PAROCHIAL GLOBAL EUROPE:

The importance of the EU to trade and trade to the EU

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Book chapter outline

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Is globalization reversible? Much debated already, the question became particularly acute after the terrorist attacks on the United States (US) of 11 September 2001. The insistence of the US, the world’s largest economy, on far more thorough inspection and screening of containers bound for export post 9-11 appeared to threaten a large volume of world trade.
Despite hammering out an agreement on container security with (arguably) America’s most important trading partner, the European Union (EU), early evidence suggested that the security clampdown demanded by the US was hugely costly for developing countries. In many cases, they (along with many richer countries) were forced to inspect every single container passing through their ports or border crossings.

Yet, against considerable odds, the World Bank (2006) reported a significant increase in the overall volume of in global trade in the five years after 9.11. One important reason was the widespread application of new technologies at ports and borders: software-run risk management systems that narrowed the focus of inspections to the highest risk containers, x-ray and gamma-ray screening techniques, and electronic payment of tariffs and port fees. The most improved export performer was an unlikely candidate: Serbia, which began negotiations in the mid-2000s on a Trade and Cooperation agreement with the EU, its most important export market by far.¹

Despite all the recent focus on the BRIC countries – Brazil, Russia, India and China – in research on political economy, the EU remains by some distance the world’s largest market and trader. The Union is both an economic hegemon in Europe and far beyond. It is a prime driver of globalization and remains in a far more powerful position, for a rich variety of reasons, to determine how globalization is governed than any of the BRIC countries. Europe is widely-thought to be in a state of economic decline, mostly because of crisis in the Eurozone caused by inattention to sovereign debt by small state member states of the Eurozone (particularly Greece and Ireland). But Europe is going nowhere, for the foreseeable future, as a trading power. And although much has been written about EU trade policies, we know surprisingly little about how its trade policy is actually made.

¹ Serbia’s inspection rates fell from 100 per cent of shipments to 8 per cent, and the time needed for importers to clear goods into the country was cut from 44 days to 12 (Beattie 2006: 6).
In this volume, we argue that EU trade policy (and trade policy more generally) is in fact composed of multiple policy sub-systems. Each is characterized by a distinctive combination of three elements: perceptions about the distribution of anticipated costs and benefits, the intra-EU policy making context, and the external negotiating context. The different political dynamics to which these elements give rise in each policy sub-system produce policy outcomes that can (and often do) clash. Thus, EU trade policy is frequently incoherent. Our approach helps to explain the apparent contradictions and tensions in EU trade policy; liberal in some respects, protectionist in others. Problems of policy coherence are particularly pronounced when the EU seeks to use trade policy as a tool of its broader foreign policy, usually because the political dynamics of any specific trade instrument’s sub-system deflects or distorts any overarching political intent. Hence, our book’s title: the EU’s preoccupation with its own internal politics and policy has hampered its efforts to play a global role.

Our argument and this volume diverge substantially from the extensive and burgeoning literature on the EU’s trade policy in three main ways. First, we seek to overcome the fragmentation in the literature on the EU’s trade policy (see Young 2011) to provide a comprehensive account of policy-making across the diverse array of the EU’s explicit and implicit trade policies. Second, by making the external negotiation context a central component of our analysis, we are able to explain the EU’s (in)ability to realize its trade policy objectives. Third, our approach is explicitly comparative (with the US as a reference point) and is rooted in what David Lake (2006: 762) has termed ‘open economy politics.’ Consequently, this monograph engages directly and extensively with the wider international political economy literature on trade policy. It contributes to this literature in two ways. First, much of the current literature on EU trade policy draws on the wider IPE

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2 Neglect of the EU’s external effectiveness is a common problem with respect to studies of the EU’s external relations (see, for example, M. Smith (2006: 326).
literature. But it does not explicitly reflect on what the challenges of applying this literature to the Union suggest about the ability of concepts and explanations, most developed almost exclusively with reference to the US, to ‘travel’ and thus to explain trade policy outcomes in other settings.\(^3\) We contend that existing IPE accounts of trade policy making can be applied to the EU, but that this application implies different emphases on the roles of interest groups and political leaders and the importance of institutions than is the case in the American context. We also insist that trade policy should not be analyzed as a single policy, but as a composite of multiple policy sub-systems. Thus, IPE trade policy explanations can travel, but only with care.

Second, this volume contributes to the wider IPE literature on trade policy by explicitly incorporating the adoption of policies for which trade effects are only a side-effect of policies pursued for other reasons. In many economic sectors, regulatory barriers to trade that originate ‘behind the border’ have become far more important determinants of trade policy outcomes than ‘at the border’ barriers such as tariffs or quotas. We thus address a key weakness in the existing IPE literature, which is overwhelmingly focused on traditional trade barriers, particularly tariffs (Milner 2002: 449).

This monograph also aims to make a contribution beyond the literature on EU trade policy by injecting insight into the growing literature on the EU as a global actor (for an overview, see Peterson 2011). While this literature highlights the EU’s economic and trading importance as key attributes of the EU as a global actor, the literature does not engage empirically with the extent to which the EU seeks to use its trade policy instruments to advance a normative, political agenda. We lack systematic evidence about the Union’s capacity to decide to pursue such ends, or its ability to influence the behaviour of others when it seeks to do so. By beginning to answer these questions – which are just as crucial as they

\(^3\) Brian White (2001) sought to use the EU in a similar way to reflect back on foreign policy analysis.
are unanswered - this volume aims to help to break down the ‘compartmentalization’ of policy analyses that Knud-Erik Jørgensen (2007: 515) has identified as plaguing the literature on the EU’s external relations, creating ‘an archipelago of knowledge’ (516).\(^4\)

We begin by explaining the significance of the EU in international trade, before highlighting a number of unexplained tensions in the Union’s trade policy. We then seek to explain why trade policy is so central to the EU, both in terms of what the EU is and what it tries to achieve internally and externally. The chapter then introduces the key policy instruments that constitute the EU’s trade policy arsenal. It concludes by setting out our argument and introducing the rest of the volume.

**The centrality of the EU in international trade**

By early in the 21\(^{st}\) century the EU had emerged as the world’s largest market (see Figure 1.1). It ranked among the top two exporters and importers of both goods and services (see Figures 1.2-1.5). Because of the size of its market and its share of world imports, its trade policies – tariff levels, use of export subsidies, imposition of anti-dumping measures, and regulatory barriers to trade -- have significant implications for the producers and service providers of other countries. The size of its economic footprint means that the EU truly matters in international trade.

**Figure 1.1 The EU’s share of global GDP (time series, selected comparators)**

\(^4\) Jørgensen (2007: 515) sees value in there being a division of labour among scholars in order to develop expertise. His criticism is that there is insufficient engagement among scholars studying different aspects of the EU’s external relations. Walter Carlsnaes (2007: 549) notes a similar problem in the literature with a tendency to focus narrowly on the EU’s coordination of political relations through the Common Foreign and Security Policy and Common Security and Defense Policy, while neglecting other aspects of the EU’s external relations, including trade policy.
In part because of its economic importance, the EU has become a major player in the global governance of international trade. By the Tokyo Round of multilateral trade negotiations in the late 1970s the EU was firmly established as a ‘veto player’ within the General Agreement on Tariffs and Trade (GATT) (Paemen and Bensch 1995: 29-30; Smith and Woolcock 1999: 442; Wolf 1983: 151). By the mid-1980s it had emerged as an almost equal partner with the US in shaping global governance of trade. Transatlantic cooperation was necessary and largely sufficient for concluding the Uruguay Round (Evenett 2007: 143; Peterson 2004; Smith and Woolcock 1999: 442).

In the immediate wake of the Uruguay Round the EU began to show greater ambition, first in the basic telecommunications and financial services negotiations that were relaunched after the WTO was established (Hoekman and Kostecki 2001: 259; Young 2002: 74-5). The EU emerged as the true pace setter in multilateral trade negotiations in the latter half of the 1990s, pushing for a comprehensive ‘millennium round’ at the unsuccessful 1999 WTO
ministerial meeting in Seattle. Subsequently, it became the principal champion of extending the rule-based multilateral trading system (Baldwin 2006: 933). Moreover, the EU was actively involved in shaping multilateral disciplines on regulations, such as the 2000 Cartagena Protocol on Biosafety, and international standards, for instance, in the Codex Alimentarius (Damro 2010: 19; Drezner 2007: 35-36; and see Chapter 5).

The EU is now involved in an extensive and growing network of bilateral agreements as well. By the end of 2010 the EU was a party to 35 preferential trading agreements, and was engaged in a further 25 free trade negotiations and six other bilateral trade negotiations. As a number of these agreements (for instance with CARIFORUM) and negotiations (such as with the Gulf Cooperation Council, Mercosur and the on-going economic partnership agreements with former colonies of EU member states) involve multiple countries, so the country coverage of these agreements is much greater than the number of agreements. In short, the EU’s role in shaping the multilateral rules governing trade and in developing a network of bilateral and inter-regional agreements means that it has had significant impact on the rules shaping international trade.

What might be termed the EU’s ‘unilateral’ trade policies also have a powerful impact on the conduct of global trade. It has numerous unilateral policies – such as the Everything But Arms initiative and GSP+ – that give products from countries that meet certain criteria preferential access to the EU’s market (see Chapter 5). As a result of such unilateral policies as well its numerous bilateral agreements, only a handful of countries do not enjoy preferential access to the EU’s market.

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The EU’s public health and environmental policies, however, tend to restrict access to the EU’s markets and create incentives for foreign producers to adapt their practices to meet EU requirements and sometimes even to push for domestic changes to match EU rules (Damro 2010: 19; Vogel 1995). The EU is also a leading user of anti-dumping duties to exclude products being sold in the EU at an ‘unfair’ price. The EU’s economic importance and status as a trade power thus are products of both its intentional and unintentional efforts to shape the rules.

**Unexplained tensions in EU trade policy**

Despite the importance to the global economy of the Union’s policies and advocacy, EU trade policy making is actually very poorly understood. This gap in our knowledge is largely due to the tendency of scholars to focus overwhelmingly only a few trading relationships; particularly within the multilateral trading system and with the former colonies of the member states and with the US (for a review, see Young 2011). Consequently, a large number of unexplained tensions (if not contradictions) characterize the EU’s trade policy.

First and foremost among them is whether the EU’s trade policy is liberal or protectionist, with the EU being variously characterized as liberal (Brühlhart and Matthews 2007: 484; Hanson, 1998, Jonqueres 1996: 5), ‘nominally liberal’ (Winters 2001: 25), protectionist (Messerlin 2001; Schuknecht 1992: 193), or an ‘incidental fortress’ (Young 2004). To a significant extent these characterizations reflect attention to only partial different aspects of EU trade policy or specific policy cases. Portraits of the EU’s trade policy as liberal focus on its overall openness to trade (being the world’s largest importer); its low average tariffs on all but a few manufactured goods; its few quantitative restrictions

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7 On 30 June 2010 the EU had 149 anti-dumping measures (definitive duties and price undertakings) in place, which placed it third in the world after the US (257) and India (205) (WTO 2010- G/L/935).

8 The EU’s average most favoured nation tariff is 4.2 per cent, with 20 per cent of tariff lines entering duty free (WTO 2002).
and its advocacy of multilateral trade liberalization (Brülhart and Matthews; Winters). When the EU is labeled as protectionist, it is because the focus is on the common agricultural policy (Winters), the EU’s extensive use of anti-dumping duties (Messerlin; Schuknecht; Winters), or the trade restricting effects of stringent EU internal regulations (Brülhart and Matthews, Winters, Young). While in some cases the assessments reflect the reference point – free trade or the practices of others – to a significant extent they reflect an emphasis on what are effectively different trade policies.

A second tension is that between the EU as a (if not the) leading champion of the rules-based multilateral trading system (Baldwin 2006: 933) and the problems it has had complying with adverse rulings by the World Trade Organization’s Dispute Settlement Body (Bronkers 2008: 893; Goldsmith and Posner 2008; M. Smith 2007: 530). A third tension, or perhaps puzzle, is why the EU, given its extensive economic resources, has been relatively ineffective in shaping multilateral trade rules and influencing the behaviour of others, particularly emerging economic states (refs needed). Our explanation for these tensions is that the policies in question arise out of distinct policy sub-systems, each with its own political dynamic. It is thus not surprising that the policy out-turns from these policy sub-systems should be different and that, consequently, there should be tensions, if not outright conflict between and among them.

The Centrality of Trade Policy to the EU

The flip-side of the importance of the EU to international trade is the importance of trade policy for the EU. Trade policy is one of the most established areas of cooperation in the EU. It is an area where the EU yields unusually ‘hard competence’ according to the Union’s

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9 Some scholars, particularly Messerlin, but also Winters, express concern about the trade diverting affect of the EU’s many preferential agreements (Messerlin, Winters)
treaties. It is also arguably one of the most important dimensions for defining how the EU is understood. Trade policy represents a pivotal decision on integration. It is a crucial interface between the citizens of Europe and the processes of economic globalization. The EU’s economic capacity, which trade policy seeks to harness, is central to depictions of the EU as a global actor. In addition, trade policy is a highly revealing testing ground for the EU’s commitment to ‘effective multilateralism’. In short, it is one of the EU’s most potentially potent foreign policy instruments.

**Trade as a constitutive policy**

In many respects trade policy is a constitutive policy of the EU. A central decision in the 1957 Treaty of Rome was to create a customs union and thus have a common trade policy with the rest of the world (Lindberg and Scheingold 1970: Ch. 1; Moravcsik 1998: 86; Parsons 2002: 67-8). A customs union was only one of several alternatives available to policy-makers in the 1950s (Lindberg and Scheingold 1970: Ch. 1; Moravcsik 1998: 86; Parsons 2002: 67-8).

But it was one that required a common external trade regime. The core institutional arrangement chosen -- the common commercial policy (CCP) -- gave the European Commission a central role in trade policy and foresaw decision-making in the Council of Ministers by qualified majority, giving the policy a strong supranational character (Lindberg and Scheingold 1970: 14; Moravcsik 1998: 153-6; Parsons 2002: 76; and see Chapter 3. ). Hine (1985: 2) does not hesitate to describe the customs union as the ‘foundation’ of the EU’s cooperative activities.

**Trade policy and globalization**
Because trade policy regulates the conditions on which goods and services can enter the EU’s market, it is a crucial interface between the European and global economies (Jacoby and Meunier 2010: 302). This view was reflected in a 2007 Harris poll, which found sizable majorities in France, Germany, Italy, Spain and the UK agreeing that the EU should do more to protect European citizens from the adverse effects of globalization.\(^{10}\) At the same time, pluralities of European respondents agreed that the EU helped to protect them from the negative effects of globalization (44 percent) and enabled them to benefit from the positive results of globalization (48 percent) (Eurobarometer 2008: 39). That the people of Europe judge the EU in part on its ability to deliver economic prosperity is one of the central premises of the European Commission’s 2006 communication ‘Global Europe: Competing in the World,’ which provoked the title to this volume (Commission 2006-567: 2).

The Commission (2006-567: 2) stressed that the purpose of the communication was to ‘set out the contribution of trade policy to stimulating growth and creating jobs in Europe’ and to articulate how the EU ‘can build a more comprehensive, integrated and forward-looking external trade policy that makes a stronger contributions to Europe’s competitiveness’. In these statements, the Commission is revealed as embracing much of today’s dominant economic orthodoxy. The 2010 Toronto G-20 summit declaration, for instance, stated in part, ‘Open markets play a pivotal role in supporting growth and job creation’ (G20 2010: 7). Consensus reigns among economists that trade liberalization, supported by an appropriate microeconomic and macroeconomic policy framework, can contribute to economic growth. Freeing markets bolsters productivity through specialization, allows the exploitation of economies of scale (exports), fosters technology transfer, facilitates access to the highest quality and lowest cost inputs (imports), and increases competition (OECD, ILO, World Bank, WTO 2010: 8). Although there is less consensus about the impact

\(^{10}\) Harris Poll #75, 25 July 2007: Table 10. Available at: [http://www.harrisinteractive.com/vault/Harris-Interactive-Poll-Research-FT-Globalization-2007-07.pdf](http://www.harrisinteractive.com/vault/Harris-Interactive-Poll-Research-FT-Globalization-2007-07.pdf). (Accessed 16 Dec. 2010.) The percentages who answered ‘yes’ were: France (89%), Germany (89%), Italy (93%), Spain (94%) and the UK (64%).
of trade on employment, the economic literature suggests that in the long-run openness to trade can be good for employment (OECD, ILO, World Bank, WTO 2010: 9). Whatever the merits of economic liberalization, the EU’s trade policy is central to mediating the impact of globalization on European citizens and the Union’s contribution to the processes of globalization. While the European ‘in the street’ is usually ambivalent about globalization, she also is likely to view the EU as the logical place to mediate its effects on Europe.

Trade as a power resource

Trade policy, by setting the conditions of access to the EU’s market, is crucial to discussions of the EU as a global actor. The burgeoning literature on the EU as a global actor overwhelmingly cites the size of the EU’s market as a crucial power resource (see Bretherton and Vogler 2006: Commission 2006-278: 3; Hill and Smith 2005: 4; McCormick 2007: 8; Peterson 2011; Piening 1997: 15-16; White 2001: 28). Bretherton and Vogler (2006: 4) go so far as to state, ‘[u]ndoubtedly it is the economic strength of the Union that provides the foundation for all its external activities.’ Meunier and Nicolaïdis (2006: 906) contend that trade is at the ‘very core’ of the EU’s potential or actual power. Shifting the emphasis somewhat, a number of scholars have stressed that it is with respect to trade policy that the EU is most clearly a global actor (Dür and Zimmerman 2007: 771; M. Smith 2007: 528). It is the Union’s formidable economic power that is at the centre of the characterization of the EU as a ‘civilian’ or ‘normative power’ (Duchene 1973: 19-20; Manners 2002: 240; K. E. Smith 2005: 64-5) or one that favours ‘norms over forces’ (Laidi 2008).

As we have outlined, the EU certainly has significant economic power, and, according to Michael Smith (2007: 528), the EU ‘can claim with some justification to be a major trade power in the [international political economy]’ (see also Dür and Zimmerman 2007: 772; Meunier and Nicolaïdis 2006: 908). This view is rooted in the size of the EU’s market and its
importance in world trade, as well as its activism in multilateral trade negotiations and pursuit of bilateral trade agreements. In particular, a large market is seen as a source of power because access to such a market is highly valued.\textsuperscript{11} Polities with larger markets, therefore, enjoy benefit from ‘asymmetric interdependence’ (Keohane and Nye 2001: 9) in multilateral trade negotiations (Barton et al 2006: 10-11). Moreover, granting or denying access to a market as large as that of the EU can be a powerful source of influence (Hirschman 1980).

Despite this emphasis on the EU’s economic power and the frequent depiction of trade policy as the starting point for the Union’s international actorness (Keukeleire and MacNaughton 2008: 200; Piening 1997: 15-16), the primary focus of the global actor literature is on the EU’s ability to wield political influence in international diplomacy. As such, scholars tend to focus their analysis on the Common Foreign and Security Policy and the Common Security and Defense Policy (see Carlsnaes 2007: 549; Marsh and Mackenstein 2005: xviii; Peterson 2011; M. Smith 1998: 77; White 2001: 38).\textsuperscript{12} Trade policy is often taken for granted as a means for Europe to realize its objectives in international relations. The lack of serious consideration of trade policy, unfortunately, encourages the simplistic assumption that the EU’s economic importance translates smoothly into influence (see Bretherton and Vogler 2006: 4; Ginsberg and M. E. Smith 2007: 273-4; Orbie 2006: 124-5; McCormick 2007: 4; Sjursen 2006: 169; for a contrary position see Hill 1998: 25).\textsuperscript{13}

\textsuperscript{11} For many realists market size, particularly wealth, is a source of power in that it can provide the resources for military power (see, for example, Mearsheimer 2001: 43).
\textsuperscript{12} For example, Ginsberg and M. E. Smith (2007: 280) acknowledge that their review of the EU as a global actor ‘barely scratched the surface’ because it ‘largely excluded’ economic affairs. Whitman’s (2010) account of the EU’s role in the world barely acknowledges its economic weight or trade policy. Keukeleire and MacNaughton (2008) place trade policy in a chapter on ‘EU foreign policy beyond CFSP.’ The emphasis on the political dimension of EU foreign policy was also evident in the submissions to the External Relations, Enlargement and Security Section for the European Union Studies Association (USA) Biennial Conference, Boston, MA, 3-5 March 2011 for which Alasdair Young was section chair.
\textsuperscript{13} It is important to note, however, that Ian Manners contends that it is not what the EU does or says that matters most in shaping the EU’s global role, rather it is what it is (Manners 2002: 252; 2006: 184). He does, however, focus his empirical work on what the EU does – advocacy against the death penalty (Manners 2002) and promotion of the ‘sustainable peace’ approach to conflict prevention (Manners 2006).
We contend that the ability of any international actor to translate power resources into outcomes is ‘relational,’ reflecting the aims sought, the utility (arguably legitimacy) of specific power resources with respect to that objective, and the preferences and power of the other engaged parties (Baldwin 2002: 188; Guzzini 2000: 54; Mastanduno 2009: 123). The extent to which the EU has been successful in pursuing its trade policy objectives is a critical question for trade policy scholars (see Abdelal and Meunier 2010; Sbragia 2010), albeit one that has been under researched (M. Smith 2007: 538; Young 2011). How the EU collectively decides whether, how, and in the pursuit of what objectives to use its trade power resources is thus a central issue in debates about the EU as a global actor. But it is a question that has only just begun to be asked. It is one that we confront squarely in this volume, particularly in Chapter 8.

Trade policy: The effective in ‘effective multilateralism’?

The EU’s commitment to ‘effective multilateralism,’ identified by the 2003 European Security Strategy (ESS) as one of the EU’s three ‘strategic objectives,’ is widely regarded as one of its most distinctive features as an international actor (Cooper 2003: 155; Kagan 2002; Keukeleire and MacNaughton 2008: 299; Laidi 2008: 1; Manners 2002; 2008: 46, 52; Marsh and Makenstein 2005: 250; McCormick 2007: 3; Peterson and Bouchard 2011; Sjursen 2006: 245; K. E. Smith 2003: 107). While never really defining effective multilateralism, the ESS implies that it requires ‘a stronger international society, well functioning international institutions and a rule-based international order’. Elgström et al (2007: 4) ask whether the ‘word “effective” is more than a rhetorical device’. If it is, does effectiveness apply to the international institution to which the Union’s efforts are applied in general (that it achieves

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14 This ‘implied definition’ actually is about as precise as any one finds in the extensive academic literature on multilateralism. It is variously presented as the opposite of ‘unilateral’, a normative value, or an approach to global issues that feature bargaining and compromise, such as international trade, climate change, or the sea bed.
the ends for which it was created) or to the advancement of the EU’s collective interests through it? The ESS echoes this ambiguity. It rehearses the desire for international institutions to be effective (European Council 2003: 9), but also states, ‘We need to pursue our objectives both through multilateral cooperation in international organizations and through partnerships with key actors’ (p. 13 emphasis added).

Trade policy is a particularly apt vehicle for unpacking the significance of the EU’s commitment to ‘effective multilateralism.’ First, the ESS repeatedly highlights the importance of trade policy in pursuing effective multilateralism. For example, the WTO appears first on a list of ‘key institutions in the international system’ (even before the United Nations) in the Strategy’s section on ‘strengthening the international order’ (p. 9). The WTO is then singled out (along with the International Criminal Court) as an international institution that the EU has ‘an interest in further developing’ (p. 10). Second, as discussed above, trade policy is the aspect of external relations in which the EU is assumed to be most effective, because the policy is highly institutionalized and the EU has substantial market power (Damro 2010). Third, the ESS sees trade (and development) policies as ‘powerful tools for promoting reform’ in developing countries, particularly through encouraging good governance and respect for human rights (p. 10), and ‘[a] world seen as offering justice and opportunity for everyone will be more secure for the European Union and its citizens’ (p. 10). Fourth, trade policy is an area in which the effectiveness of multilateral institutions is not always comfortable for the EU. In particular, the problems the EU has experienced complying with its multilateral trade obligations in a number of high profile disputes have prompted criticism of the EU’s commitment to international law and effective multilateralism (Bronkers 2008: 893;
Goldsmith and Posner 2008; Hine 1985: 256; Hudec 1993: 314; M. Smith 2007: 530; Patterson 1983: 223; Pollack 2003; Teese 1982: 44; Wolf 1983: 163). Trade policy thus is both a dimension of external relations in which the EU is expected to be particularly effective and one where its capacity for and commitment to effective multilateralism are called into question.

We use trade policy in this volume as a prism through which to view the EU’s commitment to effective multilateralism. We find, first, that close analysis of specific EU trade initiatives – such as the transition from the Lomé Convention to the Cotonou Agreement, the Union’s FTA with South Africa, or the economic component of the New Transatlantic Agenda with the US – make the EU vulnerable to the charge that it is committed to effective multilateralism in rhetoric only. Second, we also find that whether the Union’s actions actually result in stronger international rule of law and equality among states very much depends on the policy sub-system in which EU policy is made. Third, we argue that in trade policy, as elsewhere, the very notion of ‘effective multilateralism’ remains amorphous and under-specified. Before the EU can be said to be its champion, the Union’s member states and institutions first need to come to a consensus about what it really means (see Lazarou et al 2010).

Trade policy as foreign policy

As we have noted, trade policy is one of the EU’s most potent foreign policy tools; what Meunier and Nicolaïdis (2006: 907) term the EU’s ‘power through trade.’ In particular, the literature on European foreign policy emphasizes the EU’s granting of preferential access to its market for particular states through preferential trading arrangements, such as partnership and cooperation agreements (for instance, with Russia and Ukraine), and the Lomé and Cotonou Agreements with the ACP (African Caribbean and Pacific) countries) (Bretherton
and Vogler 2006: 75; Manners 2002: 244; K. E. Smith 2008: 55). Such agreements perform a variety of political functions, including fostering political dialogue, promoting development, and, through conditionality clauses, seeking to encourage respect for human rights and the practice of good government. The EU has also sought to use to unilateral trade policy to promote development through its Everything But Arms (EBA) initiative, which eliminated trade barriers on all products except arms from the poorest, least developed countries.

Moreover, the EU offers enhanced market access to those countries willing to adopt more stringent environmental and labour regulations (such as via its GSP+ scheme). Occasionally, the EU uses trade policy as a form of humanitarian assistance, as in the case of trade concessions offered to Pakistan in the wake of the devastating floods in the summer of 2010.

The literature also identifies the imposition of economic sanctions as a powerful foreign policy instrument (Bretherton and Vogler 2006: 75; Manners 2002: 245; K. E. Smith 2008: 55), although in practice the EU usually imposes trade sanctions with considerable reluctance unless a state engages of gross violations of international norms in areas such as nuclear proliferation, human rights or environmental protection. Although the literature on the EU as a global actor identifies trade policy as a prime instrument of foreign policy, it has paid precious little attention to how decisions are taken to utilize that instrument. This volume, particularly Chapter 8, seeks to plug this gap by analyzing in-depth how decisions are made, and within which amongst its multiple policy sub-systems, in the cases of specific EU trade policy initiatives.

**What is trade policy?**

The preceding discussion has given some sense of what trade policy is, but further specification is needed. For our purposes, trade policy encompasses all of those public policies that affect the passage of goods and services across borders: tariffs, quantitative...
restrictions, anti-dumping and countervailing duties, trade disputes, and regulatory barriers to trade, and includes trade restrictions imposed or concessions granted for foreign policy purposes (see Box 1.1). These policies may be pursued through multilateral or bilateral negotiations or imposed unilaterally. Our argument is that each of these different trade policies is characterized by a different political dynamic and so constitutes a distinct policy ‘sub system.’

Box 1.1 brief explanations of key trade policy instruments

Our definition of trade policy is broader than that commonly found in most works within the international political economy literature that focus on trade. Overwhelmingly, most focus on tariffs (Milner 2002: 449, Lake 2006). We also embrace a broader understanding than is commonly found in the EU trade policy literature, which tends to focus on multilateral trade negotiations and particular bilateral trading relationships (see Young 2011). This broader focus is warranted because non-tariff barriers to trade – anti-dumping duties and regulatory barriers – are arguably the most significant policies affecting access of goods and services to the EU’s market (ECORYS 2009: xiii; Messerlin 2001; USTR 2001; 2010).

Our focus, however, is narrower than the EU’s ‘economic power,’ which is central to many depictions of the EU as a global actor. These broader depictions tend to include (albeit usually only in passing) development assistance, the euro and sometimes competition policy in addition to trade policy. These policy areas and their instruments may indirectly, but do

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15 Notable exceptions in the IPE literature are Dymond and Hart (2000); Lawrence (1996: 17-18); Mansfield and Busch (1995). With respect to EU trade policy, see Hanson (1998); Kempton (2001); Princen (2004); Young (2004, 2007c) and Young and Peterson (2006).
not directly affect the passage of goods and services across the EU’s borders.\textsuperscript{16} Our definition also excludes the regulation of foreign direct investment (FDI), which prior to the Treaty of Lisbon was primarily a member state competence.\textsuperscript{17} If we were writing this book, say, 10 years from now in the early 2020s, FDI might be a central focus. But we have excluded it – as well as the other policy areas noted above – from our analysis to sharpen its focus on the EU’s trade power, as opposed to its wider ‘market power’ (Damro 2010).

**Our argument**

Chapter 2 develops our approach, which is grounded firmly in the ‘open economy politics’ approach to international political economy. It thus focuses on the interaction between three key factors (Lake 2006: 762):

1) the societal context, and how economic actors engage in the policy process in response to the anticipated costs and benefits of trade policy (see Wolf 2008), and particularly how these demands are mediated through the EU’s member states;

2) the intra-EU institutional context, especially the delegation of trade policy authority and the decision rules that apply to the adoption of trade policy decisions;

3) the external context, particularly whether the EU is pursuing unilateral or reciprocal policies and whether the distribution of power is symmetrical or asymmetrical.

While these building blocks are common in trade policy analysis, our approach is distinctive in two ways. First, we fully integrate the international context, thus making the

\textsuperscript{16} The exchange rate between the euro and other currencies obviously has implications for trade, but the euro exchange rate is in effect a side-effect of interest rate decisions taken for other reasons, notably controlling inflation (McNamara and Meunier 2002).

\textsuperscript{17} The Commission advanced initial proposals for developing a ‘comprehensive European international investment policy’ in July 2010 (Commission 2010-343), but this step was recognised as only a preliminary step (p. 2).
interaction among all three elements central to our analysis. Our focus on this interaction sets our approach apart from that found in most of the IPE literature on trade (Lake 2006: 767) as well as most work on EU trade policy (Young 2011). Second, and more significantly, rather than treating trade policy as a single policy system, we explicitly recognize that the values of our three key factors differ across varying aspects of trade policy. As a result, each aspect of trade policy is appropriately conceptualized as a policy sub-system characterized by a distinctive pattern of political interaction.

This policy sub-systems approach has echoes both in the IPE analysis of trade (see also, Ikenberry 1988: 238; 240) and in the literature on European foreign policy (see, for instance, Carlsnaes 2007: 546; White 2001: 24). Ikenberry refers to issue areas rather than policy systems, but he argues for the need to look at the political dynamics of specific trade policy issues, not just trade policy as a whole. Ikenberry’s key distinction between trade policy issues is the ‘public content’ of a policy – whether it concerns a public or private good -- which overlaps to an extent with our emphasis on the distribution of anticipated costs and benefits. The literature on European foreign policy, meanwhile, usually treats trade policy as part of the ‘Community’ foreign policy sub-system of the European policy system (see, for instance, Carlsnaes 2007: 546; White 2001: 24). White (2001: 40) identifies six ‘elements’ that constitute a foreign policy system: actors, processes, issues, instruments, context and outputs, which has resonance with the factors that vary considerably across our different sub-systems. Our approach is somewhat simpler than White’s, however, in part because we are focusing on only one policy domain, thus instruments are broadly constant and drop out of the analysis. In addition, we see issues, particularly the anticipated distribution of costs and benefits, as motivating the actors. Moreover, we see the policy process as heavily influenced by the internal context, which in turn is in part a product of the issue in question. Outputs are the product of the sub-system and so are not part of our definition of it.
Outline of the volume

In the next chapter we develop our approach in an explicitly comparative framework. Drawing extensively on the wider IPE literature on trade policy and particularly on the practice of US trade policy we set out how each of the factors that characterize a policy sub-system varies across different trade policies within the EU. In doing so, this chapter introduces the EU’s key trade policy actors and institutions. The chapter concludes by summarizing our framework and relating it to our policy chapters (4-8).

In chapter 3 we chart the institutional and political development of EU trade policy. This chapter therefore sets the broader context within which the specific trade policy chapters are situated. It focuses in particular on the episodic transfer of competence for trade policy from the member states to the EU, including a discussion of the changes introduced by the 2007 Lisbon Treaty. The chapter also discusses the increasing support for traditional trade liberalization among economic and governmental actors from the mid-1980s, while considering the impact of the greater intrusion of trade policy on previously internal policies for support for further liberalization. In addition, the chapter explores the development of the EU’s trade policy strategy, including the intersection between trade policy and the EU’s competitiveness (Lisbon) agenda, the EU’s promotion of ‘managed globalization’, and the Union’s advocacy of multilateral trade liberalization and recent shift towards more economically valuable bilateral agreements as part of the ‘Global Europe’ initiative. This chapter helps to underline that that trade policy sub-systems are not static; all three factors can change over time.

Chapter 4 revisits the principal focus of much of the EU trade policy literature: that is, negotiations within the multilateral trading system. While our account is in many respects familiar, it is distinctive in two key ways. First, rather than focusing on a single multilateral
trade round, typically the Uruguay Round or (even more commonly) the Doha Development Agenda (DDA), we consider the EU’s participation in multilateral trade negotiations from the origins of what is now the EU through the stuttering DDA. Second, we put reciprocity at the very centre of our analysis. Because of the reciprocal nature of multilateral trade negotiations, it is here that the interaction between rival protectionist and export-oriented interests come into play. It is thus here that the increasing liberalization of EU manufacturing interests (discussed in Chapter 3) has the greatest impact on the substance of policy. The reciprocal nature of the negotiations also means that the increasing importance and assertiveness of Brazil, India, and, to a lesser extent, China from the mid-1990s has a clear impact on the ability of the EU to realize its negotiating objectives. This chapter also discusses the interaction between trade and the EU’s common agricultural policy (CAP). Here the CAP is presented as a sub-system within a trade sub-system, but one that is being more closely integrated into the multilateral trade sub-system. This chapter thus depicts the EU as a becoming increasingly liberal and proactive within the multilateral trading system, but also as having increasing difficulty securing its objectives.

In chapter 5 we contrast two policies designed to address ‘unfair’ trade practices – anti-dumping and market access barriers. Superficially these two policy sub-systems seem very similar. Both are, for all intents and purposes, unilateral policies and both are characterized by very high degrees of delegation to the Commission and one-sided interest group mobilization. The mobilized societal actors are different, however, and demand different policy outcomes: protectionism and foreign market opening. Because societal politics are one-sided in this policy sub-system and the institutions of delegation favour the demanueurs of action, the EU is active both in imposing anti-dumping duties and in prosecuting foreign market access barriers.
Chapter 6 presents the political dynamics of the single European market, focusing on the implications of internal ‘trading up’ in public health and environmental regulations for third-country firms. This policy sub-system has more in common with domestic regulatory policy-making than international trade policy-making. This chapter, however, also analyses what happens when internal EU regulatory policy explicitly clashes with trade policy by considering how EU policies, and the politics underpinning them, have changed in the wake of adverse rulings by the WTO’s Dispute Settlement Body. It demonstrates that the domestic, regulatory politics sub-system is only slightly affected by the intrusion of trade policy imperatives.

Chapter 7 maintains the focus on regulatory barriers to trade, but prioritises the EU’s engagement in international efforts to manage their adverse effects on trade. In this context it considers how regulatory barriers to trade can be overcome and examines the EU’s efforts to export its regulatory experience. It analyzes in detail the transatlantic efforts to manage the trade effects of regulatory barriers to trade as these are the most intense and advanced international efforts to do so. Echoing Chapter 5, this chapter finds that efforts to mitigate the adverse trade effects of regulatory barriers are significantly hampered by the resistance of domestic, regulatory policy sub-systems to trade considerations. This finding applies to both sides of the Atlantic.

In chapter 8 our focus shifts to trade policy as means of realizing non-economic objectives. It thus surveys the EU’s different foreign policy objectives and the trade policy instruments it deploys to in order to try to realize them. In particular, it considers the EU’s efforts to promote development through Economic Partnership Agreements (EPAs) and the Everything But Arms (EBA); and to promote domestic policy reforms through conditionality, GSP+ and the imposition of sanctions. The EU’s efforts to encourage South Africa to embrace multi-party democracy with a free trade agreement after the end of apartheid, isolate
Iran economically amidst efforts to prevent it becoming a nuclear power, and provide assistance to Pakistan after the 2010 floods through unilateral trade liberalization offer vivid case studies. This chapter argues that while non-economic objectives may motivate policy initiatives, the political dynamics of the policy sub-system associated with the trade instrument used tend to deflect the thrust of the policy.

In chapter 9 we conclude by highlighting how the different trade policy sub-systems produce distinctive policy out-turns. We then reflect on the implications of this analysis for the EU’s capacity to act strategically and to be an effective global actor. In addition, we consider the implications of treating trade policy as composed of multiple policy sub-systems for the broader IPE literature on trade policy. What do these policy sub-systems look like? We let our case studies and empirical evidence answer this question, and summarise our answer as a last element of our analysis.

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18 Note that the list of references listed here is a composite of all those cited in chapters drafted for this volume thus far. It contains somewhere (!) between all and most of the works cited in this chapter.


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