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From Idealism to Realism? EU Preferential Trade Agreement Policy

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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

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,¹ 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),² 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.³ 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
Realist	Material: Market creation Market opening & access Business opportunities Competitiveness Economic power position	'Logic of consequences' Profit / power maximization
Idealist	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.⁴

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.⁵ 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
ASEAN	2001	2007(2010*)			2007	
Hong Kong		2003				
Macao		2003				
Thailand		2003	2004 (suspended 2006)			
Singapore		2008		2003 (2004)	2010	2012
South Korea			2006	2007 (2011)	2007	2009 (2011)
Malaysia	(ASEAN)		2006 (trade investment framework agreement 2004)		2010	
Vietnam	(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.⁶ 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
Mexico	1988	1992	1994 NAFTA	1996	1997	
Chile	2000	2003	06/2003	1999	2002	01/2003
Mercosur				1999		
Brazil				Strategic Partnership 2007		
Andean Community				2007	failed	
Peru	2004	2006	2009	2007	2010	Likely in 2013
Colombia	2004	2006		2007	2010	Likely in 2013
Ecuador	2004	Stopped 2006		2007	Withdrew 2009	
Central America	2003	2006	2006-2009	2007	2010	Likely in 2013
Panama	2005	2007		Incorporated into Central America negotiations in 2008		
All of Latin America	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.⁷ '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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¹ These are traits that Nye (1990) ascribes to "soft power".

² For more see Sjursen 2006; Hyde-Price 2006; 2008; Manners 2006; Diez 2004.

³ 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.

⁴ For more see García 2012.

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

⁶ 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.

⁷ 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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