that can be internalised. The fact that poverty, inequality and environmental degradation appear to grow alongside economic growth is not readily explained. This is not to say that there is no awareness of these trends. The Annual Reports of organisations such as the United Nations Development Programme (UNDP) or indeed the International Monetary Fund (IMF) and World Bank, give eloquent descriptions of the state of the world. They tell the two stories of on the one hand deepening global economic, cultural and political integration and on the other increasing inequality, insecurity and unsustainability (UNDP 1999; IMF 1999; UNDP 2007/8; UNDP 2009; UNDP 2010). The solution put forward to balance these two stories and deal with the negative consequences is to enhance global governance and sustain economic growth. In the UNDP Report's own words: 'Reinventing global governance is not an option - it is an imperative for the 21st century' (UNDP 1999: 97). Likewise, at the European level, the European Commission declares that the EU itself has 'a clear interest in promoting global governance as a means to achieving the core objectives of sustainable development, security, peace and equity, objectives no territorial actor can secure alone' (Madelin 2001:3). At the same time, the EU also holds steadfast to the liberalization of trade and economic growth argument, as seen for example at the Lisbon Summit, where it was agreed that the EU should become 'the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion' (European Council 2000). Subsequent EU policy documents continue to echo these sentiments (European Commission 2010d; European Commission 2010a; European Commission 2010c). A critical analysis of the relationship between these two converging trends suggests there needs to be an analysis of the deeper causal relationship between the two.

Central to the maintenance of these governance structures is a constellation of norms and ideas promoted by mainstream economic thought. Orthodox economics separates the economy and nature hierarchically, subordinating nature to the economy which mitigates against holistic analysis (Kallis et al. 2009). In the orthodox economic view the economic system is the space/market where individuals and institutions interact rationally, to distribute scarce resources efficiently and thereby satisfy human needs and wants. Here an artificial boundary is placed around an abstract notion of the economy as separate, closed and capable of functioning perfectly rationally. Nature and the environment are external to this closed system, amounting to a collection of ecosystems that provide the raw materials for input into the economy (see for example Daly and Cobb 1990; Daly and Townsend 1993; Mellor 2006). Where value is attributed to nature, it is phrased in terms of "ecosystems services" which is readily reduced to monetary value (Sullivan 2009). Environmental problems such as climate change are viewed as externality problems. Because nature is seen as subordinate to the economy, it is believed that the economy can grow indefinitely. Implicit in this is a further assumption that nature is at the disposal of the economy. Our fundamental dependence on nature is seen as incidental, since it is believed that any resource shortages or the problem of non-renewable resources can be overcome by human ingenuity, technological development and through market mechanisms (Cato 2011; Panayotakis 2012). Not all discourses of sustainable development and environmental economics challenge the growth imperative (WCED 1987; Field 2009; Hanley 2006); and some believe there is a safe operating space within the planetary boundaries that can contain a continued strategy of economic growth (Rockström et al. 2009; Lynas 2010).

Growth remains one of the main pillars of orthodox, economic thought, is taken as an axiomatic good and rarely questioned by economists or policy makers (Jackson 2009). Environmental problems are seen as a problem of market failure that can be remedied through market mechanisms (Jacobs 1991; Foster 2002; Barry 2012). Orthodox economic doctrine also stipulates that trade liberalization amongst countries and companies across the globe is beneficial to economic growth; with trade perceived as the very engine of growth (Todaro 1994). The pursuit of growth and the benefits of trade liberalization are cornerstones of the orthodox model of global trade governance institutionalised in the WTO and in EU trade policy. Like the EU 2020 Strategy, recent policy papers from the European Commission's DG Trade echo the pursuit of growth and in addition emphasise speed: 'The over-riding aim of European economic policy is faster growth' (European Commission 2010a: 4; European Commission 2010; European Commission 2010c). In other words, both global trade governance and regional (EU) trade governance share the same fundamental assumptions and objectives. The EU is embarked upon a trajectory of liberalization and seeks to maximise its global competitiveness, consistent with neo-liberal restructuring globally (European Commission 2010). At the same time it is embarked upon a series of measures to try to embed sustainable use of resources and reduce environmental impacts of growth. In this the EU is expressing the contradictions inherent in the attempt to stay within the current economic paradigm as well as deliver a sustainable future for its citizens.

### ***The EU project: a Neo-Gramscian perspective***

While, as seen above, Europe is part of a transnational trend of neoliberal restructuring, internally it displays qualities of embeddedness, or embedded neo-liberalism, which Baastian van Apeldoorn argues remains 'neo-liberal at its core and reflects the outlook of the most globalised sections of European capital, while at the same time seeking to accommodate the orientations of other social forces' (2001: 70). Certain factions within the political elites have sought to create something more than an economic zone. Notably, the social democratic federalists' emphasis on safeguarding a 'European model of society' based on a social market economy as well as social protection (van Apeldoorn 2001: 76). The result has been the "embedded" variant of neoliberalism, which has seen

many progressive environmental and social policies within the European domain. Neo-Gramscians maintain, however, that these social and environmental concessions could be likened to the passive revolution whereby the acquiescence of countering forces is secured. In the case of the EU they are the social-democratic forces at the heart of the project to create a European polity that believes in safeguarding the interests of industry as well as society.

Within the theory and practice of international relations, the concept of global governance is invoked in addressing questions of global change. In the dominant literature, global governance is seen as the key tool for addressing global problems that states are not able to solve unilaterally. It is perceived to be a governance of various layers, including but going above and below the state-level, involving business and civil society (see CGG 1995; Held 1995; Ruggie 2004). Within critical literature, this pluralist view of global governance is treated with more caution and seen rather as a trajectory for global order, rather than an altruistic attempt to solve global problems. Indeed Richard Ashley refers to it not as "governance" but rather as "purpose" (Hewson and Sinclair 1999: 11; see also Cox 1987). As such it operates as a political enclosure.

From this perspective the EU project is located *within* processes of globalization, part of global governance, not somehow reacting to it, though in its policy documents it emphasises the social element and good governance, as seen for example in the EU White Paper on Governance (European Commission 2001). In so far as global governance is embedded in the neoliberal global political economy, which is hegemonic in the sense that dominant power relations are maintained predominantly by consent with the back-up of coercion; similarly, European governance is connected to the broader transnational trends of globalization with its 'attendant, essentially neoliberal *raison d'être*' (Cafruny and Ryner 2003: 3). It remains to be seen whether European social movements and other actors disillusioned by the failure to act on the key challenges of inequality and environmental crisis can mount a challenge to the globally dominant economic model. The current crisis of the Euro is arguably an opportunity to develop some alternatives that have wider support.

The analysis above suggests that from a neo-Gramscian perspective European trade governance has to be understood in terms of both economic and political discourses, the operation of social forces and contestations over policy directions. Thus there is no single model but rather the transformation of policy over time as a result of changes in the balance of forces. For example, Bastiaan van Apeldoorn identifies a shift in the thinking of EU business elites, exemplified by the European Roundtable of Industrialists (ERT), from a neo-mercantilist protective regionalism to a globalism in the form of embedded neoliberalism (van Apeldoorn 2001). This is still widely reflected in EU policy making and a willingness and indeed recognition of the necessity to retain at least a semblance of social features and concessions, absorbing what Polanyi calls the double movement, whereby a retreat of state will result in counter-movement and a re-embedding of state (1957). The shift of attitude amongst corporate elites has not occurred without a fight, but rather as a result of struggle over time between factions of the European capitalist elite with a gradual triumph of the globalist camp and its accompanying discourse of the imperative of competitiveness (van Apeldoorn 2001).

Neo-Gramscian analysis demonstrates the operation of hegemony within the EU. As we saw above, these enclosures are not just maintained by social forces and institutions but also by economic doctrine. Also, challenges to these enclosures do not just consist of social forces, actors and institutions, but also new ideas and discourses that seek to challenge the entrenched economic orthodoxy. It is argued next that sustainability presents a key challenge and must be part of any critical analysis.

## THE CHALLENGE OF SUSTAINABILITY

This section explores the way in which sustainability challenges current dominant forms of trade policy and governance in the EU. As we saw above, orthodox economic doctrine still views the economy and nature as relatively discrete entities. Environmental issues are seen as market failures (Stern 2007). This failure can be remedied, it is believed by environmental economists, by putting a price on nature, giving it a value, in order to be able to internalise the problem. There is merit in these arguments, and it is indeed possible to apply cost-benefit analyses to alleviating discrete environmental problems, including in trade policy debates (Newell 2005; TEEB 2011). However, critical ecological economists argue that adequate sustainability approaches require a fundamental shift in the way the relationship between nature and society is conceived, requiring attention to questions of distribution and social power (Kallis et al. 2009). Further, political ecologists argue that the social and ecological contradictions of economic reductionism will literally cost us the earth and there is a need for a new social contract with nature, a new economy, and a new kind of politics that nurtures sustainability and social justice (Foster 2002).

### ***What is sustainability?***

It is widely agreed in international reports that sustainability does not pertain to environmental matters alone, but that it is fundamentally interdisciplinary, comprising nature, society and the economy, as well as inter-generational (UNDP 2007). Although many international agreements are in place they are generally weak measures of sustainability or social justice, and reflect more on the effectiveness or non-effectiveness of international environmental cooperation (Obereke 2008). Sustainability as defined and measured in the Millennium Development Goals (MEA 2005) is remorselessly decreasing. The unsustainability of our current global development model is clearly demonstrated by the strong continuing link between this development and environmental degradation. Equity issues are also key: ecological footprinting demonstrates that we need three and half planets for all humans to live at western consumption levels with current technologies and levels of affluence (Shah 2005).

Within the European polity, questions of sustainability have long been on the agenda. From an environmental economic perspective, the EU has been successful in greening a lot of its agenda and policy (see Kronsell 1997; Jordan 2005). The EU's Emission Trading Scheme, for example, is held up as a proto-type globally (Ellerman 2009). Questions of sustainability are now addressed in policies across the board, including EU trade. In these documents, contradictions between pursuing economic growth and prosperity strategies and the challenges of sustainability are muted. The wording often remains vague and the onus is on the environmental impact assessments of trade agreements to mitigate negative impacts rather than rethink trade policy and trade agreements themselves, as from the document, *Trade as a Driver of Prosperity*:

'In the context of the EU2020 emphasis on sustainable and inclusive growth, more attention will need to be paid to assessing the social and environmental impact of trade agreements, including on greenhouse gas emissions, and measures that can be taken to mitigate potential negative impacts.' (European Commission 2010c:4)

However, as Annica Kronsell points out, a true greening, a true incorporation of sustainability goes much deeper than a "greening" of policy discourse. What is required is a mobilisation towards ecocentricity in both theory and practice, at both the micro and macro level (1997). This is part of a much wider, inter-disciplinary task to challenge the deeper economic and political enclosures within which EU policy making sits.

Nonetheless, a “greening” of discourse does at the same time provide some leverage towards a more radical challenge.

## **TOWARDS A GLOBAL POLITICAL ECOLOGY APPROACH**

Sustainability raises problems in its demand for interdisciplinarity in terms of the learning, knowledge and skills sets required. It is recognised by many reflective practitioners that in order to deal with real joined-up problems what is needed is a holistic approach that can bring a multiplicity of factors into some kind of meaningful relationship. Ecological economics is one developing field that is attempting this, though within this field there are diverging paradigms. On the one hand a more conservative strand remains fairly wedded to neo-classical orthodoxy (Kallis et al. 2009: 15). Here monetary formulations are still employed; planetary “ecosystem services” conceived of this way include provision of stable climate and constitute the “natural capital” underpinning human livelihoods. It has been estimated that biodiversity loss in Europe will cost 1.1 trillion Euros per year by 2050, greatly reducing human wellbeing (Braat and Ten Brink 2007). This is additional to the predicted impacts of climate change on Europe (EEA 2008).

While it is certainly important to see sustainability as interdisciplinary and as comprising society, nature and the economy, there is a danger of just blending these spheres superficially without considering their actual relationships in the world, specifically that some may be dependent on others. Some want to claim that economies are actually sub-systems of societies, depending on the connective features and unpaid caring relations of these societies for their existence. For example they claim that functioning economies depend upon the rule of law, habits and practices of trust and care between people (Reed 2001; Stark 2005). An ecological political economy approach goes further, to argue that human societies are sub-systems of the wider life systems of planet Earth that supports them (Perkins et al. 2005).

Many proponents of sustainability claim that economic rationality wrongly assumes that human societies and ecological systems are sub-systems of the economy. This view is illustrated by the (still operational) use of Gross Domestic Product (GDP) to assess progress. This approach has been criticised by numerous commentators as being fatally misleading because it is an exercise of quantitative addition, rather than qualitative change (Mayo 1999). Whilst GDP is still used as a measure by the World Bank and the OECD, it is now qualified by the use of various sustainability indicators. The World Bank (2008) is developing a conception of National Wealth and the OECD (2008) is examining the global sustainability effects of national growth policies. In 2010 the UNDP report for the first time acknowledges that economic growth is not necessarily the panacea that it has previously been seen as.

Sustainability requires an economics that can deliver on the broad goals of human and ecosystem well-being as appropriate to different contexts (NEF 2010). In line with the continuing dominance of monetary approaches such as GDP, much work is now being done to assess the contribution of “ecosystem services” in monetary terms (DEFRA 2007, ESP undated). Whilst we can estimate future losses of “natural capital” using current knowledge, these are generally considered to be conservative estimates as there is a great deal we do not know about how complex ecosystems work (IAP 2010). Thus whilst policy may attempt to maximise trade-offs between climate stabilisation and biodiversity for example, we are dealing with ecological limits that are still unknown and key cycles whose interactions are still largely unidentified.

Critical strands of ecological economics emphasise the need for holistic analysis that sees the economy and nature as being in co-constituted, metabolic relationship, which necessitates an alteration in the neo-classical economic tools (Martinez-Alier 1987; Daly

and Townsend 1993; Kallis et al. 2009: 15). An ecological political economy approach views production and consumption as essential for the maintenance of society, but also sees the ways in which production and consumption are organised as having a formative effect on social relations and institutions, and recognises the economy/society complex as being dependent upon wider ecological life-support systems. These approaches indicate that a basic understanding of systems relationships is necessary for understanding sustainability and the problems and questions it raises for the ways we humans organise our societies and our economies. Theorists point out that capitalism is capable of assimilating many things, including fair trade, emissions, but ultimately the ecological contradictions may overwhelm it (Cato 2009, 2011; Kovel 2002, 2007, Foster 2002, 2009). As the research behind biodiversity and ecosystem degradation reveals (TEEB 2010) capitalism is the most ecologically inefficient system in history to date, highlighting the need for fundamental assessments of our current political economy.

Both political ecology and political economy have their roots in the term *oikos*, from the Greek word for "household", which invites us to develop a more holistic understanding of the relations between society, ecology and economy. However, within hegemonic discourse a separation of economics and politics has taken place, even within dominant strands of International Political Economy (IPE). The focus has been on the politics of world order. IPE has forgotten its ecological roots and remains anthropocentric (Lafferiére and Stott 1999, 2006). Political ecology is not just about ethics, but at heart is about the material conditions for life on Earth. It reminds us of this material basis, the ecosystems, upon which society is dependent. Historical materialist analysis has been slow to take on board ecology, but this analysis is becoming more widespread (Foster 2002, 2009).

Political ecology challenges political economy in a variety of ways. At heart it points out how ecological structures are integral to politico-economic processes. It critiques the idea that the economy has become separated and disembedded from society in the historical period of the great transformation to the market economy, not just in material terms but also in ideational ones, which has fundamental repercussions for the contours of social relations, by reconceptualising nature as subordinate (see Polanyi 1957; Mitchell 1997). This disembeddedness enables the commodification of externalities, such as for example environmental degradation and climate change. Trade policy is not substantially challenged by internalisation of externalities. In the case of climate change, for example, a lucrative market has been created in emissions trading, of which the EU has the most successful variant as seen above (Ellerman 2009). Critical thinkers doubt such measures will avert ecocide and that merely internalising the externalities does not radically redefine the relationship between nature and society (Cato 2011).

The idea of limits, both ethical and material, that stem from a political ecology approach, present a fundamental challenge to orthodox economic thinking. Likewise, they present a fundamental challenge to political orthodoxy. There are ecological limits to globalization and the expansion of market society. From an ecological perspective, disciplinary neo-liberalism (Gill 1995) cannot rely on exponential economic growth. Global and regional governance, then, needs to do more than manage global trade and economics, but questions of social and ecological justice require a discussion about redistribution of access to wealth and resources. Ultimately, society and the economy need to be re-embedded within their ecological limits, and this challenges not just economics, but also governance.

### ***EU policy making, ecology and social justice – the case of extracting petroleum from tar sands***

In this section, the analysis selects the case of the trade negotiations between the EU and Canada. The EU is negotiating a bilateral trade agreement, in line with its general

move towards external liberalization through bilateral agreements alongside a commitment to multilateral trade fora. The Canada-EU Comprehensive Economic and Trade Agreement (CETA) intends to cover trade, investment, movement of workers, trade in services, intellectual property and government procurement, amongst others (Bartels and Henckels 2011: 1; European Commission undated; European Commission 2009). In line with EU policy orthodoxy, it takes for granted that liberalization is good, because it contributes to increases in GDP (EC Enterprise and Industry 2009:2). In addition, preparatory documents highlight in particular that the private sector in both countries is welcoming of this opening up of markets:

'The private sectors in both EU and Canada have shown strong support for an ambitious and comprehensive economic agreement, both publicly and in response to the consultations undertaken by both parties in the framework of the joint study. They believe advancing a closer EU-Canada economic partnership would send a powerful pro-growth signal to investors and businesses within the EU and Canada as well as internationally.' (EC Enterprise and Industry 2009: 3)

Like many EU trade policy documents, its focus is on economic growth, market access and liberalization, and like many EU trade documents it makes an obligatory, if brief, reference to sustainable development where it agrees to looking into environmental and labour rights (EC Enterprise and Industry 2009: 7). A core controversy surrounding this trade deal is the extraction of petroleum from tar sands, although this controversy is viewed differently by different stakeholders. Predominantly, the controversy is couched in terms of market access for foreign companies and investors – in particular the access of European petroleum companies to Canadian tar sands, thus diminishing Canada's power to regulate extraction of petroleum from tar sands on its own soil (Bartels and Henckels 2011).

From neo-Gramscian and critical ecological perspectives, there is a fundamental conflict between trade liberalization including dirty extractive industries and the EUs own sustainability targets and commitments to reducing greenhouse gases, including low-carbon growth and commitment to clean fuel through initiatives such as, for example the Fuel Quality Directive (Directive 2009/30/EC). A neo-Gramscian analysis would identify the tensions in these discussions between the dominant capitalist interests, such as here the extractive industry seeking market access or the Canadian government on behalf of Canadian extractive industries, while also identifying the social forces seeking to challenge the dominant voices. In this case, for example, other stakeholders such as the First Nations, social movements and NGOs across the world view this controversy quite differently. According to them, this should not be about which corporations end up getting access to mining tar sands, but rather from an ecological and social justice perspective, they are arguing that the mining of oil or tar sands exacerbates environmental degradation, CO<sub>2</sub> emissions as well as having detrimental social and health impacts on local populations, and thus should not be carried out at all (Shrybman 2011).

The severity of the problem has triggered a global campaign to highlight the detrimental impact of this industry (UK Tarsands Network 2011), which has been campaigning outside the CETA negotiations. Further, they have been campaigning within the European Parliament in collaboration with progressive MEPs to insist the European Fuel Quality Directive highlights the high carbon content of fuels extracted from tar sands, something the Canadian government has been lobbying to keep out of the document (UK Tarsands Network 2011; CANC 2012).

Echoing the developments in critical social theory, any effective counter-hegemonic struggle needs to address both social justice and questions of sustainability. Social movements are speaking up for sustainability and social justice in order to challenge EU trade policy. They are seeking to influence the course of EU trade policy through direct action and campaigning by exposing the contradictions and tensions between continued

economic growth strategies on the one hand, and meeting the challenges of sustainability and social justice. Within the democratically elected bodies of the European Union, the European Parliament also provides a route to influencing the direction of trade policy. A recent report adopted in the European Parliament on international trade policy in the context of climate change imperatives highlights the need to reconcile the conflicting pulls of sustainability and social justice on the one hand and the focus on liberalization and economic growth on the other (European Parliament 2010). Influencing the frame within which policy making takes place is a struggle to break through the economic and political enclosures within which trade policy making takes place; an ongoing struggle over hegemony.

## **CONCLUSION**

Ecological economics is still in development, and an international political ecology that is adequate to address trade issues must develop alongside. Inclusion of the power issues that a neo-Gramscian analysis can bring to the table will be essential for any social and political project in support of an ecological economics. This analysis implies that such new economics will need to be fought for politically and will need to be taken up by progressive movements in a much more direct and informed way. Theorists can help in continuing to raise these issues and in strongly arguing for the need for radical reformulation of social theory to respond to the challenges of sustainability and social justice. This article has argued that it is not enough to critique EU trade policy through an assessment of whether it meets its stated goals or not. Rather, a critical perspective seeks to uncover the political and economic enclosures underpinning EU trade policy and governance and it interrogates the obstacles to achieving a more sustainable and socially just world through trade policy. This analysis explored the discursive hegemony of neo-classical economic thought and the contours of EU governance. It argued that the hegemonic discourse of economic growth and trade liberalisation provides a limited and limiting framework for the construction of EU trade policy. Furthermore, the article analysed the social and political context of the EU project. The trajectory of EU governance is not simply a functional response to the demands of the market but is instead the outcome of a process of contestation and elite compromises. The final part of the article focused on the challenges of sustainability and the limitations of environmental economics in meeting these challenges. It argued that an ecological political economy perspective might provide a better starting point for building a global society that is ecologically sustainable and socially just. Analysing EU trade governance from a critical perspective was one attempt to highlight the way in which political and economic enclosures operate through often implicit, taken for granted assumptions, such as around economic growth. This paper has sought to contribute to a wider critical theoretical project of unearthing implicit assumptions that might hinder progressive, socially just and sustainable policies.

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## **ACKNOWLEDGEMENTS**

The author would particularly like to thank Gary Browning, Molly Scott Cato, Gabriela Kütting, Jenneth Parker and Marc Williams for valuable feedback and support.

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<sup>1</sup> Critical social theory includes a wide spectrum of analyses. My concern with the twin benchmarks of sustainability and social justice is one that emanates from critical ecological thought. This is not to say that these twin concerns are more important than other concerns, such as for example attention to other forms of domination, for example through class, race, gender, etc. Indeed, social justice should be broadly understood as intersectional, though this paper does not offer a detailed analysis in this regard (for further elaboration on intersectionality, see McCall 2005).

<sup>2</sup> In this article I am not centrally concerned with the analysis of emancipatory practices, but I have discussed this elsewhere (Ford 2005).

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# Journal of Contemporary European Research

Volume 9, Issue 4 (2013)

## The Power of Economic Ideas: A Constructivist Political Economy of EU Trade Policy

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### Citation

Siles-Brügge, G. (2013). 'The Power of Economic Ideas: A Constructivist Political Economy of EU Trade Policy', *Journal of Contemporary European Research*. 9 (4), pp. 597-617.

First published at: [www.jcer.net](http://www.jcer.net)

## Abstract

The European Union's (EU's) 2006 *Global Europe* communication established an offensive Free Trade Agreement (FTA) agenda premised on serving the interests of the EU's upmarket exporters at the expense of the EU's remaining 'pockets of protection'. This has remained in place with the advent of the 2010 *Trade, Growth and World Affairs* strategy. Such a development defies both rationalist International Political Economy (IPE) explanations – which emphasise the protectionist bias of societal mobilisation – and accounts stressing the institutional insulation of policy-makers from societal pressures because the recent economic crisis and the increased politicisation of EU trade policy by the European Parliament have coexisted without leading to greater protectionism. Adopting a constructivist approach, we show that this turn of events can be explained by the neoliberal ideas internalised by policy-makers in the European Commission's Directorate-General (DG) for Trade. We then deploy a novel heuristic to illustrate how DG Trade acted upon these ideas to *strategically* construct a powerful *discursive* imperative for liberalisation.

## Keywords

Constructivism; EU trade policy; strategic discourse; Europe 2020; Global Europe; economic crisis

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The "Global Europe" communication announced in October 2006 by the European Commission's Directorate-General (DG) for Trade represented an important shift in the European Union's (EU) trade strategy. It led the EU to embark on a series of ambitious Free Trade Agreement (FTA) negotiations with emerging economies in East Asia, with the first agreement being signed with South Korea in 2010. At the heart of this strategy lay a willingness to serve the interests of the EU's upmarket exporters at the expense of protectionists; the EU-Korea FTA represented a case in point as the EU obtained a substantial liberalisation of services and investment in exchange for opening up the EU automobile market, at a time where the industry was reeling from the effects of the most significant economic crisis in recent decades (Siles-Brügge 2011). Since then, and under the leadership of Karel De Gucht who took over as Trade Commissioner in February 2010, there has been a move towards consolidating the EU's offensive "Global Europe" agenda in the new *Trade, Growth and World Affairs* strategy. Serving the EU's high-end export interests (particularly in services and investment) through ambitious FTAs – and doing so at the potential expense of protectionists – is still an overarching feature of DG Trade's agenda in the on-going negotiations with India; here DG Trade is countenancing to make concessions on the highly controversial issue of mode 4 services (the movement of natural persons to deliver a service, usually an issue associated with immigration) in exchange for a sufficiently attractive liberalisation offer from the Indian side. Even a new emphasis on 'reciprocity' in trading relations – a discourse traditionally associated with protectionism in EU trade policy – seems to be aimed at improving the EU's offensive trade negotiating leverage while minimising the threat of protectionist fallout. The evidence, so far at least, suggests that despite the recent economic crisis the EU has been able to conduct an aggressive outward-oriented trade policy which has the potential not only to boost exports but also to cause significant *pain* to import-competing interests.

This poses a problem for much of the rationalist International Political Economy (IPE) literature on trade policy. The acknowledgement of collective action problems – that protectionists are more likely to mobilise and shape policy than the 'winners' from liberalisation, due to the concentrated and more immediate nature of the losses incurred and the greater diffusion of the benefits (Olson 1965) – has meant that accounting for liberal trade policy outcomes has often been seen as an intellectual puzzle for such scholars. In the specific case of preferential liberalisation, the consensus seems to be

that this is often preferred to multilateral trade-opening *precisely* because it is more likely to be “partial”, offering key market access gains without the usual countervailing concessions in import-competing sectors (see, in particular, Dür 2010). In other words, gains for the beneficiaries of preferential liberalisation are unlikely to be sought by policy-makers at the (significant) expense of other sectors. This is, however, precisely the *crux* of the EU’s offensive commercial strategy, which so far has confronted one powerful economic sector (automobiles) and seems set to cause controversy over mode 4 at a time of economic crisis. This seems to suggest, *a priori*, that more could be gained from the rational institutionalist literature on EU trade policy, which points to the institutional insulation of policy-makers from protectionist pressures (see Meunier and Nicolaïdis 1999; Meunier 2005). Recent studies, however, have clearly shown that protectionists in the EU enjoy good access to policy-makers, whether during the negotiation of the EU-Korea FTA (Siles-Brügge 2011) or over proposals to reform EU anti-dumping regulations (De Bièvre and Eckhardt 2011). This has been rendered all the more poignant by the rise of the EP as an actor in the EU trade policy-making machinery following institutional changes wrought by the Treaty of Lisbon. This has, in the eyes of some analysts, the potential to further politicise the EU trade policy-making arena (e.g. Woolcock 2008). The puzzle, in sum, is explaining *why* DG Trade continues, particularly in the wake of the economic crisis, to push the offensive trade agenda set in motion in *Global Europe* (and which privileges pro-liberalisation over defensive societal interests) and *how* it remains successful in this endeavour.

This analysis suggests adopting an agent-centred constructivist political economy approach that stresses the constructed nature of social reality. The theoretical point of departure emphasises the role of “globalization discourses”; these have not only shaped the beliefs of political actors (the so-called “reflexive” dimension to discourse) but have also been at the heart of discursive strategies to construct ideational imperatives to legitimate otherwise controversial neoliberal economic programmes (the “strategic” dimension to discourse). The argument is that while policy-makers internalised a neoliberal discourse on the desirability, but ultimate political contingency of trade liberalisation, they used a far more necessitarian discourse in their public pronouncements in order to legitimate their agenda of market-opening. We also develop an analytical strategy premised on contrasting these two discourses that allows us to conclude that policy-makers *strategically* used such ideas as instruments of power, thus also offering an important contribution to the burgeoning literature on “communicative” discourse. It is important at this stage to emphasise that this does not suggest that rationalist accounts of trade policy cannot explain recent developments in the EU’s foreign economic relations. Indeed, previous studies have rightly pointed to the important role played by exporters (in particular service suppliers) in pressuring the Commission to adopt a preferential trade strategy (*Global Europe*) in the first place (Dür 2010; Heron and Siles-Brügge 2012). Nonetheless, even though such accounts may partly explain the turn to preferentialism they cannot, on their own, explain why in adopting such a trade strategy the Commission chose to privilege the interests of exporters at the expense of importers – given that it purposefully chose to trade away the EU’s ‘pockets of protection’ for market access. Rather our analysis suggests that we need to also consider the neglected role of ideas and language in the governance of trade policy.

First, this article develops the constructivist theoretical framework to study the role of strategically-deployed economic discourses of economic constraint. Second, it charts the internalisation of neoliberal ideas by actors in DG Trade, finding that since the 1990s policy-makers have consistently espoused a view of trade liberalisation and globalization as both desirable, yet ultimately contingent upon political processes. Third, it examines how these ideas have shaped EU trade policy since the advent of the crisis, focusing on the EU’s offensive preferential trade agenda. Finally, it considers how DG Trade has constructed an ideational imperative for liberalization and how this discursive strategy

has, so far, been successful, to close on some reflections on the future of EU trade policy.

### CONSTRUCTING EXTERNAL ECONOMIC IMPERATIVES

Using the term constructivism inevitably evokes a tradition in International Relations (IR) theory mostly associated with the writings of Alexander Wendt (1999). However, this article follows others in seeking to move beyond IR constructivism's structural determinism and neorealist-inspired state-centrism (e.g. Hay 2002; Parsons 2007). In this vein, the rather persuasive and intuitive ontological position on which to base this newer brand of constructivism is the belief that social and political reality is *constructed* by agents through ideas rather than being *fixed* by particular material (or what could be called "structural") constraints, as in rationalist accounts. An important feature of this approach is the emphasis placed on attributing a specific *causal* role to ideas in political analysis, in other words, determining *why* such ideas have mattered in the determination of political outcomes. In this vein, the purchase of neoliberal ideas in academic and policy-making circles suggests that a powerful reason why ideas matter in the international political economy is that they are treated by actors as though they were material straightjackets. The argument made by some is that neoliberal tenets are increasingly treated as 'normalised', that is, as reflections of a reality in which the rational *homo economicus* is the main determinant of social outcomes, rather than as a "normative" framework, advocating policies seen as desirable (Hay 2004b). This is particularly relevant for the domain of trade policy, where neoclassical economic theory still underpins most policy analysis and academic debate in IPE (for an exception to this, see George 2010). A (constructivist) political economy approach, as Charles Maier (1988: 6) puts it, explores the constructed nature of such models, 'regard(ing) economic ideas and behaviour not as frameworks for analysis, but as beliefs and actions that must themselves be explained'.

This is the aim of a literature that has concerned itself with the discursive construction of globalization as such an economic constraint, taking as its point of departure the debate between advocates of the "hyperglobalization thesis" and its sceptics (see Ohmae 1995; Hirst and Thompson 1999). Rather than accepting the parameters of this rationalist argument – that is to say, entering into a debate over whether globalization is an empirically verifiable *material* process that constricts the choices facing political actors – such writers adopt the constructivist view that it is the ideas that agents hold (and invoke) about "globalization" that are key (see, among others, Rosamond 2000; Hay and Rosamond 2002; Hay and Smith 2005, 2010; Watson and Hay 2003). In a seminal article, Colin Hay and Ben Rosamond (2002: 148, emphasis in the original) quite effectively condense the central argument of this approach, noting that 'policy-makers acting on the basis of assumptions consistent with the hyperglobalization thesis may well serve, in so doing, to bring about outcomes consistent with that thesis, *irrespective of its veracity* and, indeed, *irrespective of its perceived veracity*'. The perceived material rationality of the hyperglobalization thesis becomes meaningful in shaping outcomes only because it is internalised by actors, in other words, because it is treated by them as though it were a *real*, material constraint rather than just a (contestable) economic framework.

The key to understanding this process is a study of what this literature terms "globalization discourse". Here discourse is defined as 'a broad (...) matrix of social practices that gives meaning to the way that people understand themselves and their behaviour. (...) More precisely, a discourse makes "real" that which *it* prescribes as meaningful' (George 1994: 29-30, emphasis in the original). Analysing discourse thus becomes the study of the process of social construction, where control of knowledge about this so-called economic process becomes an exercise of authority in the international political economy. As such, Hay and Rosamond (2002) provide a typology

of different globalization discourses that can manifest themselves through political agency which is organised along two axes. For one, such discourses can put forward either a positive or a negative view of the outcomes of globalization, or additionally – as in Hay and Nicola Smith (2005) who engage in a more sophisticated exercise of discursive mapping – a view that the outcome of globalization is dependent on political choices. Secondly, the process of globalization itself can be portrayed as either (politically) contingent or as inevitable. It is this latter categorisation which informs the central contention of this literature that policy-makers strategically invoke a view of globalization as inexorable – while they privately may hold a more contingent view of the process – in order to legitimate potentially painful and/or contentious neoliberal socioeconomic reforms aimed at further marketisation of the political economy; in other words, by appealing to the material rationality of globalising forces they are ‘rendering the contingent necessary’ (Watson and Hay 2003; see also Hay 2004b). The power of such rhetoric<sup>1</sup> thus resides in that it presents a (politically) contingent phenomenon as immutable (economic) fact. Such a framework thus problematizes economic understandings of the political economy, borrowing from the critical approach of Robert Cox (1981); just as “problem-solving” theory masks the ultimately contingent nature of theorising, discourse that stresses the external constraint posed by globalization serves to disguise alternative outcomes.

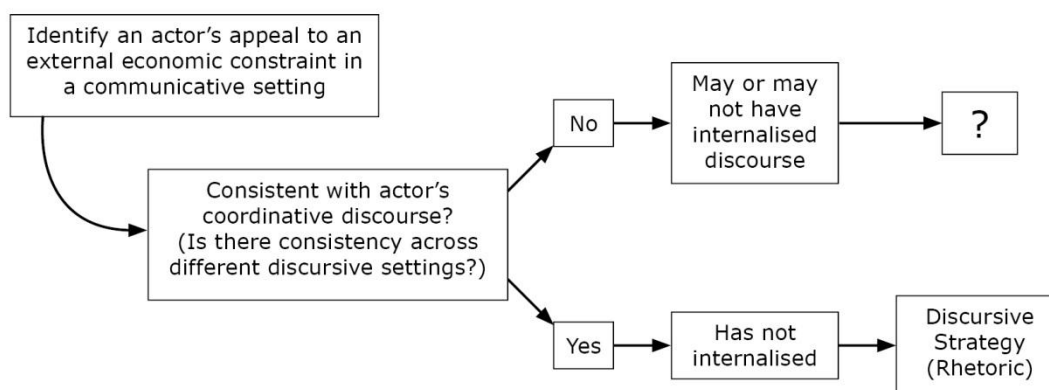
It thus becomes important to understand both how the supposed “material” rationality of the hyperglobalization thesis is internalised and how it can serve as a platform to advance actors’ interests. In this vein, the literature on globalization discourse has combined two previous strands of work on economic narratives, the so-called “strategic” and “reflexive” pathways to the study of economic discourse (Rosamond 2000). In the former, actors consciously use particular discourses to construct reality in order to serve their interests; in such a case a strategic discourse is separable from actors’ interests or exogenous. On the “reflexive” side, Hay and Rosamond (2002: 147) show an interest in showing how ‘ideational structures become institutionalised and normalised’. However, they reject the premise that actors can have interests that are separable from discourse, as a superficial reading of the “strategic” pathway would suggest; the explanatory emphasis is thus not on the interests that actors may have independently of discourse (as the latter is constitutive of the former) but rather on whether particular actors choose to invoke such beliefs to serve interests that are partly constituted by these (or other) beliefs (such as the more contingent view of globalization often attributed to policy-makers in this literature).

While recognising the complexities of discourse undoubtedly enriches our study of the international political economy it also unfortunately has the potential to obscure our analysis of political agency and the role of ideas within it. Specifically, we are referring to the issue of determining whether actors are instrumentally invoking ideational constraints in the service of the neoliberal project. In an earlier article we argued that not enough had been done in existing studies to determine this, largely as a result of a methodological dilemma held to be at the heart of the study of discourse (Siles-Brügge 2011: 631-634). The problem is that it is impossible to determine from a policy-maker’s pronouncements themselves whether these are a reflection of their true beliefs or not, which makes it difficult to ascertain whether the invocation of external economic constraints is done disingenuously (as part of a discursive strategy) or not. Going one step further, even if we knew that an actor truly believed in the material reality of a particular economic constraint, we could not possibly distinguish from their pronouncements between a case where they were invoking this constraint strategically and one where they were simply repeating a discourse they have already internalised. Only where we know that a policy-maker does not believe a constraint to be real can we interpret their rhetoric of external constraint in and of itself as strategic.

One of the contributions of our earlier article was to provide an analytical strategy to overcome this methodological dilemma. Drawing on the insights of previous research

(Hay and Smith 2005, 2010; see also Hay and Rosamond 2002: 158-159) our argument rested on an important distinction between “coordinative” (private) and “communicative” (public) discourses. The former refers to the process of policy construction – more specifically, ‘the common language and framework through which key policy groups come to agreement in the construction of a policy program’ (Schmidt 2002: 171) – while the latter is about a process of engagement with the public in order to legitimate such policies (Schmidt 2002: 171-172). The basis of our argument was that we could determine the strategic nature of discourses evoked within a communicative setting if we knew that an actor had not truly internalised these views. This also implied studying coordinative discourses, which given their setting were likely to correspond to the actual views of policy-makers. We argued that any discrepancy between discourses present in communicative and coordinative settings was strong evidence to suggest that any constraints invoked had not been internalised. In sum then, we could be quite confident in identifying an actor’s appeal to a particular external economic constraint as rhetorical if this discourse was not invoked consistently across different discursive settings (Figure 1). What we did not explicitly recognise at that juncture was that there is a clear limitation to such a framework in that it only serves to identify an actor that has not internalised a particular discourse but is using it strategically. We are still left with an intractable methodological problem that does not allow us to identify (from their pronouncements) actors who may have internalised such beliefs but are still invoking them disingenuously. That being said, not only is the scope for uncertainty considerably reduced when we deploy our analytical technique, but our approach is extremely parsimonious, allowing us to determine the strategic nature of actors’ communicative discourses from the analysis of only a few key documents.

Figure 1: Identifying an actor’s discursive strategy



Source: Adapted from Siles-Brügge (2011: 633).

This is particularly poignant if we consider Hay and Smith’s (2010: 2) argument that studies predicated on such a method ‘are simply incapable of providing the detailed picture of policy-makers’ assumptions and understandings of globalization (...) that we increasingly seem to acknowledge that we need’. Their reasoning is two-fold. For one, they point to the difference between coordinative and communicative discourse, highlighting that one cannot simply infer “cognitions” from public pronouncements given the potential for a strategic invocation of particular ideas. Secondly, they argue that policy-makers often make only a passing reference to the term globalization in their pronouncements, precluding an in-depth study of their understandings of the term from such data. As a result, they argue that there is ‘no substitute for raw attitudinal data’ (Hay and Smith 2010: 2) collected via surveys.

In contrast, this analytical strategy allows relying on the study of a few key documents to study not only communicative but also, and perhaps more controversially, coordinative discourse. In this view it is not just the fact that discourse is private that allows concluding that it is coordinative; rather, it is contended that we can determine the coordinative (or non-strategic) nature of policy documents by exploring their purpose and intended audience. After all, what need do policy-makers have to invoke ideas instrumentally, when they are drafting policy - and doing so in conjunction with stakeholders with which they share, referring to part of Schmidt's (2002) key definition of coordinative discourse, a 'common language and framework'? Thus, although coordinative discourse may at times only be found in purely internal documentation, there will be occasions when we can arrive at it by studying publicly available documents, provided we understand the context in which they originate. This may offer a less comprehensive insight into the beliefs of policy-makers than Hay and Smith's (2010) approach to collecting 'raw attitudinal data', but there are two reasons why it is still the preferred approach. For one, the interest is in the ideas of policy-makers at a particular moment in time, which is difficult to determine by any other means; collecting attitudinal data is constrained in this regard by the potential for such problems as memory failure that plague retrospective surveys (Belli *et al.* 1999; Oppenheim 1992: 130) and interviews (Seldon 1996: 355-356). Secondly, and as noted above, this is a more parsimonious technique to reliably arrive at the general outline of policy-makers' beliefs, as we are not interested in an exhaustive genealogy - or "anthropology", to use the term Hay (2004a) employs to refer to Karl Polanyi's (1957) study of the origins of market relations - of the emergence of neoliberal ideas in EU trade policy. The "snapshots" garnered through documentary analysis, in turn, are sufficient for the purposes of deploying our analytical strategy to unmask the strategic nature of appeals to an external economic constraint.

In sum, deploying this framework is particularly helpful as it enables to understand the power of economic ideas without sacrificing the analytical complexity involved in the study of discourse from a constructivist perspective. Focusing on the "strategic" dimension to discourse is important to understand *how* DG Trade (the principal agent/actor in our story, although individual Commissioners also played an important agential role) has legitimated free trade after the advent of the economic crisis. In this vein, although constructivist approaches have been critiqued from a historical materialist position as 'unable to explain *why* a particular set of ideas became part of the structure and not another, rival set of ideas' (Bieler and Morton 2008: 104, emphasis in the original) this article offers an insight into the ideationally compelling dynamics of discourses of external constraint. In other words, it offers a theory of why *certain* ideas did matter at a particular point in time (the Commission's argument regarding the need to liberalise) while others were marginalised (the arguments of import-competing sectors). Moreover, the so-called "reflexive" dimension to discourse helps us to understand *why* the Commission pursued the policies it did in the first place, privileging the interests of exporters (e.g. service suppliers). After all, their pronouncements on the necessity for market access chimed with the neoliberal vision internalised by policy-makers more readily than requests for import protection from more defensively-oriented sectors (e.g. automobiles). A detailed study of their role in lobbying the Commission to pursue particular trade policies is unfortunately beyond the scope of this article (see Siles-Brügge 2010; Heron and Siles-Brügge 2012). Instead, this analysis seeks to suggest that an appreciation of the ideational dimension to policy-making helps to understand the influence that exporters hold and has been documented elsewhere. This is something, moreover, a historical materialist reading of the EU political economy (van Apeldoorn 2002) would not necessarily give us; its overly holistic focus on a cohesive transnational capitalist elite allied to a unified Commission does not fit the picture of EU trade policy where there are very clear cleavages between (what are in most cases both transnational) pro-liberalization (largely export-oriented or importing) and anti-liberalization business interests (see, among others, Dür 2008; Siles-Brügge 2011; De Bièvre and Eckhardt 2011).

## INTERNALISING THE NEOLIBERAL PARADIGM: THE 'REFLEXIVE' DIMENSION TO DG TRADE'S DISCOURSE

The empirical part of this article thus begins by looking at this "reflexive dimension" to discourse in this section, suggesting that policy-makers in DG Trade internalised a neoliberal discourse that led them to see the marketisation, economic restructuring and integration of the EU into the world economy as desirable outcomes (which also made them amenable to certain interest groups' arguments). This coordinative discourse began to crystallise over the course of the 1990s in the notion that boosting EU competitiveness – understood in terms of an increasing emphasis on 'value-adding' and exporting upmarket goods and services (European Commission 1996, 2005) – should be served through the elimination of restrictions to trade. Crucially, open trade policies were seen in the context of neoliberal economic restructuring; the 1996 *Market Access Strategy* – a key policy-making document authored under the tenure of Trade Commissioner Leon Brittan – argued that although market opening could lead to political pressures from affected industries, the process of restructuring would bring new business opportunities to Europe based on the principles of 'comparative advantage and free trade' (European Commission 1996: 2). The subtext was that Europe should concentrate on exporting high-end goods and services where it was judged to be "competitive" rather than seek to compete with the likes of China and India on price. This distinctly neoclassical economic analysis led DG Trade – albeit cautiously, at this stage – to argue that requests for import protection or government support to affected groups should be resisted (see European Commission 1996: 2); market disciplines were positive as they encouraged competitive adaptation. In terms of the globalization discourse literature, this was a view of globalization as a positive yet contingent outcome and it led officials in DG Trade to actively seek exporter input (European Commission 1996: 10) where previously such interests had not featured very prominently in trade policy-making (see Heron and Siles-Brügge 2012: 255-256).<sup>2</sup>

After the departure of Brittan EU trade policy discourse was recast by the new Trade Commissioner Pascal Lamy in terms of the doctrine of "managed globalization". This, however, has to be contextualised within EU trade policy's wider neoliberal evolution, representing less of a discontinuity with previous ideas than some would argue (Abdelal and Meunier 2010). Lamy, after all, continued to espouse a positive-sum view of trade liberalisation and globalization premised on seeking gains for upmarket exporters, whose input was still actively sought to set EU trade policy in the Doha Round of multilateral trade talks (Heron and Siles-Brügge 2012, De Ville and Orbie 2011; see speeches by Lamy 1999, 2000). The arrival, as Trade Commissioner in November 2004, of Peter Mandelson was more important for these purposes, as one of the chief architects of the reincarnation of the Labour Party as 'New Labour', which embraced aspects of the Thatcherite legacy in Britain (see Hay 1999). This is because his tenure represented an important "leap" when compared to previous thinking in DG Trade towards a more "activist" form of neoliberal trade policy. Crucially, it was suggested in the September 2005 *Trade and Competitiveness Issues Paper* – a key document used in policy formulation (see Siles-Brügge 2011) – that the EU '(u)rge trade partners to open their markets, using our possibilities for movement on our trade protection as negotiating leverage' (European Commission 2005: 6, emphasis omitted). Whereas in 1996 policy-makers had been rather coy about the prospect of "resisting" protectionist pressures (see above), in 2005 – following Mandelson's influence – they chose to confront them head-on in the interest of boosting EU competitiveness. In the eyes of policy-makers this would be killing two birds with one stone by achieving market access gains for EU export-oriented sectors (in other words, "competitive" industries) using a reduction in import duties in the few remaining "pockets of protection" (to rephrase the *Issues Papers'* term of "pockets of distortion") as a bargaining chip, even though this was seen as a desirable outcome in itself. This was not an espousal of "mercantilism" – that is,

maximising net exports – as some have argued (Ricard 2006), but rather corresponded to a neoliberal view of economic relations, as trade policy was to take a more “activist” role in the restructuring of the European economy. As in 1996, globalization was being portrayed in Commission coordinative discourse as a positive and contingent outcome, but one in which market-opening (particularly of third party economies) was political objective that had to be pursued with even greater emphasis.

In the aftermath of the 2008 Financial Crisis, and under the leadership of Commissioner Karel De Gucht (in office since February 2010), policy-makers have continued espousing similar views.<sup>3</sup> This can be observed from a key contribution made by DG Trade’s Chief Economist, Lucien Cernat, to a debate amongst neoclassical economists on the future on EU trade policy. This is tellingly entitled ‘Shaping the Future of EU Trade Policy: How to Maximise the Gains from Trade in a Globalised World’, already suggesting a positive-sum view of trade liberalisation. Specifically, Cernat (2010: 14, emphasis in the original) refers to the orthodox, neoclassic literature in trade economics to argue that ‘promoting trade liberalisation brings a *triple benefit* that can underpin (economic) progress in the EU’, namely ‘economic growth’, ‘consumer benefits’ and ‘labour effects’. Apart from the emphasis on consumers, this is nothing new. The emphasis on ‘economic growth’ and ‘labour effects’ betrays a continued faith in the forces of economic restructuring, with officials in DG Trade still espousing the view that the EU’s competitiveness is dependent on its ability to export high-end products. What is more interesting is that, given the context of the economic crisis and the slowing of economic growth in Europe, the principal plank in Cernat’s argument is that ‘(w)ith subdued domestic demand in the EU, trade is going to become an important driver of growth’ (Cernat 2010: 13). In sum then, trade liberalisation is still seen as a desirable objective – contributing to the *Europe 2020* agenda of economic recovery premised on boosting competitiveness – while globalization is – as under Mandelson – also embraced as an unambiguously desirable process. Crucially, as subsequent analysis will show, both this objective and process are perceived as threatened by the political consequences of the economic crisis.

This is most obvious if we turn to other contributions made by Cernat and his economist colleagues in DG Trade to Vox discussions. The argument made in these pieces is that EU member states have to resist the forces of “murky”, behind-the-border protectionism that are spreading through the international economic system following the Financial Crisis (Cernat and Susa 2010; Cernat and Madsen 2011). In Cernat and his colleague Nuno Susa’s (2010) words, ‘this crisis might put an additional strain on those areas where the absence of clear WTO rules offers unbounded “protectionist policy space”’. Free trade (as well as further liberalisation), then, is seen to be far from inevitable as it depends, to a large extent, on the political will of participants in the international trading system to be maintained. Moreover, it is also seen to be increasingly contingent on domestic political pressure. As the following excerpt from makes clear, the belief among policy-makers in DG Trade is that the lack of reciprocity in trading relations with emerging economies – who are developing into keen EU competitors – risks turning EU public opinion against trade liberalisation:

‘(Most) Europeans believe that the EU has benefited greatly from international trade. However, they are less confident about the future, as (again most) think that trade will benefit more the emerging economies (...) in the coming years. These views may lead to protectionist tendencies, if Europe’s openness is perceived as being matched by EU’s strategic trading partners with ‘behind-the-border’ policies acting as de facto discriminatory trade barriers’ (Cernat and Madsen 2011; see also O’Sullivan 2010).

This passage captures a real fear amongst trade policy-makers that the public as well as political actors’ understandings of trade policy are largely “mercantilist”, that is, focused exclusively on the gains to exporters from liberalisation rather than also on the gains from imports (in the form of cheaper consumer prices and so forth, as neoclassical economic theory dictates; interview, European Commission, Brussels, 25 May 2011). The

implication of this of course is that, in the absence of countervailing gains for exporters (i.e. where countries did not reciprocate EU openness) such actors will focus on the concentrated adjustment costs resulting from trade liberalisation. The significance of this for our purposes – beyond highlighting that DG Trade’s views (as highlighted in its coordinative discourse) continue to be neoliberal rather than mercantilist – is two-fold. For one, it underscores the importance increasingly attributed in DG Trade to communicating the benefits of free trade, and in particular of imports. This is a point we return to later in the article, where we discuss DG Trade’s discursive strategy. For now, we turn to the implications that this raises for the Commission’s “reciprocity” agenda in the sense that it is felt that a lack thereof threatens the liberal foundations of EU trade policy.

“Reciprocity” has long been a code word in Brussels for “protectionism”, having been appropriated by actors critical of DG Trade’s market-opening initiatives in order to oppose trade liberalisation (Siles-Brügge 2011). However, DG Trade has not deviated from its long-held neoliberal paradigm by acknowledging the (political) necessity of reciprocity in trading relations. If we carefully examine DG Trade’s previous coordinative discourse, such as the 1996 *Market Access Strategy* or 2005 *Issues Paper*, it becomes clear that it had always acknowledged the potential for opposition to liberal, technical-rational and (therefore) welfare-maximising trade policies amongst political actors. After all, there is recognition of these dynamics among neoclassically trained economists and their following among political scientists, who have postulated theories of how to overcome these political dynamics prompted by collective action problems (see, e.g. Destler 2005). The economic crisis has, of course, rendered these pressures increasingly relevant, explaining in part the emphasis on a more concrete political “limitation” to the optimum outcome of unfettered trade liberalisation; the emphasis on reciprocity is perhaps a greater recognition than ever before of the political contingency of liberalisation, but this is not unexpected given the advent of the crisis. Underscoring its ideational lineage, reciprocity in DG Trade’s discourse is therefore ultimately about mobilising support in favour of trade liberalisation, rather than against market opening. More specifically, reciprocity is about ensuring the EU possesses sufficient leverage in on-going trade negotiations, rather than being aimed at establishing new barriers. In sum, in this section we have explored the “reflexive dimension” to DG Trade’s neoliberal policy-making discourse. By focusing on the beliefs of decision-makers from the mid-1990s to the present day we have been able to explain *why* they pursued the course of action they did. How policy-makers’ beliefs surrounding ‘reciprocity’ have come to shape the EU’s specific trade policy measures following the crisis is an issue we turn to in the next section.

## **LEVERAGING, NOT ESTABLISHING PROTECTION**

As we saw in the previous section, the idea of leveraging protection has been one of the key ingredients of the EU’s external trade strategy because it has allowed DG Trade to serve two aims it sees as desirable simultaneously: eliminating the EU’s remaining “pockets of protection” while serving its exporters interests. This was the aim behind the 2006 “Global Europe” strategy, whose stated aim of promoting competitiveness through further liberalisation was to be served through a more offensive external trade strategy premised on a new generation of bilateral trade deals with emerging East Asian and (to a lesser extent) Latin American economies (European Commission 2006). The first FTA concluded as part of this strategy with South Korea was predicated on precisely this dynamic; in exchange for a substantial liberalisation of the EU automobile market (at a time, we should remember, when it was in crisis following the economic downturn and where the opposition voiced by the European Automobile Manufacturers’ Association known by its French acronym ACEA had considerable resonance among certain member states such as Germany, France and Italy), DG Trade obtained a substantial liberalisation of services and investment for its outward-oriented firms (Siles-Brügge

2011). These were exporters which, as we saw above, the Commission had actively sought to engage in trade policy-making since the 1996 *Market Access Strategy* (see en. 2 on the role of the ESF), pointing to the “reflexive” role of discourse discussed in the previous section.

Taking this offensive trade agenda predicated on leveraging protection forward, as the *Trade, Growth and World Affairs* strategy purports to do, however, is potentially more problematic as all of the emerging country FTA partners originally identified by the *Global Europe* communication – with the exception of Korea and Singapore – are current beneficiaries of the Generalised System of Preferences (GSP). The existence of this scheme of non-reciprocal trade preferences offered by the EU to developing countries – which is authorised under the WTO’s Enabling Clause – has been seen by officials in DG Trade to create a serious disincentive for such countries to sign up to FTAs, as market access for many of their commodity exports is already guaranteed without the need for reciprocal liberalisation. In sum, in order to be able to trade away protection effectively, in line with the neoliberal beliefs of policy-makers discussed in the previous section, the EU has to be able to leverage sectors that are currently covered by GSP.

It is within this context that we have to understand DG Trade’s recent reform of the GSP scheme. This will see all high income and upper-middle-income countries – using the World Bank’s income criteria – become ineligible for GSP, with simultaneous changes to the graduation principle for GSP imports also rendering 5.3€ billion worth of imports – spread among only six countries (China, India, Indonesia, Nigeria, Thailand, and Ukraine) – ineligible for preferential access under the scheme (European Commission 2011a: 112; see also ODI 2011). DG Trade’s stated rationale for these changes is to ‘focus the GSP preferences on the countries most in need’ (European Commission 2011a: 2) – in their eyes LDCs and so-called “vulnerable economies” lacking product diversification and being poorly integrated into the world economy (European Commission 2011b: 11). There are, however, clear grounds for doubting DG Trade’s stated aims in this respect. If the primary driver of the EU’s reform of the GSP is to help those “most in need” by improving the value of their non-reciprocal preferences, then why is it seeking elsewhere to put trade relations with LDCs and “vulnerable” economies on a contractually reciprocated basis in the form of the Economic Partnership Agreements (EPAs) and other FTAs (for more on this, see Heron and Siles-Brügge 2012)?

As a result, it is argued that the GSP changes have to be understood as part of the move towards improving leverage in on-going trade negotiations. All of the FTA partners originally identified by the “Global Europe” communication – with the exception of Korea and Singapore – are current GSP beneficiaries, with most being significantly negatively affected by the reform of the scheme. Argentina, Brunei, Brazil, Malaysia and Uruguay stand to lose all of their non-reciprocal trade preferences, while India would lose preferences on 2.81€ billion worth of trade, or about 11.1 per cent of its total goods exports to the EU (author’s calculation, using data from European Commission 2011a and Eurostat 2011).<sup>4</sup> DG Trade, in appraising the GSP changes, unsurprisingly argued that they ‘ha(d) nothing to do with other (commercial) trade negotiations’, but it was quick to point out that they ‘might still have the unintended consequence of providing more advanced developing countries with a greater incentive to enter into and conclude reciprocal trade negotiations with the EU’ (European Commission 2011b: 15). Of these negotiations, the FTA talks with India are seen to be the most economically significant, with one senior DG Trade official going as far as to claim in 2011 that the success of the “Global Europe” agenda depended upon the successful completion of this FTA (interview, interest group representative, Brussels, 20 May 2011). As a result, it is perhaps no surprise that DG Trade singled out India when discussing the issue of negotiating leverage, noting that while it ‘enjoys relatively good market access for goods to the EU under the GSP (...) (it also) maintains fairly high tariffs and some peaks in areas particularly important to EU industry (such as cars, wines and spirits) and significant

non-tariff barriers in other sectors important to EU exporters' (European Commission 2010d: 8).

This, however, is only one of the two prongs of DG Trade's strategy of negotiating with India. The GSP changes are likely to increase its ability to trade away EU protection for market access in the Indian market. To be more specific, and rephrasing the terminology of the 2005 *Issues Paper*, DG Trade's chosen "pocket of protection" to offer in exchange for its offensive interests (for instance, in the area of investment liberalisation for services) is the area of General Agreement on Trade in Services (GATS) mode 4 service provision (the delivery of a service through the presence of natural persons). Liberalisation of mode 4 is particularly key to India given the low levels of liberalisation offered by the EU in this area; the EU15 April 2003 GATS offer in the Doha Round for mode 4 amounted to an indexed score of only 4.5 per cent, compared to over 50 per cent in all other modes of supply (Hoekman *et al.* 2007: 374). As a result, it is perhaps unsurprising that there is some evidence to suggest that the Indian side sees a satisfactory offer on mode 4 as a *sine qua non* of their acceptance of the FTA (cited in Business, Innovation and Skills Committee 2011). In this vein, DG Trade is countenancing making India the most generous mode 4 package that it has ever made in exchange for movement on its offensive interests. This is obviously conditional on the offer made from the Indian side (the hope being that a generous offer will "buy" the EU generous concessions beyond services; interview, European Commission, Brussels, 19 May 2011) – and on subsequent approval from the member states – but it highlights the importance attached by both sides to this particular trade off at the heart of the negotiations (Aiyar 2011).

This appears to embody one of the key aspects of DG Trade's neoliberal agenda (and the specific neoliberal discourse it internalised), which, as we saw in the preceding section, was its desire to actively trade away "pockets of protection" in exchange for market access. As we noted then, this cannot simply be seen as part of a "mercantilist" bargaining dynamic, but rather reflected the views of policy-makers that they were killing two birds with one stone, using the elimination of trade protection (which was seen as undesirable anyway) to achieve market access gains for their constituency of competitive exporters (primarily service providers establishing a commercial presence, also known as mode 3; for the importance of these in shaping EU trade policy, see Heron and Siles-Brügge 2012). Likewise, in the case of the EU-India FTA, DG Trade is showing willingness to trade gains on services investment and establishment more generally for a liberalisation of mode 4 that it sees as inherently desirable. One draft report in the EP (the so-called "Karim Report") – echoing a Commission report on the subject (No2EU 2010) – was to enunciate the logic explicitly by noting that,

'India has offensive interests in the General Agreement on Trade in Services (GATS) Mode 1 and Mode 4 liberalisation; the European Union would like to complete liberalisation in market access and national treatment in Mode 3 in most services; (...) the full ambition of the FTA cannot be achieved without MODE 4 (sic) – which currently faces a range of barriers (...) The elimination of these impediments would generate gains not just for India but also for the importing EU Member States' (European Parliament 2009: 9-10).

Crucially, however, the EU's relative lack of openness in mode 4 – as Bernard Hoekman *et al.* (2007: 375) note, although mode 4 is a sensitive in most developed countries 'a number of high-income countries are somewhat more willing to accept temporary entry of professionals than is the EU' – has been the product of the extreme politicisation of the issue within Europe, given its close association with migration issues within member states (Persin 2008; interviews, European Commission, September-October 2009 and May 2011). The EU-India FTA talks appear to have brought this issue to the fore at a time when member states' governments are under pressure on immigration issues in the wake of the economic crisis. Of particular relevance here is the UK – where the Conservative-Liberal Democrat coalition recently introduced a fixed annual cap on non-

European Economic Area migration to the UK (Tieman 2011) – which is expected to be the primary destination of India professionals and the key market of interest to Indian negotiators (Business, Innovation and Skills Committee 2011). There is unfortunately no space here to go into a detailed discussion of the literature on the politics of migration, or the important distinction in GATS parlance between mode 4 service delivery (implying temporary rather than permanent relocation) and migration which is often lost in the public debate on mode 4 (instead, see Leal-Arcas 2010). What is clear, however, is the political contentiousness of mode 4 in the context of the EU-India FTA, which is illustrated very vividly in one UK tabloid's reaction that '(t)ens of thousands of migrants from India are set to win the right to live and work in Britain because of the [EU-India FTA]' (Doughty 2010). Our brief discussion of the politicisation of this domain therefore raises the question of *how* DG Trade plans to push through this particularly controversial aspect of its trade liberalisation agenda. This leads us to turn to its strategic use of discourses of external constraint, the other dimension to the study of discourse which we addressed in the conceptual section of this article.

### **CONSTRUCTING AN IDEATIONAL IMPERATIVE FOR LIBERALIZATION: THE "STRATEGIC" DIMENSION TO DISCOURSE**

Under Mandelson, DG Trade seized upon the prevailing macroeconomic consensus of the time in order to construct a discourse of no alternative to trade liberalisation (see Siles-Brügge 2011). The discursive logic advanced in "Global Europe" was that given the competitiveness objectives of the Lisbon Agenda – which sought to make the EU 'the most competitive and dynamic knowledge-based economy in the world' by 2010 (European Council 2000) – the EU had no choice but to pursue an offensive external trade strategy. The "Global Europe" strategy was thus discursively rendering the potentially most controversial aspect of its trade agenda, trading "pockets of protection" for market access, necessary by appealing to the external constraint posed by globalising markets. In sum, ideas were being used as a powerful instrument in the service of a policy-making elite's neoliberal agenda, in line with the theoretical argument made earlier.

In De Gucht's DG Trade, the new *Europe 2020* strategy plays a similar role to the Lisbon Agenda back in 2006. *Europe 2020* strategy was a direct response to wider economic effects of the 2008 Financial Crisis, formally proposed by the (second) Barroso Commission in March 2010 and approved by the Member States at a European Council summit in Brussels in June 2010. Although it ostensibly replaced the previous Lisbon Agenda – whose ambitious target the crisis had definitively put to rest – the parallels are difficult to ignore. The rationale for *Europe 2020* – as in Lisbon – was still Europe's (relative) economic decline, with the crisis (and the pain it had and was still causing in Europe) adding increased urgency to plans for long-term economic reform rather than dashing them. The responses to these challenges were the three 'mutually reinforcing' objectives of delivering 'smart growth' (developing the knowledge economy), 'sustainable growth' (promoting greater resource efficiency, environmental awareness and competitiveness) and 'inclusive growth' (delivering high-employment and social cohesion) (European Commission 2010a). In sum, *Europe 2020* sought not only to 'help Europe recover from the crisis' but also, in Lisbon fashion, to enable the EU to 'come out stronger, both internally and at the international level' by the new deadline of 2020 (European Council 2010: 2). *Europe 2020* was therefore not so much a reinvention of European economic governance as a updating of the Lisbon Strategy reflecting changes in the European political economy. The emphasis on the competitiveness challenges faced by the European economy – so prominent in Lisbon (see Hay and Rosamond 2002) – still persisted; in fact, the crisis had added increased urgency to the need to respond to the external constraint posed by globalization. Thus, in its justification of *Europe 2020*, the Commission was to note that '(t)he crisis has wiped out years of economic and social progress and exposed structural weaknesses in Europe's economy. In the

meantime, the world is moving fast and long-term challenges – globalization, pressure on resources, ageing – intensify’ (European Commission 2010a: 5).

Although work on *Trade, Growth and World Affairs* was initiated as part of this broader *Europe 2020* agenda, DG Trade ensured that from the beginning it established discursive ‘ownership’ of this initiative; in this sense, the new trade strategy played an analogous role to “Global Europe” as DG Trade’s primary communicative resource. As David O’Sullivan (2010: 4, emphasis added), Director-General for Trade, put it explicitly, its purpose was ‘to continue to *project publicly the benefits of trade and globalization*, because recent events have given rise to some criticism and some suggestions that perhaps trade or globalization might even have contributed to the difficulties’. In his eyes there were very good reasons to do so as it was member states who were partly behind the drive for an ‘external dimension’ to the *Europe 2020* competitiveness agenda, including a strong drive from certain member states to include an emphasis on “reciprocity” – ostensibly in the more protectionist vein long associated with certain members of the Council (see Siles-Brügge 2011: 640, 644). Thus while contributing to the drafting of the *Europe 2020* document, which included a page setting out the basic parameters of the future *Trade, Growth and World Affairs* strategy, DG Trade worked hard (and ultimately successfully) to excise the term “reciprocity” with its potentially protectionist ramifications (interview, European Commission, Brussels, 17 May 2011).

The next step of DG Trade’s strategy consisted in seizing upon the discourse of external constraint at the heart of *Europe 2020*, much as it had with the Lisbon Agenda six years previously, in order to render its agenda of trade liberalisation discursively necessary, especially in response to the crisis. *Trade, Growth and World Affairs* explicitly stated that ‘trade and investment policy *must contribute to this* (competitiveness) *objective*’ (European Commission 2010c: 4, emphasis added). Crucially, it also addressed the threat of protectionist “reciprocity” by noting that while ‘others (...) must match our (liberalization) efforts, in a spirit of *reciprocity* and mutual benefit (...) (t)he EU *will remain an open economy*’. This was an act of discursively neutering the term “reciprocity” of protectionist connotations; although DG Trade continued by noting that this meant remaining ‘vigilant in defence of European interests and European jobs’, the implication, given the constraint posed by globalised markets, was that the EU would *have to* remain open in order not to jeopardise those interests. As the preceding paragraph in *Trade, Growth and World Affairs* had made clear, ‘(o)pen economies tend to grow faster than closed economies (...) (and as a result) Europe *must seize* the triple benefit from more open trade and investment: more growth and jobs and lower consumer prices’ (European Commission: 2010c: 4, emphasis added).

The necessitarian character attached to trade liberalisation as a result of the so-called ‘triple benefits from trade’ – which had featured in a more contingent form in DG Trade coordinative discourse (see above) – was underscored in another key document, the *Staff Working Paper on Trade as a Driver of Prosperity*. This came out in accompaniment to the strategy – to elaborate on areas the length and format-restricted *Trade, Growth and World Affairs* communication could not address (interview, European Commission, 17 May 2011). It sought to, through detailed economic analysis, ‘(make) the case again for open trade as an important driver for economic growth and job creation in the EU as well as worldwide, and as *a necessary condition* to strengthen the competitiveness of the EU in global markets’ (European Commission 2010e: 3, emphasis added). It also aimed, as had *Trade, Growth and World Affairs*, to underscore that “reciprocity” could not imply a closure of the EU market, given the importance of imports within the EU political economy: ‘(c)reating more growth and jobs in the EU will require a stronger export orientation *but without falling into mercantilism*: competitive exports *require* competitive imports’ (European Commission 2010e: 4, emphasis added). In this way it also emphasised the neoliberal rather than mercantilist bent of EU trade policy.

At this stage, this analysis addresses whether such discourses of external constraint were invoked instrumentally as they were under Mandelson. To do so, it deploys the

analytical technique discussed earlier (Figure 1), to contrast DG Trade's coordinative and communicative discourses over this period. The analytical strategy is premised on the fact that a contrast in discourse between both of these discursive settings suggests that an actor has not truly internalised a discourse of external constraint and is therefore simply invoking it strategically. Returning to the empirical case at hand we find, as before, a clear contrast between the contingency arguments raised by policy-makers in private – where trade liberalisation was seen as desirable yet contingent on political pressure (Cernat's column in the Vox debate, for example, was tellingly sub-titled 'How to Maximise the Gains from Trade in a Globalised World') – and the rhetoric characterising the *Trade, Growth and World Affairs* strategy. By embedding trade liberalisation in the context of *Europe 2020* this latter rhetoric was rendering it discursively indispensable. This is particularly evident when we turn to the issue of 'reciprocity'. Whereas in private DG Trade officials stressed that a lack thereof 'may lead to protectionist tendencies' (Cernat and Madsen 2011), in public they stressed that although 'for an open trade policy in Europe to succeed politically, others (...) must match our efforts (...) (t)he EU will remain an open economy'. The clear message, as we noted above, was that it had no choice to do so, given that in globalised markets '(o)pen economies tend to grow faster than closed economies' (European Commission 2010c: 4). As a result, we can confidently conclude that officials in DG Trade did not truly believe these to be real economic constraints and were thus invoking them, as before, in order to legitimate their neoliberal agenda premised on market opening.

### THE DISCURSIVE STRATEGY AT WORK

In Siles-Brügge (2011), the analysis shows how DG Trade successfully used such a discourse of economic constraint – as first enunciated in "Global Europe" – to legitimate the EU-Korea FTA in the face of considerable opposition from protectionist forces. Clearly the *Trade, Growth and World Affairs* strategy also contributed to reinforce these ideas at the time – being released in November 2010, a few months before the EU-Korea FTA was ratified by the EP – and serves the same purpose going forward. In the face of calls for "reciprocity" – in the protectionist vein – from some member states (as we noted above), it has re-established the discursive imperative for seeking ambitious trade agreements in East Asia (and Latin America). Thus, in reaction to *Trade, Growth and World Affairs*, the Trade Policy Committee of Member State representatives appeared to have fully internalised DG Trade's logic of competitiveness-driven constraints when it argued that,

'given the new opportunities and challenges that the EU common commercial policy has to face in an evolving economic environment marked by the steady rise of new trading partners and increasingly complex global supply chains, the future trade policy horizon has to be built on the objectives and major achievements of the 2006 Global Europe strategy that has already led to the signature of the Free Trade Agreement with South Korea, (...) a strengthened focus on market access and regulatory issues in bilateral trade relations, (...) as well as continued action to reverse and roll-back trade restrictive measures introduced during the crisis' (Council of the EU 2010: 3).

Moreover, although it does remain to be seen whether DG Trade will be able to push through its remaining FTAs if they imply politically contentious trade-offs, it is particularly interesting to note that it already appears to have begun discursively clearing the way for the EU-India FTA – its "big prize" in terms of the *Global Europe* agenda – by pushing for the relaxation of the EU's regime for mode 4 service delivery. As we saw above, this is a 'pocket of protection' that DG Trade is particularly keen to trade away in order to both obtain liberalisation gains for mode 3 suppliers to India the EU's but also because it sees liberalisation in this area as inherently desirable. It is also a contentious issue given its association with immigration policy, particularly in the wake

of the economic crisis. As a result, it should not surprise us that DG Trade has explicitly invoked a necessitarian logic specifically with regard to mode 4 in *Trade, Growth and World Affairs*:

'We should also ensure that the temporary movement of people to provide services contributes to making our service providers and investors more competitive, both in the EU and abroad. Bringing in the most highly qualified people from around the world *is essential* to enable our companies and our research centres to remain at the cutting edge of innovation' (European Commission 2010c: 7, emphasis added).

The continued success of DG Trade's discursive agenda in this area vis-à-vis other, potentially critical Commission DGs (who are likely to espouse less markedly neoliberal views) is reflected in the proposed *Directive on Conditions of Admission of Third Country Nationals in the Framework of an Intra-Corporate Transfer*, which aims to simplify procedures in order to promote service 'imports' under mode 4. Although the responsibility of DG Home Affairs, this document was laced with similarly necessitarian arguments to justify the proposed initiatives:

'As a result of the globalization of business increasing international trade, the growth and spread of multinationals and the on-going restructuring and consolidation of many sectors, movements of managerial and technical employees of branches and subsidiaries of multinational corporations, temporarily relocated for short assignments to other units of the company, have become more crucial in recent years' (European Commission 2010b: 3).

While naturally still tentative – as member states, the EP and the Commission have yet to agree on a final directive (EurActiv 2011) – these developments are interesting in the sense that they imply a move in a liberal direction in what many key political actors see – rightly or wrongly – as a component of immigration policy at a time when there has been a considerable retrenchment in this area more generally. In light of both the crisis and the likely increasing role in trade policy-making of the EP – which, since the recently ratified Treaty of Lisbon has to give its assent to all trade agreements signed by the EU – the importance of DG Trade's economic rhetoric is likely to be heightened. In this vein there are some reasons for optimism for DG Trade policy-makers, as their discourse seems to carry some weight already in this domain outside the Commission. Although the acquiescence of member states on the issue mode 4 is still uncertain – both in terms of the intra-corporate transfer directive and the concessions on mode 4 envisaged as part of the EU-India FTA – the EP's May 2011 resolution on the EU-India FTA acknowledged 'that the full ambition of the FTA cannot be fulfilled without commitments in Mode 4' (European Parliament 2011), echoing the wording of an earlier Commission report on the matter (see above). Although it did request 'a thorough analysis be carried out in relation to the individual member states in order to avoid negative consequences for the EU labour market', it conceded to the fundamental point of 'permitting, under Mode 4, temporary stays of necessary skilled professionals'. In sum, in response to member states calling for 'reciprocity' in a protectionist vein as well as those opposed to concessions on mode 4, both groups of actors hostile to the Commission's neoliberal trade agenda, DG Trade has scored a number of important discursive victories.

## CONCLUSION

This article has focused on the evolution of the "Global Europe" offensive trade agenda following the advent of the 2008 Financial Crisis. We have found that despite the potential for increased protectionist pressure from societal actors and the EP, EU trade policy has still been driven by a concern with servicing upmarket exporters, at the expense, potentially, of protected sectors in the EU economy (this article focused on the

specific case of mode 4 service delivery in the context of the EU-India FTA). In this vein, we have also seen how the move towards emphasising reciprocity in the EU's trade relations with third parties has to be contextualised within this wider objective, as it allows the EU to increase its leverage in negotiations with emerging country trade partners. This posed a conundrum for conventional rationalist explanations of (EU) trade policy, which by emphasising collective action dynamics which privilege protectionists (as in much of the IPE literature) or refer to institutional insulation (as in much of the EU trade policy literature) cannot on their own explain the continued neoliberal evolution of EU trade policy. In contrast, our constructivist approach allowed us to account for such developments by emphasising continuity in the beliefs held by officials in DG Trade, with the current Commissioner Karel De Gucht and his team espousing very similar views to those of their predecessors drafting "Global Europe". While this explains *why* neoliberal policies were adopted, we need to turn to the sphere of communicative discourse to explain *how* these were successfully pursued against the wishes of hostile actors such as the European automobile lobby in the case of the EU-Korea FTA, member states calling for greater "reciprocity" in a protectionist vein or those opposed to concessions on the issue of mode 4 in the EU-India FTA. What we find is the deployment of economic rhetorics of external constraint which draw on the prevailing macroeconomic doctrine of the day (in this case the *Europe 2020* agenda). This strategically-invoked discourse continues to be, so far, successful at legitimating the EU's offensive trade agenda.

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## ACKNOWLEDGEMENTS

I would like to thank Tony Heron, Jan Orbie, Bart Kerremans and an anonymous reviewer for their helpful comments and advice. Writing this article would not have been possible without the generous financial assistance provided by a UK Economic and Social Research Council '1+3' Studentship. I would also like to thank Taylor & Francis for allowing me to reproduce a few passages that were originally published in an article for *New Political Economy*, 16 (5): 627-53. The opinions expressed by interviewees are their own and should be construed as those of the organisation they are working for.

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<sup>1</sup> Hay and Rosamond (2002: 152) draw a distinction between "globalization as discourse" – 'a repertoire of discursive resources (...) at the disposal of political actors' – and 'globalization as rhetoric' – 'the strategic and persuasive deployment of such discourses, often in combination, as means to legitimate specific courses of action, policy initiatives, etc.'

<sup>2</sup> Particularly influential among these groups was the European Services Forum (ESF). This was formally established in 1999 at the insistence of Commissioner Brittan who was seeking to 'build a strong, coherent and active European constituency in favour of international trade in services liberalisation in a multilateral context' (Brittan 1999: 1; for more on the role of the ESF, see Lietaert 2009).

<sup>3</sup> We focus here on the contributions made by leading figures in DG Trade to the "policy portal" VoxEU.org (henceforth "Vox"). Vox's 'intended audience is economists in governments, international organisations, academia and the private sector as well as journalists specializing in economics, finance and business' (Vox 2011). As a result, we can clearly see that this forum, albeit publicly accessible on the web, is not so much aimed at communicating policy decisions as it is engaged in encouraging debates on policy formulation among a group of actors sympathetic to the aims of DG Trade policy-makers.

<sup>4</sup> Moreover, for India and a number of other emerging economies, these changes also affect exports that undoubtedly benefit from such preferences (ODI 2011).

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# Journal of Contemporary European Research

Volume 9, Issue 4 (2013)

## The Promise of Critical Historical Institutionalism for EU Trade Policy Analysis

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### **Citation**

De Ville, F. (2013). 'The Promise of Critical Historical Institutionalism for EU Trade Policy Analysis', *Journal of Contemporary European Research*. 9 (4), pp. 618-632.

First published at: [www.jcer.net](http://www.jcer.net)

## Abstract

This paper aims to convince the reader of the potential of a critical version of historical institutionalism (HI) as a theoretical perspective for EU trade policy analysis. It argues that critical HI sensitises the analyst to important but hitherto often neglected factors including: the influence of the past on EU trade policy; the complex, multiarena and multilevel nature of contemporary trade policy; and issues of distributional conflict. The core concept in critical HI is 'reactive sequencing', conceiving of policy evolution as a chain of events produced by reactions and counter-reactions. This paper demonstrates that this is invaluable to understand contemporary EU trade politics. Some examples of EU trade policy decisions and its general strategic evolution since the conclusion of the Uruguay Round are given to show the value of critical HI. Finally, the external dimension of "Europe 2020" as the latest trade policy strategy is analysed from a critical historical institutionalist angle.

## Keywords

EU trade policy; critical historical institutionalism; reactive sequencing; new trade politics

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Can the European Union (EU)'s trade policy response to the crisis be explained solely by interest group competition (liberalism), decision-making procedures (rational functionalism) or even a combination of both? Similarly, can a combination of *contemporaneous* variables as openness of the EU economy or dominance of free trade-oriented member states explain why the EU has not resorted to trade instruments to protect and promote its ambitious unilateral climate change policies? This article argues that in both, and many other, instances of new trade politics the answer is: no. We can understand current EU trade policy positions only by taking into account the influence of past policies and ideas. Thus, this article will advocate a critical variant of historical institutionalism as an approach to EU trade policy.

Nonetheless, EU trade policy research is overwhelmingly dominated by rational choice analyses. The Common Commercial Policy and particular decisions within the domain are mostly described or explained using one or more of the following rational choice perspectives: principal-agent; interest-group pluralism; and/or three level games (for an overview see Dür and Zimmermann 2007). These rational choice approaches share some inexpedient characteristics: they are a-historical (by focusing on synchronic causality<sup>1</sup>, see also Howlett 2009: 242) and to a large extent a-political (by focusing solely on limited inter-interest group competition and/or inter-institutional conflict). By conceiving of EU trade policy as a function of the interaction between the member states and the Commission (and third states; as in principal-agent and three level game analyses) and/or exporters and import-competing interests (in pluralist accounts) they are incapable to grasp the dynamics of the "new trade agenda"<sup>2</sup>.

This paper argues that a critical (or dynamic) historical institutionalist (HI) perspective has much potential to enhance our understanding of contemporary EU trade policy. Critical HI distinguishes itself for its attention to: the influence of the past on present EU trade policy processes; the complex, multiarena and multilevel nature of contemporary trade policy; and issues of distributional conflict. The distinguishing characteristics of critical HI will be further elaborated and explained in the next section. Subsequently, it will be shown how this perspective allows us to better understand EU trade policy decisions and its general strategic evolution since the conclusion of the Uruguay Round. In the final section, the EU's most recent trade strategy as outlined in the Commission Communication 'Trade, Growth and World Affairs' (also dubbed 'the external dimension of Europe 2020') is analysed from a critical historical institutionalist angle.

## THE DIFFERENCE CRITICAL HISTORICAL INSTITUTIONALISM MAKES

Historical institutionalism is a school of thought characterised by great internal diversity. The same goes for the other new institutionalisms (at least rational choice institutionalism and sociological institutionalism, while other neo-institutionalisms have been proposed; see Peters 2000), so that the lines dividing them may blur (Hall and Taylor 1996: 955-957) and it becomes difficult to assign concrete institutionalist analyses unequivocally to one of the schools. Consequently, it is also impossible to give an uncontested summary of the core assumptions and concepts of historical institutionalism.

Political scientists sometimes undeservedly reduce HI to the concept of “path dependency” (see the discussion in Peters et al. 2005). This is an enduring legacy (pun intended) of the fact that the historical institutionalist school in political science, like its rational choice nephew, has been adopted from the economics discipline. Economists explaining technological choice and evolution (David 1985; Arthur 1994) and institutional/developmental evolution (North 1990) have emphasised how an initial choice may become “locked in” through various “positive feedback” mechanisms (increasing returns, learning effects, coordination effects and adaptive expectations; Arthur 1988 in Pierson 1993). In the writings of Paul Pierson (e.g. 2000), probably the most famous intellectual father of historical institutionalism in political science, the “path dependence” of politics via the mechanism of increasing returns (or self-reinforcing or positive feedback processes) is indeed the most important concept of historical institutionalism – although in one of his earliest essays on the theory (1993) he also discussed very pertinently *inter alia* the possibility of counter-mobilisation and the interpretive effects of public policies including negative learning. Later, Pierson rejected the usefulness of such a broad definition of path dependence that states that ‘we cannot understand the significance of a particular social variable without understanding “how it got there”–the path it took. Previous events in a sequence influence outcomes and trajectories but not necessarily by inducing further movement in the same direction. Indeed, the path may matter precisely because it tends to provoke a reaction in some other direction’ (Pierson 2000: 252). The narrower conception of path dependence Pierson proposes instead, namely that preceding steps in a particular direction induce further movement in the same direction, has induced the criticism on historical institutionalism that it is preoccupied with explaining inertia while being unable to account for institutional and policy change and that it has a structural tendency that neglects agency (Peters et al. 2005). As Kathleen Thelen (1999: 385) has rightly noted: the positive feedback model is both too contingent in explaining initial choices (as “determined” by chance or by “critical junctures” exogenously produced) and too deterministic after the initial move when the path narrows mechanically. While these criticisms are not undeserved for what may be called the “conservative” branch of historical institutionalism that is confined to positive feedback processes, it is an unjust reproach for the more “critical” or dynamic approaches (Hay and Wincott 1998, Thelen 1999, Daugbjerg 2009, Howlett 2009, Ackrill and Kay 2009) that I will build on in the rest of this paper.

The central argument of historical institutionalism that is shared by all its disciples is that “policies create politics”. Implied in this statement, and of course in the theory’s label, is that “history matters” and “institutions [broadly defined to include policy decisions] matter”. Policies create politics means that a policy decision may restructure subsequent political configurations through effects on the resources, incentives and (normative and cognitive) perceptions of actors. In the critical version, this effect or feedback may run in different directions, in other words may be positive as well as negative. Feedback moreover has various dimensions: it may be material/structural or ideational, and it may be functional (where the presence of certain institutions raise the returns to the presence of complementary ones, as in the varieties of capitalism or worlds of welfare state literature; see Hall and Soskice 2001; Esping-Andersen 1990) or distributive. Viewed in

this way, a better encompassing concept for the various ways the past influences present politics than "path dependence" is "reactive sequencing". This conceives of policy evolution as 'a chain of events linked through reactions and counter-reaction' (Daugbjerg 2009: 407). As Thelen phrases it:

'(p)olitics is characterized by disagreement over goals and disparities in power, and in fact institutions [or policy decisions] often reinforce power disparities ... However the losers do not necessarily disappear, and their adaptation can mean something very different from embracing and reproducing the institution (or decision) ... For those who are disadvantaged by prevailing institutions (or policies), adapting may mean biding their time until conditions shift, or it may mean working within the existing framework in pursuit of goals different from—even subversive to—those of the institution's (policy's) designers' (1999: 285-286).

From this short summary may be extracted some of the distinguishing elements of critical historical institutionalism. First, its central tenet and the unique selling proposition of HI in general is of course that "history matters". *Contra* synchronic analyses that base explanations on prevailing variables at a specific point in time (whether interest group resources interacting with political opportunity structures as in neoliberal society-centred analyses or the international security or economic structure as in state-centred analyses) it draws attention to how decisions are influenced by institutions and past decisions. Second, by adopting a non-functional view of institutions, it alerts us of the distributional origins and consequences of institutions and past policy decisions. Third, its non-parsimonious epistemology and attention to the complex, multiarena and multilevel interaction of policy decisions allows us, *in casu* with regard to trade policy, to move beyond the superseded limited focus on conflict between exporters and import-competing interests and/or between member states and the Commission that still permeates the EU trade policy literature but is unsuited to provide insight into the "new trade politics".

On a more abstract, meta-theoretical level, the critical version of historical institutionalism has a distinctive social ontology. As rational choice institutionalism conceives of action as determined by a "logic of consequences" applied by rational self-interested actors constrained in their course by prevailing institutions, and sociological institutionalism sees action as determined by a "logic of appropriateness", both are prone to a tendential structuralism (Hay and Wincott 1998). Historical institutionalism, by contrast, 'is characterized by a particular concern with contingency and the unintended consequences of strategic action and with a focus on the path dependency of institutional change'" (Hay and Wincott 1998: 952). *Actors* are perceived as 'strategic, seeking to realize complex, contingent and often changing goals. They do so in a context which favours certain strategies over others and must rely upon perceptions of that context which are at best incomplete and which may very often reveal themselves inaccurate after the event', while *institutions* are 'understood less as functional means of reducing uncertainty, so much as structures whose functionality or dysfunctionality is an open – empirical and historical – question' (Hay and Wincott 1998: 954). This social ontology opens up the possibility for conceiving of change as 'the consequence (whether intended or unintended) of strategic action (whether intuitive or instrumental), filtered through perceptions (however informed or misinformed) of an institutional context that favours certain strategies, actors and perceptions over other' (Hay and Wincott 1998: 955). The central role of ideas and discourse is apparent. While structures empower and constrain agents, this influence is always dependent on how agents interpret structures, which is mediated by discourse. Because of this centrality of discourse Vivien Schmidt has recently proposed to label analyses that share these assumptions and that emphasise the role of ideas as constitutive of institutions as well as shaped by them "discursive institutionalism" (Schmidt 2010a; 2010b).

Let us now explore in the next section how the critical historical institutionalist approach may enhance our understanding of recent EU trade policy.

### **RECENT EU TRADE POLICY EVOLUTION IN A CRITICAL HISTORICAL INSTITUTIONALIST PERSPECTIVE**

While historical institutionalism has hitherto rarely been applied to EU trade policy, some of our prevailing thoughts on and most profound insights into this policy domain are rooted in its ideas. One of the pioneering and most widely cited analyses of EU trade policy, Brian Hanson's "What happened to fortress Europe?" (1998), is historical institutionalist in all but name. In this article the author asks why the expectation that with the completion of the single market in 1992 the EU would adopt a "fortress" external trade policy (opening trade internally, while building a wall against goods from outside) has not materialised. His argument is that the new institutional context created by the "Europe 1992" project and the Single European Act (SEA) in particular created a systematic bias toward liberalisation over increased protection. For the ability of member states to adopt national trade restrictions had been greatly undermined, while EU voting rules made it very difficult to replace national protectionist measures at the EU level. Indeed, Hanson's account illustrates nicely how a "snapshot analysis" is unable to explain liberal EU trade policy in the mid-1990s. In this period, Europe was confronted with severe recession and record levels of unemployment. Mainstream pluralist theories would predict that this would induce import-competing firms to lobby for and receive protection(ism). Also state-centred analyses that focus on the relationship between the member states and the Commission would not expect external liberalisation in that period. The expectation was that with abandoning sovereignty over intra-European trade-restrictive measures, member states would want to compensate by imposing extra-European protectionist instruments. The tensions between the Commission and the member states at the end of the Uruguay Round epitomised by the "Blair House Agreement" and the European Court of Justice's 1/94 opinion are illustrative. The historical institutionalist nature of Hanson's analysis is well captured by his own conclusion: '[r]ather than being the product of intentional manoeuvring for advantage, the external trade consequences of the SEA provide striking evidence of how decisions taken at one time can have profound effects on future events by shifting institutional rules under which policy is made' (Hanson 1998: 74).

While Hanson argues that they are insufficient to explain liberal EU trade policy in the 1990s, societal and state-centred factors may contribute to our understanding *if* they are also put in a temporal, dynamic perspective. The completion of the single market has reduced the importance of "national champions" as the most successful firms have adopted pan-European strategies. However, this should not lead automatically to a liberal external trade policy as these firms could as well have subsequently preferred a fortress Europe. But this is where agency and political conflict comes in. As van Apeldoorn has shown (2000; 2002), within the European Round Table of Industrialists (ERTI) indeed two rival projects were competing for hegemony: a neoliberal and a neomercantilist project. In the end, a globalist fraction consisting of Europe's most globalised firms got the upper hand within the ERTI at the expense of a Europeanist fraction made up of enterprises primarily serving the European market. van Apeldoorn argues that '(w)ith regard to ERTI's strengthened free trade orientation, the crucial battle was probably that over the conclusion of the Uruguay Round of the GATT trade talks (in December 1993), which in retrospect probably signalled the final defeat of the "Europrotectionists", both within the Round Table and the European capitalist class more widely' (2000: 171). This has subsequently allowed the ERTI (by virtue of its enhanced material and ideological power) to contribute to the neoliberal transformation of the European order, where the increasingly hegemonic concept of "competitiveness" would become the central "social purpose" of European governance.

The Uruguay Round is indeed another important event in the recent sequence influencing EU trade policy. As argued in the previous section, critical historical institutionalism emphasises that institutions and policies are not mere coordination mechanisms but that they reflect, reproduce and magnify particular patterns of power distribution in politics, i.e. have distributional causes and effects (Thelen 1999: 394). To understand the importance of the Uruguay Round for subsequent EU trade (and internal market) policy it is important to underscore the different context of trade policy-making at the time. Trade policy was then still largely the exclusive domain of trade officials in the European Commission and the member states that coordinated with their "clients" consisting of the biggest exporters. Trade policy was hardly politicised, except for agricultural matters where a special institutional arrangement guaranteed the involvement of agricultural policy-makers. The uncontroversial sphere in which traditional trade policy could be conducted was the product of the "embedded liberalism" era of the first three decades or so after the Second World War (Ruggie 1982). The dismantlement of tariffs and quota (at-the-border-barriers) did hardly or not impact (in a negative manner) on the daily lives of citizens as this international liberalism was accompanied by, and put at the service of, national policies directed at domestic social stability and progress. However, the Uruguay Round went significantly beyond traditional trade policy with agreements on *inter alia* trade in services and intellectual property rights. But the most important innovation for the present discussion was the introduction of agreements disciplining national discretion to adopt health, (food) safety, and environmental regulations: the Technical Barriers to Trade (TBT) and Sanitary and Phytosanitary (SPS) Agreements. The reformed Dispute Settlement Mechanism (DSM) implied that these new rules could more easily be enforced. Also the ill-fated Organisation for Economic Cooperation and Development (OECD) negotiations on a Multilateral Agreement on Investment (MAI) that sparked fears about excessive loss of sovereignty by national governments led to a politicisation of trade policy (see Walter 2001).

This "new trade agenda" has galvanised new actors to become active in trade policy: consumer and environmental non-governmental organisations (NGOs), parliaments and non-trade agencies (Young and Peterson 2006: 800-802). New trade policies thus created a new trade politics. As a long-time member of the Trade Policy Committee (former "Article 113/133 Committee") observed in the late 1990s: '(t)he Article 113 Committee mechanism coped effectively on the whole with the extension of the Uruguay Round trade debates into services, TRIPs and (to a lesser extent) investment: these were all essentially economic issues. For a number of years the Committee has acted as a focal point in the Community for discussion of trade and (...) issues, but it is clear that increasingly the broadening of the "trade" element of the international agenda into such widely different areas of policy stretches to the limit the established mechanisms for *analysis* and coordination of trade policy' (Johnson 1998: 57, emphasis added).

An important reason for the politicisation of trade policy and the exponential increase in interest by environmental and consumer groups has been the *coincidence* of multiple events and decisions shortly after the conclusion of the Uruguay Round and the establishment of the WTO. The decision of some (industrialised) countries to immediately after the conclusion of the Uruguay Round proceed with negotiations on liberalisation of services and, especially, pursue a Multilateral Agreement on Investment mobilised a diverse anti-globalization movement that culminated in the "Battle of Seattle". Within the EU, in the second half of the 1990s, several European countries were confronted with food health crises and regulatory failures (Vogel 2003; Neyer 2005). The most important and consequential was without doubt the outbreak of the "mad cow disease" (or bovine spongiform encephalopathy, BSE in short) in 1996. In the middle of this food safety crisis, the EU lost a dispute initiated by the US and Canada at the WTO concerning its ban of the use of hormones in meat and meat products. Because of the suspicion among EU consumers in that period, the EU was unable to comply with the ruling by withdrawing the ban. In 1999 both the Council of Ministers and the European Parliament declared that consumer protection needed highest priority and consequently

the ban would not be lifted. Both institutions requested the Commission to henceforth put the "precautionary principle" more central in all its activities that touch upon consumer protection. In the beginning of 2000 the Commission indeed published a Communication on the precautionary principle. In this context, also the EU policy on genetically modified organisms became much more restrictive. As a contemporary news article stated: '(m)any observers argue that members of the public would be less concerned about the prospect of eating vegetables containing genetically modified organisms (GMOs) if they had not previously been terrified by the thought that their beefburgers might have been contaminated with a fatal disease' (Coss 1999). Different authors have rightly argued that these events have urged the European Union to try to get their stringent food safety and other regulatory frameworks recognised and adopted at the global level (Falkner 2007; Kelemen and Vogel 2009; Poletti and Sicurelli 2012). Stringent regulation, for example resulting from food crises, inflicts competitive disadvantages on European firms that will consequently support the international harmonisation of regulations at the stringent EU-level to level the playing field (Vogel 1995; Princen 2002). Attempts to get the precautionary principle explicitly recognised in the framework of the WTO are also inspired by the Union's concern to avoid sentence at the WTO (Poletti and Sicurelli 2012). The sequence in which things happen affect how they happen: it is not implausible to reason counterfactually that had the food crises of the second half of the 1990s happened during the Uruguay Round, the SPS and TBT negotiations would not have been negotiated in the depoliticised atmosphere (Skogstad 2001) that they were and the resulting agreements would maybe not have gone that far<sup>3</sup>.

The preoccupation of European politicians with food safety and health protection, the negative impact of WTO rules as revealed by the hormones dispute and the general anti-globalization sentiment among the European public at the closing of the millennium allowed and incited the then new Trade Commissioner Pascal Lamy to make 'managing globalisation' the highest mantra of his term (Lamy 1999, 2004; Abdelal and Meunier 2010). While this doctrine has been explained by others as a largely tactical move, packaging member states preferences in a way that allowed the EU to enter into a new multilateral trade negotiations round while simultaneously inviting developing countries (Van den Hoven 2004; Meunier 2007), I interpret it here as a more genuine reaction to the previous sequence of events relating to food safety and health protection and the WTO's assault on the EU's hormones ban. At the end of his term, Lamy in a personal fashion proposed to introduce a new safeguard clause in the WTO based on collective preferences defined as 'the end result of choices made by human communities that apply to the community as a whole ... Such choices are rooted in the cultural and religious values and traditions of the country in question, and are also determined by political considerations, historical factors and the level of development' (Lamy 2004: 2). This contradicts enormously with the EU's ambition in the mid-1990s to use the new WTO Agreements and the DSM to pry open foreign markets, in the words of then Trade Commissioner Sir Leon Brittan: '(w)e are going on the offensive, using our trade powers forcefully but legitimately to open new markets around the world' (1996). At the end of Lamy's term, however, food safety and consumer and environmental protection in general had again descended on the EU's priority list<sup>4</sup>. Partly this can be explained by the fact that the precautionary principle and regulatory reforms had quickly restored the confidence of the European public in European regulations and regulators (Löfstedt 2004). But also significantly, as Neumayer (2004: 4) and Oberthür and Gehring (2006: 26) have noted with regard to the international level, the WTO agreements confronted EU actors with a "strategically selective" (Jessop 2007) institutional context so that proponents of environmental and consumer protection always have to operate 'in the shadow of the WTO'. And finally, this is also to a large extent due to the definitive ascent in the beginning of the 2000s of a new goal as the finality of socio-economic governance, namely "competitiveness", which had been pushed upwards on the EU agenda by the ERTI since the beginning of the 1990s as explained above.

Indeed, at the Lisbon Summit of 2000 the “new strategic goal” of the European Union was defined as ‘to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth and better jobs and greater social cohesion’ (European Council 2000: 2). While in this formulation competitiveness is placed at equal height with social cohesion and sustainable development, already in the Lisbon Agenda social cohesion was defined subordinately ‘in terms of the adaptability of the labour force to the exigencies of competitiveness in a globalized world economy’ (van Apeldoorn 2009: 29). When the first five years of the implementation of the Lisbon Agenda disillusioned, the incoming Commission President José Manuel Barroso made the revival of the programme his top priority and in 2005 Lisbon was relaunched under the Orwellian label “Growth and Jobs Strategy”. Several observers noted that this involved the explicit prioritisation of competitiveness over social cohesion and environmental sustainability.

This priority shift also impacted on the EU’s trade strategy. In October 2006 the then new Trade Commissioner Peter Mandelson presented the Commission’s new strategy “Global Europe” that was explicitly framed as the EU trade policy’s ‘contribution to the EU’s growth and jobs strategy’ (European Commission 2006). While mostly this Communication has been heralded as a U-turn in EU trade policy because of the announcement of new preferential trade agreements and thus doing away with Lamy’s moratorium, another, more subtle, twist is as if not more notable, especially with regard to the present paper. The central tenet of the communication becomes clear from the first page: ‘(a)s globalisation collapses distinctions between domestic and international policies, our domestic policies will often have a determining influence on our external competitiveness and vice versa’ (European Commission 2006: 2). This induced Hay to the apt commentary that competitiveness is used in a tautological way: ‘trade liberalization, it seems, is good for competitiveness, because without it there is likely to be less pressure for European business and service providers to prove their competitiveness internationally’ (2007: 31). Thus, trade policy is used to put pressure on European economies to engage in structural reforms as contained in the Lisbon process: ‘trade liberalization renders the – at this point, still *contingent* – Lisbon agenda *necessary* ... in so doing it depoliticizes it’ (Hay 2007: 32, emphasis in original). In the next section, I will discuss the latest EU trade strategy.

What has been discussed so far is also reflected in the evolution of “trade and ...” policies *within* the European Union. Starting around the middle of the 1990s when with the 1995 enlargement the EU as a whole was on the path to become the most important export destination in the world, and the EU had already overtaken the US as the most stringent regulator of health, safety and environmental risks (Vogel 2003), the EU became a confident “regulatory exporter”. Especially the 2000s witnessed EUphoric accounts about ‘why Europe will run the 21<sup>st</sup> century’ (Leonard 2005). Thanks to its market power (Damro 2012) it was supposed to be able to assert significant “power through trade” (Meunier and Nicolaïdis 2006). Until around the mid-2000s it is noticeable that European regulators and politicians themselves were quite confident that third country firms and governments would accommodate to European risk regulations because of Europe’s market power. To cite an example, when the European Commission published its proposal for a new chemical safety regime REACH, an accompanying staff document cushioned competitiveness concerns by stating the following:

‘As far as exports are concerned, there will be a potential risk of some loss of market share if prices of domestically produced chemicals are forced up due to REACH. This namely holds for cases where competitors exist on third markets that totally neglect the important European market. Indeed, it would be only these companies that would completely escape the REACH legislation and its testing and registration requirements and costs associated to this. In the longer run, the balance of impacts on competitiveness on these third markets as well as on the European market will also depend on the extent to which the REACH

regime is successful in establishing itself as a new international standard. This would give the EU chemicals industry a substantial boost in terms of international competitiveness' (European Commission Staff 2003: 22-23).

However, this confidence would melt away soon, as competitiveness concerns – prompted by the supposed underperformance of the European economy vis-à-vis both American productivity and dynamism and emerging economies' cost advantage that was also the underlying rationale of the Lisbon Strategy– trumped international regulatory ambitions or "managing globalization". For example, in a Commission Staff Document on 'the external dimension of the single market review' one can read '(i)n many areas ... the EU is looked upon as a regulatory leader and standard-setter. *However the international context is changing rapidly*' (2007: 2, emphasis added). This line of reasoning has become even more apparent in the most recent "Single Market Act". Whereas in the 2007 document there were still references to 'a window of opportunity to push global solutions forward' (European Commission Staff 2007: 8) and the single market as 'a tool to foster high quality and standards' (European Commission Staff 2007: 5), in the 2010 document the single market is presented as a "'base camp" that allows European companies to prepare themselves better for international competition and the conquest of new markets. This makes it all the more important to guarantee our internal and external policies are coherent and complementary' (European Commission 2010a: 17). The different rationale is obvious: the starting point is no longer European (regulatory) preferences that can be diffused internationally through the EU's power through trade, but the imperative of global competition that forces the EU to lessen the burden on European companies.

Indeed, as I argue elsewhere more extensively (De Ville 2012), the combination of the imperative of competitiveness (having become the EU's highest priority since the Lisbon Declaration) and the ability of free trade supporters to use the disciplining SPS and TBT Agreements as a "rhetorical device" had an impact on the outcome of two of the most important EU regulatory decisions of the first decennium of the 21<sup>st</sup> century: REACH and the Emissions Trading Scheme as part of the climate and energy package. In both cases, the European peak associations of the regulated industries dominated by transnational firms succeeded in significantly watering down the regulations by the twin, complementary arguments of competitiveness and WTO-compatibility.

A final example of how historical institutionalism can enhance our insight into EU trade policy (evolution) is the European Union's trade policy response to the Great Recession. While a recession of this scale would lead us to expect recourse to protectionism, exactly the opposite has happened. The EU has advocated, and put into practice, further trade liberalisation –both bilaterally and multilaterally<sup>5</sup> – as a way out of the crisis. As I have argued elsewhere (De Ville and Orbie 2011, 2013) this represented a successful framing strategy by the European Commission to continue its neoliberal trade strategy as frankly presented in Global Europe. But this strategy could only be so easily pursued because it was not opposed, and even supported by, other conditions and actors. As Rodrik has noted in general (2009) also the institutionalisation of free trade within the WTO, the powerful underlying configuration of political interests in favour of open trade and the existence of safety nets for workers all have contributed to the prevention of protectionism in contrast to what happened in the 1930s during the Great Depression. Again, as with the refutation of the "Fortress Europe" expectation in the 1990s, we can understand the EU's trade policy strategy after the crisis only through a critical historical institutionalist lens.

This overview of the evolution of the recent strategic orientation of EU trade policy and some trade (and ...) policy decisions has already illustrated the way in which EU trade policy is influenced by the multilevel and multiarena interaction of: a) intra-European socio-economic events, decisions and societal mobilisation; b) earlier EU trade policy decisions including institutionalised agreements at the WTO; and c) (expectations about) evolutions in the global economy. In the following section I analyse the most recent EU

trade strategic communications "Trade, Growth and World Affairs" in a critical HI perspective.

### **TRADE, GROWTH AND WORLD AFFAIRS IN A CRITICAL HISTORICAL INSTITUTIONALIST PERSPECTIVE**

Just like Global Europe was presented as 'a contribution to the EU's growth and jobs strategy', the Communication on the trade strategy of the Commission Barroso II is presented as 'a core component of the EU's 2020 strategy' (European Commission 2010b). "Europe 2020" has been criticised from different sides as being a mere continuation of the disappointing Lisbon Strategy. While some important differences are introduced to the procedural dimension (more focussed targets, stricter follow-up and enforcement through, inter alia, the "European Semester") the content and rationale are very similar. Rather than questioning the appropriateness of the Lisbon Strategy, the credit/economic/sovereign debt crisis starting in 2007 has been interpreted by European leaders as underscoring the need for reform of European socio-economic governance along Lisbon Strategy lines. In the Commission's own words: 'Europe's structural weaknesses have been exposed (...) Even before the crisis, there were many areas where Europe was not progressing fast enough relative to the rest of the world' (2010c: 7).

Consequently, it should come as no surprise that also Trade, Growth and World Affairs is to a very large extent a reiteration and thus continuation of Global Europe. The underlying rationale is essentially the same: '(t)he over-riding aim of European economic policy is faster growth ... Trade raises EU growth by fostering our efficiency and innovation ... This agenda will confront us increasingly with the interface between our internal rules and external liberalization and ... we need to "further enhance the coherence and complementarity between the EU's internal and external policies as a whole"' (European Commission 2010b: 4, emphasis in original). It can even be derived that the impression of the imperative of competitiveness of European firms has further been amplified by the belief that future economic growth in Europe is dependent on exports towards emerging economies<sup>6</sup>. However, there is a small but remarkable shift in the discourse of Trade, Growth and World Affairs as compared to Global Europe and that is the emphasis that is placed on reciprocity: 'for an open trade policy in Europe to succeed politically, others – including both our developed and emerging partners – must match our efforts, in a spirit of reciprocity and mutual benefit ... The EU will remain an open economy but we will not be naïve' (European Commission 2010b: 4). Thus, the EU's trade policy has become a bit less "Schumpeterian" (as aptly coined by Adriaensen and Kerremans 2010) and a bit more mercantilist. While it is difficult to point to the precise reasons for this shift in discourse, a plausible explanation is the growing unease with China's trade and especially monetary policies. Such concern has already led to a facilitating reform of the rules to adopt anti-dumping duties, the third such "protectionist" reform in fifteen years' time<sup>7</sup>, and to a proposal for a new international public procurement instrument (European Commission 2012).

### **CONCLUSION**

This paper has attempted to persuade the reader of the promise of a critical historical institutionalist perspective for EU trade policy analysis. It has started by explaining the distinguishing features of critical HI, namely its sensitivity to: the influence of the past; the distributive origins and effects of institutions and policies; and the complex, multiarena and multilevel nature of contemporary politics. Consequently, it has presented how major EU trade (and ...) policy decisions since the Uruguay Round (and

the Single European Act) are temporarily interlinked. Finally, it has analysed the most recent EU trade strategy in such a historical institutionalist perspective.

The empirical analysis demonstrated the merit of the “reactive sequencing” concept for understanding EU trade policy. It has been argued that every major trade policy evolution since the Uruguay Round has been a reaction or counter-reaction to past trade policies. Or, and this might be a contribution of this article to the historical institutionalist literature, an anticipation to expected trends, as when the EU became less assertive in exporting its environmental standards because it ruled that ‘the international context is changing rapidly’, making the adoption by third countries of EU regulation less likely. Trade policy decision-making does not operate each time in a neutral vacuum. To the contrary, it is influenced by policies, institutions and ideas from the past that benefit some actors over others, through dissimilar effects on their resources, incentives and perceptions.

It is argued that very significant trade policy decisions from the recent past confront other perspectives on EU trade policy with significant difficulties, especially the (most prevalent) rational choice approaches among them. Most notably, two periods of crisis (reappearance of high unemployment in the mid-1990s and, much more severely, the prolonged recession following the financial-economic crisis starting in 2007) have not resulted in protectionist reflexes. However, rational choice approaches, rooted in public choice paradigms, would expect concentrated import-competing groups to prevail over diffuse consumer and exporter groups, and protectionist politicians and member states over free trade oriented ones, in such crises. I argued that they fail to take into account the reconfiguration of interests, ideas and institutions after the Uruguay Round. A second example, is the way the nexus between trade and environment and consumer protection has unfolded the past two decades. Again, any attempt to explain any such decision (e.g. REACH) as an isolated case would fail. We can only understand the outcomes by incorporating in our analysis past policies (and failures), (perceptions of) constraining WTO Agreements, as well as the dominance of the competitiveness frame since the Lisbon Agenda.

I end with a cautionary –or self-critical– note. This paper has tried to show that parsimonious synchronic causality explanations of EU trade policy are inappropriate in today’s complex world. On the other hand, the perspective presented here may be vulnerable to the critique that it is not able to *explain* anything, merely to pointing out with anecdotal evidence the relationship between trade (“and ...”) policy decisions over time and between different policies of Europe’s socio-economic governance (especially between single market policy and EU trade policy). In philosophy of science terms this problem that in this approach every decision can be linked to a previous one *ad infinitum* is called “infinite regress”. However, following other authors (especially Hanson and van Apeldoorn) the historical account of EU trade policy presented here did not start with the Single Market program (1985-1992) and the Uruguay Round (1986-1994) without reason. This period has been a (non-exogenous) critical juncture in Europe’s socio-economic evolution, and EU trade policy in particular, without which all that follows cannot be fully understood.

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<sup>1</sup> Providing “snapshot explanations” of present social outcomes by the value of current variables (Pierson 2000: 263).

<sup>2</sup> An interesting observation is that also in the economics discipline (often the source of theoretical innovation in political science) the last three decades or so have witnessed a move away from

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neoclassical trade theory to the “new trade theory” (Krugman 1991, 1996), implying a change from assuming decreasing returns to increasing returns, or path dependence models (Pierson 2000).

<sup>3</sup> As anecdotic evidence for such counterfactual claim: in 1999 a Member of the European Parliament declared during the hearing of then incoming Trade Commissioner Pascal Lamy ‘the Delors Commission (...) accepted the rules and arrangements for settling disputes within the WTO, which subsequently enabled the United States win the infamous disputes over bananas and hormone meat’ (in Abdelal and Meunier 2010: 356-357). In the case of multilateral investment rules a very similar story but with a different sequence resulted in a different outcome: the Ethyl dispute between the Canadian government and the US firm Ethyl Corporation under the NAFTA investment rules that erupted during the MAI negotiations rallied NGOs against these negotiations effectively derailing the talks (Walter 2001: 62-63).

<sup>4</sup> As Löfstedt (2004: 251-252) shows on the basis of data compiled by the Weinberg Group the precautionary principle has been omnipresent in European policy documents until 2002. In that year a significant drop is noticeable.

<sup>5</sup> While it has also unilaterally not made more use of trade defence instruments than in normal times.

<sup>6</sup> ‘By 2015, 90% of world growth will be generated outside Europe, with a third from China alone ... So in the years to come, we need to seize the opportunity of higher levels of growth abroad, especially in East and South Asia. Developing and emerging countries are likely to account for nearly 60% of world GDP by 2030. This is compared to less than 50% today’ (European Commission 2010b: 4).

<sup>7</sup> After the last reform, antidumping duties proposed by the Commission can only be vetoed by a qualified majority of member states. Previously, since the 2004 change, a blocking simple majority was required. Between 1995 and 2004 a simple majority in support was required for the imposition of anti-dumping duties while before 1995 a qualified majority had to be found in favour. An important reason for the most recent reform is reportedly that the Commission and a majority of the member states feared that China would otherwise be able to devise a divide-and-rule strategy to prevent anti-dumping sanctions (interview with Belgian diplomat, January 2011). It is probably also no coincidence that the imposition of anti-dumping duties have been made more easy in 1995 and 2004, coinciding with a “liberal” and “big bang” enlargement respectively, complicating the adoption of antidumping measures. This again suggests that EU trade policy (rules) indeed reacts to internal (*in casu* enlargements) and external (*in casu* Chinese ascent) events.

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# Journal of Contemporary European Research

Volume 9, Issue 4 (2013)

## EU External Trade and the Treaty of Lisbon: A Revised Neofunctionalist Approach

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### **Citation**

Niemann, A. (2013). 'EU External Trade and the Treaty of Lisbon: A Revised Neofunctionalist Approach', *Journal of Contemporary European Research*. 9 (4), pp. 633-658.

First published at: [www.jcer.net](http://www.jcer.net)

## Abstract

This article analyses the EU's Common Commercial Policy (CCP) at the level of Treaty revision and particularly focuses on the last Treaty negotiations that led to the Treaty of Lisbon. The analysis is based on a revised neofunctionalist framework that the author developed in previous work. It draws on the following concepts: (i) functional spillover; (ii) cultivated spillover; (iii) social spillover; and (iv) countervailing forces. Insights into the dynamics and countervailing forces driving Treaty revisions considerably deepen our understanding of the Common Commercial Policy, as EU external trade policy-making is substantially affected by the parameters set by the Treaty. The analysis indicates that the revised neofunctionalist framework can broadly account for the changes of the Common Commercial Policy during the last Treaty revision. It is further suggested that integration in the area of trade policy cannot be explained exclusively by rational choice dynamics, such as utility maximizing actors with fixed preferences, but that socialization through deliberation also needs to be taken into account.

## Keywords

Common Commercial Policy; Convention on the Future of Europe; EU external trade policy; neofunctionalism; socialisation; spillover; trade; Treaty of Lisbon; Treaty reform

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Within the broader scope of this special issue on contending or complementary paradigms for the study of EU trade politics this article analyses the Union's Common Commercial Policy (CCP) at the macro-level, i.e. at the level of Treaty revision. EU external trade policy has featured at the Intergovernmental Conferences (IGCs) leading to the Treaties of Maastricht, Amsterdam, Nice and Lisbon. When looking at the pre-negotiations and negotiations of the Lisbon Treaty, we are confronted with a puzzle: why have negotiations leading to the Treaty of Lisbon managed to achieve something like a break-through concerning the extension of competence to the Community in contested trade areas such as services, intellectual property and investment, which the Maastricht, Amsterdam and (to a lesser degree) Nice IGCs failed to bring about? Given the fact that this puzzle seems to be located at the interface between the last Treaty revision and previous ones, this article particularly focuses on the development leading from the Nice Treaty to the Lisbon Treaty.

Hence, the purpose of this contribution is to explain the outcome of the last Treaty revision with regard to the provisions on the Common Commercial Policy. My analysis is based on a revised neofunctionalist framework. Why make revised neofunctionalism my point of departure? First, as Wiener and Diez (2009) have argued, the theoretical spectrum for answering questions related to this type of research question – explaining outcomes of EU decision-making – is limited. Most approaches devised for the study of the EU or regional integration more generally are not applicable for my purpose.<sup>1</sup> For example, some of the more recent theorising does not share my focus on seeking to *explain* outcomes. Instead, they aim at *describing* or at *providing a normative or critical perspective*, like federalist theory (Pinder 1986), gender/critical perspectives (Mazey 2000) or critical discourse analysis (Derrida 1992). In addition, along the triad of *polity*, *politics* and *policy*, my analysis primarily focuses on the former two, *polity* and *politics*. My focus on *polity* and *politics* renders policy network analysis (Peterson and Bomberg 1999), and the explanatory variants of discourse analysis (Diez 1999), which are more geared towards *policy*, less plausible as a theoretical choice. Governance theory (Jachtenfuchs 2001), which is sometimes viewed as a catch-all theory, arguably also does not have its core competencies at explaining outcomes along the *polity/politics* dimension. New institutionalism – in its rational choice, historical and sociological variants (Aspinwall and Schneider 2001) – does share an interest in the *politics*

dimension, but less so as regards polity, and thus, although conceivable, does not seem an ideal choice either. Only few theories, such as neofunctionalism (Haas 1958), and (liberal) intergovernmentalism (Hoffmann 1995 [1964]; Moravcsik 1998), operate at the nexus of explaining, on the one hand, and the interface of polity and politics, on the other hand.

Second, when left with the choice of neofunctionalism and intergovernmentalism, it is clear that both have been criticised widely on several accounts. However, (liberal) intergovernmentalism faces severe difficulties to account for any endogenous preference formation on the part of (national) decision-makers who seem to define their interests regardless of (their country's) EU membership, and also discounts the importance of social interaction and learning processes. By contrast, my prior research has indicated the general usefulness of neofunctionalist insights concerning this type of inquiry (Niemann 1998, 2006). Moreover, it suggests that some of the criticisms that were levelled against the theory were either exaggerated or unjustified, that the theory has been misread by a number of authors (Niemann 2000: 13-23), and that it is possible to draw on a wider neofunctionalist theoretical repertoire than the one commonly perceived. In addition, my previous work indicates that neofunctionalism is best understood as a dynamic theory (Rosamond 2005: 247) – due to its inherent propensity for self-reflection as well as the time sensitivity of several neofunctionalist assumptions made almost five decades ago – and that many of the more recent micro-level concepts can sensibly be accommodated within the larger neofunctionalist framework. The apparent possibility of developing and modifying neofunctionalism in a meaningful way was in stark contrast to the general lack of enthusiasm in the scholarly community to use, revive, or revise neofunctionalist theory. This discrepancy puzzled and encouraged me to undertake a more comprehensive investigation into the state and validity of neofunctionalism and the possibility of revising it.

The purpose of this paper is *not* to undertake a revision of neofunctionalist theory. I have done so elsewhere. Instead, this article will present the revised neofunctionalist framework as a point of departure for explaining the Lisbon Treaty changes regarding EU external trade policy. To account for the Lisbon outcome, I use a revised neofunctionalist framework that draws on the factors/concepts of (i) functional spillover; (ii) cultivated spillover; (iii) social spillover; and (iv) countervailing forces. The Common Commercial Policy has thus far escaped analysis from a (revised) neofunctionalist perspective. Since EU trade policy-making is substantially affected by the parameters set by the Treaty, insights into the dynamics and countervailing forces driving Treaty revisions should deepen our understanding of EU external trade policy-making and decision-making. The analysis indicates that integration in the area of trade policy cannot exclusively be explained by rational choice dynamics, such as utility maximizing actors with fixed preferences, but that socialization through deliberation also needs to be taken into account. In order to strengthen the revised neofunctionalist explanation, a rival (alternative) explanation – based on exogenous factors mainly related to the changing international trade agenda – that has been prominently used to account for previous developments of the Common Commercial Policy in the literature (e.g. Meunier and Nicolaïdis 1999) has also been probed briefly. However, the subsequent analysis shows that this alternative explanation fails to persuasively explain the latest Treaty change.

There are several rationales for examining the case of latest EU Treaty revision concerning the CCP. First, the above mentioned puzzle indicates that the Lisbon Treaty revision (including its pre-negotiation) constitutes a case that is particularly worth analysing, given the differing outcome compared to previous CCP Treaty revisions. Second, while this case has been subject to considerable legal analysis (Dimopolous 2008; Cremona 2006), there is a significant lack of theory-driven political science research on this particular topic. Finally, (history-making) decisions at macro-level of Treaty revision are substantially politicised and may thus constitute a hard case for (revised) neofunctionalism.

My analysis starts off from a multiple causality assumption, suggesting that the same outcome can be caused by different combinations of factors. In order to arrive at causal inferences, allowing for some degree of positive causality, a number of methods are employed: comparative analysis, advancing alternative explanations, process tracing and triangulation across multiple data sources, including about 30 interviews.<sup>2</sup>

The chapter proceeds as follows: first, it outlines the theoretical framework is specified; second, it summarises the development of the Common Commercial Policy, including the outcomes of the last few Treaty revisions, with special emphasis on the Treaty of Lisbon; third, it seeks to explain the outcome of the last Treaty revision on the basis of the revised neofunctionalist framework, while also briefly probing the alternative explanation based on exogenous pressures.

### **CONCEPTUAL FRAMEWORK: REVISED NEOFUNCTIONALISM**

Amongst the earlier theories of regional integration, neofunctionalism is distinguished both in its sophistication and ambition. The theory was first formulated in the late 1950s and early 1960s mainly through the work of Ernst Haas (1958) and Leon Lindberg (1963) in response to the establishment of the European Coal and Steel Community (ECSC) and the European Economic Community (EEC). The theory was in its prime until the mid-1960s, during which time the evolution of European integration seemed to vindicate its assumptions. From the mid-1960s, the theory was increasingly criticised, particularly in the face of several adverse empirical developments (Niemann 2006: 20-23). In the late 1960s and early 1970s neofunctionalists made attempts to revise some of their hypotheses and claims, but in the mid-1970s Haas declared the theory to be "obsolete". With the resurgence of the European integration process in the mid-1980s, however, neofunctionalism made a substantial comeback. Since the 1990s, some endeavours have been made to newly revise the original approach (Schmitter 2004), although not always explicitly under the neofunctionalist label (Stone Sweet and Sandholtz 1997).

Neofunctionalism's basic theoretical tenets can be summarised as follows: first, integration is understood as a process. Implicit in the notion of process is the assumption that integration processes evolve over time and take on their own dynamic. Second, integration is assumed to be driven by multiple, diverse and changing actors who are not restricted to the domestic political realm but also interact and build coalitions across national frontiers and bureaucracies (Haas 1964: 68). Third, neofunctionalists see the Community primarily as 'a creature of elites'. While Haas (1958) devoted much of his attention to the role of non-governmental elites, Lindberg (1963) largely focused on governmental elites. Neither ascribed much importance to the role of public opinion (Lindberg and Scheingold 1970: 41).

Neofunctionalism is mainly a theory about the dynamics of European integration. Five assumptions encapsulate the driving forces behind its progress: (1) its practitioners assume rational and self-interested actors (Haas 1970: 627), who (nevertheless) have the capacity to learn and change their preferences. Interest-driven national and supranational elites, recognising the limitations of national solutions, provide the key impetus. However, these self-regarding motives are not perceived as constant. They are likely to change during the integration process, as actors learn from the benefits of regional policies and from their experiences in co-operative decision-making (Haas 1958: 291). (2) Once established, institutions can take on a life of their own and progressively escape the control of their creators. Concerned with increasing their own powers, employees of regional institutions become agents of further integration by influencing the perceptions of participating elites (both private and public), and therefore governments' (national) interest. (3) Early reformulations of the theory stressed the primacy of incremental decision-making over grand designs. Moreover, seemingly

marginal adjustments are often driven by the unintended consequences of previous decisions. This effect arises from the incapacity of most political actors to engage in long-term purposive behaviour as they 'stumble' from one decision to the next, especially when engaging in such an innovative task as regional integration. Decisions in this arena are normally taken with very imperfect knowledge of their consequences and frequently under the pressure of deadlines (Haas 1970: 627). (4) Neofunctionalists reject the conventional realist axiom that all games played between actors are necessarily zero-sum in nature. In the Community setting exchanges are often better characterised as positive sum-games and a "supranational" style of decision-making, which Haas defined as 'a cumulative pattern of accommodation in which the participants refrain from unconditionally vetoing proposals and instead seek to attain agreement by means of compromises upgrading common interests' (Haas 1964: 66). (5) Haas agreed with the assumption made by some economists, such as Pierre Uri, who was the chief economist of the ECSC in the 1950s, that emerging functional interdependencies between whole economies and their productive sectors tend inexorably to foster further integration (Haas 1958: 372).

The neofunctionalist conception of change is succinctly encapsulated in the notion of "spillover". The term was first applied in two distinctive manners: (1) it was used as a sort of shorthand for describing the occurrence of (further) integration; and, (2) it was used to identify the driving force and inherent logic of integration via increased functional/economic interdependence (Haas 1958: 383). Later on (and also in this article) the term spillover has been used to explain all the different neofunctionalist dynamics.

The revised neofunctionalist framework presented and used here, which has been derived inductively from prior research (Niemann 1998, 2000, 2006), departs from early neofunctionalism in several ways: first, the ontological scope is slightly broadened – somewhat beyond what Haas (2001) *post hoc* described as 'soft rational choice' for the original neofunctionalist account – towards a wider and more inclusive ontology by encroaching 'soft' constructivism to a larger extent than Haas (2001: 27) attributed to early neofunctionalism. While this revised neofunctionalist account accepts that there is a real (material) world out there, which offers resistance when we acted upon, at the same time it asserts that behaviour is only to some extent shaped by physical reality. Instead, actors' capacity for learning and reflection has an impact on the way in which they attach meaning to the material world. Actors cognitively frame or socially construct the world according to their knowledge, norms, experience and understandings. Hence, actors' interests and identities are moulded and constituted by both material *and* socio-cognitive structures. Their preferences are shaped by social interaction and the evolving structures, norms and rules of the domestic and the EU polity (i.e. membership matters) rather than exogenously given. And because agents are assumed to have the capacity to learn, their preferences are subject to change rather than stable, given evolving social structures and varying actor constellations in the real world.

This extension was undertaken for two reasons: while some elements of (early) neofunctionalism can be solidly located in the rational choice tradition with rational, intentional and self-interested actors (Burley and Mattli 1993: 54-55), other elements were more reminiscent of constructivist thought with actors capable of learning processes (Rosamond 2005: 242, 250). In addition, this account places more explicit emphasis on socialisation, deliberation and learning than did Haas's early neofunctionalism for explaining EU decision outcomes.

Second and closely related, the ontological status of structure and agency has shifted. Early neofunctionalism viewed agents as predominant and paid relatively little attention to structure.<sup>3</sup> The revised neofunctionalist account regards the properties of both structure and agency as very significant to explaining social and political processes. It dismisses both structural determinism and agency-centred voluntarism. Instead, this framework embraces the concept of structuration which emphasises the interdependence

of structures and agency (Giddens 1984). Structure and agency mutually constitute each other. Structure has a dual nature. It enters simultaneously into the constitution of the agent and social practices, and exists in the generating moments of this constitution. Agency, however, is not reduced into servants of structure. They have created structural properties in the first place and can potentially change any aspect of structure. Agents act upon both structures and their own preconceived interests. Structures in the revised neofunctionalist framework are, for example, the EU and the international system of states, the EU institutional order, domestic constellations/institutional balances and functional-economic interdependencies and necessities. Agency is manifold, ranging from governmental elites to private and supranational actors. Revised neofunctionalism assigns agency and structure an equal ontological status.

Third, and perhaps most importantly, departing from early neofunctionalists' grand theoretical ambitions and the automaticity of spillover, the revised approach should be understood as a wide-ranging, but partial, theory that is only intended to account for part of the process of regional integration in Europe, namely that of explaining EU decisions and their impact upon integration. The latter is no longer viewed as an automatic and exclusively dynamic process, but rather occurs under certain conditions and is better characterised as a *dialectic* process (Tranholm-Mikkelsen 1991: 18), i.e. the product of both dynamics and countervailing forces. Through such a dialectical account the non-linear, stop-and-go nature of the European integration process is thought to be conceptualised more adequately. In this process, that is now more explicitly subject to both (forward-)dynamics *and* countervailing forces, the strength, variation and interplay of pressures on both sides of the equation thus determine the outcome of a particular decision or sequence of decisions.

Fourth, the revised neofunctionalist framework further develops and specifies the dynamics of integration. Some of the spillover dynamics are also adapted and expanded within this process. Functional spillover is broadened in scope to go beyond merely economic linkages and is freed from its deterministic ontology – implying that functional structures have to be found plausible and compelling by actors in order to be acted upon – thus reflecting a 'soft' functionalis. In addition, cultivated spillover – the concept that originally denoted the role of the Commission/High Authority – is (also) widened to include the integrative roles played by the Council Presidency, the European Parliament and the European Court of Justice. Furthermore, the newly termed notion of "social" spillover is separated from what had been called "political spillover" (Tranholm-Mikkelsen 1991: 5) – formerly broadly denoting the integrative role played by governmental and non-governmental elites – for a more clear-cut explanation of reflexive (elite) learning and socialisation processes. The concept of communicative action is incorporated into social spillover to more adequately describe and explain these processes. Learning and socialisation are no longer regarded as constant (as implied by early neofunctionalists) but as being subject to conditions. The ensuing pressures are intertwined in several ways and cannot always be neatly separated from each other. The first three factors (functional spillover; social spillover; and cultivated spillover) are hypothesised as dynamics, while the fourth factor (countervailing forces) goes against these integrational logics.

### **Functional spillover**

Functional pressures emerge when an original integrative objective can be assured only by taking further integrative actions (Lindberg 1963: 10). The basis for the development of these spillover pressures is the (functional) interdependence of policy sectors and issue areas. Individual sectors and issues tend to be so interdependent in modern politics and economies that it is difficult to isolate them from the rest (Haas 1958: 297, 383). Functional pressures thus encompass the endogenous tensions, contradictions and interdependencies closely related to the European integration project, and its policies,

politics and polity, which induce policy-makers to take additional integrative steps in order to achieve their original common goals. Functional spillover constitutes a structural component in the analytical framework. Functional pressures have a propensity for causing further integration, as intentional actors tend to be persuaded by the functional tensions and contradictions (as well as the costs and benefits arising from them). However, they do not determine actors' behaviour in any mechanical or predictable fashion. Functional structures contain an important element of human agreement. In order to act on such structures, actors also have to *perceive* them to be credible and, to at least some degree, compelling.

As for the operationalisation of functional spillover, the following indicators can be specified for this pressure: first, the basis for functional pressure is that there is the actual existence of an original goal. The salience and urgency of this goal to some extent determines the strength of the functional necessity. Second, another basis is the existence of a functional interdependence between issue A (original goal) and issue B (where further action may potentially be necessary). Further integration in the area of A must have adverse/significant consequences for issue area B and thus foster (additional) collective action there. Third, is further action in a particular issue area necessary to achieve the original objective, or are there alternative solutions for solving this functional dissonance? If the initial objective cannot be sufficiently reached by other means, the functional connection is likely to be a strong one. Finally, functional dynamics are much more likely to unfold, if they are openly discussed and considered during negotiations. If all these mechanisms and aspects are present in the process, there is a strong likelihood that (further) integration occurs in area B (here the EU's external trade policy).

### ***Cultivated spillover***

Originally only applied to the role of the High Authority/Commission and its "cultivation" of ties with national elites, one might plausibly broaden the notion of cultivated spillover to the role of supranational institutions more generally. Several factors underpin the plausibility of hypothesising supranational institutions as promoters of intensified integration. Firstly, institutions, once established, tend to take on a life of their own and are difficult to control by those who created them (Pierson 1996). Agent autonomy has been considered particularly pronounced with regard to the Court of Justice (Mattli and Slaughter 1998), but also been stated in the context of the Commission (Nugent 2001: 17), the Council Presidency (Elgström 2003: 44), and the European Parliament (Westlake 1994: 243-44). Secondly, concerned with increasing their own powers, supranational institutions become agents of integration, because they are likely to benefit from the progression of this process. This has above all been witnessed in the case of the Commission and the European Parliament, but also concerning the ECJ (Burley and Mattli 1993). And lastly, institutional structures (of which supranational structures are a part) have an effect on how actors understand and form their interests and identities (Haas 1958).

Being the most visible agent of integration, the *Commission* facilitates and pushes agreements on integrative outcomes in a number of ways. For example, it can act as a promotional broker by upgrading common interests, e.g. through facilitating package deals. Further, it is centrally located within a web of policy networks and relationships, which often results in the Commission functioning as a bourse where problems and interests are traded and through which support for its policies is secured (Mazey and Richardson 1997). The Commission may also exert itself through its often superior expertise (Nugent 1995, 2001: 210).

Over the years, the *Council Presidency* has evolved into an alternative architect of compromise. Governments taking on the six-month role face a number of pressures, such as increased media attention and peer group evaluation, to assume the role of

honest and promotional broker (Elgström 2003: 39). During their Presidency, national officials tend to undergo rapid learning processes about the various national dimensions which induce a more 'European thinking' and facilitate 'European compromises' (Wurzel 1996: 272, 288).

The *European Parliament* (EP) has fought, and in many respects won, a battle to become, from being an unelected body with minor powers, an institution on an equal footing with the Council in the larger part of normal secondary legislation (Maurer 2003). It has clearly become another centre of close interest group attention (Bouwen 2004) and plays a critical, if not wholly successful, role in the Union's legitimization. Even at the IGC level its role has increased significantly.

The primacy of Community law has been asserted by the *European Court of Justice* (ECJ), which also managed to transform the Treaty of Rome into something like a constitution (Weiler 1981: 274). It has furthered the integration process for example by (1) having raised the awareness of subnational actors concerning the opportunities offered to them by giving them a direct stake in Community law through the doctrine of direct effect; (2) by raising the visibility, effectiveness and scope of EC law; (3) by arguing along the lines of functional pressures and by justifying its decisions in light of the common interests of members as enshrined in the general objectives of the EEC Treaty (Burley and Mattli 1993: 43-44, 68-69; Mattli and Slaughter 1998).

The operationalisation of this pressure include: (a) supranational institutions' level of energy devoted to an issue (here CCP reform), including their cultivation of relations with other decision-makers to get support for their objectives; (b) the level of their internal cohesion within the respective institution (Nugent 1995); (c) their choice of an appropriate negotiating strategy and negotiating environment; (d) supranational institutions' background position at the beginning of negotiations, including their standing and level of trust enjoyed by other delegations at the table; and (e) as for the Presidency, the willingness and ability to play the role of honest and promotional broker (Elgström 2003). The final (and most important) indicator focuses on the output, rather than the input dimension of the role played by supranational institutions. What is important here is the extent to which attitudes, interests or positions on the part of decision-makers have changed towards the approach taken by supranational institutions. Having identified such change, it still has to be ascertained, if it was induced by supranational institutions. This brings us back to the first five indicators, but the causal connection between these indicators with the preference change on the part of national decision-makers has to be substantiated. An indicator combining elements of these reference points would be the admittance on the part of national decision-makers and, alternatively, independent insiders involved in the negotiations (such as Council Secretariat officials) that national preferences and positions changed towards those favoured by supranational institutions because of the involvement and reasoning of the latter.

### **Social spillover**

Socialisation, deliberation and learning processes prevalent in the Community environment, here categorised under the umbrella term of social spillover, are postulated to encourage cooperative decision-making and consensus formation, thus leading to more integrative results. The proliferation of working groups and committees has led to an elaborate mosaic of bureaucratic interpenetration at the European level that provides a forum for frequent and recurrent contact between thousands of national and EU civil servants. Thus an arena well suited to foster such processes is provided, through the construction of mutual trust and a certain *esprit de corps* among officials in Community forums. The foundational assumption is that the duration and intensity of

interaction are positively correlated with the significance of socialisation and learning processes (Lindberg 1963; Lewis 1998: 487-488).

It is held here that not only the quantity, but also the *quality* of interaction constitutes a major factor regarding cooperative norm socialisation and learning processes. We can distinguish between (1) incentive-based learning – the adaptation of strategies to reach basically unaltered and unquestioned goals – and (2) more deeply-rooted reflexive learning, i.e. changed behaviour as a result of challenged and scrutinized assumptions, values and objectives (Nye 1987: 380). The latter cannot be sufficiently explained through incentives/interests of egoistic actors (Checkel 2001: 242). Furthermore, if we attempt to thoroughly understand social behaviour and learning, this requires that we take language into greater consideration. It is through speech that actors make sense of the world and attribute meaning to their actions.

Using the notion of communicative action allows us to both attain a more fundamental basis for reflexive learning and to integrate the role of communication more thoroughly. The concept of communicative action, as devised by Jürgen Habermas (1981), refers to the interaction of people whose actions are coordinated not via egocentric calculations of success but through acts of reaching understanding about valid behaviour. Participants are not primarily oriented to achieving their own individual success; they pursue their individual objectives under the condition that they can coordinate or harmonise their plans of action on the basis of shared definitions of the situation. Habermas distinguishes between three validity claims that can be challenged in discourse: first, that a statement is true, i.e. conforms to the facts; second, that a speech act is right with respect to the existing normative context; and third, that the manifest intention of the speaker is truthful.

Under “communicative” behaviour the force of the better argument counts and actors attempt to convince each other (and are open to persuasion) with regard to these validity claims. By arguing in relation to standards of truth, rightness and sincerity, agents have a basis for judging what constitutes reasonable choices of action, through which they can reach agreement (Habermas 1981: 149). While agents bargain in strategic interaction, they *deliberate, reason, argue* and *persuade* in communicative action and may also undergo more profound learning processes. Rather than merely adapting the means to achieve basically unchanged goals, as in strategic action, they redefine their very priorities and preferences in validity-seeking processes aimed at reaching mutual understanding. However, strategic action and communicative action are only ideal types, and agents combine different (complementary) modes of action in their behaviour (Checkel 2001: 241; Risse 2000: 18). Hence, we cannot expect constant learning. Nor can we expect unidirectional learning, as the EU level is not the single source of learning, with the domestic and international realms also triggering socialisation processes.

Social spillover processes work as an interface between structure and agency. Functional, exogenous and domestic structures become part of decision-makers’ norms and values throughout processes of socialization and learning. It is important to note that actors, in their quest to arrive at the most “valid” solution, tend to be more open-minded, and are thus more inclined to consider even those arguments derived from the wider structural environment. These processes also have a tendency to open (national) actors up to the arguments provided by other players, such as supranational entrepreneurs.

The operationalisation of social spillover processes is particularly challenging, especially from an extreme positivist viewpoint, as observation and measurement of this pressure are exceptionally difficult. While we have to rely more on context, understanding and interpretation, we can still establish some signposts for empirical research. First, the object of investigation has been narrowed down. While it is conceivable to investigate this factor broadly in terms of various forums and contexts, this study has focused on

negotiators, operating mainly in the Convention. Second, the level of enmeshment among national officials, for example, through their involvement in a certain negotiating group, or in the Brussels framework more generally, can be ascertained. The frequency of formal and informal contact, as well as the duration of interaction can serve as pointers here. Third, as far as the quality, as opposed to the quantity of interaction, is concerned, there are several indicators for communicative behaviour. For example, arguments in deliberation mode are not based on hierarchy or authority. Pointing to status or rank to make an argument, does not qualify as communicative action. In addition, argumentative consistency is a good marker of deliberation. Actors that change their arguments depending on the audience probably engage in rhetorical behaviour. Moreover, characterisations of the interaction process in terms of reasoning and arguing by interviewees who have not been prodded along with structured interviews proposing different characterisations of the policy process can substantiate communicative behaviour (Risse 2000; Niemann 2004).

### **Countervailing forces**

As the process of integration cannot be adequately described as solely dynamic or integrative, it is necessary to account for countervailing forces. For this reason integration is here presented as a *dialectical* process, subject to, and explained through, the interplay of both dynamics *and* countervailing forces, mutually affecting one another. The nature of these countervailing forces may either be stagnating (engineering standstill) or opposing (tending to cause spillback). One can better ascertain the relative strength of the (forward-)dynamics of integration if one also accounts for these forces.

*Domestic constraints* may substantially circumscribe governments' autonomy to act (Moravcsik 1993: 483-494). Governments may be constrained directly by agents, such as lobby groups, opposition parties, the media/public pressure, or more indirectly by structural limitations, like a country's economy, its geography or its administrative structure, especially when distinct from that of the European mainstream due to adjustment costs of integration (Héritier 1999). Governments' restricted autonomy to act may prove disintegrative, especially when countries face very diverging domestic constraints. This may disrupt emerging integrative outcomes, as domestic constraints may lead to national vetoes or prevent policies above the lowest common denominator. Adverse bureaucratic pressures also partly come under this rubric, when constraints created at this level are not so much ideological in nature (sovereignty-consciousness), but when bureaucrats limit governmental autonomy of action in order to protect their personal interests or to channel the preferences of their "constituencies".

*Sovereignty-consciousness* – which in its most extreme form can be thought of as nationalism – encompasses actors' lacking disposition to transfer sovereignty to the supranational level and yield competences to EU institutions. Sovereignty-consciousness tends to be linked to national traditions, identities and ideologies and may be cultivated through political culture and symbolisms (Callovi 1992; Meunier and Nicolaïdis 1999: 485). Sovereignty-consciousness has repeatedly impeded the development of the Community, as, for example, during de Gaulle's and Thatcher's terms of office. Less prominent actors such as bureaucrats, especially when working in ministries or policy areas belonging to the last bastions of the nation-state, may also represent sovereignty-conscious agents.

With regard to the operationalisation of countervailing forces there are several aspects worth mentioning: first, although sovereignty consciousness is a rather diffuse notion, (semi-)structured interviews (and cross-interviews) can go some way to reveal the attitudes of decision-makers *vis-à-vis* issues like the delegation of competences to supranational institutions. In addition, when member governments come out against further supranationalisation of a policy sector despite the fact that they would benefit

materially from such a step, this most likely happens for ideological (sovereignty-related) reasons (Meunier and Nicolaïdis 1999). Second, there are several indicators for domestic constraints, such as resistance from important fractions of government. Finally, in terms of (adverse) bureaucratic politics, one can ascertain for instance the extent to which national bureaucrats had access to agenda/decision-making processes and the degree to which they used such access.

Although the revised neofunctionalist account has moved closer to other theories, it can still be distinguished from other accounts. Suffice it here to make the distinction with what perhaps constitutes its closest rival, liberal intergovernmentalism (Moravcsik 1993, 1998). One central difference is that integration is still, crucially, regarded as a "process". While (liberal) intergovernmentalism looks at a single "photograph", neofunctionalism (including the revised account) examines a whole "film" (Pierson 1996: 127). In addition, the revised account contests (liberal) intergovernmentalism's assumption of interest aggregation exclusively at the national level through some hermetic process – that takes interests largely as given. Instead, (revised) neofunctionalism points to endogenous preference formation processes in which ECSC/EC/EU membership and the interaction between the different actors matters, and also affects the way that these actors perceive their interests (Haas 1958: 9-10). Perhaps a final point of distinction, even though Andrew Moravcsik has over time somewhat altered (and augmented) the role played by supranational institutions in the integration process (see Moravcsik 1991 and Moravcsik 1998: 8), is to note that he still suggests that supranational institutions tend 'to be futile and redundant, even sometimes counterproductive', so still viewing their entrepreneurship role in the European integration process as marginal (Moravcsik 1998: 8, 490-494), a view that is rather opposed to that adopted by (revised) neofunctionalism.

## THE DEVELOPMENT OF EU EXTERNAL TRADE POLICY

Several authors have noted that, particularly in terms of definition and scope, the drafting of the Community's Common Commercial Policy was far from ideal (Ehlermann 1984). These authors lament the fact that the Treaty of Rome only included a non-exhaustive list of examples of subjects belonging to the CCP and the lack of any clear definition of the boundaries of this policy. As a result, external trade policy has been the subject of recurrent disputes between the Commission, the Council, member states and the Parliament. Disagreement developed (during the Uruguay Round and thereafter) especially concerning the question who was competent on the new trade issues: services, intellectual property rights (IPRs) and investment. The Commission, above all, feared that the Community's capacity to act externally would be substantially hampered if competence was not transferred exclusively to the Community on these issues, as in the area of trade in goods. The Commission failed to achieve progress on these issues during the Maastricht IGC. In addition, the ECJ in its Opinion 1/94 ruled that both the Community and Member States were generally jointly competent on issues of services and intellectual property rights. Against this background, the Commission decided to further pursue the issue of Article 133<sup>4</sup>, the cornerstone of the CCP, at subsequent IGCs.

The Amsterdam IGC produced a very modest outcome. The result of the negotiations was a new paragraph (5) in Article 133, which enabled the Council to extend the application of Article 133 to services and intellectual property rights by unanimity without having to go through another IGC (Sutherland 1997: 30). It has been commonly agreed that the progress made during the IGC 1996-97 negotiations was minimal, whether the benchmark used for assessment was the *status-quo ante* practice, the different options on the table, or the requirements of a changing multilateral trade agenda (Patijn 1997: 39; Ludlow 1997: 39; Woolcock 2005).

Some integrative progress was brought by the Treaty of Nice. Most importantly, qualified majority voting was introduced for trade in services and IPRs. However, several important exceptions to QMV were also established, for example in areas where unanimity was required for the adoption of internal rules or where the Community had yet to exercise its competence. Agreements which relate to trade in cultural and audiovisual services, educational services, human health services and transport service were explicitly excluded from QMV. The Nice provisions featured some further significant shortcomings: (1) FDI was excluded from the scope of Article 133; (2) the negotiation and conclusion of horizontal agreements remained subject to unanimity, if one of the above derogation areas formed part of broader negotiations. Moreover, member state ratification was required in such cases; (3) decision-making pertaining to CCP continued to exclude the European Parliament, which was further deprived even of any formal right of consultation; (4) Member States retained the right to maintain and conclude agreements in the fields of trade in services and commercial aspects of IPRs. Broadly speaking, commentators viewed the progress made at Nice towards enhancing the Community's capacity to act on the international scene, though more substantial than that achieved at Amsterdam, as nonetheless rather modest (Duff 2001: 14; Brok 2001: 88; Krenzler and Pitschas 2001: 312).

### ***From the Treaty of Nice via the Convention to the Treaty of Lisbon***

The Draft Treaty that emerged from the Convention<sup>5</sup> was very close to the Constitutional Treaty that resulted from the 2003-04 IGC. The CCP only played a subordinate role at the 2003-04 and 2007 IGCs where the provisions of the Draft Constitutional Treaty were watered down only insubstantially.<sup>6</sup> The vast majority of the CCP provisions found in the Lisbon Treaty had already been agreed during the Convention. The CCP Treaty provisions have evolved significantly: (1) the role of the European Parliament has been expanded considerably: it has been granted co-decision on legislative acts, most types of international agreements (including all trade agreements) require parliamentary approval, and its role in the process of trade negotiations has been strengthened; (2) services, intellectual property and also investment now fall within the *exclusive* competence of the Community; (3) exceptions to unanimity (such as for areas of cultural and audiovisual services as well as social, education and health services) have been more narrowly circumscribed; (4) national parliaments are no longer needed for the ratification of future WTO agreements (involving the new issues). Broadly speaking, observers agree that this latest CCP Treaty revision constitutes considerable progress, certainly when compared to earlier Treaty revisions (Antoniadis 2004; Commission 2004: 25; Cremona 2006: 29; Krenzler and Pitschas 2006; Dimopoulos 2010).

### **THE TREATY OF LISBON: A REVISED NEOFUNCTIONALIST ACCOUNT**

Before probing the revised neofunctionalist framework, the most important alternative explanation for this Treaty change will be considered and refuted. While (revised) neofunctionalism (largely) focuses on pressures that are endogenous to the European integration process, some scholars have emphasised the importance of exogenous/external factors as the driving force for change.<sup>7</sup>

#### ***Alternative explanation: exogenous pressures***

Several authors have previously pointed to exogenous pressures as important factors impacting on the development of the Common Commercial Policy (Billiet 2006; see also Meunier and Nicolaidis 1999). Exogenous pressures encompass those factors that

originate outside the integration process itself, i.e. that are exogenous to it. Emphasis is placed here on the external political and economic environment that affects the behaviour of national and supranational actors and also influences EU policy-making. Such accounts also tend to point out that the Community and its development need to be viewed in the global context, especially when it comes to its external policies. The aspect that has been referred to most often in this context is the changing multilateral trade agenda: the increasing importance of trade in services, intellectual property rights and foreign direct investment in the WTO context.

These issues began to feature much more prominently on the multilateral trade agenda since the Uruguay Round (UR). A number of actors have argued that the scope of Article 113/133 needs to be interpreted in a dynamic way. As trade policy changes and trade in goods loses in importance, the Community powers under the CCP become gradually eroded: as the enlarged trade agenda increased the number of occasions that decisions had to be taken under mixed competences, which applied to the newer trade issues, decision rules and the mode of external representation seemed no longer appropriate. Mixed competence implied unanimity in the Council and thus potentially lowest common denominator outcomes and the potential abuse of the veto option. Cases in which the trade partner is closer to the status quo, the EU's bargaining power tends to be low and it is susceptible to "divide-and-rule" games.<sup>8</sup> Hence, it has been argued that the EU's external trade policy needed to be supranationalised with regard to these newer trade issues, such as trade in services, intellectual property rights, and investment.

It can and has been argued that the broadened international trade agenda increased the number of instances that shared competence applied to EU external trade negotiations (Krenzler and da Fonseca-Wollheim 1998). Explanations focusing on this exogenous factor place emphasis on the fact that important future trade negotiations thus exert pressure towards a reform of the CCP. It is acknowledged here that such exogenous dynamic constitutes a substantial dynamic for revision. However, I argue that variation on the strength of this pressure has been fairly minor since the mid-1990s, so that it cannot (in itself) convincingly explain change from the Amsterdam IGC to the Convention/Lisbon Treaty.

Although trade in services, the importance of intellectual property rights (IPRs) and investment increased in economic terms after the 1996-97 IGC,<sup>9</sup> all of these issues were squarely and prominently on the table since the UR and were also considered during the Amsterdam IGC talks (Krenzler 1996; Young 2002; Kuyper 1995). My series of interviews in Brussels and several national capitals suggests that the perception of the above-mentioned exogenous pressure did not increase over time. With regard to the evolving multilateral trade agenda and the strengthening of the institutional framework of the WTO, interviewees mostly/predominantly emphasised that, 'this was clear since the Uruguay Round' (interview 2002), 'the nature and significance of these issue remained basically unaltered over time' (interview 2004), and that 'increases in services and investment had been expected and did not really push us more at a later stage [than during the 1996/1997 IGC]' (interview 2004). In addition, judged on the basis of official documents and media reports, the transformation of the multilateral trade agenda, if anything, featured more highly in the discourse during the Amsterdam IGC than in the two subsequent Treaty revisions (Niemann 2006).

Closely related, prior to the conclusion of the Amsterdam IGC, the Commission and the Member States had already gained substantial experience with negotiating under mixed competence in the post-UR services negotiations on basic telecommunications services and the movement of natural persons. Important negotiations on financial services were to be advanced and concluded shortly after the 1996/97 IGC. It was also clear from the General Agreement of Trade in Services that the GATS agreement would be revised after five years at the beginning of 2000, eight months after the coming into effect of the Amsterdam Treaty. Also, from 1996, the EU took the lead within the WTO to argue for a comprehensive new (millennium) round of trade negotiations (Woolcock 2005: 241).

Hence, considerable experience with negotiating under mixed competence was present, and important additional trade negotiations under shared competence were already on the (immediate) agenda during the 1996/97 Intergovernmental Conference.

Third, the changing international trade agenda also cannot sufficiently explain why the issue of 'trade and investment' became a Community competence with the Treaty of Lisbon. Perhaps most revealing in that respect, reduced exogenous FDI pressures coincided with an increase of competence on investment during the Convention and 2003/2004 IGC (when the CCP provisions that appear in the Lisbon Treaty were settled). Before and during that period annual FDI decreased, both worldwide and also concerning EU FDI capital flows. In addition, negotiation of investment during the Doha Round became increasingly questionable, if not unlikely, after considerable resistance to negotiate on this issue was encountered at the Doha Ministerial Conference of 2001, before the issue was formally abandoned by the EU at the Cancun Ministerial Conference in September 2003 (Dür 2007). Thus, exogenous dynamics (based on the shifting international trade agenda) do not shed sufficient light on why investment became one of the issues on which Community competence was augmented during the Convention and subsequent IGC leading to the Lisbon Treaty, as actual investment flows pointed in another direction.

More generally speaking, exogenous dynamics cannot convincingly explain the changes in the area of EU external trade policy that came about through the last Treaty revision. Hence, we must look to endogenous factors, and thus consider the revised neofunctionalism to gain a fuller understanding of this development. The subsequent analysis will make use of (and probe) the four factors of the revised neofunctionalist framework for an explanation of the Lisbon Treaty CCP outcome.

### ***Functional spillover***

The most important functional pressure during the past Treaty revision was the pressure of enlargement. Despite being an ostensibly exogenous event, as enlargement became set as an internal policy goal it became an endogenous source of pressure for reform of EU decision-making rules. Once enlargement became an internal objective problems/tensions were created (anticipated) in terms of decision-making and co-ordination among the Member States under unanimity (exerting pressure for an extension of QMV in trade matters). Unanimity was already regarded as problematic with 15 delegations by some players. This logic of anticipated problems was argued in various Commission papers on the modernization of Article 113 already during the Amsterdam IGC (Commission 1996; Krenzler 1996: 6). However, at the time, this argument never gained much strength. As was pointed out, there was a 'lack of urgency' since 'no enlargement is foreseen before 2003–2005' (Patijn 1997: 38; also Devuyt 1998: 626; Moravcsik and Nicolaidis 1999: 78, 82).

Thereafter, these pressures further increased with the launch and confirmation of the enlargement process at the Luxemburg European Council of 1997 and the Helsinki European Council of 1999 respectively (Commission 1999; Galloway 2001: 108). However, integrative rationales stemming from enlargement only became really pressing, urgent and unavoidable at the time of the Convention. The Seville European Council of June 2002 expected the Accession Treaty to be signed in spring 2003 and anticipated the participation of new member states in the 2004 EP elections. Therefore, decision-making in the Council with 25 member states – and the corresponding diversification of interests and increased heterogeneity of political cultures – was now an imminent reality, which put substantial pressure on those trade policy issues subject to unanimity (and thus prone to paralysis). Enlargement became a frequent rationale used to substantiate the need for further CCP reform (see Lamy 2002).

Moderate additional functional pressures were created by the Laeken European Council Declaration on the Future of Europe. Herein, the Heads of State and Government reinforced a number of aims, which increased the rationale for a deepening of the external trade policy. The first objective stated in the Laeken Declaration was the strengthening of the Union's role in the world. Here the declarations had high expectations (Norman 2003: 110). To achieve this collective goal, improvements in the decision rules of the CCP was 'at least a logical corollary, if not a necessity' (interview, 2004). The second set of aims concerned greater simplification and efficiency. Given the complexity of the Nice provisions on Article 133, the CCP was an obvious candidate for improvements along these lines. Streamlining and rationalisation of external trade policy provisions can, of course, go both ways: re-nationalisation or supranationalisation. However, given the various other dynamics, the bias was clearly in favour of the Community method. Finally, Laeken also called for greater democracy and transparency. The two most likely solutions – greater involvement of national parliaments or a more substantial role for the EP – were not equal competitors, given the overall tendency towards more Commission competence and more QMV which is well complimented by stronger EP involvement under the tried and tested Community method. The functional tensions created by these aims should not be exaggerated, as they had been formulated at various European Councils before without having much impact. The difference this time was two-fold. These objectives were arguably emphasised more strongly than in previous Presidency conclusions<sup>10</sup> and the members of the Convention took them more seriously than officials preparing previous IGCs (interview 2004), not least because they were largely unbound by (governmental) briefs (Maurer 2003: 134).

### ***Social spillover***

With regard to this factor I will focus here on the negotiations taking place in the IGC Representative Group<sup>11</sup> and the Convention. During the Amsterdam and Nice Treaty revisions the conditions for social spillover were rather disadvantageous: (A) the fact that the Representatives Group, which constituted the principal forum for the Nice IGC negotiations, only met about 30 times and had a life span of less than a year did not afford sufficient space for very intense socialisation processes to develop (interview 2004). The Representative Group during the Amsterdam IGC existed for a year and a half. While there is some evidence for the development of a certain *esprit de corps* in that negotiating forum, on balance it does not compare to that in other (more permanent) Council fora (interview 1997; Niemann 2006). (B) In part due to the expansive nature of the IGC agendas in 1996/97 and 2000, delegates simply lacked the time to engage in any extensive reasoned debate on external trade policy (Gray and Stubb 2001: 20). As one official has noted, 'when we discussed external policy for an hour, we spent 55 minutes on CFSP and five minutes on Article 113' (interview 1999). (C) The nature of the subject area, together with the background of negotiators, worked against the prospect of progress through argumentative debate. Neither the IGC Representatives, nor Foreign Ministers, nor Heads of State and Government, who dealt with the CCP issue at Amsterdam and Nice, had the requisite knowledge and expertise to fully engage in a sensible discussion of what is a fairly complex subject (Beach 2005: 201). (D) Tight, inflexible and sometimes competing instructions deriving from the demands of various national ministries in the IGC context hampered genuine exchange on the pros and cons of increased Community competence. As one official put it, 'any emerging consensus achieved on the merits of the problem of unanimity in services was to be destroyed by yet another "input" of some national ministry' (interview 2004). (E) Also related to the negotiation infrastructure in a broader sense, 'underlying the debate about thin dividing lines between Community and national competencies was a basic distrust by some member states of the role of the Commission in representing the Community in international negotiations and keeping the member states abreast of what is going on' (Patijn 1997: 39; also Ludlow 1997: 52; Meunier and Nicolaidis 1999). The

roots of this suspicion of the Commission lie in past instances where the Commission negotiated without the due transparency *vis-à-vis* member states, as happened for example in the negotiations leading to the "Blair House Agreement" in 1992 during the Uruguay Round. Thus, as the above analysis suggests, the negotiation infrastructure at the Amsterdam and Nice IGCs structurally favoured those actors that sought to preserve the status quo and militated against a (substantially) more progressive outcome.

One of the more significant deviations from the trend set by previous two Treaty revisions was the greater favourable impact of socialisation, deliberation and learning processes in the *Convention*, which in turn influenced the *IGC 2003-04* outcome. This impact was brought about by several favourable conditions: (1) the inclusion of an initial listening and reflection phase at the Convention, during which expectations and visions could be freely shared. This fostered a deeper understanding of other members' ideas and softened pre-conceived opinions (Kleine and Risse 2005, 2010). (2) In the plenary and especially in the Working Group on External Action unlike at the IGC 1996-97 and 2000 IGC negotiations, sufficient time was available for substantial debate and a more thorough exchange of arguments and counterarguments concerning the merits of CCP reform (interview 2004). (3) The quantity of interaction – with Plenary and the Praesidium both holding more than 50 sessions over a period of 18 months – produced an 'esprit de corps' (Göler 2003: 9; see also Maurer 2005), where most participants 'had or developed substantial responsibility for the success of the project' (interview 2004; also interview with Klaus Hänsch, 2004). (4) Convention member's freedom of action was not significantly circumscribed by governmental briefs (Maurer 2003: 134). Unlike at IGCs, bureaucratic resistances hardly impinged on the deliberation process because government representatives could largely avoid entrapment in the processes of inter-ministerial coordination for the formation of national positions (Maurer 2003: 136; Closa 2004: 202). (5) The atmosphere, spirit and negotiating structure prevented delegates from easily opposing proposals without being drawn into a reasoned discussion where ones arguments would become subject to scrutiny (Closa 2004: 201).

In such an environment strong arguments, built on the foundation of mutually agreed criteria, could register more easily, and were thus more likely to prevail in the discussion. Hence the strong functional and exogenous rationales for an extension of Community competence now had a better chance to be taken up by actors and unfold their logic. As one official put it, 'we had had good arguments for the extension of Article 133 all along. However, for the first time, we had the feeling that people were really considering these points and their implications' (interview 2004). In such deliberative process, negotiators tended to concur more fully in the common results. A reasoned consensus rather than compromise was reached. My interviewing suggests that the CCP Convention outcome was largely perceived as such a reasoned consensus (interviews 2004, 2005). This same principal can be seen at work (albeit to a lesser extent) in the Draft Constitutional Treaty as a whole, which lent weight and authority to the Convention text and made it difficult for negotiators at the subsequent IGCs to depart significantly from this consensus (Closa 2004; Maurer 2003; Göler and Marhold 2005), not least because member states were very much part of it. Moreover, the job the Convention had done was generally held to have been a good one. The dominant discourse suggested that as much of the Draft Constitutional Treaty as possible should be preserved (Frankfurter Allgemeine Zeitung 16 and 18 June 2003; Guardian 14 June 2003). The substantial bonding strength of the Convention text, being used at the subsequent IGCs, is the starting point for further negotiations on most issues (including external trade). In a way, the text turned into the default setting (Beach 2005: 199). As a result, the 2003-04 and 2007 IGCs hardly reopened debate on the CCP.

The effects presented above as socialisation, deliberation and learning are difficult to further substantiate within given space limitations.<sup>12</sup> However, the following evidence is suggestive: (1) Interviewees characterised the negotiations in terms of arguing and reasoning, both unprompted, and/or when offered different potential characterisations of

the predominant policy style during different phases. (2) Convention members largely avoided appeals to hierarchy, status, qualification or other sources of power when making their statements and thus did not add non-discursive authority to their arguments (interview with Hänsch 2004; interview 2005). (3) Speakers' utterances in the plenary (and working group sessions) seem to be very consistent with their statements in other forums, which may be held as indicative of truthful arguing (Risse 2000: 18-19; Checkel 2001: 241; Niemann 2004: 385).<sup>13</sup> (4) "Powerful" actors were not disproportionately successful at the Convention when their arguments were not persuasive. For example, the French cultural exception, which had the backing of the French government representative and others, was already provided for in a general passage about unanimity rule for external policy where unanimity was required internally. Therefore an explicit derogation was neither necessary nor desirable for the sake of simplicity. Consequently, this derogation, which made no sense to the vast majority of members, was not accepted during the Convention and was therefore kept out of the text (interview 2004). Only at the very end, after the Thessaloniki European Council, the Praesidium took the cultural exception on board, and then largely for strategic reasons, as to win the support of the French on the overall package. This stage has been called 'IGC-pre-negotiations', and not without reason; it was no longer characterised by the deliberative spirit of the Convention (Dinan 2004: 31). (5) The Convention spirit did not allow (or at least made it very difficult for) Convention members, unlike IGC Representatives, to reject something without justification and explanation (Closa 2004: 201). Consequently, those delegates preferring derogations on the Community method for the CCP were drawn into a (reasoned) debate (interview 2004). (6) Finally, in cases where attempts to address an issue in a bargaining-like setting, such as during the Nice and especially Amsterdam IGCs, did not lead to significant progress, yet advances were made in a more discursive setting, a process of deliberation and arguing is likely to have played a role (Kleine and Risse 2005, 2010).

### ***Cultivated spillover***

During the Convention, in the decisive phase for the determining the CCP contents of the Lisbon Treaty, supranational actors successfully managed to cultivate spillover. My analysis here will confine itself to the role of the Commission and the European Parliament. Their role was enhanced to that of previous IGCs, where the Commission was somewhat distrusted by member governments, partly due to events where the Commission overplayed its hand (Niemann 2006) and also mainly concerned with putting its own house in order (Monar 2001: 115-116). In addition, the Commission and Parliament were at times not sufficiently supporting each other's demands at the IGCs (interview 1999).

For the *Commission* the Convention provided significantly more favourable conditions for engagement and proactivity than IGCs. Its two representatives enjoyed informational advantages – in no small part due to their very substantial infrastructural backing – and were considered "first-tier" members of the Praesidium (Beach 2005: 200). Despite some coherence discrepancies between the official opinion of the Commission and the so-called "Penelope" paper initiated by Romano Prodi (Norman 2003) – which nonetheless contained no contradictions on external trade policy – the Commission played a leading role during the Convention (Goulard 2003: 381). This is certainly the case for the CCP, mainly for two reasons: first, the Commission enjoyed strong support in the Praesidium, with ten out of twelve members at least sympathetic to its views (Norman 2003: 161-162). The Commission also successfully cultivated contacts, most importantly with Jean-Luc Dehaene who chaired the Working Group on External Action, and members of the Praesidium, but also by providing background information for interested conventionnels (Norman 2003: 162). Secondly, as previously mentioned, the deliberative decision style at the Convention meant that the well-founded arguments of the Commission – for example on the changing trade agenda – were afforded time and

due consideration. As one Commission official put it, 'as opposed to the last IGCs, people at the Convention were eager to really discuss the pros and cons of more Community competence. [In this kind of environment,] we could finally influence the debate because the best arguments made the biggest impact' (interview 2004; Commission 2004: 25). For these reasons, along with the superior expertise of the Commission on the CCP, observers judged that the Commission played a leading role securing the progressive CCP outcome in the External Action Working Group, and in defending its essence later in the Praesidium and Plenary (interviews 2004, 2006).

The *European Parliament*, was able to exert more influence than during previous Treaty revisions. EP representatives, no longer second class participants as at an IGC, were influential for a number of reasons. Firstly, with the exception of the small Commission delegation, the 16 representatives from the EP formed the most coherent and the best organised fraction of the Convention. This can be attributed in large part to the fact that EP Convention members were pre-equipped with the requisite institutionalised and functioning working structures to prepare for meetings in the framework of the Convention (Maurer 2003: 137). As a result, amendments by one EP member were often backed by more than ten MEPs. Secondly, EP representatives constituted the most active fraction in the Convention in terms of making proposals, participating in the debate and liaising with other Convention members (Duff 2003: 3). The principal objectives of the mainstream of the EP delegation were a far-reaching extension of Community competences and a substantial increase in Parliamentary involvement. On the latter issue the EP's success can be attributed to a number of factors: in an open and reasoned debate, Parliaments' arguments were bound to make an impact. External trade was the sole policy area in which the European Parliament had hardly any role. The Laeken declaration's emphasis on legitimacy lent further weight to the EP's case (interview 2004; Presidency Conclusions 2001). Moreover, in view of the fact that public health and consumer issues were increasingly discussed at WTO level, the EP's exclusion became harder to defend. Moreover, despite its side-lining from the making of the CCP, Parliament had shown an active interest in trade policy over many years and generally taken a constructive approach (Bender 2002). When the Convention President, Valéry Giscard d'Estaing, sought to redraft the progressive CCP provisions of the Working Group report, it was the chairman of the Working Group Dehaene, decisively backed by the EP representatives in the Praesidium (Elmar Brok and Iñigo Méndez de Vigo) as well as Commissioner António Vitorino who prevented the external trade provisions from being (decisively) watered down (interview 2004). In the final days of the Convention, the EP emerged as the strongest supporter of the Convention text and thus contributed to its bonding strength with regard to the subsequent IGC negotiations (Beach 2005: 209).

Due to the bonding strength of the Convention provisions (and the dynamics behind the extension of Article 133), the IGC negotiating infrastructure which facilitates defending the *status quo* and hampers enforcing change, for once, worked in the Commission's (and EP's) favour. To effect any changes to the provisions on the table would require substantial political impetus. Any such impetus was successfully diffused by the Commission, which cultivated relations with the German and Dutch governments in particular, who became allies in opposing the watering down of the CCP during the IGCs (interview 2004, 2009). The progressive outcome concerning the Common Commercial Policy in the Treaty of Lisbon is thus attributable in significant part to the contribution of supranational actors.

### **Countervailing forces**

Having examined the potential dynamics of integration, we now turn to other side of the equation; the countervailing forces impacting the decision-making process. Before coming to the last Treaty revision, we will take a brief look at the Amsterdam and Nice IGCs (together, because the countervailing forces at play were very similar, both

substantively and in terms of intensity). Firstly, the (relatively) restrictive IGC outcomes can be partly explained by reference to domestic constraints. The new trade issues do not stop at the borders, such as issues of tariffs and quotas, but extend behind borders into the state and thus concern domestic laws (Smith and Woolcock 1999: 440-441; Rollo and Holmes 2001). As a result, these issues also tend to be more politicised, and the transfer of competences to the Community evokes greater resistance. For example, during both IGC negotiations France sought derogation on cultural services to safeguard the cultural diversity policy, behind which there is both significant public support and strong lobbies (Lequesne 2001; Le Monde 18 November 2000). Domestic constraints regarding some goods issues also affected the debate on the extension of Article 133. One way of avoiding QMV on agriculture or textiles – which are substantially politicised issues in France and Portugal respectively – in horizontal trade negotiations was to keep unanimity for the new trade issues, as one aspect decided by unanimity in horizontal trade negotiations leads to unanimity on the whole package (interview 1997, Krenzler 1996).

Secondly, there is the more diffuse issue of sovereignty-consciousness which constituted another strong countervailing pressure during the IGCs 1996-97 and 2000. The intrusion of the new trade issues into domestic spheres close to the heart of national sovereignty had increased the sensitivity in terms of delegating powers to the Community on these issues. Sophie Meunier and Kalypso Nicolaïdis (1999: 485-87) have shown that several countries, including France and the UK, came out against an extension of Community competence, contrary to their national interest, and joined the “sovereignty camp”, largely on ideological grounds. Both France and the UK are very competitive internationally in terms of trade in commercial services and have a positive trade balance in this sector. Their interest would have been best served by an exclusive Community competence for trade in services, since its collective negotiating position cannot be held up by the member state least ready to confront international competition (Meunier and Nicolaïdis 2000). The phenomenon of bureaucratic politics is also relevant here as officials in national ministries became agents of sovereignty-consciousness. This ideological basis for opposing a progressive reform of Article 133 has been strongly spurred by the distrust *vis-à-vis* the Commission (interview 2004).

These countervailing forces were considerably less potent during the *Convention* than during an IGC. In the absence of any substantial inter-departmental coordination, government representatives were generally unconstrained by the influence of various functional ministries. Bureaucrats, who have been described as crucial agents of sovereignty consciousness and a principal source of domestic constraints, were thus largely excluded from the process. Secondly, although those arriving at the Convention doubtless brought with them certain domestic or institutional socialisations and frames guiding their behaviour, they were nonetheless largely able to negotiate freely without significant restrictions (Maurer 2003: 134-37). As a result, domestic factors – despite constituting important sources of information and feedback mechanisms – were considerably less of a hindrance to members of the Convention than for negotiators in an IGC.

The consequences of this attenuation of countervailing pressures extended beyond the Convention itself, and could be recognised throughout Treaty revision exercise. Due to the above described bonding effects of the Convention, the results thereof carried a greater significance than normal IGC preparation exercises. They turned the Draft Constitutional Treaty into the default setting, which was easier to defend than to change (Beach 2005: 199). When the IGC formally began in October 2003, countervailing forces, for example through national ministries, gathered greater strength. In the case of the CCP however, these were of little consequence as the Convention text on external trade was, generally speaking, the result of a strong and genuine consensus, of which either Foreign Ministers (themselves) or representatives of Heads of State and Government had been part. Moreover, bureaucratic resistances were also less intense,

as the IGC was largely conducted on the political level and partly because of its relative short duration. Departments thus had little opportunity to shape national positions (interview 2004), and consequently the CCP package was not reopened during the IGC 2007, which laid the groundwork for the Treaty of Lisbon (interview 2009).

## CONCLUSION

Broadly speaking, the revised neofunctionalist framework seems to have provided a robust account for an analysis of the Treaty revision on the reform of the Common Commercial Policy leading to the Treaty of Lisbon. During the last Treaty revision the various spillover dynamics were considerably stronger than during the previous IGCs. The functional rationales, especially that stemming from the pressure of enlargement had gradually increased over time (with enlargement coming ever closer) and thus constituted a significant structural pressure. Stronger social spillover pressures in the form of socialisation, deliberation and learning processes ensured that the logic of such structural pressures would not be lost on actors. Such processes, which produced consensus among actors and agreement on outcomes, can also largely explain the bonding strength of the Convention text. The increased proactivity and assertiveness of supranational institutions in cultivating spillover reinforced these dynamics. Largely due to the Convention framework, countervailing forces were (substantially) weaker than at the Amsterdam and Nice IGCs. This facilitated the stronger ignition and dissemination of integrational dynamics. This explanation based on the largely endogenous (revised) neofunctionalist account gains even more plausibility due to the fact that the most prominent alternative explanation based on exogenous dynamics related to changing multilateral trade agenda does not make sense here, as explained in the analysis.

This analysis shows that integrative developments in the area of EU commercial policy cannot exclusively be accounted for by rational choice dynamics, such as utility maximising actors with fixed preferences, but that socialisation through deliberative processes also needs to be taken seriously.<sup>14</sup> In addition, the above inquiry suggests that it is not only the Treaty revision negotiations themselves that matter, but the broader EU (trade) policy-making process that impacts on, and feeds back into, the EU trade "polity" and thus into EU trade policy-making. Functional pressures and the roles that can be played by supranational institutions develop over time, as do socialisation and learning processes (conditioned by several contextual factors).

The revised neofunctionalist framework is likely to enhance our understanding of EU politics and policy-making more generally, i.e. beyond the explanation of the Lisbon Treaty changes with regard to the CCP. Arguably, due to the incorporation of countervailing factors and the shift from a dynamic to a dialectical account of integration the revised neofunctionalist account is more broadly generalizable than early neofunctionalism. The original neofunctionalist theory struggled to explain periods of stagnation or processes that did not lead to far-reaching integration. Hence, it is argued here that while predictive *claims* have been modified, extrapolative *ability* has been increased through the revisions. In that context, it is worth mentioning that the revised framework has been (successfully) employed to shed light on decision outcomes in other policy areas, such as EU migration policy or the PHARE programme (Niemann 2006).

Although it is too early to definitively judge the effect of the Lisbon provisions on EU actorhood in the field of trade policy (given how recently the Treaty came into force), it seems that the new arrangements will bolster the EU's role as an actor in trade policy-making, given that trade in services, commercial aspects of intellectual property rights, and foreign direct investment have become an exclusive Community competence (Dimopoulos 2008; see also Niemann 2012). However, much depends on the implementation of the Lisbon provisions, and especially the manner in which the European Parliament will choose to exercise its new powers. The EP's traditionally

stronger concerns (relative to the Commission, and especially the Council) with regard to non-economic goals such as human rights or environmental and social standards, could contribute to a greater politicisation of EU external trade policy (Pollet-Fort 2010). It is difficult to foresee what impact this may have on the effectiveness of the CCP. On the one hand, such politicisation could lead to uncertainties and delays and more generally hamper policy-making processes within the EU (Fairbrother and Quisthoud-Rowohl 2009). While withholding its consent for a large multilateral agreement, like that concluding the Doha Round, can be considered rather unlikely, the EP's willingness and ability to do so has been considered a realistic scenario for bilateral agreements (Woolcock 2008: 5–6). On the other hand, the European Parliament could be conveniently used as a bargaining chip in two- or three-level games (Putnam 1988). The EU could strengthen its bargaining position in international negotiations by referring to the requirement of EP consent, as practiced by US negotiators with regard to Congress.

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<sup>1</sup> The next paragraph draws on Wiener and Diez (2004: 241).

<sup>2</sup> On the above methods, see George and Bennett (2005) and Ragin (1987).

<sup>3</sup> However, structure was arguably more important in (early) neofunctionalism than acknowledged by Haas (Haas 2001: 29), given the emphasis on functional-economic interdependencies.

<sup>4</sup> Article 113, after the renumbering of the Treaty of Amsterdam, became Article 133. With the Treaty of Lisbon this then became Article 207. I will refer to Article 113 for the time until the entering into force of the Treaty of Amsterdam, and to Article 133 for the period during which the Treaties of Amsterdam and Nice applied, and also when referring to this Article more generally (in a less time-specific manner).

<sup>5</sup> The Laeken European Council of December 2001, departing from the standard method of preparing EU Treaty reforms, decided to form a Convention on the Future of Europe. Its purpose was to comprise the main stakeholders in order to examine key questions about the future direction of the European integration. The Convention produced a draft constitution, which became the basis for discussions/negotiations in the subsequent IGC.

<sup>6</sup> Most substantially, a rather narrow derogation on social, education and health services was (re)introduced.

<sup>7</sup> For a more detailed debate on exogenous pressures, also cf. Niemann (2011).

<sup>8</sup> However, in cases where the collective EU position is closer to the status quo than that of the negotiating partner, unanimity tends to increase the Community's negotiating power (Meunier 2000).

<sup>9</sup> For example, the share of services as part of overall EU trade increased from approximately 26 per cent in 1995 to 30 per cent in 2002 (Krenzler 1996, Lamy 2002).

<sup>10</sup> Presidency Conclusions of the following European Councils: Cannes (point IV), Madrid (pages 1, 3), Helsinki (point I), Feira (point I) and Laeken.

<sup>11</sup> The IGC Representatives Group prepared and discussed IGC issues before they went to Foreign Ministers and/or Heads of State and Government for further discussion and negotiation.

<sup>12</sup> Also accounts of deliberation and socialisation characterising the Convention (Göler 2003; Maurer 2003; Closa 2004).

<sup>13</sup> One example where this could be traced perhaps most thoroughly is the case of Pascal Lamy, who was not a member of the Convention, but was heard in the Working Group on External Action as an expert and participated in the discussion. See Lamy's (2002) account in the Working Group and speeches in other forums (Lamy 2003).

<sup>14</sup> As a result, the revised neofunctionalist account has been situated about half-way between rationalism and reflectivism.

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# Journal of Contemporary European Research

Volume 9, Issue 4 (2013)

Conclusion

## Towards Engaged Pluralism in the Study of European Trade Politics

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### Citation

Kerremans, B. and Orbie, J. (2013). 'Conclusion - Towards Engaged Pluralism in the Study of European Trade Politics', *Journal of Contemporary European Research*. 9 (4), pp. 659-674.

First published at: [www.jcer.net](http://www.jcer.net)

## Abstract

Going back to the Kuhnian debate about the assumed incommensurability of different paradigms, we point at the need for engaged pluralism in political science. We illustrate this by giving illustrations from the different paradigmatic perspectives included in the special issue and how they could speak to each other. While this analysis clearly shows the limits and difficulties encountered during such an endeavor, we hope to have laid the basis for a more reflexive dialogue within the literature.

## Keywords

Paradigms; trade policy; IR; EU; trade; critical theories; pragmatism; engaged pluralism

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*A discussion between people who share many views is unlikely to be fruitful, even though it may be pleasant; while a discussion between vastly different frameworks can be extremely fruitful, even though it may sometimes be extremely difficult, and perhaps not quite so pleasant (though we may learn to enjoy it). (Karl Popper, in Walker 2010: 439)*

The aim of this special issue is to take the first step towards an inter-paradigmatic debate in the study of European Union (EU) trade politics. This article will discuss the merits and limits of inter-paradigmatic dialogue and apply this to the different perspectives of the contributors to this special issue. The first section will assess the Kuhnian argument about the purported incommensurability of different paradigms and point to the need for a engaged pluralism among different 'paradigmatic' perspectives. The second section will look at how a reading of the articles in this special issue indicates that a confrontation among different paradigms as well as between different theories can be or become a learning experience.

### **INTER-PARADIGMATIC DIALOGUE: MISSION IMPOSSIBLE?**

This section will address three different questions: is it possible to engage in inter-paradigmatic dialogue, is such an exercise desirable, and if yes, how should this be achieved? The first question has often been answered negatively by referring to Thomas Kuhn's famous 'incommensurability thesis'. The concept of scientific paradigms dates back to Kuhn's influential work entitled 'The Structure of Scientific Revolutions' (1962). Kuhn defines a paradigm as 'a theoretical research stream that has reached vast consolidation as regards its scientific development and, even more important in the sociological vocabulary, the formation of a research community with a solid core of accepted values, methods, and analytical tools' (see Padula and Battista Dagnino 2007: 49). Scientific evolution is characterized as a process whereby 'normal science' underpinned by a certain paradigm becomes challenged by 'revolutionary science' with fundamentally different assumptions and methods (e.g. the shift from Newtonian to Einsteinian paradigms in physics). Kuhn's 'normal scientists' will typically turn a blind eye to anomalies, given their devotion to the further elaboration and specification of their own paradigm. Ultimately they will be discredited by a scientific revolution, usually initiated by young scholars or scholars new to the field, who propose a fundamentally different paradigm. What is important for our purpose is that Kuhn's philosophy of science precludes meaningful interaction between different paradigms.

Different paradigms become incommensurable because they involve different theories, concepts and methods and because they are supported by different language-culture communities (Walker 2010: 435-6). This notion of incommensurability has strongly influenced political science and in particular international relations scholarship (Waever 1996: 150-1; Walker 2010: 436).

However, the incommensurability thesis could be disqualified or could at least be relaxed, especially when applied to social sciences. Kuhn essentially theorized about the natural sciences and never intended to apply his work to the social sciences.<sup>1</sup> Political science and international relations simply lack the background conditions of concrete, universally recognized, scientific achievements that are necessary to speak about paradigms along Kuhnian lines (Walker 2010: 435). For example, the so-called 'paradigms' in international relations – realism, liberalism and constructivism, or the divide between rationalism and constructivism (see Figure 1 in the introduction of this special issue) – have quite some common ground and cannot be seen as incommensurable.

Various contributions to the literature have shown that even synthesis may be possible, for instance the neo-neo-synthesis following the so-called inter-paradigm debate between liberalism and realism that has taken place within international relations. A similar evolution has characterized EU studies since the early 1990s.<sup>2</sup> It is true that radicalism has been less involved in this debate (Waever 1996: 150-1). Also between rationalists and reflectivists a dialogue has proven to be possible, as shown by moderate constructivist accounts in international relations (e.g. by Wendt) and EU studies (e.g. by Checkel; see also Checkel and Moravcsik 2001) which seek to bridge different ontological and epistemological assumptions.

This dialogue may be extremely difficult and not always satisfying. It would certainly be more comfortable to remain locked within one's own academic community and stick to paradigm mentalities. However, our point is that it would be exaggerated to speak of Kuhnian incommensurability. The obstacles confronted when trying to combine different meta-theoretical perspectives are often more related to resource scarcity in terms of limited time, energy and money, than to logical incompatibility (Jupille 2006: 213). After all, incommensurability can be seen as a 'red herring' in academic debates: 'despite the plurality of approaches we use and despite our particular disagreements, we are usually quite able to talk to each other and discuss matters.' (Kratochwil 2003: 126) The three – isms, rationalists and reflectivists have more in common than Newtonian and Einsteinian physics.

Then, why would an inter-paradigmatic dialogue be desirable? One reason is that paradigmatic insulation and related navel-gazing could undermine political scientists' ability to engage in political problem-solving. It has contributed to their policy irrelevance and their role as 'scholars on the sidelines', as Joseph Nye has argued with respect to American political scientists:

Scholars are paying less attention about how their work relates to the policy world, and in many departments a focus on policy can hurt one's career. Advancement comes faster for those who develop mathematical models, new methodologies or theories expressed in jargon that is unintelligible to policymakers. (Nye 2009)

As proponents of pragmatism have argued (e.g. Cornut 2009), specific paradigms in international relations are insufficient to capture the complexity of international politics (see also Walker 2010: 447). 'Pragmatism' is not a new paradigm as such, but implies a pluralistic openness to different paradigmatic approaches in conducting problem-driven and

complexity-sensitive research. It is not guided by specific theories or agnostic in terms of epistemological position (Cornut 2009).

Diminished policy relevance may not come as a problem to many scholars however. Adhering to a 'paradigm mentality' is even tempting since it increases scholars' scientific status and legitimacy (Walker 2010: 440) and since it helps them to play identity politics within academia (Jackson and Nexon 2009: 920). This leads to 'eristic' academic debates which are 'first and foremost about arguing for the sake of conflict, fighting and seeing who can yell the loudest' (Jørgensen and Valbjørn 2012: 9). As such, paradigm mentalities hinder scientific progress by encouraging hyper-specific 'Balkanization' and 'tribalism' (Walker 2010: 434; Rosamond 2006: 17). Paradigmatic insularity limits 'scholarly vision, curiosity, and creativity' and as such, becomes 'detrimental to healthy inquiry' (Walker 2010: 434). That is indeed a high price to be paid. Scholarly curiosity and creativity may be undermined by the fact that paradigmatic insularity increases the chance that analyses will suffer from the blackboxing of causal mechanisms, the resulting endurance of blind spots in explanations, and the failure to see possible connections between analyses across different paradigms as a way to eliminate such blind spots (Sil and Katzenstein 2010). The image of 'incommensurable' paradigms, mistakenly applying Kuhnian insights on international relations, acts as 'a block to scientific progress' (Waever 1996: 150).

The solution is however less obvious than seems at first sight. That inter-paradigmatic dialogue would somehow help scientific thinking is clear. It is much less clear what the exact purpose of such a dialogue should be. Should it limit its ambitions to the discouragement of the 'facile ignoring and dogmatic rejection of other theories and perspectives' (Lapid 2003: 131), or should it aim at a synthetic, unifying paradigm in the field?

Targeting a synthesis has indeed a number of advantages (Moravcsik 2003). The kind of problems with which scholars as well as policy-makers are confronted are complex, and such complex issues require comprehensive rather than uncausal explanations. Such explanations may also lead to the development of overarching assumptions that indicate the relative position of the elements borrowed from different paradigms in a multi-theoretical synthesis without requiring however that each subtheory in the synthesis would make identical assumptions about fundamental ontological matters (Moravcsik 2003). In addition, such a synthesis challenges the false impression, nurtured by the idea of incommensurability, that any theoretical approach is 'as valid and accurate as any other' (Moravcsik 2003: 136).<sup>3</sup> However, there are also risks involved. A multi-theoretical synthesis may ultimately lead to what it originally wanted to avoid: subsumption and the emergence of a hegemonic paradigm. In social sciences the notion of objective 'truth' is far from univocal. The scientific validity of knowledge is the subject of inter-subjective debate among scholars. It is precisely this pluralism in scientific interaction that may be lost through the emergence of a hegemonic paradigm that synthesizes previous contending perspectives. Thus, not surprisingly, there is a lot of suspicion about attempts for inter-paradigmatic synthesis in the field (see e.g. Forum discussion in *International Studies Review* 2003: 5). An expressed intention to engage in multi-theoretical synthesis is easily seen as a hidden attempt by some to establish a new hegemonic paradigm. As such, the possibility of a real, reflexive dialogue among paradigms would be doomed even before it started yet.

This is even more so because several authors claim that the aim of such a synthesis would be based on a false (empiricist) assumption (Kratochwil 2000, 2003): that there is one truth out there; a truth that can be revealed through pointed empirical research. Reflectivists especially reject this notion however. There is not one social world out there. There are only different views of different social worlds and as such, there is no neutral ground on which to

judge rival accounts about the social world. In such a context, aiming at synthesis would imply that 'one theory gets protected by epistemological gatekeeping' (Smith 2003: 143). As such, paradigmatic hegemony would be inherent to multi-theoretical synthesis.

This does not mean that 'anything goes'. Critics of paradigmatic synthesis are always quick to point out that pluralism should not be pursued for its own sake (see e.g. Cornut 2009; Jupille 2006: 213; Kratochwil 2003: 126). This is also true for reflectivists: even if they challenge the notion of an absolute truth waiting to be discovered, this does not mean that they reject the merits of scientific dialogue among different perspectives. Quite the contrary: total understanding never happens both among *and within* different paradigms. The notion of total commensurability within a scientific community rests on the problematic, romantic idea of an inner-culture where people understand each other while inter-cultural communication is impossible. Recognizing this should be a stimulus for dialogue, not an excuse for insularity. Otherwise we may fall back into the trap of incommensurability thinking, something which reflectivists seek to avoid (see Waever 1996: 171).

Then, what is the alternative to paradigmatic synthesis and anything goes? Different authors have pointed to a pragmatic middle ground between 'flabby pluralism' on the one hand, and multi-theoretical synthesis on the other hand: engaged pluralism (Lapid 2003: 128-131; Jackson and Nexon 2009: 921). In flabby pluralism (a term borrowed from Richard Bernstein), 'anything goes' as authors risk engaging in 'glib superficial poaching' (Johnson 2002: 245, citing Bernstein) or even worse, 'tolerant indifference' (Kratochwil 2003: 126). In engaged pluralism, the objective is in the first place to promote empathy across different paradigms (Burbules 2000), but with a particular purpose in mind: the explicit objective to develop complimentary and multidimensional understandings of political phenomena by seeking and establishing points of connection among paradigms in the search for a broader understanding of causal chains on the one hand, and more refined specifications of causal mechanisms (including their scope conditions) in these chains on the other hand. As such, there is no place for tolerant indifference here. Each paradigm and each theory within a paradigm needs to be assessed on its merits with regard to the objective of broadening and specifying the causal chain. Engaged pluralism does not require that consensus will be reached on these merits but at least that a focused debate (or a disciplined dialogue) on them takes place (Sil and Katzenstein 2010). It is through such a debate that scholars need to explicitly engage with arguments and analyses developed in other paradigms than the ones in which they themselves tend to operate. Ultimately, the purpose is to reduce the distance between empirical complexity and theoretical parsimony, but with an eye for the fact that different explanations may be incommensurable or that such an endeavor may yield contradictory explanations.

Specifically in the context of EU studies, Joseph Jupille (2006: 229) captures the delicate balance between sufficient search for synthesis and hesitance against hegemony through the metaphor of a parabola, speaking about 'the fruitful parabolic function linking excessively low and excessively high levels of scholarly consensus with low levels of knowledge production, and interim ranges of consensus, yielding higher knowledge payoffs.' This approach also corresponds with what Rosamond calls the 'pluralistic school' (as opposed to the 'mainstream school') in EU studies, where the solution is 'to facilitate communication without imposing one tribe's version of how research is justified and evaluated' (Rosamond 2006: 17). Engaged pluralism involves a 'reflexive dialogue' based on the recognition of a plurality of different but equal perspectives with an aim to 'promote a more advanced understanding of the other while at the same time catalyzing a self-reflection process leading to a better, less parochial self-understanding' (Jørgensen and Valbjørn 2012: 8).

This brings us back to Kuhn's paradigms, which was the starting point of this analysis. The plea for engaged pluralism corresponds more with Karl Popper's philosophy of science. According to Popper the Kuhnian perspective on paradigms and incommensurability leads to narrow specialization and uncritical thinking. Popper argues that only theoretical and methodological pluralism can foster the critical and innovative thinking that is necessary for scientific progress, and for the establishment of the open society that he had in mind (see Walker 2010: 438-440).

### **PIECES OF A JIGSAW PUZZLE**

When it comes to the paradigms, this special issue uses the above-mentioned working definition and map as a heuristic device. In most contributions, several paradigms are combined as the analyses skirt the limits of one paradigm by including elements of another. Across the special issue, there are then elements of material self-interests that are exogenous where utility maximization is central. There is also a strong attention for preferences that are endogenous as they are affected by ideas, cognitive beliefs, and power structures. There is equally attention for the interaction between structure and agency however, where preferences are supposed to be affected by ideas and cognitive beliefs, but where agents are considered to be able to actively affect such ideas and beliefs as well. As such, the combination of the different contributions points at a range of issues that have been dealt with extensively in IR in general and the study of EU trade policies in particular: the question of preferences, of institutions, and of power. The different accounts indicate that each of these three raises important questions, and that on top of this, the three may be mutually constitutive as well.

The different articles can therefore, be seen as different pieces of a jigsaw puzzle through which the EU's trade policies can be explained. Each piece tries to cover different elements in that explanation even if some overlap among the different contributions exists. Several contributions struggle with the realization that their explanation provides only part of the puzzle and that other complimentary explanations may be necessary. The question is then what the hierarchy between these explanations is. For some, additional explanations are just auxiliary but not really fundamental for understanding the EU's external trade policies. For others, there is the ready recognition that the residual variance unaccounted for by their own explanation requires input from theories that are rooted in other paradigms. For still others, other paradigms are plainly wrong and need to be replaced. As such, they consider themselves not to be complimentary to the others but as competing with them. It is here that the metaphor of the jigsaw puzzle may reach its limits. It is not that we believe that there exists one ultimate truth about the EU's external trade policies or about international political economy in general and that discovering the complementarities among existing paradigms will deliver such truth (the overall jigsaw puzzle). It is rather that not all pieces of puzzle are yet available on the one hand, and that some pieces cannot be considered (or don't consider themselves) as neatly fitting into the others simply because they are not compatible with those others. But it is still interesting to look at each of them as that deepens our insight in EU external trade policies, confronts us with elements in our own thinking that we may miss, or with insights that contradict those of our own.

When we try to foster a dialogue between these different accounts, we will consecutively discuss each author's main argument and in doing so we gradually engage the different contributions to each other. An interesting starting point is then the question: what drives EU policymakers when they are dealing with trade policy? The different accounts touch upon this question, albeit with different degrees of explicitness, on the basis of different ontologies, and thus with attention for different factors that may matter here. Let us for the

sake of argument, start from the notion that policymakers are utility maximizers and thus with Gerry Alons' article.

Alons' article deals with preference formation in (West) Germany on the agricultural negotiations during the Uruguay Round negotiations. In doing so, it shows how the notion of interests in such preference formation needs to be broader than just material interests. Preference formation is based on a combination of political, economic and ideational interests where the last refers to the ideas that are central to the state and that consequently, shape the beliefs of the state's decision-making elites. As such, it is far from certain that material interests will always trump ideational ones. The article illustrates this through the impact that the preservation of the Franco-German axis had on Germany's positions on the agricultural negotiations. Archival material shows indeed that Germany was prepared to support positions close to those of France, this for the sake of the Franco-German friendship, and even when these went against the pressures exerted by the U.S. or domestic German industrial interests.

Alons' analysis struggles with the exact relationship between material and ideational drivers of political behavior. It also opens up the intriguing question of socialization versus bargaining in negotiations among countries. The article skirts against the limits of a purely rationalist account and tries to respond to this by cautiously getting into an ideational argument, although it is perhaps too cautious in this. What is considered as 'ideational' here – the preservation or promotion of the Franco-German axis – can be seen as being material. As such, the article raises an important problem for inter-paradigmatic dialogue: the problem of conceptualization.

Maria Garcia provides a neo-realist perspective on the evolution of the EU's external trade policies since the end of the Cold War. She shows how a mixture of material and ideational motives has affected such policies with an increasing impact however of typically realist concerns with relative market power, access to promising potential export markets before competitors gets it (or at least in an attempt to be on par with such competitors), and efforts to create a level-playing field for the EU based on the EU's regulatory regimes. This increasing impact is explained by the EU's declining self-confidence in light of the rise of new economic giants, increased U.S. and Chinese activism on bilateral free trade agreements, and the Great Recession. This does not mean however that ideational factors don't matter anymore. They still do. The EU still prefers interregional approaches to strictly bilateral ones. And the EU continues to pursue normative values through trade agreements. In addition, its realist approach is also driven by the internalization of the conviction that development and competitiveness are served well by trade liberalization both in Europe and elsewhere. Overall therefore, continuity based on a mixture of realist and ideational factors explains EU trade policies since the end of the Cold War, even if realist concerns have always been prevalent over ideational ones, and even if this prevalence has become more outspoken as the EU feels less secure about itself.

In comparison with Alons' account, Garcia digs deeper into the preferences themselves, specifically with regard to the different roles that these may play. Preferences may be about the ends one wants to achieve, whether material (personal welfare, company market shares, a country's relative economic power) or ideological (a world that reflects the mixture of values predominant at home). They may also be about the means to achieve these ends. In the latter case, causal beliefs are important and with it, the causal potential of ideas and ideologies. Garcia provides a number of examples of such preferences-on-means. One is the EU's ideational belief in trade as a vehicle for development and in trade liberalization as a way to increase competitiveness inside the EU. Another is the EU's belief in regional integration as a key element for stability, economic growth and eventually, democracy. The consequences for analyzing EU trade policy-making are clear. Even if we assume that

policy-makers engage in utility maximization and we know what their utility function consists of, what they will exactly target through their trade policies may remain indeterminate given that different means to reach an end are possible. We need to know more therefore about the factors that affect a policy-maker's cognitive linking of ends with means, that is, with certain courses of action.

If we accept that several means may lead to a similar end, or at least, that policy-makers can plausibly think about different means towards an end, the role of socialization and convincing becomes potentially larger. In addition, different degrees of causal uncertainty may matter here. It is where uncertainty about the best courses of action is highest that the potential for socialization and convincing – and for the entrepreneurs that drive socialization and engage in convincing – is largest. There may thus be issues that by their very nature lend themselves to causal uncertainty, and thus to a higher receptivity of trade policy-makers for socialization and convincing. Several new trade issues are considered to belong to this category such as intellectual property rights protection and its exact effects on inequality, development and innovation, and investment regulation and its impact on FDI, technology spillovers and local development.

Johan Adriaensen and Montserrat González-Garibay's article tries to explain the EU's reliance on different kinds of trade incentives (sanctions, rewards) for the promotion/enforcement of labour standards in developing countries. In doing so, the authors react to the normative power Europe argument that has been used to explain the trade-labour linkage in EU trade policies. By comparing the costs and levels of effectiveness of multilateral, bilateral, and unilateral approaches to the trade-labour linkage, they conclude that two factors explain the outcome: the institutional rules that apply to the EU Council and the related (in)ability of individual member states to block coercive provisions on the trade-labour linkage on the one hand, and the varying impact of systematic opposition from the (larger) developing countries and the resulting variance in the EU's reluctance to go for coercion on the other hand. Overall, the article makes clear that an identity-based explanation of EU behaviour cannot solve the puzzle why in one case the EU acts coercively on the trade-labour linkage and why on other cases it doesn't. Rational explanations seem to be able to do so however.

Adriaensen and González-Garibay add an important element to the previously discussed articles. With respect to Alons' article, it pays more explicit attention to the impact of the EU's institutional rules on trade policy outcomes. When unanimity rules in the Council, the lowest common denominator becomes more probable than in case QMV applies. This may be assumed to be the case when the political sensitivity of an issue becomes more important for the most recalcitrant member states. The roots of that sensitivity may vary: they may be located in the strength of an ideological conviction, the fear of setting a precedent that can be used for politically more important issues, or the material consequences of a decision at home.

An important question that is left open here is, what the conditions are under different rules, ie: unanimity and QMV; and when QMV as a last resort would not be politically acceptable. The Alons' article raises this issue. Under what conditions is QMV as a last resort beyond reach even if formally available? As such, the combination of the Adriaensen-González-Garibay's and the Alons' articles shows how the interplay between institutions and preferences – and specifically preference intensities – is fundamental. Options may be formally available. It remains a question whether they are available in practice. If they are not, the question needs to be answered why they aren't. The logic of appropriateness, pointed at by Garcia, certainly enters the picture here but in a procedural sense. In case that it is considered to be inappropriate to isolate and outvote an individual member state, the EU outcome should be close to the lowest common denominator, despite a formal QMV.

Note that Adriaensen and González-Garibay claim that in case a denominator was generated on the trade-labor linkage, the outcome reflected the 'underlying norms upon which the EU is built'. As we will see, the reference to such underlying norms opens the door to an analysis that takes such norms and their roots seriously.

The Adriaensen-González-Garibay's article engages with the article by Garcia in another way as well. Both have an interest in the external context of EU trade policy-making. Whereas Garcia's analysis focuses on the strategic role that such a context plays in the preferences of the EU policy-makers, Adriaensen and González-Garibay pay attention to the cost that the external context may generate for the EU's trade policy decisions, and for the extent to which this cost matters in the calculations that EU trade policy-makers make. The issue seems straightforward: with larger trading partners, the cost of trade policy decisions disliked by these partners is higher for the EU. But Adriaensen and González-Garibay add another element, perception; the external cost is affected by the perception that the EU's partners have of the intentions behind its decisions. In this respect, Adriaensen and Gonzalez-Garibáy point to perceptions as a preliminary assumption of bounded rationality (Jervis 1976; Oddell 2009). Here, perceptions are regarded as causal variables that intervene between reality and the reactions to that reality. As such, the prisms through which policy-makers look at reality and the constitution of these prisms need to be taken seriously. Once again, a potential for critical theory, but also for constructivism, shows up here.

In their article, David Bailey and Fabienne Bossuyt deal with a puzzle: scholars continue to be surprised by the recurrent discrepancy between the EU's rhetoric as a 'progressive force for good' and its trade policy outcomes. They explain this by the insufficiently critical methodology that scholars tend to use when assessing the EU's rhetoric and adopt a more thoroughgoing conceptualization of EU trade policy, applying a critical social science approach. The objective is to highlight mechanisms of domination and to reveal the illusions that enable the continuing existence of these mechanisms. The authors identify three such mechanisms and show how DG Trade uses these with respect to a range of free trade agreements. Moreover, DG Trade uses internal divisions in the EU to explain why significant redistributive policies fail to enter the FTAs that it negotiates and to lower public expectations with regard to them. As such the authors claim, the EU may be a conflicted trading power as Sophie Meunier and Kalypso Nicolaïdis (2006) once remarked, but then a conveniently conflicted one that presents itself as a counter-hegemon, but that conveniently claims to be inhibited here by its internal divisions.

This analysis provides a way to deal with the gaps left in Alons' and Garcia's contributions, and deals with the perceptual issues that showed up in Adriaensen and González-Garibay's contribution. Bailey and Bossuyt focus on the underlying mechanisms that direct the EU in its external trade policies and on the mechanisms that drive EU policymakers, either consciously or unconsciously, in this field. These mechanisms are defined as mechanisms of domination rooted in two internal characteristics of the EU: its internal neoliberal agenda (resulting in a growing dominance of capital over labor), and the EU's democratic deficit. There are three such mechanisms of domination: the expansionary market mechanism, the othering of the target of expansion, and the de-politicization of policy-making. There is an interesting distinction that can be made between these three however, or rather, between the first one and the other two. The latter talk about strategies: what the EU's political elites do to ensure their continued rule over (and domination of) the EU citizenry. The former deals with a mixture of motivation and strategy. The strategy consists of market expansion. The motivation derives from the Marxist argument on which such market expansion is based. It is through the equalizing effect of market competition combined with the capitalist requirement of profit realization that pressure is generated in favor of continuous market

expansion. Why policymakers respond to this pressure is the most intriguing question. They may do so because they politically depend on the beneficiaries of market expansion. It may also be the case that they themselves directly profit from this (which implies that political and economic elites largely overlap). But it may also be the case that they barely realize what is going on just like the many scholars that are criticized by critical social science. Despite the controversy that exists with regard to the substance of the argument put forward by Bailey and Bossuyt, the merit of their approach clearly is that it digs deeper into the preferences and resulting strategies of trade policymakers in Europe. The complementarity vis-à-vis Alons' and Garcia's approach is clear. Alons focuses on the actions of the different trade policymakers during trade negotiations and the kind of trade-offs that guide these actions. Garcia does the same with more explicit attention to the role of preference orderings in these trade-offs. Bailey and Bossuyt shed light on the preferences behind these trade-offs and on the possible roots of these preferences. Both Alons, and Bailey and Bossuyt deal with strategies, with Alons' argument about the tied-hands strategy conducted by France, and Bailey's and Bossuyt argument about othering and de-politicization.

Lucy Ford focuses on the political and economic enclosures that underpin the EU's trade policies. With enclosures, emphasis is put on the 'universe of the undiscussed' that guides such policies and that contains the mantra of ever faster economic growth as a solution to problems such as sustainable development and poverty reduction. Ford shows how these enclosures steer EU trade policies, and in doing so, maintain the existing bias in favour of the most globalized sections of European capital. Opposition to this approach is partly co-opted by accommodative policies in favour of social and environmental protection and equity. But through this, the fundamentals have remained the same. Nature remains subordinate to growth, and liberalization policies are defended even when they generate destructive consequences on nature and society.

Ford's contribution is similar to the one of Bailey and Bossuyt but adds two important elements: it stresses the role played by enclosures, and looks at the added value of a global political ecology perspective. Both analyses start from the observation that ideas and conceptual frameworks are consequential for trade policy-making and trade policy, and the fact that these ideas and frameworks are created and sustained by particular social forces. As such, dominant preferences on trade policy-making in the EU are rooted in an economic orthodoxy of neoliberalism where trade liberalization is seen as the very engine of economic growth and where such growth is seen as an end in itself. Given the underlying power relations that generate this orthodoxy however, the orthodoxy itself serves the interests of those who dominate, that is, of the European capitalist class. This does not mean that the resulting trade policies cannot change. It does mean however that change is determined by shifts in the thinking of the European capitalist class, by the need of that class to accommodate the preferences of other social forces, or by its need to present its policies in terms of a universal or general interest.

Fundamentally intriguing is the concept of enclosure, specifically where it gets close to the Neo-Gramscian notion of hegemony. Here, enclosure refers to the process in which knowledge is re-constituted and reformed in a way that preserves dominant power relations. The concept is intriguing because it raises the question about who the real deciders are in the case of EU trade policy-making. Do the formal players belong to the European capitalist class, or do they unconsciously act in a way that serves the interests of that class while not belonging to it? In the latter case, strategic behavior by these policy-makers in the sense analyzed by Alons can be seen as a kind of blinded rationality. Such rationality is akin to bounded rationality but with the important distinction that the boundaries themselves stem from the fact that policy-makers are blinded in their thinking

by a knowledge that has been re-constituted by the European capitalist class. Rationality is then, not only severely constrained but also unconsciously directed at the preservation of dominant power relations. Then, representatives from different EU member states may act differently, as they are only different in the margins. Fundamentally, what they are doing serves the existing order.

One does not need to go that far – in the sense of power-preserving knowledge re-constitution – to see the potential validity of this argument. Policy-makers act on the basis of what they believe to be true. Part of that belief is based on the kind of socialization to which policy-makers – such as other human beings – are exposed. Part of that socialization is related to the kind of goals that we believe to be worthwhile and part to our causal beliefs, that is, to the kind of means that we believe are necessary for the attainment of our goals. In this sense, a full understanding of EU trade policy-making requires at a minimum that the roots of trade policy-makers' preferences are scrutinized as much as the strategic choices they make in order to achieve these. The search for these roots must help in the identification of who the real deciders are and what the extent of their reach into trade policy-making really is. It must certainly help in answering the question: aren't we looking at the wrong players in our attempts to understand EU trade policy-making?

Gabriel Siles-Brügge deals with the question why the EU's trade policy agenda continues to be neoliberal even if rationalist explanations such as collective action dynamics and institutional insulation would suggest otherwise. These latter approaches expect indeed a move in a more protectionist direction rather than a consistently neoliberal one. Siles-Brügge seeks the explanation in ideas and the way in which they are used strategically by the European Commission's DG Trade. He distinguishes between the internalization of neoliberal ideas by DG Trade, and the strategic use of a neoliberal discourse by the same agency. Both seem to be present. A study of DG Trade internal communication indicates that DG Trade officials are truly convinced that market liberalization is necessary for the future prosperity of the EU, but that given the political resistance that exists against it, the EU needs to carefully pursue such a policy by the strategic use of reciprocity as leverage. By offering to open the markets of its still protected (but politically highly sensitive) sectors, the EU can pry open the markets of its most rapidly growing trading partners. DG Trade's outside communication stresses however much more that import-competing sectors in the EU need to be opened more to international competition. By referring to this need, DG Trade legitimizes market opening in the face of growing opposition to such moves. An ideational strategy, partly but not completely rooted in a sincere conviction, explains then why and how DG Trade is able to push a liberalizing agenda in times of severe economic crisis in Europe.

Siles-Brügge's argument relies on constructivism and its claim that ideas matter in international political economy because – following Hay (2004) – 'they are treated by actors as though they were material straightjackets'. The relationship with critical approaches to the EU's trade policies – such as those presented by Bailey and Bossuyt and by Ford – becomes strong with the observation that in the EU's trade policy 'neoliberal tenets are increasingly treated as "normalized", that is, as reflections of a reality in which the rational homo economicus is the main determinant of social outcomes'. Such normalization does not happen spontaneously however. It is the consequence of strategic discursive behavior by actors irrespective of the question whether they themselves believe in the veracity of these tenets or not. Siles-Brügge's analysis suggests however that in the case of the EU, officials from the Commission's DG Trade did believe (or came to believe) in these tenets but that on top of that, they acted strategically in order to present policies based on these beliefs as necessary, given the claimed inexorability of globalization and its growing constraints on the EU economy.

The added value of Siles-Brügge's work lays in his attention for both the internalization of ideas by policy-makers and the way in which discursive strategies are deployed to promote the internalization of these ideas by others. Ideas may be out there, but for them to play a role in policy-making, active and strategic deployment of discursive strategies is necessary. There are indeed not many ideas that are inherently so powerful that they become internalized and normalized spontaneously across a political system (although the idea of the *homo economicus* has proved to be relatively powerful). However, when these ideas are internalized across such a system, they are significantly empowered. What is still lacking is an account of the conditions under which internalization becomes likely.

The strategic empowerment of ideas and the resulting power of such ideas, as discussed by Siles-Brügge, open the door to many of the other analyses in this special issue: the Franco-German axis in Alons' work and the internalization and normalization of the importance of that axis by former generations of West German politicians; and Adriaensen and Gonzalez's analysis that can be equally studied from that perspective. In a multilateral context, the EU has until now lost its struggle to change developing countries' perception about the relationship between the trade-labour linkage and protectionism. Their analysis provides a number of clues why this is the case.

More importantly, Siles-Brügge's analysis suggests that neoliberalism as a widely normalized ideational framework is not inexorable in itself. Ideas may have a life span that risks coming to an end when they are confronted with competing frames that are successfully normalized through discursive strategies. Even if they remain alive, it still needs to be addressed how these ideas continue to be resilient.

Ferdi De Ville's article builds on this question with his reliance on critical historical institutionalism. Based on this approach, ideas may be empowered by institutionalized decisions taken in the past. Such decisions create what historical institutionalists have called 'path dependencies', and De Ville prefers to label as 'reactive sequencing'. The institutionalized nature of these decisions benefits continuity over change, even if, as critical historical institutionalism stresses, unintended consequences may show up. Such consequences may not only steer policies in a different direction than the one intended by the original decision-makers, they may also trigger countermobilization against the original decisions and their current manifestations.

Following Baastian van Apeldoorn, De Ville illustrates how the depoliticized nature of the new trade issues in the Uruguay Round enabled a limited number of EU players to direct the EU's external trade policies in the direction of neoliberalism, and why this represented a decisive victory of neoliberalism over neomercantilism in the EU. Important is here however, that critical historical institutionalism relies on a social ontology, which means that perceptions and discursive strategies to affect these perceptions matter. It is not just a matter of biases that have been created by setting policies in stone in the past (or at least by trying to do so), but also by strategies aimed at what Siles-Brügge would call 'normalization'. As De Ville phrases it, 'While structures empower and constrain agents, this influence is always dependent on how agents interpret structures, which is mediated by discourse.'

Arne Niemann's article uses a revised neofunctionalist framework to explain the revision of the Treaty provisions on trade policy in the Lisbon Treaty. In doing so, the author deals with the puzzling observation that the negotiations leading to the Lisbon Treaty accomplished what the negotiations leading to the Maastricht Treaty, the Amsterdam Treaty, and the Nice Treaty failed to do, despite the fact that according to existing exogenous factors one would have expected stronger revisions in these treaties than in the Lisbon Treaty. A revised neofunctionalist framework provides the answer as it enables the author to take into account

functional spillover pressures from the pending enlargements, the cultivation of these pressures by the European Commission and the European Parliament by making use of the beneficial environment that the Constitutional Convention provided for that purpose, and the fact that this environment also enabled social learning and socialization to play a more prominent role. Countervailing forces that affected these revisions in the past – such as domestic constraints for the member state representatives, the sovereignty-consciousness of some member states, or the countervailing national bureaucratic pressures – were not able therefore, to overcome the pro-integrative dynamics that the convention method brought with it in the run-up to what ultimately became the Lisbon Treaty.

Just like in critical historical institutionalism, Niemann's revised neofunctionalism stresses the importance of diachronic analysis. Past decisions generate consequences – among which unintended ones – that affect the preferences that policy-makers develop later in the process. Preferences are thus partly endogenous to that process. But in their formation, both socialization through deliberation, and supranational entrepreneurship matter significantly. The role that these can play is however, contingent on a range of other factors such as the frequency and intensity of the interactions, the absence of a hierarchy among the participants in the deliberative process, and the informational advantages for the supranational players.

There is an interesting complementarity between the analysis provided by Niemann, and the contributions by De Ville, and a critical theory approach (Bailey and Bossuyt; Ford). Niemann's account seeks to focus on the micro- and meso-political mechanisms that affect changes in perceptions. It tries to define the conditions under which perceptions (and as a consequence, preferences) may move in a certain direction in an interactive-intensive and institutionalized context (deliberation). Bailey and Bossuyt, Ford, and De Ville use a macro-political perspective. They look at the establishment of and eventual change in perceptions in a context that is not by definition interaction-intensive. Both are crucial for the understanding of the processes through which perceptions affect policies, and through which perceptual entrepreneurs may bias EU trade policy-making (or policy-making in any other field) one way or the other.

## **CONCLUSION: ENGAGED PLURALISM THROUGH A CAUSAL CHAIN**

The different contributions allow us to depict a causal chain that may point us at the factors and causal mechanisms that together affect the EU's external trade policies. That chain starts with the roots of the preferences that trade policy-makers entertain, and ends with the concrete choices they make when deciding on trade policies. The roots point at the role that normalized ideologies play, whether these serve existing power disparities or not. Such ideologies narrow the lens through which policy-makers identify problems and solutions to those problems. They blind them with respect to certain policy alternatives and with respect to the possible negative consequences of these for certain groups in society. They may also make them indifferent to such consequences even if they see them.

The ideologies that affect the perceptions of policy-makers may also change. They may change in response to a major crisis and the proven inability to deal with it; or they may change because of countermobilization against the dominant policy paradigm; finally, they may change because the structural position of a country (or the EU as a whole) changes either in the international security system, in the international economy, or both. Policy-makers' perception may, however, also change as a consequence of intensive interaction, and the socialization through deliberation that it may entail. Problems may be seen in a different perspective, or new solutions may be discovered with regard to them. At the end

of the chain, policy-makers may be expected to want to maximize the utility as they define it. They may also be expected to target the means that they believe will help them best in reaching that utility. Nonetheless, an environment of intensive interaction may limit policy-makers inclination to resort to any possible mean that could be available to them. This may be due to the iterated nature of their involvement with each other. It may also be due to beliefs about appropriate and inappropriate courses of action.

By connecting the different paradigms used in this special issue through the idea of a causal chain, we have aimed to illustrate that a dialogue between diverse approaches can be fruitful to gain a deeper understanding of EU trade politics. Ours is not an attempt to develop a new paradigmatic synthesis on these politics, neither to establish a new hegemonic paradigm. Our intention is just to show how – despite the gaps among them – a constructive dialogue among analyses rooted in different and sometimes conflicting paradigms, may be fruitful for what we all have in mind as scholars: a better understanding of politics.

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<sup>1</sup> In fact, Kuhn himself qualified the incommensurability thesis in his later work.

<sup>2</sup> The neo-neo-synthesis in international relations goes back to the 1970s. In the field of EU studies a similar rapprochement of liberal-oriented 'supranationalist' and realist-oriented 'intergovernmentalist' schools took place in the early 1990s, leading to 'supranational institutionalism' and 'liberal intergovernmentalism' respectively.

<sup>3</sup> Moravcsik's own liberal-intergovernmentalist synthesis for studying European integration does combine different perspectives (theories of liberal preference formation, intergovernmental state bargaining, and delegation) in an innovative way, but all these are firmly rooted in rationalist social theory.

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# Book Review

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*European Union Economic Diplomacy: The Role of the EU in External Economic Relations*

by Stephen Woolcock

Ashgate, ISBN: 9780754679318 (pb), 9780754679301 (hb)

While economic diplomacy has gained an ever more important role in the international environment, the EU's external action has simultaneously been changing tremendously over time, especially since the implementation of the Lisbon Treaty. In the presence of these developments, questions regarding the EU's actorness have also gained more importance. Although these aspects have been lively throughout the academic debate, discussion has been lacking the consideration of specific dimensions of the EU's external action. Therefore this volume contributes to a better comprehension of the EU's economic diplomacy and enriches the scholarly debate crucially by examining the decision-making process and negotiation in external economic policies.

Stephen Woolcock has arranged the volume into seven well-structured chapters. He starts by offering a framework of analysis consisting of three distinct parts that further determine the structure of case studies. The framework analysis comprises a specification of EU decision-making and negotiation practices, an examination of decisive internal and external factors determining the role of the EU in economic diplomacy, and an overview of distinct phases of negotiation processes. The following chapters constitute reflections on case studies based on the framework of analysis previously explained. This ensures a well-rounded insight into four policy areas framing economic diplomacy of the EU.

The case studies that the author has chosen are the EU External Trade and Investment policy-making, financial regulation, EU External Environmental Policy, and EU Development Policy. Each policy area is scrutinised thoroughly, starting by looking at its historical development, examining the inherent decision-making and negotiation processes, and continuing by considering the multiple factors shaping the policy, as well as its effectiveness. Additional example cases that are considered within each policy area fortify the empirical base of the research.

One of the core findings of the book concerns the importance of competences and the crucial role of this concept when evaluating the actorness of the EU. Herein the author points out the basic causal relation that the more competences the EU has, the stronger and more effective it is. Further, an essential part of the volume is the variety of policy areas which are examined throughout. What makes the chosen mixture especially interesting is that the author compares policy areas where the EU has exclusive competence with those where it has shared competence. It is considered vital to distinguish between de facto and de iure competences of the EU, pointing out that in order to evaluate the role of the EU, it is not enough to solely consider the latter.

However, it seems that in certain aspects the diversity of cases tackled makes it difficult to draw general conclusions. For example, one of such questions is in how far is the EU a leader in economic diplomacy. The answer provided by the book is that it depends on the policy area one is considering. Nevertheless, the volume would definitely be appreciated by those who want to acquire a general insight into the EU's role in economic diplomacy, as well as by those who look for more information about a specific policy area.

The book is especially engaging due to its intriguing aim to determine the role of the EU. At the beginning Woolcock points out two options. One could view the EU either as a unified actor in its own right or as a forum for international economic negotiations. Therein it is possible to scrutinise the always present interplay between the EU and member states, which has been well depicted in the four case studies. The author states that the answer to the question regarding the role of the EU lies somewhere in between. It is highly dependent on the policy area in question, and, although the EU has developed as a significant actor in economic diplomacy, the role of member states is undoubted.

The book is structured comprehensively building on three pillars that are based on an underlying question each. The first pillar explains the functioning of the EU economic diplomacy, the second pillar as previously mentioned concerns the determination of the EU's role in economic diplomacy, and the final pillar concerns the preconditions of its effectiveness. Constructed around these three pillars, the analytical framework establishes the realm for the case studies. Beyond that, the clear descriptions of the different aspects of EU economic diplomacy are complemented by numerous tables. This assures that the somewhat complex relationships depicted in this volume are effectively clarified.

A strength of this book is definitely the in-depth explanation of various aspects of EU economic diplomacy. The arguments are well illustrated not only by cases of the four policy areas mentioned above, but going even further into the analysis of specific decision making and negotiation processes in the past. Furthermore, the development and the changes that different treaties have brought to each policy area have been highlighted by offering explanations of different levels of decision making in various EU institutions, which in turn allow full understanding of the path of argumentation.

Woolcock makes a reference to the complicated decision making process in the EU, as well as the inability to understand it, and therefore sets an aim of explaining it. This is a task that he has accomplished with success, as the volume is a valuable source of information about EU economic diplomacy, different actors involved and the decision making, as well as negotiations' process. Moreover, with its in-depth analysis and thorough explanations of the background behind the decision making of EU's economic diplomacy, the book can be appreciated by students new to the topic as well as scholars aiming to acquire a more profound knowledge. What has to be kept in mind when selecting this volume is that, as the author admits himself, the book was written nearing the entry into force of the Lisbon Treaty. Accordingly, not all of the treaty changes were fully obvious at that point and therefore the role of the European External Action Service, among others, is not depicted exhaustively. Despite this aspect, the book provides a fundamental and extensive base for understanding the role of the EU in economic diplomacy as well as the different policies forming economic diplomacy.

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## Book Review

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### *International Trade Disputes and EU Liability*

by Anne Thies

Cambridge University Press, ISBN: 9781107009660 (hb)

When it comes to the European Union (EU) and the United States, the biggest trading partners, implications are rather grave. Not only for those that are directly involved in trade disputes (companies that produce products, such as bananas and hormone-treated meat), but also for those who have little to do with the trade dispute itself (producers of paper boxes, wallets or coffee among others).

When the EU violates international trade agreements, retaliation measures of its trading partners hurt many businesses. The question is who is liable for damages triggered by the EU's conduct? What are legal implications for such damages for natural and legal persons? And what are the consequences of the EU's domestic system of rights and judicial protection rules (a so-called 'pure' EU law)?

These are the issues that Anne Thies considers in her book. Thies takes a closer look at two main sets of questions in her work: (1) the legality of the EU's conduct into a particular trade agreement and (2) the scope of the EU's liability in cases when the EU's own general principles are violated, or when the EU has no unlawful conduct when severe consequences of the international trade agreements follow.

The author provides important background context of the EU and its liability in the context of international trade law (Chapter 1). She then discusses the EU liability for unlawful conduct within the EU legal order (Chapter 2), after which she analyses the EU courts' current approach in cases when applicants tried to enforce the EU's World Trade Organization (WTO) law obligations (Chapter 3). In Chapters 4 and 5, Thies evaluates each of the general principles of EU law in cases of compensation for infringements of such law. In Chapter 6, she provides some general approaches to policy suggestions, for example how the gap in judicial protection for the victims of retaliation should be filled in a context of international legal order and individual rights enforced by the EU law.

What is important is that Thies first takes a look at the effect and enforceability of EU liability as defined in Article 340(2) of the Treaty on the Functioning of the European Union (TFEU) in international trade law within the EU legal order. As the EU is a part of the WTO and has an exclusive competence in most trade matters (Article 207 TFEU), it represents all member states at the WTO and Dispute Settlement Body. This is a rather forceful enactment with significant consequences for the EU's legal order.

To make matters even more complicated, Article 340(2) of the TFEU makes the EU, which has a legal personality (Article 47 Treaty on European Union), liable for its conduct in the matters concerning international trade law. This means that – according to the Article 340(2) TFEU – any party that has experienced financial damages during a trade dispute is entitled to compensation from the EU. A number of such cases have been brought to the European Court of Justice (ECJ) in the recent years, and Thies reviews them in detail (for example, the Hormone and Bananas cases among others).

In reality, liability claims have been dismissed by the ECJ. According to Thies, the ECJ's unwillingness to apply EU general principles to the cases that have been brought up to the court, has 'probably been motivated by the courts' general objective not to interfere with the scope for manoeuvre of other institutions at the international level in the context of international trade disputes' (p. 188). In other words, the ECJ has refused to pry with the international trade law out of concern of political interference and potential financial costs for the EU as a whole. Thies correctly argues that the EU should find an appropriate balance between its own general principles and international trade law. In addition, the EU and its justice system should appropriately respect the rights and obligations of the EU on the world stage and individual rights as defined by EU constitutional law.

Upon reading this book, it was clear that it is primarily intended for academics, policy makers and practitioners. It is a good reference book for anyone who is interested in the topic and would like to have a more detailed discussion of EU liability within the framework of international trade law. For anyone who is not too familiar with the topic and legal studies in general, the book might be a somewhat challenging read. It is filled with references to EU treaties and legal terms, which require prior knowledge for adequate comprehension.

The book is an impressive analysis from a young academic to produce original research in the field of international trade law and the EU legal institutional approach. It is indeed a brave attempt to understand a rather difficult and complex topic. The book opens a door for further research and detailed policy recommendations and is a worthwhile read for those who are interested in reading about legal aspects of the famous 'Bananas' and 'Hormones' cases.

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