
3 The EU and world regions: Multilateralism, bilateralism, and commercial realism

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The election of Donald Trump as President of the United States has reinvigorated an age of economic nationalism. His retreat from the Trans-Pacific Partnership, the use of tariffs on aluminium and steel, and the return to economic sanctions have given rise to a protectionist wave in the global economy. In Europe, too, liberalisation of the global economy has been contested and civil society organisations brought protests against trade agreements with Canada or the US to the streets.

Yet, the EU is at the forefront of engaging in external relations with economic powerhouses and entire world regions. Since the breakdown of the Doha Round, much of this happens outside the WTO. The European Commission, on behalf of the EU, currently negotiates trade deals with more than 40 partners worldwide, targeting industrialised states, emerging economies as well as developing countries. The large majority of these negotiations are bilateral in nature, where the EU negotiates with single countries even if they belong to regional organisations. Active bilateralism in the EU's trade policy is surprisingly inconsistent with its proclaimed objective of supporting regional integration especially in the developing world. What are the motives of the EU when it pursues bilateral trade agreements? Why does it shift from negotiations with entire regional organisations to single countries?

The EU and its trade relations with world regions

The EU is a frontrunner of ambitious and comprehensive trade liberalisation, pushing for the abolition of tariffs as well as non-tariff trade barriers. As expressed in the European Commission's "Trade for all" strategy paper, liberalisation extends far beyond tariffs by targeting also investments, regulatory standards, public procurement, and services. At the same time, the EU commits itself vividly to multilateral institutions such as the

WTO. As part of the EU's credible commitment to multilateralism, the Commission prefers to pursue external relations with regional organisations. Such regional organisations persist in all world regions where states pursue economic or political integration modelled on the example of the EU (Lenz and Burilkov 2017). Based on the EU's continued commitment to multilateralism and its support for regional integration across the globe, scholars have identified 'interregionalism' as the guiding principle of EU external relations (Söderbaum 2015). Hence, the EU pursues many of its external trade relations towards regional organisations through interregionalism.

Yet, despite the EU's continued commitment to multilateralism and interregionalism, nowadays it turns more and more frequently to bilateral trade negotiations with single states. Next to bilateral negotiations with industrialised countries such as Canada (with the Comprehensive Economic and Trade Agreement, or CETA, in 2017), Japan (with the signing of the Economic Partnership Agreement, or, EPA, in 2018), and the US (talks on the Transatlantic Trade and Investment Partnership, or TTIP, which are currently on ice), the EU also increasingly singles out emerging markets or developing countries to pursue bilateral (trade) deals involving comprehensive or sector-specific agreements with trade partners all over the world. The scope of these agreements varies drastically. Some aim to integrate particular sectors such as textiles or are selective (e.g. investment agreements), while others target ambitious and comprehensive trade agreements covering trade in goods and agriculture as well as investments, regulatory standards, public procurement, and services. In other words, the EU's trade agreements vary regarding the venue of negotiations – bilateral versus interregional – just as much as concerning the scope of issues – selective versus comprehensive. This is surprising given the EU's supposed preference for economically ambitious and interregional agreements.

The differences in kind and scope of European economic relations with the rest of the world are puzzling; even more so because we observe variation across as well as within world regions. In the Gulf region, for example, the EU maintains selective economic relations in interregional format with the Gulf Cooperation Council. In many other world regions, by contrast, the EU's trade and political relations are comprehensive. One example is the negotiations on a comprehensive Association Agreement with the Mercado Común del Sur (MERCOSUR) (Doctor 2015). In Asia, too, the EU is currently trying to tie together several ambitious trade agreements with member states of the Association of South East Asian Nations (ASEAN).

Although the European Commission has a preference for ambitious and interregional negotiations, even the EU's trade strategies towards the same world region vary over time. Diachronic variation between bilateralism and interregionalism exists even in

cases of advanced and well-functioning regional organisations such as MERCOSUR or ASEAN. In both cases, the Commission eventually shifted to bilateralism (in 2007 and 2010) after many years of investing resources and time in interregional trade negotiations and of supporting these organisations financially and technologically. In 2007, the EU added a bilateral Strategic Partnership with Brazil to interregional negotiations with MERCOSUR. The Strategic Partnership does not constitute a free trade agreement, but Brazil and Europe are attempting to reach agreements on contested issues such as investments or regulatory standards (Meissner 2018a). These issues form part of interregional negotiations with MERCOSUR, too. In the case of ASEAN, the European Commission changed trade strategy from interregional to bilateral with several Southeast Asian states, including Singapore and Vietnam (Meissner 2016). Asia and Europe's objective is to consolidate these bilateral agreements in one interregional framework. This will remain challenging, however, given the diversity of these free trade agreements. In any case, bilateralism in the EU's trade policy is in tension with its support of regional economic integration and its credible commitment to interregionalism.

In a recent book (Meissner 2018b), I analyse the motives of the EU's trade policy towards Asia and Latin America. More specifically, I examine why there is variation in the European Commission's trade strategies across world regions as well as with the same regional organisation. Why has the EU switched strategy from interregionalism to bilateralism more and more frequently over the past decade? What are the implications of this change for economic integration in regional organisations outside of Europe? In answering these questions, the reader and I can also draw conclusions about the tension between the EU's commercial interests in furthering trade with potential partners on the one hand, and its values-driven interests in supporting regional integration among developing countries on the other hand. This tension is similar to different, often inconsistent interests put forward by EU decision makers in trade negotiations and reveals horizontal incoherence in Europe's external relations (e.g. McKenzie and Meissner 2017).

Between domestic politics and international relations

The large majority of the scholarship on EU trade policy focuses on explanatory factors *within* Europe rather than beyond it. These factors are rooted in domestic politics or in the EU's inner-institutional system – scholars focus on Europe's normative power, interest groups, or member states' preferences. First, thanks to the EU's DNA as a regional organisation, it supports integration among developing countries and hence interregional relations. Second, we know from the literature (Dür 2010) that the

European Commission initiates trade negotiations thanks also to lobbying by export-oriented interest groups. Third, heterogeneous preferences of EU member states provide the Commission with more discretion in international negotiations on trade deals (Da Conceição-Heldt 2010). From all three perspectives, the current literature observes that EU trade policy is primarily driven by inner-institutional characteristics.

Such a heavy focus on internal EU explanatory factors has led to a near complete neglect of systemic or international factors. This is remarkable given that trade policy is one of the most active and dynamic fields of EU external relations. Without systematic consideration of external explanatory factors, we underestimate the exposure of European trade policy to the international context of the global economy and how this influences EU trade negotiations. Neglecting factors rooted in the international system and their impact on EU trade policy has arguably led to biased results in favour of overestimating inner-institutional features such as European identity, interest groups, or member states' preferences. In Meissner (2018b) I fill this void in the literature and provide a systematic analysis of external explanatory factors, located on the international level, and their impact on EU trade negotiations with regional organisations in Asia and Latin America.

Next to a biased perspective in favour of inner-institutional factors on trade policy, the majority of research pursues case studies on EU relations with a specific region such as Asia or Latin America (e.g. Dür 2010). Given the focus on idiosyncratic cases, we can draw only limited generalisable conclusions about EU external economic relations towards world regions. I therefore provide a comparative perspective on EU trade policy towards Asia and Latin America, more specifically towards ASEAN and MERCOSUR. Furthermore, in order to maximise external validity, I offer an overview of cases from other world regions where the EU has pursued trade negotiations: Africa and the Southern African Development Community (SADC), Central America and the Andean Community (CAN), as well as the Gulf region and the Gulf Cooperation Council (GCC). Drawing on information from more than 100 interviews with officials and business groups from the EU, ASEAN, and MERCOSUR, I gathered original, empirical insights on EU external trade policy and offer a new perspective on European relations with these regions.

Based on my collected data, I show systematically and with in-depth empirical materials how and why the EU was driven by external factors in designing its trade policy towards regional organisations. In the EU's trade policy towards Asia and Latin America, inner-institutional variables such as Europe's commitment to interregionalism or lobbying groups were only of secondary concern. In all cases studied – Africa, Asia, the Gulf region, and Latin America – factors at the international level were central to the EU

when deciding what particular trade strategy to opt for. When designing its trade policy towards organisations in these regions, the EU aimed at ensuring and improving its economic and regulatory power vis-à-vis competitors such as China or the US. Hence, whenever there was tension between pursuing economic or regulatory power interests on the one hand, and the EU's political ambition to support regional integration in Asia and Latin America on the other, the EU prioritised commercial over political interests. What's more, the European Commission changed trade strategy in favour of bilateralism whenever its ambitions for a commercially comprehensive agreement were in conflict with heterogeneity within its partner region. In other words, the EU sacrificed interregionalism where it was in tension with economic interests.

Active bilateralism in the EU's trade policy

How does the EU react to external factors beyond its own territory, such as systematic changes in the global economy? What is their magnitude of influence vis-à-vis inner-institutional variables within the EU? Why and in what ways are international factors connected to the increasing use of bilateralism in Europe's external trade relations? Ian Manners (2002) describes the EU as a normative power. It is essentially based on the peaceful integration of European countries to promote stability and democratic, liberal values such as fundamental rights. Part of this scholarly perception of 'Normative Power Europe' is that the EU exports its values to the wider world, including its associated and neighbouring countries as well as partners further afield. As described earlier, the European Commission seeks to export its success story of regional integration to other world regions based on its identity as a regional organisation. A vital contribution to this support is interregionalism.

Amidst the EU's continued rhetoric on its commitment to interregionalism, in practice it puts growing emphasis on commercial competitiveness and a thirst for economic power. Analysed through a realist perspective, EU trade policy can be understood as a means to maintain, or even improve, its economic and regulatory power vis-à-vis China and the US in other world regions, as exemplified by trade dynamics with MERCOSUR and ASEAN. Commercial competition between the EU and the US is most intensive in the realm of regulatory standards. My interviewees reported how the European Commission tries to export EU regulatory standards such as rules of origin to other regions at the expense of the US's trademark politics. In addition to competing with the US, the EU has also faced China's rise to economic power since the early 2000s. This is most apparent in Latin America, where China's intensified investments and economic relations put the US and Europe under strain and in fierce competition. The intensity of commercial competition with China and the US goes some way towards explaining

why the European Commission puts so much emphasis on negotiating comprehensive and economically ambitious trade agreements.

In fact, the EU has not been able to conclude many ambitious interregional trade agreements (Meissner 2018c) except for its Economic Partnership Agreements (EPAs) with the Caribbean CARIFORUM or SADC. Negotiations on an association agreement with MERCOSUR have been ongoing for 20 years and were only concluded in July of this year (2019). In the case of ASEAN, the EU switched to bilateral negotiations and concluded bilateral trade agreements with Singapore and Vietnam. What were the reasons behind the failures in interregional negotiations? According to reports by my interviewees, interregional negotiations with ASEAN and with partners in Latin America, such as the Andean Community (CAN) or MERCOSUR, led to frustration for both Europe and the counterpart region. While the EU insisted on an ambitious and comprehensive trade agreement, member states within regional organisations in Asia and Latin America were unable to agree on a common position in negotiations. Given the members' heterogeneity in these regions, it was extremely difficult for them to agree on joint positions regarding negotiation issues that were crucial for Europe. Such issues include investments, services, as well as regulatory standards and public procurement. In theory, the EU could have pursued less ambitious agreements for the sake of reaching an interregional deal. Bolivia, in fact, proposed this in the EU–CAN negotiations on an association agreement (Szegedy-Maszák 2009). However, this would have required sacrifices on the European side concerning non-traditional negotiation issues such as investments or services. This was unacceptable to the EU, and Europe's preference for an ambitious economic agreement remained irreconcilable with CAN's heterogeneity (as was the case for trade talks with ASEAN).

The EU's shift to bilateralism in the context of trade relations with regional organisations might also be seen through a lens of pragmatic adaptation. Indeed, negotiators from the European Commission realised over the course of trade talks with ASEAN, for example, how a bilateral format would be more productive and efficient in delivering ambitious free trade agreements. Singapore was perceived as a natural first choice for bilateral talks by the European Commission given the country's openness in trade and its experience in negotiating ambitious agreements. Such dynamics of pragmatism are also reflected in María García's (2013) research on how the EU has moved from 'idealism' to more 'realism' in its trade policy. At the same time, however, some officials I interviewed were aware of the difficulties arising from bilateralism and how they may result in conflicting interests for ASEAN member states. This suggests that the Directorate General (DG) Trade made a conscious decision in favour of shifting to bilateralism, although this creates tensions in regional organisations.

Among the most frequent criticisms of EU trade policy is the allegedly strong lobbying by business groups – for example, in the trade negotiations with Canada on CETA. Such criticism implies the assumption that the European Commission and its preference for ambitious agreements is driven primarily by interest groups. In the cases I investigated, export-oriented actors were, however, only of secondary concern to the European Commission. Desk officers working in DG Trade are in regular contact with interest groups and consult them on trade negotiations. Yet, interviewees from the EU consistently reported that they design the timing and strategy of negotiations independently of interest groups. A case in point was the EU–ASEAN negotiations. Only after the European Commission had already decided to switch from interregional to bilateral trade talks starting with Singapore did DG Trade inform interest groups about its choice in the civil society dialogue (Meissner 2016).

The literature also ascribes strong influence to EU member states in shaping trade negotiations (Da Conceição-Heldt 2010). Under the condition of heterogeneous preferences among European countries, the European Commission is conceptualised as having more leeway in trade talks rather than in cases of member state alignment. However, in the negotiations I looked at in my research, including ASEAN or MERCOSUR, the European Commission was very skilful in using its discretion as sole negotiator and in pushing through its own priorities vis-à-vis EU member states. External economic relations towards Latin America are good example in this regard. Negotiations on an association agreement stagnated in 2004 but they were never official declared off the table. Hence, legally speaking the European Commission had a continued negotiation mandate authorised by EU member states in the 1990s, which it took advantage of to resume trade talks with MERCOSUR in 2010. This was perceived by EU member states a political scandal given that the European Commission made its decision without proper consultation with the Council or the European Parliament.

Trade policy incoherence

Will the EU be able to continue its proactive, liberal trade policy despite reinvigorated economic nationalism? I argue in favour given the European Commission's ability to adapt its trade strategy to changing external conditions and push its agenda even when facing concerns of interest groups or member states. What motives drive the EU in pursuing its trade policy energetically? While the EU factors in domestic interests when entering into negotiations with regional organisations, I found that the design decisions of such negotiations are driven primarily by external factors. Hence, the EU is eager to promote its own economic and regulatory power in other world regions vis-à-vis China and the US as its competitors. In doing so, the EU has frequently prioritised ambitious

and comprehensive trade agreements with single countries over political support for regional integration beyond Europe.

Interregionalism, unlike the protection of human rights, rule of law, or democracy, is not enshrined in the EU treaties as one of its core values. Nevertheless, it used to be a guiding principle of Europe's external relations and in its development policy that the EU explicitly commits itself to furthering regional integration in the developing world. Amidst this commitment, the EU's increasing use of bilateralism even with members of well-functioning regional organisations is an obvious inconsistency. The tension between Europe's values-based interest in promoting regional integration on the one hand, and its commercial ambition in negotiating comprehensive trade agreements on the other, reveals a stark horizontal incoherence in the EU's external relations.

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