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## THE EUROPEAN UNION AS A GLOBAL TRADE ACTOR: CHALLENGES AND OPPORTUNITIES

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### *Abstract*

*This article reviews the challenges and opportunities confronting the European Union in its trade and broader commercial policies, in what is a period of transition. The article begins by evaluating the foundations of the EU's 'actorness' in trade policy, and in particular by identifying three underlying logics of EU policy development: the 'internal' logic, the 'external' logic and the 'identity' logic. The interaction between these logics is seen as driving the ways in which the EU enters into global trade relationships, and as accounting for tensions and contradictions in a number of areas. Subsequent sections of the article deal with the images presented by the EU in trade policy, with the EU's changing position in world trade, with the current trade agenda and the new agenda of broader commercial policy. The article finishes with a review of potential future issues in EU trade and commercial policies, and with a reassessment of the 'three logics' and their interaction.*

**Keywords:** *European Union, Trade policy, Global Trade*

## KÜRESEL TİCARET AKTÖRÜ OLARAK AVRUPA BİRLİĞİ: ZORLUKLAR VE FIRSATLAR

### *Özet*

*Bu makale Avrupa Birliği'nin, geçiş dönemi olarak nitelendirilebilecek bir dönemde, ticaret politikaları açısından karşı karşıya kaldığı zorlukları ve fırsatları incelemektedir. Makale öncelikle AB'nin ticaret politikası bağlamındaki "aktörlüğünün" temellerini değerlendirecek ve özellikle AB'de politika gelişimini etkileyen üç mantık olan 'iç' mantık, 'dış' mantık ve 'kimlik' mantığını ortaya koymaya çalışacaktır. Bu mantıklar*

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*arasındaki etkileşim, AB'nin küresel ticaret ilişkilerine girme biçimlerini yönlendirme ve çeşitli alanlardaki tansiyon ve çelişkiler için hesap verebilirlik olarak görülmektedir. Makalenin ilerleyen bölümleri AB'nin dünya ticaretinde değişen konumu, mevcut ticaret gündemi ve daha kapsamlı ticari politika için oluşturduğu yeni gündem ile birlikte AB'nin ticaret politikasında sergilediği imajla ilgilenmektedir. Makale, AB ticaret politikasının gelecekteki olası konularını, üç mantığın yeniden değerlendirilmesi ve bunların birbiri ile etkileşimini gözden geçirerek sonlanmaktadır.*

**Anahtar Kelimeler:** Avrupa Birliği, Ticaret Politikası, Küresel Ticaret

## INTRODUCTION

The trade policies of the European Union (EU) are in a period of transition. At one level, the changes introduced in the Lisbon Treaty have given the EU a more comprehensive trade policy framework than it has ever had before. At the same time, the impact of the global financial and economic crisis has created a new set of external challenges and opportunities for the EU, the outlines of which are often only dimly discernible. This is accompanied by the structural shifts in the global arena that have generated a new constellation of global economic and commercial power, typified especially by the emergence of the 'BRIC' countries (Brazil, Russia, India and China) and by the challenges they pose to existing institutional and policy frameworks. Such shifts, when combined with the changes in the EU policy framework and the broader global economic atmosphere, raise important questions about how and with what effect the EU may be able to exploit new opportunities or resist threats to its leading role in global trade policy.

This article sets out to place current challenges and opportunities into a broader context, and to suggest ways in which the institutions, ideas and policies characterising EU trade policy might be evaluated. The aim is to identify the components of EU policies, to explore the forces that drive them, and to use this as a basis for evaluating current policy challenges and opportunities as well as the EU's actual and potential responses to them. The article begins by evaluating the foundations of the EU's 'actorness' in trade policy, and in particular by identifying three underlying logics of EU policy development: the 'internal' logic, the 'external' logic and the 'identity' logic. The interaction between these logics is seen as driving the ways in which the EU enters into global trade relationships, and as accounting for tensions and contradictions in a number of areas. Subsequent sections of the article deal with the images presented by the EU in trade policy, with the EU's changing position in world trade, with the current trade agenda and the new agenda of broader commercial policy. The article finishes with a review of potential future issues in EU trade and commercial policies, and with a reassessment of the 'three logics' and their interaction.

## FOUNDATIONS OF EU 'ACTORNESS' IN TRADE POLICY

There is no dispute that the EU constitutes a leading trade power in the global arena. Indeed, the EU can be seen as the world's champion trader, not only

in goods but also in services, where EU companies have a position comparable to those of American corporations. Both the sheer quantity of EU trade and exchange, and the size and relative openness of the EU's single market, give the Union a key position in the structures and processes of world trade and commercial transactions more generally (Meunier and Nicolaidis 2005; Smith 2004). So the first essential component of the EU's position in global trade is what might be described as 'weight': the Union is inevitably one of the big players in the global arena because of the size of its presence and the effects this creates, not only structurally but also in the behaviour of other leading trade and commercial actors.

Alongside this essential foundation of the EU as a 'trade power' goes a number of other major forces and factors that give the EU the capacity to use its weight and to direct its resources. The first of these is a powerful institutional framework, which confers upon the Union a number of important 'state powers' in the field of trade policy. Since the Treaty of Rome in 1957, which established the Common Commercial Policy and linked it to the development of the world trading system, there has been a process of continuous (but not always smooth or even) development of the institutional framework, which has gradually extended the reach of EU trade policy and which has responded to the changing character of world trade itself. Thus during the 1980s and 1990s, there were major changes reflecting the internal development of the European Single Market, and these often went alongside changes in world trade – for example, the growing role of trade in services, or the problems relating to intellectual property rights. The EC and then the EU also developed a series of important related policies, such as those on development assistance or on competition policy, which came increasingly into play as the scope and comprehensiveness of EU trade and commercial policies increased. During the late 1990s and early 2000s, these institutional developments increasingly came together, as reflected in the Amsterdam and Nice Treaties and then finally in the Lisbon Treaty. The latter in many ways completed the job of integrating EU trade and commercial policies, resolving a number of residual issues about the relationship between Member States and the EU institutions and reducing the number of areas in which 'mixed methods' of policy-making still prevail (Meunier and Nicolaidis 2005; 2010 forthcoming).

This is not to argue that everything in the EU's trade and commercial policy framework is uncontentious and smoothly functioning. The EU has a policy framework in which there are several important concentrations of power and where there is always the potential for conflict between 'principals in the Council of Ministers). and their 'agents' in the Commission (Kerremans, 2006) Rather like the situation in the USA, there is a division of powers which is often challenged by the demands of day-to-day policy-making and implementation. Given the changing nature of world trade and the global economy, it is to be expected that EU trade policies will be open to challenge and to modification by events. It is also clear that the capacity of the EU to extract resources from the Member States and to use them in its external policy-making is still subject to important qualifications. Whilst these are not as severe as (for example) in foreign, security and defence policy, it is still not to be taken for granted that the Union will always prevail over its Member

States when it comes to challenging areas of trade policy. As Alasdair Young has pointed out, there is still a question mark over the EU's capacity to 'punch its weight' in trade and commercial policy (Young, 2006).

Nonetheless, it is clear that the Union can add to its global economic 'weight' and its institutional capacity the capacity to mobilise resources in the arena of global trade policy. One important area in which this is evident is the EU's involvement in a wide range of trade and trade-related policy institutions, headed by the World Trade Organisation (WTO) and including a host of lesser bodies. The legitimacy of EU trade and commercial policy is bolstered by the Union's increasing presence in these bodies, although there are still uncertainties in some cases about exactly who is to represent the EU and what that representation means. Americans have frequently pointed out that in many international bodies, the EU has many more votes than the USA, and that this position should be regularised. It has also been apparent that the ways in which the Commission represents EU interests in the WTO and elsewhere can cause friction with the perceived interests of Member States, and that this can create a problem of legitimacy within the Union itself when these interests clash and are not reconciled (Kerremans, 2006).

Consequently, when exploring EU trade and commercial policies, we need to take account of a range of driving forces and dynamics. One way of doing this is to think in terms of the logics of EU trade and commercial policy-making. To put it simply, I would argue that in EU external policy-making in general it is possible to identify three driving logics<sup>1</sup>. The first of these is the 'internal' logic of the integration process within the EU, through which external policy-making can be seen as a reflection of the progress made in the integration project as a whole. At the same time, it is also possible to see external policy-making as contributing to the integration process, by providing evidence of the Union's capacity to have an influence in the world and thus by bolstering the legitimacy of the EU as a whole. In terms of trade and commercial policy, it would be difficult if not impossible to assess the effectiveness of external policy without taking into account the progress or the problems of internal EU integration; and the growing impact of EU trade and commercial policy in the outside world also contributes to the consolidation of such policy as a contribution to the EU's internal progress.

The second logic I want to explore is the 'external' logic – or to put it more precisely, the logic of the external opportunity structure in which the EU is implanted. It is apparent that some types or phases of international economic and political development give the EU more 'space' to operate and assert itself than do others. At some times and in some areas, the external opportunity structure is open to the EU, and facilitates the development of an assertive EU role; at others, the opportunity structure is closed to the EU and the space for self-assertion is reduced. Thus, for example, periods in which world trade is expanding and in which international organisations are able to expand their governance functions are likely

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<sup>1</sup> These ideas are developed with a different empirical focus in Smith (2009) and Smith and Xie (2009b). For related ideas, see Bretherton and Vogler (2006) and Ginsberg (1989).

to be good for the EU; if on the other hand world trade is threatened or contracting, and multilateral governance is problematic, that might well limit the EU's potential impact.

The third and final logic I want to explore here is the 'identity' logic. Much of the EU's international policy-making can be interpreted as a sustained attempt to create and strengthen a certain type of 'European identity', characterised by 'civilian' or 'normative' power and centred in principles such as 'effective multilateralism' in the management of international processes and problems. As a result, there is a consistent concern in EU external policy not only with material interests and material gains or losses, but also with the image of the EU that is being projected at any time and in any area of policy. This means that trade and commercial policy need to be interpreted at least partly in terms of the ways in which they serve this 'idea of Europe'; and it also means that there are likely to be significant internal contradictions in this area because of the collision between material interests and the 'idea of Europe'.

These three logics of EU policy-making do not, of course, exist independent of each other. They interact, and they can come into conflict. Where all three logics are 'positive', then it could be argued that there is a great deal of potential for the development of EU policies; where all three are negative, there is little such potential. Most frequently, the signs are mixed, with one or two of the logics positive and one or two of them negative. It is part of the skill of policy-making in the EU to recognise the ways in which these logics are aligned, and to adjust policy accordingly either to maximise advantage or to reduce the damage. In trade and commercial policy, the stakes are high, with the potential for major advances or losses in a wide range of issue areas, and with major competitors ready to seize upon the contradictions of EU policy-making. There is also the potential for a major 'image problem' for the EU, and this is my next subject.

## **IMAGES OF THE EU IN TRADE POLICY**

How does the EU deploy its resources in trade and commercial policy, and how does the Union appear to those upon whom its policies will have significant effects? In this section, I suggest that the EU's image in trade and commercial policy is subject to a series of contradictions, which reflect in part the interaction of the 'three logics' dealt with in the previous section. These contradictions are not just theoretical; rather, they have profound implications for the conduct of EU trade and commercial policies. They can be expressed as a series of three key focuses.

The first focus centres on the openness of EU trade and commercial policies. On the one hand, there have been frequent fears that the EU will form the nucleus of a 'fortress Europe' – and many of the EU's trade partners have reason to believe that this is a strong element in the EU's policy make-up. There is a considerable element of unilateralism in the operation of key EU programmes such as those focused on anti-dumping and on the Generalised System of Preferences, and to the outsider this can appear very much as the operation of a 'fortress

Europe' policy. The EU would of course deny this, and the more wide-ranging fears of 'fortress Europe' that were expressed in the early 1990s as the Single Market Programme was implemented have proved to be unjustified; but there is evidence that the operation of the EU's institutions is less open and responsive than many of the Union's partners would wish. At the other end of the spectrum is the image of the EU as 'world partner', which has been much cultivated by the Europeans, and which presents the EU as the centre of a wide-ranging network of international agreements. This is the logical extension of the idea that the EU is a key practitioner of multilateralism – the Union is the expression in the global economy of the desire to extend governance and to create global rules. There are some tensions in this image, though – not least the fact that through the extension of partnerships in the global arena, the EU has created a 'pyramid of privilege' in which it can manage its relations with a wide range of international partners, not necessarily to the benefit of global governance as a whole (see below) (Meunier and Nicolaidis 2005; 2010 forthcoming).

The second focus has to do with the relationship between the EU and globalisation or regionalisation. It is well established that these two processes co-exist in the global political economy of the twenty-first century, and that they can come into collision. The EU provides one of the most concentrated examples of the ways in which this collision can set up tensions and policy dilemmas. On the one hand, the Union has an ambivalent relationship with globalisation: it can be argued that the EU is one of the ways in which the forces of globalisation are channelled into Europe as a whole (and incidentally, that the EU can be seen as a repository of neo-Liberal economic practices). In this respect, the EU is an agent of globalisation, and has the effect of magnifying its impact. But at the same time, the Union can be seen as a strongpoint of resistance to globalisation – a set of institutions and rules that can be used to mitigate the impact and the insecurities created by the evolution of the global economy. Increasingly, it is evident that the EU is at the very least a powerful channel for the management of globalisation (Jacoby and Meunier, 2010). At the other end of the spectrum, the EU can be seen as the basis for an exceptionally strong form of regionalisation – and this of course links with the idea that it can be a source of protection against globalisation. In this image, the EU becomes not a 'building block' of the global economy, but a 'stumbling block' to the onward march of globalisation, because of the priority given to its internal integration processes and to the incorporation of new Member States at the expense of more global objectives.

The third focus concerns the ways in which the EU contributes to the creation of order in the global political economy. On the one hand, the EU has often presented itself as a 'bridge-builder', creating new forms of inter-regional and other partnerships in the world arena (Hardacre, 2010). Thus, there are many examples of the kind of inter-continental relationships and 'strategic partnerships' that can be seen as contributing to the creation of a new world economic order (the ASEM process with Asia-Pacific countries, the relationships with the African Union and the Rio Group in Africa and Latin America) – and it is clear that the creation of these partnerships is a central part of the narrative of EU trade policies.

But at the same time, there are suspicions that at least some of these partnerships are part of a ‘bloc-building’ process, in which the EU is trying to create a network of influence to counter that of the United States, China or other powers, and in which the practice of ‘competitive interdependence’ is key (Sbragia, 2010).

It can readily be seen that these three focuses overlap, and that there are in effect two underlying images of the EU and its role: on the one hand, an inward-looking EU aiming to create exclusive partnerships and to preserve its gains through the integration process, on the other hand an outward-looking EU placing a heavy emphasis on multilateralism and global governance. Both of these images can be supported from current EU policies, and it is clear that there is an uneven and fluctuating balance between them. In terms of the argument put forward in this article, it is also apparent that these two broad images of the EU link strongly to the ‘three logics’ outlined earlier. On the one side, the emphasis is on the needs of the internal integration process (and thus the ‘internal’ logic), if necessary at the expense of the broader global process; on the other side, the focus is on the demands of life in the global arena (and thus on the ‘external’ logic) and the need for the EU to enter fully into processes of global governance. Both images raise important questions about the emerging identity of the EU, and the narratives that are developed to express it (and thus about the ‘identity’ logic). At this point, we need to move on from exploring the foundations of EU trade and commercial policy, and to look at the specific challenges facing the EU.

## **THE CHANGING POSITION OF THE EU IN WORLD TRADE**

My contention is that at present the EU faces a series of major challenges in the global political economy, and that many of them relate directly to trade policy. I also suggest that these challenges place considerable pressure on the ability of the EU to balance the ‘three logics’ of trade and commercial policy outlined earlier in the article, and that this has important implications for the future development of EU policies.

The first set of challenges emerges from the growth of major competitors in the global political economy. For much of its life, the EC and then the EU had to deal with only one central competitor in the world trading system: the United States. Since the mid-1990s, this situation has fundamentally changed, with the emergence of the BRICs and other large developing economies. The United States remains the EU’s major trading partner and competitor, but China in particular has become a central challenge for EU trade and commercial policy. Other challenges emerge from Russia, especially in the field of energy supply and energy security, from India and from Brazil, with South Africa and others still fully to emerge. The fact that the EU now exists in a multipolar global trade and commercial system poses a new sort of challenge, with implications both for EU policy-making and for the central institutions of the multilateral system, such as the WTO (Gnesotto and Grevi, 2006: chapter 2).

A second set of challenges reflects the changing nature of competitiveness in the global political economy. Competitiveness has been a major concern of EC/EU trade and commercial policy since at least the 1980s, when the Single Market Programme was seen as a key response to the challenge of the USA and Japan. The EU has had a major focus on competitiveness in the new global political economy of the twenty-first century, initially expressed in the Lisbon Programme, which was designed to make the EU the leading knowledge-based economy by 2010. We can see that this has not happened – indeed, there are now much more pervasive, and much less predictable challenges to EU competitiveness than existed ten years ago. The Union has recently revised and updated the Lisbon Programme, with rather less in the way of ambitious objectives and rather more attention to the production of concrete policy results. And in the field of external trade and commercial policy, the ‘Global Europe’ programme established within the past three years has produced a new drive for the conclusion of market-opening agreements with a series of major trading partners, as part of the revision of the EU’s commercial policies as a whole (European Commission, 2006).

A third set of challenges relates to the EU’s involvement in the institutions of global governance. I noted earlier that one of the sources of the EU’s legitimacy as a trade and commercial policy actor is the ‘external’ legitimacy bestowed by involvement in or recognition by international institutions. This remains the case, but the institutional architecture of the global political economy has shifted in ways that challenge the EU’s status. Partly, this shift is a reflection of the rise of new economic powers, as noted above: the entry into the WTO of China in particular, and the increasing assertiveness of India and Brazil, has created a new pressure on the EU’s capacity to shape the agenda. Whilst Russia is not yet a member of the WTO, its influence in the very specific area of energy supply has clearly shaped perceptions of the EU’s capacity to insure itself against fluctuations or crises. The influence of the global economic and financial crisis has also been felt in this area of institutional architecture: the G7/8, in which the EU had an established role as part of the major industrial economies, has become markedly less prominent with the rise of the G20, in which not surprisingly the EU’s role has been diluted. Reform of the International Monetary Fund and the World Bank also promises to reduce the centrality of the Europeans, especially when coupled with uncertainty about the future of the Euro-zone.

A fourth set of challenges relates to the growth of new regional organisations and agreements. I noted above that the EU has set out to create inter-regional frameworks within which it can manage its relations with a range of partner groupings. This in turn has created a complex web of inter-regional trade and commercial agreements, which have actually in some cases increased the problem of management, because they embody multi-level and multi-sectoral processes which are demanding of the EU’s resources and time (Hardacre, 2010; Hardacre and Smith, 2009). Alongside this web of inter-regional agreements, the EU has pursued an growing range of free trade agreements at the bilateral level, partly as a reflection of the ‘Global Europe’ programme mentioned earlier; and this in turn links with the pursuit of ‘competitive interdependence’ especially with the

USA (Sbragia, 2010). These new inter-regional organisations and agreements constitute a major challenge for the management of EU trade and commercial policy, not least because they are pursued within a multilevel process of global governance in which the EU is also entangled.

Finally, as mentioned earlier, there is a broader and more diffuse set of challenges emerging from the new constellations of power in the global political economy. The EU has always (and many would say inevitably) been a champion of multilateralism, and this has shown itself in the pursuit of the widest possible range of international agreements and institutional involvement. But in 2010, multilateralism has to co-exist in the global arena with another important structural tendency: the move towards new forms of multipolarity. Whereas the pursuit of multilateralism implies the search for new institutional forms and new avenues for cooperation in pursuit of global governance, multipolarity implies something rather different: the search for competitive advantage and bargaining strength in a shifting balance of power. Whilst it would be wrong to over-emphasise this contrast, it is clear that the implications of multilateralism are potentially very different from those of multipolarity. The two are not necessarily incompatible, but in a world made more insecure by the impact of globalisation, they will not always sit comfortably together.

Each of these sets of challenges has implications for the pursuit of EU trade and commercial policies. At the most general level, they imply that the EU has left its comfort zone – that the world of 2010 provides far less reassurance than the world of 2000 or 1990, and that the future is far less easy to describe. In terms of trade and commercial policy more strictly defined, they imply that EU policies are likely to become more politicised, that the threat of protectionism is likely to grow and that the difficulties of providing purely technocratic solutions to trade and commercial policy problems will also grow. I will return to these issues in the final section of the article.

## **THE CURRENT TRADE AGENDA**

The current trade and commercial policy agenda for the EU is clearly evolving within a changed global setting. Not only that, but it is developing within a changed EU, given the impact of the Lisbon Treaty and other changes described earlier. This does not mean that long-standing problems of EU trade and commercial policy have disappeared – rather, that they persist but in different forms or with different ‘symptoms’.

The first problem on the EU agenda is that of striking a balance between two contradictory aims: trade promotion and trade defence. The Lisbon Treaty, as with all previous treaties in the area of trade and commercial policy, commits the EU to the promotion of world trade, especially through the WTO. But at the same time, as noted earlier, there are new and pressing challenges to the EU from a variety of external forces. Dealing with these challenges puts the emphasis less on trade promotion than on trade defence: the use of trade policy instruments such as

anti-dumping measures or rules of origin in the effort to restrict the damage to EU trade interests. Trade defence also opens the door to the influence of special interests within the EU, especially producer interests which can use the opportunity to pursue their own sectional ends. A number of recent disputes, particularly those involving China in such areas as textiles or footwear, bear witness to this tension (Smith and Xie, 2009a). It is underlined by the different positions of EU Member States on issues of trade defence: to put it simply, there is a North-South divide in the EU, in which the Mediterranean members are more likely to pursue claims for protection than those in Northern Europe. Especially in times of economic stress and crisis, these tendencies are likely to be more prominent.

Another issue on the current EU trade agenda is the impact of enlargement – and the prospect of enlargement. Each enlargement of the Union has created trade effects; both trade creation and trade diversion, which have affected not only the existing and new Member States but also third countries. For a long time, the major third-country impact was on the USA – with some additional effects on Australia and other agricultural producers – and primarily because of the effects of the extension of the Common Agricultural Policy (CAP). We can see now that more recent enlargements have demonstrated not only these effects but also effects on a new range of third countries, including Russia and other states of the former Soviet Union, and in a new range of sectors, including energy. So the impact of past enlargements has shifted, and has created new types of trade friction. The same will undoubtedly be true of future enlargements, of which the most substantial is clearly that potentially to Turkey. This is not the place to enter into a detailed analysis of the politics and economics of Turkish accession, but it is the place to note that this is bound to have effects on key third parties and on new sectors of EU trade policy. These effects are less likely to reflect trade policy factors in the narrow sense, and more likely to reflect the extension of the CAP and other EU ‘internal’ policies into new areas.

I have already noted that the EU has spent a lot of time cultivating ‘privileged partners’ in trade policy. The current agenda has this as a central item, partly because of the commitment to market access and competitiveness policies noted earlier. The EU is currently engaged in a wide range of free trade area negotiations with countries especially in Asia; it is also involved in negotiations for broader ‘strategic partnerships’ with the BRICs and other emerging economies (Grevi and de Vasconcelos, 2008; Smith and Xie, 2009b). This trend seems well established, and it has important implications for the way in which the EU approaches not only these specific negotiations but also broader talks within the WTO. To put it simply, there is a striking potential mismatch between the EU’s broad commitment to the overall multilateral system and the pursuit of privileged agreements with selected partners. This is not the only such case in the current global political economy – US policies also contain this contradiction – but it is a potential source of frictions between the EU and its partners in the WTO and elsewhere.

Another key item on the current agenda is the relationship between trade, aid and development. This is structured into the Doha Development Round of WTO negotiations (see below), but it also is structured into the broader range of EU external commercial policies. Most explicitly, it is expressed in the development of EU policies towards the countries of Africa, the Caribbean and the Pacific (ACP) within the framework of the Cotonou Convention. Here, the EU has promoted a multilateral cross-regional framework for its relations with the ACP countries, but has also increasingly pressed for the conclusion of more limited agreements with groups of countries through the Economic Partnership Agreements (EPAs) (Carbone, 2010 forthcoming). Increasingly also, the EU has imposed forms of economic and political conditionality on its ACP partners, with the aim of promoting good governance and sustainable development trajectories. Such strategies have important implications for the relations between the EU and the developing countries, but they also have an impact on the broader multilateral process of trade negotiations. As noted earlier, they can be seen as creating a 'pyramid of privilege' and a set of relationships through which the EU acts as the core of a global network. One question that arises is whether this set of privileged relationships carries through onto the global level and affects the behaviour of ACP countries in the WTO; the evidence is inconclusive, but the issue will not go away.

The final 'agenda item' to which I wish to draw attention is the Doha Development Round (DDR) itself. When this was initiated in 2001, it might have been predicted that the EU would play a central role in its evolution and conclusion; after all, during the 1990s, the Union had increasingly acted like a leader in global trade politics, and some Commission officials certainly felt that it could at least match if not surpass the influence of the USA (Smith 2004). But as the DDR proceeded during the early 2000s, things did not turn out as predicted. The EU's vision of a wide-ranging agreement including a host of 'new trade issues' came under threat and encouraged active resistance from major developing countries. At the same time, although the positions of the EU and the US seemed to converge in some key areas (such as agriculture); it became apparent that EU-US agreement was no longer enough to guarantee results. Most notably, at the Cancun Ministerial meeting of 2003, the emergence of the Group of 20 major developing countries (now G22) created a serious obstacle to the kind of 'traditional' EU-US agreement that might previously have generated the momentum for a more general settlement. As a result, and for the past six years, there has been an effective stalemate in the negotiations – and this has allowed crises and tensions elsewhere in the global political economy (such as the current financial crisis) to impose still greater obstacles to an agreement. One consequence of this is the search for new negotiating avenues at the 'mini-lateral' or bilateral level that might produce more favourable outcomes for the EU.

One conclusion from this brief review of the current trade policy agenda is that the EU, despite its acquisition of new trade policy powers and its continued 'weight' in the global political economy, has never faced greater challenges to its status as a 'trade superpower'. Some of these challenges come from essentially 'internal' sources, with differences of view in the EU about both the direction of

trade policy and the broader economic orientation of the Union, which express themselves in apparently contradictory policy lines. Some of them emerge from external sources, with the challenges posed by the changing structure of world trade and of world trade power, and the consequent uncertainties about the EU's capacity to impose its views (or even get them listened to). Others again express the underlying problems of values and ideas – what kind of 'trade power' is the EU to be or to become? As a result, the EU appears to many as a 'conflicted trade power' (Meunier and Nicolaidis, 2006). The problems are given added point by the changing nature of trade itself, and its intersection with broader commercial and social policy.

### **BEYOND TRADE? THE NEW DIMENSIONS OF COMMERCIAL POLICY**

It has been noted for some time that trade policy 'ain't what it used to be' (Young 2007; see also Smith, 2004; Young and Peterson, 2006). The traditional version of trade as trade in goods across national borders, with the consequent issues of tariffs and other 'at the border' measures of management, has not applied in its pure form since at least the 1970s, and it could also be argued that the growth of the EU is a major symptom of the changes that have taken place in recent decades. The linkages between trade, investment and development that characterised the 'first wave' of new trade issues, with growth of trade in services at its core, have been augmented by linkages between trade and a host of national or regional regulatory policies affecting such areas as competition, labour standards, environmental protection and the like. Many of these tendencies are expressed in a concentrated form in the development of the European Single Market and the EU's relations with its major international partners and competitors. As a result, the EU on the one hand is partly responsible for a new world of commercial policy broadly defined, and on the other hand has to confront the new challenges this generates.

As noted above, a key part of this new set of challenges is the rise of regulatory policy and 'behind the border' issues. The EU has played a central role in this process, beginning with the Single Market Programme, which had as one of its key aims the concentration of regulatory power in Europe as a counterweight to the USA and Japan (Hocking and Smith, 2007). Because of the size of the European market, and the desire of others for access to it, it could be used as the basis for a form of regulatory imperialism, in which European standards could conquer the world. It has not turned out precisely in that way, but there is no doubting the central part played by regulatory policy in the new trade politics. A major example is provided by competition policy, where the development of major new powers within the EU has created a form of regulatory competition (but also new forms of cooperation) with the United States (Damro, 2006a). At the broader multilateral level, the EU has been faced with important choices of venue – where exactly are regulatory agreements to be negotiated, and how are they to be applied? (Damro 2006b; Elsig 2007). Whilst it is clear that the 'regulatory reach' of the EU

has extended with enlargement and with the ‘capture’ of regulatory structures in neighbouring countries, it is far from clear that this is all to the advantage of the Union.

Regulatory policy links strongly with another aspect of the new commercial policy: the pursuit of competitiveness. I have dealt with some aspects of this already, but it is important here to note that the ‘competitiveness turn’ in EU policy brings novel policy pressures into play. One early manifestation of this was to be found in the Lisbon Strategy, with the adoption of the range of monitoring and compliance strategies that constituted the Open Method of Coordination. More recently, the EU’s ‘Global Europe’ strategy has self-consciously linked national economic strategies with the European level and with the global level. In the context of the argument here, the key implication is that the EU has created new structures which in turn create new “management problems” spanning the internal and the external dimensions of policy making. This in turn has important repercussions on what Young has termed ‘social trade policy’ (Young, 2007). Linked with this is the way in which the new emphasis on competitiveness opens the door for the exertion of pressure by companies who feel their interests are threatened by unfair practices in major rivals (McGuire, 2006).

The growing penetration of commercial policy into domestic societal concerns is one symptom of continuing globalisation – one of the effects of which is to reduce perceptions of ‘societal security’ and to increase the politicisation of what were previously largely technocratic policy processes. If we accept that one of the key elements of EU commercial policy is the management of globalisation (Jacoby and Meunier, 2010), then a central component of such management has to be the management of social consensus (or social conflict). As Young points out, such management is far removed from the traditional concept of trade policy as the management of exchange across national borders, and it brings into play major new forces of resistance to major shifts in the global arena. Thus whilst the EU might be able to act relatively autonomously at the European level in areas of ‘traditional’ trade policy, it is far less likely to be able to do so in ‘social trade policy’ (Young, 2007).

This problem presents itself in a highly concentrated form in circumstances of crisis. Therefore it is not unexpected that in the current financial and economic crisis, the EU has found it very difficult to project a consistent or consistently positive approach to trade policy in all of its new variants. Whilst it has pursued relatively traditional market-opening aims in the context of both multilateral and bilateral trade agreements, it has also put a heavy emphasis on the opening up of regulatory and other structures in such areas as investment and competition policy, whilst at the same time promoting a set of values that has introduced ‘social trade’ features in areas such as human rights and environmental sustainability. In doing so, it has had to balance precariously between the resistance of external partners (especially countries such as China and India) and the need to preserve social consensus within the EU. Trade politics is not only ‘not what it used to be’ – it is much more politically challenging and uncomfortable.

Because of the increasing and often contradictory pressures created by the new politics of commercial policy and ‘social trade policy’, the EU’s contribution to global governance in the area of trade and related policies is increasingly open to question. Once seen as the ‘compulsive multilateralist’ and willing to sign up for a very wide range of global governance initiatives (not least in order to establish the legitimacy of collective action at the European level), the EU is now less ready and less willing to do so. The most dramatic expressions of this problem have come in the field of financial governance, where the disunity of European responses to the current crisis has been striking at various stages (and where the internal financial crisis of the Euro-zone has only added to the sense of uncertainty). More broadly, however, the EU has become less enthusiastic about multilateralism for its own sake, and more disposed to adopt ‘mini-lateral’ or bilateral solutions to its problems in trade and commercial policy. The irony of this is that at precisely the time when the EU’s internal commercial policy framework seems more coherent and integrated than ever before and thus a strong basis for involvement in global governance activities the fragmentation of the policy environment and the rise of new power constellations has thrown its potential effectiveness open to question.

#### **CONCLUSION: ISSUES FOR THE FUTURE**

At the beginning of this article, I noted that the EU’s trade policy is in transition. I also noted that the results of this transition would depend upon the interaction between three logics of EU policy-making: the ‘internal’ logic of integration, the ‘external’ logic reflecting the opportunity structure in the global arena, and the ‘identity’ logic expressing the search for a European voice and status in the global political economy. My argument was that if all three of these logics were ‘positive’, then the prospects for EU trade policy would be good; if they were ‘negative’, then the prospects would be bad; and that most likely, there would be a mixture of positive and negative signs leading to advances in some areas but setbacks in others.

What issues will be central to the future development of EU trade policy? The first concerns the policy framework. The EU possesses strong institutional and resource foundations for continued influence in and through trade policy, but changes in the policy context create challenges that will be difficult to overcome. The impact of the Lisbon Treaty is positive in institutional terms, but there will be problems in coordinating trade policy with other areas of EU external policy, particularly foreign and security policy, and in locating trade diplomacy within a broader EU system of diplomacy centred on the European External Action Service.

A second and related issue concerns the EU’s capacity to coordinate commercial diplomacy in an era when the ‘new agendas’ of commercial policy and social trade policy are likely to become increasingly prominent. Not only this but also the increasing interactions between trade policy and development policy, and between trade policy and financial policy will be central to the coming period. Trade policy will inevitably become more politicised if not securitised, and the

political management of trade policy will become an increasingly pressing concern for the Commission and other EU bodies.

A third issue, well signalled in this article, will be the continuing changes to global power constellations, not only in the global political economy but also in the politics of foreign policy and security policy. The EU has advanced into these areas partly on the basis of its success as an actor in the global political economy, but in doing so it has entered much more risky and uncertain territory, where its status as a 'power' is more open to question. It is not inconceivable that a process of 'blowback' from involvement in the politics of security and defence, as well as the increasingly fragile nature of the global political economy itself, will create problems with the continuing development of EU trade policy.

A fourth issue surrounds the extent to which the EU can sustain a coherent vision of its involvement in the global political economy, as the basis for consistent and effective trade policy. I have argued that this kind of vision, and the values on which it is based, has become increasingly open to question as the internal contradictions of EU trade policy have become apparent. These internal contradictions, when combined with the fragmentation of global economic power structures, and challenges to key institutions, already threaten the idea of a consistent EU vision, and there will be a need for strong and positive action to preserve it.

A fifth issue centres on the dangers posed by uneven performance within the EU itself. In the case of economic performance, this danger is particularly apparent at the moment (in early Summer 2010). The increasing economic divergence within the Euro-zone, not to mention the dangers of economic collapse in certain Member States, has thrown into question the institutional and political basis for developments in external policies broadly defined and in trade policy more specifically. It is encouraging; however, that what appears to be a multilateral and multi-institutional response to these challenges has emerged – although it is far too early to conclude that it is a solution.

A final issue relates to the ways in which trade policy may reflect the impact of further EU enlargement – and specifically enlargement to include Turkey. The picture I have painted is not one in which self-confidence and expansiveness are likely to characterise EU trade policy in the near future. But as noted earlier, my view is that trade policy traditionally defined is less likely to be a source of tensions than major areas of 'domestic' EU policy such as the CAP. The impact of such developments on third countries, in the neighbourhood and elsewhere, is likely to be accompanied by tensions in the new areas of commercial policy and social trade policy of the kinds noted earlier in the article.

In all of these areas, the challenges will reflect the interaction of the 'three logics' identified in this article. On the face of it, these logics are predominantly if not entirely negative in mid-2010: internal integration has taken some steps forward but is faced with major challenges in the financial sphere, the external opportunity structure is challenging and may deny the EU the policy space within

which to develop its role, and the identity logic seems to reflect normative confusion about what the EU is for in the global arena. In such circumstances, it is very difficult to identify major opportunities and all too easy to see the challenges confronting the Union. But these are not just challenges to the EU and therein perhaps lay the key opportunity: the circumstances demand a major effort at multilateral management, combining the resources of a range of institutions, which would bolster the EU's capacity to participate in if not to lead the management of the global political economy. Whether this will be the outcome is beyond my capacity to predict; but the alternatives do not look good.

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