



Competing for Economic Power

South America, Southeast Asia, and Commercial
Realism in European Union Foreign Policy

Katharina Luise Meissner

Thesis submitted for assessment with a view to
obtaining the degree of Doctor of Political and Social Sciences
of the European University Institute

Florence, June 2016

European University Institute
Department of Political and Social Sciences

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Content

Abbreviations	XV
List of Tables.....	XVII
List of Figures	XIX
Abstract	XXIII
1 Introduction.....	25
2 Literature review	37
3 Theory	53
4 Methodology	99
5 Universe of cases	121
6 South America	139
7 Southeast Asia.....	237
8 Conclusion	305
References	321
Annex I.....	355
Annex II.....	365
Annex III	369

Content

Abbreviations.....	XV
List of Tables.....	XVII
List of Figures	XIX
Abstract.....	XXIII
1 Introduction	25
1.1 Empirical puzzle.....	26
1.2 Theoretical puzzle	27
1.3 Theoretical argument.....	28
1.4 Methodology	30
1.5 EU's institutional environment.....	31
1.6 Structure of thesis.....	33
PART I	35
2 Literature review.....	37
2.1 Cohesion.....	37
2.2 State of the art.....	39
2.2.1 Definition.....	40
2.2.2 Explanations	43
2.3 Gap in research.....	50
3 Theory	53
3.1 Competing theories.....	54
3.2 Extra-regional set of variables.....	59
3.2.1 Economic power.....	60
3.2.2 Rival actors.....	64
3.2.3 Counterpart region.....	70
3.3 Intra-regional set of variables	79
3.3.1 Ideas and institutions	80
3.3.2 EU member states.....	83
3.3.3 Interest groups	89
3.4 Theories combining extra-regional and intra-regional factors	96

4	Methodology.....	99
4.1	Epistemology and ontology.....	99
4.2	Operationalization	100
4.2.1	Dependent variable.....	100
4.2.2	Extra-regional set of independent variables	101
4.2.3	Intra-regional set of independent variables	107
4.3	Case selection.....	110
4.4	Research design and data collection.....	112
4.5	Empirical sources	115
	 PART II.....	 119
5	Universe of cases.....	121
5.1	Latin America.....	122
5.1.1	EU-CAN negotiations on an Association Agreement	123
5.1.2	EU-Colombia, Peru, Ecuador FTA negotiations	125
5.2	Southern Africa	127
5.2.1	EU-Economic Partnership Agreement negotiations.....	129
5.2.2	EU-South Africa TDCA negotiations	130
5.3	Gulf region	132
6	South America	139
6.1	EU-MERCOSUR negotiations 1999-2004.....	140
6.1.1	Rival actors.....	141
6.1.2	Counterpart region cohesion.....	147
6.1.3	EU member states.....	155
6.1.4	Interest groups	159
6.2	EU-Brazil strategic partnership 2007	169
6.2.1	Rival actors.....	170
6.2.2	Counterpart region cohesion.....	176
6.2.3	EU member states.....	184
6.2.4	Interest groups	185
6.3	EU-MERCOSUR negotiations 2010 ongoing.....	195
6.3.1	Rival actors.....	196
6.3.2	Counterpart region cohesion.....	204
6.3.3	EU member states.....	212

6.3.4	Interest groups	215
6.4	Results	228
7	Southeast Asia.....	237
7.1	EU-ASEAN negotiations 2007-2010	239
7.1.1	Rival actors.....	241
7.1.2	Counterpart region cohesion.....	248
7.1.3	EU member states.....	257
7.1.4	Interest groups	259
7.2	EU-Singapore negotiations 2010-2013	269
7.2.1	Rival actors.....	270
7.2.2	Counterpart region cohesion.....	275
7.2.3	EU member states.....	284
7.2.4	Interest groups	286
7.3	Results	297
8	Conclusion.....	305
8.1	Comparison of case studies	307
8.2	Limitations of <i>commercial realism</i> and avenues for further research	312
8.3	Reflection on the EU as an international powerhouse.....	317
	References	321
	Annex I	355
	Annex II.....	365
	Annex III.....	369

Abbreviations

ACP	African Caribbean Pacific
AEC	ASEAN Economic Community
ASEAN	Association of the Southeast Asian Nations
BRICS	Brazil, Russia, India, China, South Africa
Coreper	Committee of Permanent Representatives
CAN	Andean Community
CSD	Civil Society Dialogue
CSAQ	Computerized Self-Administered Questionnaire
CU	Customs union
DG	Directorate General
EAI	Enterprise for ASEAN Initiative
ECB	European Central Bank
ECJ	European Court of Justice
EEAS	European External Action Service
EU	European Union
EP	European Parliament
EPA	Economic Partnership Agreement
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
FTAA	Free Trade Area of the Americas
FTP	Foreign Trade Policy
GAC	General Affairs Council
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
HIK	Heidelberger Institut für Internationale Konfliktforschung
ICJ	International Court of Justice
IDATD	Integrated Database of Trade Disputes
IG	Interest group
IIRSA	Initiative for the Integration of Regional Infrastructure in South America
IMF	International Monetary Fund
INTA	International Trade Committee

IPR	Intellectual Property Right
LLDC	Least developed countries
LDC	Less developed countries
MERCOSUR	Mercado Común del Sur
MS	Member State
NAFTA	North American Free Trade Area
NGO	Non-Governmental Organization
OECD	Organization for Economic Cooperation and Development
SADC	South African Development Community
SP	Strategic Partnership
TDCA	Trade, Development and Co-operation Agreement
TFSA	Task force South Africa
TIFA	Trade and Investment Framework Agreements
TTIP	Transatlantic Trade and Investment Partnership
TPC	Trade Policy Committee
TPP	Transpacific Partnership
UK	United Kingdom
UN	United Nations
U.S.	United States
WTO	World Trade Organization

List of Tables

Table 1: Operationalization of dependent variable	43
Table 2: Actors according to the two cleavages: society vs. economy and protection vs. liberalization.....	47
Table 3: Actors and preferences over outcome in commercial realism I.....	66
Table 4: Outcomes in commercial realism I	68
Table 5: Actors and preferences in commercial realism II	72
Table 6: Outcomes according to commercial realism II	79
Table 7: Actors and preferences in the liberal-institutional model	84
Table 8: Actors according to the two cleavages: society vs. economy and protection vs. liberalization.....	91
Table 9: Actors and preferences in commercial liberalism.....	92
Table 10: Outcomes according to intra-regional factors	96
Table 11: Operationalization of dependent variable	101
Table 12: The population of cases.....	112
Table 13: Dependent variable of first phase of EU-MERCOSUR negotiations	141
Table 14: Empirical evidence on rival actors in case study I.....	146
Table 15: Empirical evidence on South America's cohesion in case study I	154
Table 16: Empirical evidence on EU member states in case study I	159
Table 17: Empirical evidence on rival actors in case study I.....	168
Table 18: Impact of independent variables in EU-MERCOSUR negotiations, 1999-2004...	169
Table 19: Dependent variable of EU-Brazil Strategic Partnership	170
Table 20: Empirical evidence on rival actors in case study II	176
Table 21: Empirical evidence on South America's cohesion in case study II	183
Table 22: Empirical evidence on EU member states in case study II	185
Table 23: Empirical evidence on interest groups' influence in case study II	194
Table 24: Impact of independent variables in EU-Brazil Strategic Partnership 2007-ongoing	194
Table 25: Second phase of EU-MERCOSUR negotiations 2010-ongoing.....	196
Table 26: Empirical evidence on rival actors in case study III	204
Table 27: Empirical evidence on South America's cohesion in case study III.....	212
Table 28: Empirical evidence on EU member states in case study III.....	215

Table 29: Empirical evidence on interest groups' influence in case study III	227
Table 30: Impact of independent variables EU-MERCOSUR negotiations 2010-ongoing...	228
Table 31: Dependent variable of EU-ASEAN negotiations.....	241
Table 32: Empirical evidence on rival actors in case study IV	248
Table 33: Empirical evidence on Southeast Asia's cohesion in case study IV	257
Table 34: Empirical evidence on EU member states in case study IV	259
Table 35: Empirical evidence on interest groups' influence in case study IV	269
Table 36: Dependent variable of EU-Singapore negotiations.....	270
Table 37: Empirical evidence on rival actors in case study V	275
Table 38: Empirical evidence on Southeast Asia's cohesion in case study V	284
Table 39: Empirical evidence on EU member states in case study V	286
Table 40: Empirical evidence on interest groups' influence in case study V	296

List of Figures

<i>Figure 1: Conceptualization of EU foreign trade policy</i>	42
<i>Figure 2: Theory-testing framework</i>	51
<i>Figure 3: Causal mechanism in commercial realism I</i>	70
<i>Figure 4: Causal mechanism in commercial realism II</i>	78
<i>Figure 5: Causal mechanism in the liberal-institutional model</i>	89
<i>Figure 6: Causal mechanism in commercial liberalism</i>	91
<i>Figure 7: Certainty and uniqueness of expected empirical evidence of hypothesis 1 (rival actors)</i>	101
<i>Figure 8: Operationalization of cohesion</i>	105
<i>Figure 9: Certainty and uniqueness of expected evidence of hypothesis 2 (cohesion)</i>	106
<i>Figure 10: Certainty and uniqueness of expected evidence of hypothesis 3 (EU MS)</i>	108
<i>Figure 11: Certainty and uniqueness of expected evidence of hypothesis 4 (IGs)</i>	110
<i>Figure 12: Degree of MERCOSUR's cohesion 1997-2003</i>	148
<i>Figure 13: Trade between MERCOSUR's members and EU27 1995-1999</i>	150
<i>Figure 14: Share of interest groups lobbying in EU-MERCOSUR negotiations, 1999-2004</i>	161
<i>Figure 15: Frequency of interest group consultation, 1998-2000</i>	162
<i>Figure 16: Self-assessment of interest groups' influence in EU-MERCOSUR negotiations 1999-2004</i>	163
<i>Figure 17: Interest groups' preferred venue of negotiations in case study I</i>	165
<i>Figure 18: Interest groups' appreciation of EU-MERCOSUR negotiations 1999-2004</i>	166
<i>Figure 19: Trade flows between MERCOSUR's members and China 2001-2010</i>	172
<i>Figure 20: Degree of MERCOSUR's cohesion 2003-2007</i>	178
<i>Figure 21: Trade flows between MERCOSUR members and EU27 2003-2007</i>	180
<i>Figure 22: Trade flows between MERCOSUR members and China 2003-2007</i>	180
<i>Figure 23: Proportion of interest groups lobbying at EU-Brazil Strategic Partnership 2005-2007</i>	186
<i>Figure 24: Interest groups' frequency of consultation at EU-Brazil Strategic Partnership 2005-2006</i>	187
<i>Figure 25: Interest groups' self-assessment of influence EU-Brazil Strategic Partnership 2007</i>	188
<i>Figure 26: Interest groups' appreciation of the EU-Brazil Strategic Partnership</i>	190

<i>Figure 27: Interest groups' preferred venue (sectors aggregated) in case study II</i>	191
<i>Figure 28: Interest groups' preferred venue (sectors disaggregated) in case study II</i>	191
<i>Figure 29: MERCOSUR's trade relations with China 2003-2010</i>	198
<i>Figure 30: MERCOSUR's trade with the EU27, the US, China and Japan 2010</i>	200
<i>Figure 31: Degree of MERCOSUR's cohesion 2007-2010</i>	206
<i>Figure 32: Trade flows between MERCOSUR's members and EU27 2007-2010</i>	208
<i>Figure 33: Trade flows between MERCOSUR members and EU27 1997-2010</i>	208
<i>Figure 34: Share of interest groups lobbying at EU-MERCOSUR negotiations 2007-2010</i>	217
<i>Figure 35: Interest groups' frequency of consultation during EU-MERCOSUR negotiations 2007-2010</i>	218
<i>Figure 36: Interest groups' self-assessment of influence on EU-MERCOSUR negotiations 2010-ongoing</i>	219
<i>Figure 37: Interest groups' appreciation (sectors aggregated) of EU-MERCOSUR negotiations 2010-ongoing</i>	222
<i>Figure 38: Interest groups' appreciation (sectors disaggregated) of EU-MERCOSUR negotiations 2010-ongoing</i>	222
<i>Figure 39: Interest groups' preferred venue (sectors aggregated) EU-MERCOSUR negotiations 2010-ongoing</i>	223
<i>Figure 40: Interest groups' preferred venue (sectors disaggregated) EU-MERCOSUR negotiations 2010-ongoing</i>	224
<i>Figure 41: Interest group sectors at the Commission's consultation on the EU future trade policy (2010)</i>	225
<i>Figure 42: Empirical results EU's foreign trade policy towards South America 1999-2010</i>	230
<i>Figure 43: Process tracing tests on EU's foreign trade policy towards South America 1999-2010</i>	234
<i>Figure 44: Hypothesis testing on EU's foreign trade policy towards South America 1999-2010</i>	235
<i>Figure 45: ASEAN's exports to EU27, U.S., China, and Japan as percentage of total exports, 2005-2010</i>	242
<i>Figure 46: Degree of ASEAN's cohesion 2005-2008</i>	250
<i>Figure 47: Trade between ASEAN6's members and EU27 2005-2007</i>	253
<i>Figure 48: Share of Interest groups lobbying at EU-ASEAN negotiations 2006-2009</i>	261

<i>Figure 49: Interest groups' frequency of consultation at EU-ASEAN negotiations 2007-2009</i>	262
<i>Figure 50: Interest groups' self-assessment of influence on EU-ASEAN negotiations 2007-2009</i>	263
<i>Figure 51: Interest groups' appreciation (sectors aggregated) of EU-ASEAN negotiations 2007-2009</i>	265
<i>Figure 52: Interest groups' appreciation (sectors disaggregated) of EU-ASEAN negotiations 2007-2009</i>	266
<i>Figure 53: Interest groups' preferred venue (sectors disaggregated) EU-ASEAN negotiations 2007-2009</i>	2675
<i>Figure 54: Interest groups' preferred venue (sectors disaggregated) EU-ASEAN negotiations 2007-2009</i>	267
<i>Figure 55: Singapore's trade with the EU27, the U.S., China, and Japan in 2009</i>	271
<i>Figure 56: Degree of ASEAN's cohesion 2009-2011</i>	278
<i>Figure 57: Trade between ASEAN6 and EU27 2005-2010</i>	279
<i>Figure 58: Trade between ASEAN6 and the US 2005 to 2010</i>	280
<i>Figure 59: Trade between ASEAN6 and China 2005-2010</i>	280
<i>Figure 60: Interest groups' lobbying on EU-Singapore negotiations 2010-2012</i>	288
<i>Figure 61: Interest groups' frequency of consultation on EU-Singapore negotiations 2010-2012</i>	289
<i>Figure 62: Interest groups' self-assessment of influence on EU-Singapore negotiations 2010-2012</i>	290
<i>Figure 63: Interest groups' appreciation (sectors aggregated) of EU-Singapore negotiations 2010-2012</i>	292
<i>Figure 64: Interest groups' appreciation (sectors disaggregated) of EU-Singapore negotiations 2010-2012</i>	292
<i>Figure 65: Interest groups' preferred venue (sectors aggregated) EU-Singapore negotiations 2010-2012</i>	293
<i>Figure 66: Interest groups' preferred venue (sectors disaggregated) EU-Singapore negotiations 2010-2012</i>	294
<i>Figure 67: Empirical results EU's foreign trade policy towards Southeast Asia 2007-2012</i>	299
<i>Figure 68: Process-tracing tests on EU's foreign trade policy towards Southeast Asia 2007-2012</i>	301

<i>Figure 69: Hypothesis testing on EU's foreign trade policy towards Southeast Asia 2007-2012</i>	
.....	302
<i>Figure 70: Descriptive results of the dependent variable in primary and secondary cases..</i>	308
<i>Figure 71: Analytical results of primary and secondary cases</i>	310

Abstract

Since 2006, the European Union (EU) has increasingly made use of bilateral trade relations, and thus departed from its earlier commitment to interregionalism and multilateralism. Two examples for this are the EU's shift from interregional to bilateral relations with the Mercado Común del Sur (MERCOSUR) and its regional power, Brazil, and with the Association of Southeast Asian Nations (ASEAN) and its economically most important member Singapore. This turn to bilateralism is particularly puzzling in the cases of MERCOSUR and ASEAN because of the EU's long-lasting relationship with these regional organizations and because of the EU's financial support for their regional integration. Drawing on realist theorizing, this turn to bilateralism can best be explained by the EU's motivation to secure its economic and regulatory power in South America and Southeast Asia, and by the regions' varying levels of cohesion. Factors rooted in the international system rather than inner-institutional characteristics have shaped the EU's trade policy which calls the explanatory power of liberal approaches into question. Testing an alternative theoretical model coined *commercial realism* against commercial liberalism and the principal-agent framework, the analysis sets out the scope condition of theorizing and analyzing EU external economic policy from a realist perspective. Employing original data from 165 media press articles, 48 standardized interviews from a survey by Dür and De Bièvre (2007), 44 standardized interviews from an original survey with interest groups enrolled in the Civil Society Dialogue, 66 consultation sheets of the European Commission's consultation on EU future trade policy, and 46 elite interviews, this thesis analyzes the EU's recent switch in approach in a comparative fashion. A combination of primary and secondary cases, triangulation of data and methods, and a combination of research strategies, including rigorous process-tracing, maximizes the research design's external and internal validity.

1 Introduction

What kind of power – civilian, normative, ethical, or market-driven – is the European Union (EU)? Academic literature on EU external relations has made the argument that there is something distinct about the European approach to international relations, and that this distinctive feature is the civilian, normative, or ethical power the EU relies on to further its ends (Sjursen 2006: 170). Such civilian, normative, or ethical power uses diplomacy or diffusion in contrast to other more material means such as coercion or military force. Duchêne (1972) and Manners (2002) have shaped this view, respectively putting forward their concepts of Europe’s civilian and normative power. Criticizing the blind spot of normative power Europe with regard to the EU’s pro-market identity, Damro (2012) provides a competing view: market power Europe. This is defined by market integration, regulatory institution, and interest contestation as the EU’s crucial features feeding into internal and external policies.¹

Since Manners’ (2002) publication on normative power Europe appeared, there has been a surge in the literature produced on testing this concept empirically (Elgström and Larsén 2010; García and Masselot 2015; Orbie et al. 2005; Storey 2006; Szymanski and Smith 2005; Zimmermann 2008) and on defining the relationship between values and material interests (Martin-Mazé 2015; Zimmermann 2008). This relationship is often competitive (Birchfield 2011; Orbie 2011; Zimmermann 2008) in such a way that values are in conflict with material interests. One situation in which there might be a tension between values and material interests is in EU trade agreement negotiations with regions beyond Europe. The EU has a declared interest in supporting regional integration beyond Europe. Therefore, interregionalism “has developed into one of the foundations of its [European] (*added by author*) foreign policy” (Börzel and Risse 2009) and has become a “foreign policy ‘doctrine’” (Hettne and Söderbaum 2005: 536) of Europe in such a way that such interregionalism is intended to trigger regionalism (Hänggi 2003). This commitment to interregional relations might interfere and conflict with material interests when the EU tries to reach trade agreements with regional actors. Such an interference occurs precisely when interregional negotiations inhibit the conclusion of an ambitious trade agreement.

¹ Laura Allison (2015: 21-36) provides an overview of the debate on what sort of power the EU is.

1.1 Empirical puzzle

On the one hand, the EU has committed itself to ‘effective multilateralism’ (Commission 2003), and to interregionalism in dealing with developing regions beyond Europe. On the other hand, the EU has applied very different foreign policy instruments when dealing with the wider world, among them the recent use of bilateralism in the form of region-to-country negotiations or Strategic Partnerships (SP) with important partners. This inconsistency in external relations has been especially apparent in the EU’s foreign trade policy (FTP). In its trade relations with third parties, the EU has sometimes made simultaneous use of multilateralism, interregionalism, and bilateralism. Although these concepts are not irreconcilable, they are also not “necessarily compatible” (Renard 2015: 1).

In using these ‘-isms’, the EU has set up a dense network of economic relations in varying forms with partners around the globe. These relations reach from New Zealand to Canada, and from South Africa to the Ukraine, thereby covering North, Central, and Latin America, Africa, the Pacific, Eurasia, and Asia. In tackling the entire globe, the EU has made use of trade agreement negotiations of all possible kinds: Association Agreements (AA), Economic Partnership Agreements (EPA), Free Trade Agreements (FTA), Sector-specific Agreements, and most recently SPs. Some of these agreements target traditional trade issues only (trade in goods or trade in agriculture) while others also target non-traditional issues such as non-tariff trade barriers, investments, and services. These agreements therefore vary in the inclusion of political values, scope of partners, and scope of issues.

The EU has varied trade agreement negotiations in these dimensions (values, scope of partners, and scope of issues) not only across but also within certain regions. Varying trade agreement negotiations in favor of bilateralism is surprising given the EU’s simultaneous commitment to interregionalism and multilateralism, and it was particularly puzzling in two cases: the EU’s relations with the Mercado Común del Sur (MERCOSUR) and the Association of Southeast Asian Nations (ASEAN). With both regional organizations, the EU has maintained long-lasting interregional relations, and has provided financial and technical support to regional integration therein. Nevertheless, the EU shifted from interregional trade negotiations to bilateralism with MERCOSUR’s regional power, Brazil, and ASEAN’s most important economic member, Singapore. In 2007, it launched an SP with Brazil, thereby departing from interregional negotiations on an AA with MERCOSUR, and, in 2010, it started FTA talks with Singapore, thereby departing from interregional FTA negotiations with ASEAN. In view of this

inconsistency, the obvious question is why the EU has such varying designs of trade relations with third partners? More specifically, why has the EU shifted from interregional to bilateral relations with Brazil and Singapore? In answering this question, this thesis shows that factors rooted in the international system have shaped the EU's external economic policy rather than inner-institutional characteristics which calls conventional liberal approaches into question and asks for an alternative explanation.

1.2 Theoretical puzzle

Analyzing interregionalism and bilateralism, the academic literature has highlighted the EU's endogenous motivation – originating internally in the EU bureaucracies – for one or the other venue. Some scholars have argued that the EU has an intuitively fixed preference for interregionalism, because regionalism resembles the European history and model of regional integration (Doctor 2015: 970 ff; Rüländ 2010: 1278 f.). Hänggi (2003), for instance, has claimed that interregionalism supports regional integration: a claim which scholars have begun to assess empirically ten years hence (e.g. Doctor 2015). The EU's increasing use of bilateralism since 2006, too, has been perceived as an endogenous change of EU preferences based on the Global Europe paper (Commission 2006) (see, for instance, Furby, 2012). This paper, released in 2006, makes explicit the pragmatic nature of FTP, but does not contain much information about the EU's preferred design of negotiations. As opposed to emphasizing bilateralism, it highlights *MERCOSUR* and other *regions* as a priority (Commission 2006). An alleged endogenous shift of preferences within the European Commission (hereafter Commission) cannot explain why the EU varied the design of FTP before 2006, when, for instance, it switched from a bilateral agreement with South Africa (1999) to an interregional approach (2007). Neither can an endogenous shift of preferences explain why the EU returned to interregional relations with some partners after 2006.

Ideational liberalism and constructivism drawing on European endogenous factors lack a straightforward explanation of the EU's increasing use of bilateralism and apparent inconsistency in external trade relations. Ideational liberalism would expect comprehensive multilateralism as the EU's foreign policy instrument, thereby liberalizing all sectors with a maximum of countries in one agreement. Constructivism would expect interregionalism as the EU's principal foreign policy instrument based on the assumption that this tool “has developed into one of the foundations” (Börzel and Risse 2009) and the “foreign policy ‘doctrine’” (Hettne

and Söderbaum 2005: 536) of Europe. Because ideational liberalism and constructivism give no straightforward answer as to why the EU has turned to bilateralism, core features of realist theorizing provide analytical leverage to explain this change by revealing the impact of external factors.

1.3 Theoretical argument

Applying realist theorizing to the EU and to international trade might seem, at first glance, counterintuitive. There are good reasons, however, to treat the EU as a unitary actor in external economic relations on the international stage, and to treat economics as one feature of power. Due to the dominance of neo-realism (Waltz 1979), it is worth noting that the theoretical model presented here relies on core characteristics of realist theorizing rather than representing one of the typical ‘realisms’: neo-realism (Waltz 1979), offensive realism (Mearsheimer 2001), or classical realism (Morgenthau 1951). Realism’s core features are the assumptions of “groupism”² (Wohlforth 2008: 133), which involves autonomous state-like entities; the common, ‘egoistic’ interests of such an entity; its fear of losing security based on international anarchy; relative gains in international relations, and the primacy of power (Kirshner 2010: 55 ff.). “[W]hen physical security appears secure” (Kirshner 2010: 55) – a real situation among great powers in the twenty-first century – state-like entities have other, e.g. economic, goals. Striving for such goals, the EU’s actor-ness in external economic relations relies on the highly communitarized FTP, of which the Commission is in charge (Drezner 2007).

Drawing on core features of realist theorizing, the EU as a unitary, autonomous actor seeks to secure its power on the international stage as an end in itself. The primary motive for this goal is fear for physical security and all its related aspects so that “security is a principal and urgent desire” (Kirshner 2010: 55). Security and relatedly power encompass roughly three dimensions: military, economics, and diplomacy (Carr 1946). In situations where physical security is given, state-like entities vary their motivation for gaining more power relative to other actors to other goals (Kirshner 2010: 55) such as economic or ‘soft’ power (Nye 2004). Such a shift has happened among great powers in the twenty-first century because state-like

² This groupism is why Thucydides (1819) and Machiavelli (1990), investigating the war between Sparta and Athens and the power of Italian republics and monarchies, respectively, are considered to be the ancestors of realism.

entities such as the United States (U.S.), the EU, or China do not have to fear for their sovereignty or territorial integrity. Their focus has therefore been redirected towards economics, which is just one facet of power (Mastanduno and Kapstein 1999: 5; Kolodziej 2005: 129-138; Schweller 2006: 13).

“Factoring in the EU’s evolution as an international actor along with the gradual emergency of multipolarity in the international system” (Ross Smith 2014: 585) and the EU’s increasing use of bilateralism, realist theorizing can add to the debate on EU FTP. Drawing on core characteristics of realist theorizing, and analyzing competition for economic power, the theoretical model shall be called *commercial realism*. In coining this term, such a theoretical model borrows from Moravcsik’s (1997) reformulation of liberal International Relations theory in commercial liberalism. *Commercial realism* is therefore a non-ideological reformulation of realist International Relations theory into an appropriate form for empirical social sciences. This theoretical model builds on basic realist assumptions (that is groupism, a common egoistic interest, fear of losing security, relative gains, and primacy of power) from which it derives positive explanations and hypotheses. Being parsimonious, coherent, empirically accurate, and specific about multi-causal consistency (Moravcsik 1997; chapter 3.1 and 3.4), *commercial realism* is a legitimate theoretical alternative to commercial liberalism, constructivism, and institutionalism.

Such “-isms” – *commercial realism* or commercial liberalism – matter because they have specific but diverse expectations and conclusions, and it is important to understand scope conditions of each “-ism” (Kirshner 2015: 155). Identifying the scope conditions of realist theorizing, *commercial realism* shall be tested against competing theoretical models rooted in International Relations which theorize liberalism and institutionalism: commercial liberalism and a principal-agent approach. Testing a respective set of extra-regional, independent variables derived from *commercial realism* against a set of intra-regional, independent variables, this research design is most appropriate to the discovery of the strengths and weaknesses of realist theorizing in explaining EU external economic policy. *Commercial realism* argues that the EU’s variation of FTP is a result of its attempt to secure economic and regulatory power vis-à-vis rival actors in third regions and those regions’ varying degree of cohesion, or *team spirit*. It would expect extra-regional factors to explain FTP: the concrete outcome comprehensive interregionalism where competing actors have broad trade relations *and* the counterpart region is cohesive. An alternative explanation for this are the pressure from interest groups and EU member states’ (MS) heterogeneity of preferences stemming, respectively, from commercial

liberalism and a principal-agent framework. In contrast to *commercial realism*, a combination of these factors would expect comprehensive bilateralism where export-oriented actors' lobby efforts are high and EU MS have heterogeneous preferences. In some respects, testing realist theorizing on EU external *economic* policy is a least likely case, because we would expect the least validity of realism in international trade compared to high politics such as military affairs.

1.4 Methodology

In testing *commercial realism* as a positive social science theory against commercial liberalism and the principal-agent framework, this thesis is committed to Karl Popper's (1982) epistemology of falsifying hypotheses. A test of hypotheses derived from each competing theoretical model maximizes the internal validity of *commercial realism*. Maximizing the external validity of *commercial realism*, a complementary case selection of primary cases and secondary cases from the whole population (borrowed from David Levi-Faur's (2006) stepwise comparative approach) bridges the gap between depth and width of empirical investigation. Primary cases are the EU's relations with MERCOSUR and Brazil, and ASEAN and Singapore. Secondary cases are the EU's relations with the Andean Community and Columbia, Peru, and Ecuador, with the Southern African Development Community (SADC) and South Africa, and with the Gulf Cooperation Council (GCC).

Data triangulation of a large set of empirical sources, between-method triangulation of data gathering (Denzin 1970: 301-310), and a triangulation of research strategies maximize the research's internal validity. Triangulating data from a large set of empirical sources comprise trade data, EU documents, 165 newspaper articles from Mercopress, 48 standardized interviews from a survey by De Bièvre and Dür (2007), 44 standardized interviews carried out in an own survey with interest groups (IG) enrolled in the Commission's Civil Society Dialogue (CSD), 66 consultation sheets of the EU public consultation on future trade policy (2010), and 46 semi-structured interviews with elites from EU, MERCOSUR, and ASEAN member states. Between-method triangulation of data gathering relies on document and data analysis, standardized interviews, and semi-structured elite interviews. By combining hypothesis testing, congruence testing, and rigorous process-tracing, the triangulated research strategy makes the empirical test of *commercial realism* as robust as possible.

A caveat before proceeding needs to emphasize that this analysis is restricted to the state-like entity-level as the unit of analysis. That is, the entity that is analyzed (Long 2004:

1157) is the states and the state-like EU. On the dependent variable, the unity of observation – the item on which data is to be collected and measured (Long 2004: 1157 f.) – is the EU's negotiation mandate. This means that the investigation does not cover the bargaining rounds of trade negotiations nor the trade agreements as an outcome. Therefore, the thesis makes a second image analysis of foreign policy, which allows the researcher to distinguish systemic and domestic factors as independent variables.

1.5 EU's institutional environment

Focusing on the Commission's negotiation mandate as the unit of analysis, chapter 1.5 reviews the EU's FTP decision-making process. Thanks to the exclusive competence in trade, FTP represents one of the most communitarized EU policies. In 1957, EU MS set the initiative for a common commercial policy established by the Treaty of Rome. They agreed on a common customs tariff and a common commercial policy towards third countries. Article 113 (Treaty of Rome 1957) specified the respective decision-making process and ascribed competences to the Commission and the Council, with particular regard to the conclusion of tariff and trade agreements. The Commission and the Council were central in FTP decision-making as the Commission made recommendations to the Council, which authorized the Commission to open trade negotiations with third partners. Formally, the Council made this authorization by qualified majority, and followed negotiations through an appointed special committee. Having authorized the Commission, this authorization secured that Europe would speak with one voice in trade negotiations (Meunier and Nikolaïdis 1999: 479; Woolcock 2005: 3). The final agreement also needed to be ratified by the Council by qualified majority. In practice, FTP decision-making differed from the formal treaty provisions. According to Meunier and Nikolaïdis (1999) key discussions occurred in Committee 113, which examined Commission proposals before handing them over to the Council. After examination and amendment, the proposal was transferred to the Committee of Permanent Representatives (Coreper) and the General Affairs Council (GAC). These two committees made *de facto* decisions by consensus despite the formal qualified-majority vote, after which they gave the Commission a negotiation mandate.

Until 1994, these treaty provisions, and, thus, FTP, remained unchanged (Meunier and Nikolaïdis 1999: 480). Because there was ambiguity regarding the extent to which the Commission had exclusive competences in FTP, it pledged the European Court of Justice (ECJ)

to confirm exclusive competence in all fields belonging to trade in order to conclude a World Trade Organization (WTO) agreement (Hilf 1995). Publishing its opinion in November 1994, the ECJ affirmed the EU's exclusive competence in traditional trade, but concluded that non-goods trade issues would be shared competences. Thus, services, intellectual property rights (IPR), and transport were explicit shared competences, making negotiations with third actors much more complex (ECJ 1994). This opinion deepened institutional struggles between the Commission and the EU MS regarding FTP:³ the Commission pressed for more exclusive competences, while EU MS tried to preserve sovereignty concerning non-goods trade issues, especially in the services and investment sectors. Trying to relax this struggle, article 113 was put on the agenda of the Amsterdam Intergovernmental Conference (1996), in which EU MS agreed to its amendment (Meunier and Nikolaïdis 1999: 493). This amendment enabled the Council, for instance, to add a trade issue, services or investments to the article without changing the treaty (Woolcock 2005).

The Lisbon Treaty (2007) finally put an end to institutional struggles between the Commission and EU MS regarding the scope of exclusive competences in trade policy-making (Pollet-Fort 2010). The treaty streamlined EU FTP and subsumed it within the "context of the framework of principles and objectives of the Union's external action" (Art. 207(1) Treaty of Lisbon 2007). Thereby, the EU brought to an end the division between joint and mixed agreements because the treaty provisions affirm exclusive competence in all trade aspects (Woolcock 2008: 3). Now, FTP formally comprises trade in goods, services, IPR, and matters of foreign direct investments. Another major implication of the Lisbon Treaty was the increased role of the European Parliament (EP) in the negotiation of external trade agreements. FTP was transferred to the ordinary legislative procedure, which implies that the Council *and* the EP have to approve an international agreement (Woolcock 2008: 1). In addition to the right to ratification, the EP can request information on ongoing negotiations from the Commission in the EP's committee on international trade (INTA) (Woolcock 2008: 5). This has massively

³ A further institutional struggle arises over the trade-off between the issues of trade and development which belong to different directorates of the Commission. This trade-off might in particular affect negotiations with former colonial countries such as in South Africa (see also Aggarwal and Fogarty 2004: 28). In addition, direct investments were regulated by the MS and did not explicitly belong to the EU's exclusive trade competence.

improved the EP's power in FTP. Nevertheless, until now there has been no (formal) involvement of the EP in designing the negotiation mandate.

1.6 Structure of thesis

Part I of this thesis reviews the state of the art and introduces conceptual clarifications in chapter 2. In chapter 3, it explains *commercial realism* as a competing theory to commercial liberalism and the principal-agent framework in analyzing EU FTP. From these theoretical models, chapter 3 derives hypotheses and observable process-tracing evidence for the empirical investigation. The operationalization of variables, methodology, and empirical sources are laid out in chapter 4. Part II reviews research on the secondary cases of the universe of cases based on secondary literature in chapter 5. Chapter 6 analyzes the EU's relations with South America, and chapter 7 the EU's relations with Southeast Asia. Each chapter starts out with a description of the dependent variable's outcome, proceeds with an analysis of each independent variable, and summarizes the findings. Chapter 8 summarizes the results of empirical research, shows avenues for further research, and reflects on the results' impact on what kind of power the EU is.

PART I

2 Literature review

Chapter 2 identifies crucial concepts for the study of EU FTP and the gap of research based on a comprehensive literature review. Crucial concepts for this thesis are a definition of EU FTP and of cohesion, explained in chapter 2.2.1 and 2.1 respectively. Chapter 2.2 reviews existing explanations for EU FTP and, based on this, crystallizes the rationale for the research question.

2.1 Cohesion

Cohesion is a slippery concept, and one which has appeared mostly in constructivist International Relations literature as collective identity (Bretherton and Vogler 2006; Hemmer and Katzenstein 2002; Greenhill 2008; Risse-Kappen 1995; Wendt 1994), or “we-feeling” (Deutsch 1957). In other contexts, cohesion appeared as one factor of actor capacity (Jupille and Carporaso 1998), or as an active endeavor “aimed at the reduction of regional and social disparities” (Hooghe 1996) within a group. Either used as a fact or as a process, cohesion describes the “positive identification” (Wendt 1994: 386) of an actor with a group. This identification helps actors to construct a group (Hemmer and Katzenstein 2002: 587) based on a feeling of solidarity (Wendt 1994: 386), which is a continuous dimension rather than a dichotomy. When an actor identifies with being a member of a group, it treats insiders differently than outsiders (Hemmer and Katzenstein 2002: 587), and, thus, collective identity not only influences the perception of group members towards outsiders (Bretherton and Vogler 2006: 223), but also of outsiders towards the group.

Defining this fuzzy concept of cohesion,⁴ one can borrow from the literature of psychology and sociology. There, the baseline of cohesion is that it is a feature of a group with limited members. Cohesion is very much intertwined with a group, and, as such, it is a property of a group (Carron and Brawley 2000). If we understood cohesion as mere interdependence, this would arguably be a tautology since a group can hardly exist without members that are, to some degree, interdependent. Describing more than just interdependence, cohesion implies a

⁴ Cohesion is ‘fuzzy’ because it grasps team spirit, something for which no objective indicators exist. Social science indicators can thus only come close to the concept but cannot measure it as an exact outcome.

certain degree of unity. The Cambridge dictionary (2014), for example, defines cohesion as a “[s]ituation when members of a group or society are united”, and the Oxford dictionary (2014) defines it as “the action or fact of forming a united whole”. Cohesion, thus, is more than interdependence, it is the group’s members’ sticking together like “particles of the same substance” (Oxford dictionary 2014), to use a physics analogy. Further, cohesion can describe a process or a situational character, and is continuous rather than dichotomous.

These dictionary definitions correspond to definitions in psychology and sociology. Festinger et al. (1950) describe cohesiveness as “the “cement” binding together group members”, and Carron and Hausenblas (1998) describe cohesion “as a dynamic process that reflects a group’s tendency to stick together and remain united in satisfying member needs”. Carron and Hausenblas’s (1998) definition points out the difference between cohesion and collective identity. Cohesion can be short term and is linked to an instrumental dimension of the satisfaction of needs. Collective identity, in contrast, is long term and exist as an ends in itself in that it is “overarching” (Greenhill 2008: 345) and “meaningful” (Greenhill 2008: 346). The instrumental character of cohesion implies that group members “all agree about something” (Cambridge dictionary 2014), and therefore cohesion requires substance. This content of cohesion obviously varies between policies, dimensions, or even academic disciplines, which goes some way to explaining the concept’s slipperiness.

Cohesion is also multi-faceted, because it can refer to different dimensions of substance. Beal et al. (2003) point out that cohesion is a “culmination of factors”, which means that its substance covers various components. One component involves the specific tasks a group should fulfill, which, in international relations, is the representation of a group to the external environment. *Cohesion* is therefore the *process or fact of sticking together and remaining united in satisfying members’ interests*. Group members are united when they agree on the goal of representing the group to the external environment covering economic and political relations. To a large degree, satisfaction of members’ needs, and, thus, cohesion, depends on members’ interests. The more divergent these interests are, the more difficult it is to represent the group to the external environment, the less united the members are, the more difficult their “sticking together” and, consequently, the less cohesion there is. Cohesion, in brief, presents a low degree of diverging interests, and non-cohesion presents a high degree of diverging interests (Da Conceição-Heldt and Meunier 2014). The concept is similar to the one of cohesiveness, which Da Conceição-Heldt and Meunier (2014: 964) describe as follows:

“The concept [...] captures the intuition [...] [to] (*added by author*) be more effective on the international scene by being united internally. It is a measure of the resistance of the members to leave the group, their willingness to co-ordinate their efforts, and their overall level of ‘team spirit’. When it comes to displaying cohesiveness to the rest of the world, it is the degree to which the group comes up with a single message and manages to present that message with a single voice, without members of the group breaking away and undermining the collective message.”

2.2 State of the art

Despite both the salience of trade negotiations and despite the potential contribution of their studies to comparative regional integration, international trade, and international relations, the relevant literature has been relatively slim (Dür and Zimmermann 2007: 775). Research on EU foreign trade policy-making was, compared to other policies, “underdeveloped, both theoretically and empirically” (Poletti and de Bièvre 2013: 2). Within the last six years, the research field of EU trade policy has become very dynamic, and, by now, there is a vibrant debate in the literature on state- versus society-centered explanations (Eckhardt and Poletti 2015), on the relationship between political and economic issues (e.g. the *Contemporary Politics*’ special issue, vol. 20 (1), on ‘Perspectives on the trade-development nexus in the European Union’) and on moving to quantitative methods (Dür et al. 2014). A gap in research exists, however, on EU FTP’s projection in the international arena and towards developing countries, and on interregionalism as one form of trade negotiation. Indeed, interregionalism is particularly under-researched (Söderbaum et al. 2005), compared to other forms such as multilateralism.

Starting from the literature review on EU foreign economic policy published by Poletti and de Bièvre (2013),⁵ chapter 2.2 moves beyond this evaluation in two respects. First, chapter 2.2.1 embeds the study of EU FTP in the broader literature on foreign economic policy, and thereby provides a definition on FTP. Second, chapter 2.2.2 points out that there is a particular gap in research on the design of FTP, highlighting the neglect of the counterpart region in

⁵ For a literature review on the EU foreign economic policy before the 2000s see Ginsberg’s (1999) article in the *Journal of Common Market Studies*.

research on EU FTP, which is surprising given the intuitively straightforward influence on EU foreign trade policy-making.

2.2.1 Definition

The theoretical models used in this thesis treat the EU as a state-like actor in FTP. This assumed actor-ness rests on the highly supranationalized trade policy and the high degree of economic interdependence between EU MS. Drezner (2007) argues that, although diverse EU MS' preferences may remain, especially regarding historical and cultural ties with developing countries, trade is one of the most communitarized policies with exclusive EU competence. Theoretically and empirically, academic literature has already modeled the EU as a unitary actor, and has ascribed it a collective interest in the international arena. Various studies (Elgström and Larsén 2010; Meunier 2007; Zimmermann 2007) provide empirical evidence that support the assumed actor-ness in trade negotiations.

Departing from this, Smith (2004) elaborates on the EU foreign economic policy as if the EU were a state. He “adopts the view that it can be identified with the performance of state economic functions in the external domain” (Smith 2004: 76). FTP is a subset of foreign economic policy because it is restricted to milieu goals. Foreign economic policy covers all governmental actions and functions to achieve foreign economic aims (Tooze 1994: 60; Smith 2004: 78), which are both possession and milieu goals. Possession goals target domestic welfare and domestic assets, while milieu goals target the external environment, and thereby contribute only indirectly to domestic assets. The goal of FTP is to promote favorable external economic conditions for a state, and therefore covers all actions in the global economy that promote milieu goals and contribute to absolute or relative commercial gains.

Dividing FTP into objectives and instruments (Bożyk 2006; Katzenstein 1978), trade negotiations and their design belong to the latter category. One variation of FTP design as an instrument is the venue of trade negotiations: multilateral, interregional, plurilateral, or bilateral (figure 1). Treating the EU as unitary actor, the definition of these venues relies on the counterpart region (Aggarwal 2005). If the EU negotiates with all member states of a regional organization plus at least one further state, this is multilateralism. If the EU negotiates with the

exact number of member states of a regional organization, this is interregionalism.⁶ If the EU negotiates with at least two member states of a regional organization, this is plurilateralism. If the EU negotiates with exactly one member state of a regional organization, this is bilateralism.

⁶ There have been varying definitions of interregionalism in the literature. Roloff (2006) defines interregionalism as a “process of widening and deepening political, economic, and societal interactions between international regions”. Söderbaum and Langenhove (2005), too, understand interregionalism as such a process or an outcome. Ruggie (1992) defines interregionalism as one form of multilateralism. However, these conceptualizations help us little in contrasting interregionalism to other “-isms” such as multilateralism or bilateralism.

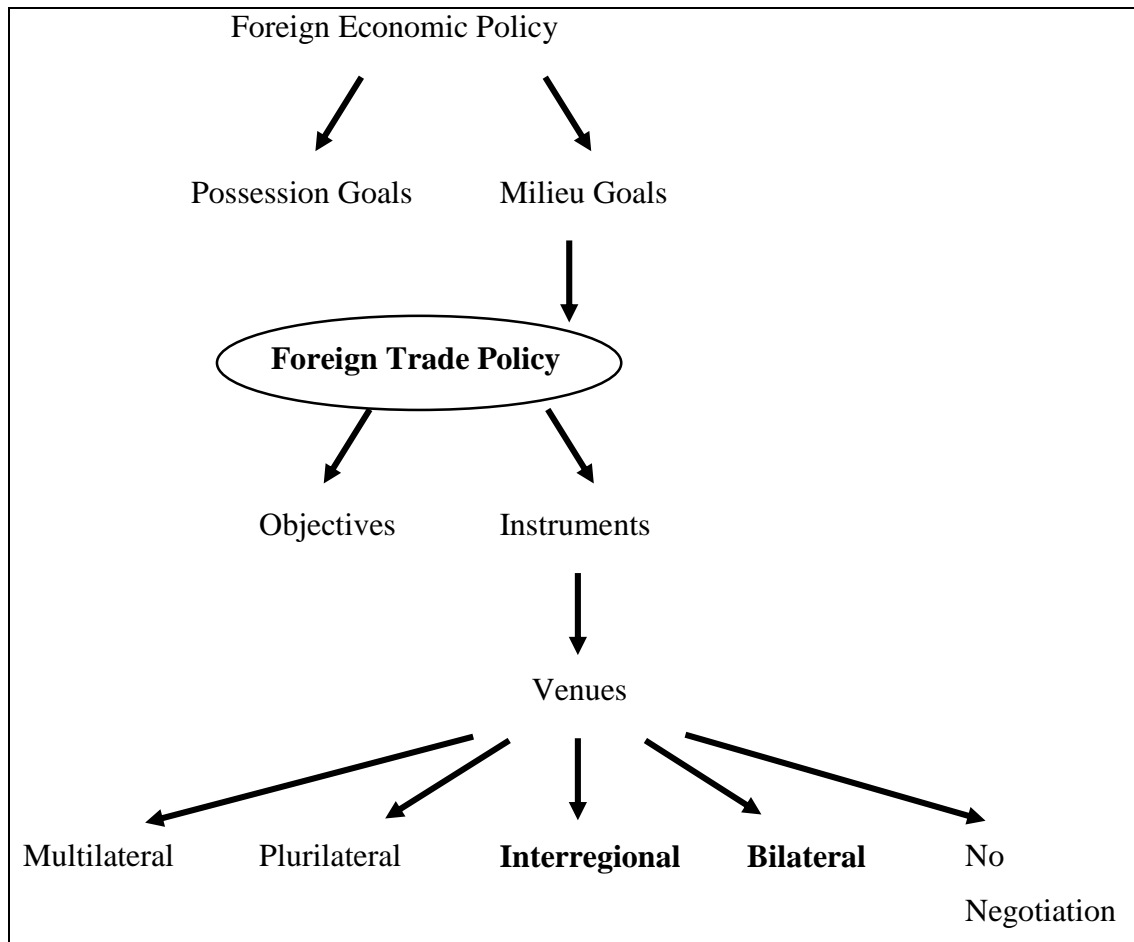


Figure 1: Conceptualization of EU foreign trade policy

Reference: Own Illustration

Another variation of FTP design as an instrument is the issues included in trade negotiations. Some scholars (Bożyk 2006: 11) have limited the understanding of FTP to tariffs in trade in goods or trade in agriculture only. Non-traditional trade issues such as investments, services, or non-tariff trade barriers have, however, become increasingly important for industrialized states, so that it makes sense to include them in a holistic understanding of FTP. Traditional and non-traditional trade-related issues contribute to a favorable external economic environment. Tackling these issues in trade negotiations, the EU can include a comprehensive package of all issues in a single undertaking, or it can include a selective number of issues, e.g. trade in goods only. Gathering together venues and issues of trade negotiations in one framework, the EU can vary the design of FTP along four outcomes (table 1): an interregional venue and a comprehensive set of issues; an interregional venue and a selective set of issues; a bilateral venue and a comprehensive set of issues; a bilateral venue and a selective set of issues. These four possibilities constitute the outcomes of the thesis' dependent variable.

Table 1: Operationalization of dependent variable

	Comprehensive	Selective
Interregional	Comprehensive interregionalism	Selective interregionalism
Bilateral	Comprehensive bilateralism	Selective bilateralism

Reference: Own illustration

2.2.2 Explanations

The vast majority of explanations in the literature have a liberal-institutional background and focus on institutional or societal explanations (Poletti and de Bièvre 2013). From an institutional perspective, scholars argue that conflicts over competences in trade between the Commission and EU MS influence EU FTP (Baldwin 2006; Billiet 2006; Da Conceição 2010; Delreux and Kerremans 2010; Elgström and Larsén 2010; Elsig 2007a). From a liberal perspective, scholars argue that IGs,⁷ which try to capture the EU, influence trade decision-making on a European level (Bièvre and Dür 2005; Dür 2007; Dür and De Bièvre 2007; Gerlach 2006; Reichert and Jungblut 2007; Woll 2010).⁸ There are very few contributions to the explanation of FTP from a realist perspective (Aggarwal and Fogarty 2004; Zimmermann 2007). The literature on FTP is far from homogeneous, which chapter 2.2.2 evaluates in the following sections, moving from an institutional, to a liberal, to a realist perspective.

⁷ For a general overview of the literature on interest groups see Baumgartner and Leech (1998).

⁸ Milner and Judkins (2004) have analyzed the influence of political parties on foreign trade strategies, but on a domestic, not a European level.

Institutional perspective

Explanations inspired by the argument that EU institutions and EU MS fight for the distribution of competences focus on two aspects of trade policy-making. On the one hand, they attempt to explain why the EU negotiates with third actors in certain cases while it does not in others; on the other hand, it implicitly emphasizes the *issue*, which they negotiate.

Generally, the literature assumes that the Commission, which is supposed to negotiate on behalf of the EU with external states and organization, is in favor of liberalization (Da Conceição 2010: 1113). The argument goes that the Commission's main interest is to enter into negotiations about any trade deal in order to secure its institutional competences in the field. To preserve the Commission's exclusive competence within the talks with the outside world (see chapter 1.5), this inherently implies a stance towards trade issues which is rather pro-liberalization as it needs to exclude conflicting positions. Therefore, the Commission tries to secure negotiations in the trade field, and this requires deals mainly on the deregulation of tariffs with other countries.

These competitive stances towards institutional powers may arise between the bureaucratic directorates general (DGs) but also between the Commission and the Council or, at least since the Treaty of Lisbon, between the Commission and the EP. In the case of pure trade issues the cleavage between the Commission and EU MS within the Council is supposed to be the most decisive, and one which has been mainly analyzed by using the principal-agent-framework (see, for example, Dür and Elsig 2011). Baldwin (2006: 927), for instance, argues that if the EU MS' preferences are heterogeneous the Commission will be a weak negotiator on the international stage. In this regard, the key states to progress in trade talks are the "swing members" (Baldwin 2006: 931) of Germany, Austria, Spain, Finland and the Czech Republic. Elgström and Larsén (2010), in contrast, argue the exact opposite that the Commission will enjoy a high degree of autonomy in cases when the EU MS' preferences are heterogeneous. Thus, the direction of the influence of EU MS on EU FTP is far from clear.

Such a principal-agent inclination can also be found in the well elaborated studies on EU actor-ness in international negotiations by Meunier (2007) and Meunier and Nikolaïdis (1999; 2006). These scholars analyze the extent to which the Commission has an autonomous role in international trade talks and how this actor-ness comes into effect when opposed to the EU MS' positions. Meunier (2007) contests that the undeniably existent autonomy of the Commission is a result of its "entrepreneurial ability to repackage Member State preferences

into a consensual doctrine” (Meunier 2007). Elsig (2007b) similarly uses a principal-agent framework and comes to the conclusion that the Commission is very much an autonomous actor in talks with third actors. Thus, although the Commission might constitute a conflicted trade power by the EU MS, the empirical evidence shows that it does act autonomously on the international stage (Meunier and Nikolaïdis 2006).

If the Commission is confirmed as an autonomous actor in international negotiations in every venue whether multilateral, interregional or bilateral, why does the literature emphasize institutional struggles as a decisive factor in sharpening the EU FTP? Theoretically and practically, conflicts over competences are most likely to occur in questions across issues: struggles might arise over issues such as investments, services or intellectual property. Indeed, Billiet (2006; 2009), in his research on disputes within the WTO, shows that there has been some disagreement between the EU MS and the Commission over competence in intellectual property issues.

Aggarwal and Fogarty (2004) exceptionally test the liberal-institutional hypothesis with a comparative methodology across regions and venues. They confirm institutional power struggles between the DGs when it comes to the issues being negotiated. In particular, their case studies contest potential conflicts between a rather geopolitical External Relations DG and the pro-liberal Trade DG, on the one hand, and, on the other, a protectionist Agriculture DG versus the normative Development DG (Aggarwal and Fogarty 2004: 227). Regarding the venue question, in contrast, institutional struggles turn out to be less influential especially for the treatment of the counterpart region. Although the Council has tried to capture the Commission in negotiations, this has been done less for institutional than for strategic concerns. However, Aggarwal and Fogarty’s research indicates that, compared to the Council, the Commission seems to be rather pro-liberalization and pro-interregionalism.

In sum, explanations inspired by institutionalism and the principal-agent framework on the EU FTP have concentrated on both the question of whether negotiations occur or not and also on negotiations across issues. The argument regarding institutional struggles has, however, barely been applied to research across venues; that is, under what conditions conflicts over competences might arise in the question of *how* to negotiate. This has also been contested by Da Conceição (2010: 1123), who has stated that it remains striking that the EU completed bilateral agreements while interregional ones are in deadlock. The literature has, however, pointed out institutional struggles between the Commission and EU MS over negotiation issues and respective EU competences regarding these issues.

Liberal perspective

An additional contested factor, which allegedly influences EU FTP, focuses on the impact of IGs. These might comprise NGOs and other societal groups such as the media, as well as business lobbies, all of which have an aim in trying to determine the trade strategies either directly through the Commission or indirectly through the EU MS. Scholars claim that their success could depend on different factors such as organization, resources or economic importance. In sum, the intensity and direction of the influence of the various groups and especially the causal mechanism on EU trade policy-making is not yet clear.

The general argument lies at the core of the liberal world view and rests upon a pluralist competition model. Within such a framework, diverse actors attempt to capture the attention of relevant legislative bodies or of executive agents in order to influence decision-making in their interest (for an elaboration, see Elsig 2007a: 3). They do so in trade policies because these imply costs and benefits for groups (Frieden and Rogowski 1996). The groups involved need to overcome the collective action problem and provide some financial and personal resources to influence policies effectively. Thus, the groups find themselves in a competitive struggle in which, however, every actor is assumed to receive quantitatively different but absolute gains.

Aggarwal and Fogarty (2004) distinguish four kinds of IGs: actors that seek general global liberalization; export-oriented economic actors; non-export oriented actors that rely on EU protection, and societal actors that are opposed to economic internationalization. These groups overlap with two cleavages that of society versus economy and protection versus liberalization (table 2).

Table 2: Actors according to the two cleavages: society vs. economy and protection vs. liberalization

	Protectionist interest	Liberal interest
Societal actor	Actors that are opposed to economic internationalization	Actors that seek general global liberalization
Economic actor	Non-export oriented actors that rely on EU protection	Export-oriented actors

Reference: Own illustration based on the typology of Aggarwal and Fogarty (2004)

Empirically, scholars have tested the influence of IGs on EU FTP in two ways. First, scholars have examined the influence on trade policy-making across regions. This means they have tested the impact of IGs on the EU FTP across varying regions or countries. Second, academia has analyzed why the EU negotiates with some countries while not with others and how IGs come into play here (Bièvre and Dür 2005; Dür 2007; Dür and De Bièvre 2007; Gerlach 2006; Reichert and Jungblut 2007). The influence of IGs, however, has been less exemplified across the different venues employed; Aggarwal and Fogarty (2004) demonstrate a remarkable exception in that they examine the liberal argument across regions *and* across venues.

The interests of economic actors are clearly explained when it comes to trade policy. While those in favor of liberalization will lobby on behalf of exporting interests, protectionist groups will instead aim at the imposition of trade barriers (Bièvre and Dür 2005: 1275). Dür (2007) exemplifies this argument with an intensive study of the EU bilateral trade agreements with Mexico and Chile in 2000 and 2002 respectively. He argues that the defense of export-oriented interests was the driving force behind the EU's conclusion of these agreements in order to protect the groups' market access in Latin America (Dür 2007: 1). According to his reasoning, the governmental actors should react to the pressure of exporters while, in the absence of such a mobilization, import-oriented groups will block initiative trade policies. In particular, he demonstrates the coincidence of the timing of the negotiations, the EU MS' position, as well as statements of governmental actors and goals of the agreement to the IGs'

demands. In his study of the year 2008, Dür also demonstrates the influence of business groups on the EU position in multilateral trade negotiations. Similarly, van Loon (2013) argues that IGs, when exposed to external challenges, were the driving force behind the free trade negotiations between the EU and Korea.

Less well elaborated are the interests and the influence of pure societal actors such as NGOs. Aggarwal and Fogarty (2004) claim that they may be divided over liberalization and protection just as the economic groups are. Empirically, their influence has recently been tested in two studies: Dür and De Bièvre (2007) analyze the influence of NGOs on trade policy-making in the EU and compare it to business lobbying; Reichert and Jungblut (2007) evaluate the eventual channels for societal groups towards the EU. Both articles present a rather skeptical picture on the potential impact of societal actors on EU foreign economic policy. The latter scholars conclude that European policy-making is insulated from public pressures. Dür and De Bièvre (2007: 80 ff.) conclude that NGOs have little influence on trade strategies due to their lack of financial or economic threats and, given their diffuse interests, their problems with collective action.

The literature on both societal and economic actors is even slimmer when it comes to trade policy-making across venues. Theoretically, protectionist groups of either kind should, under all circumstances, try to block free trade negotiations between the EU and third actors. Indeed, they “attempt to veto *any* liberalization regardless of forum” (Davis 2009: 26). Export-oriented actors, in contrast, are expected to secure market access under favorable conditions and according to their economic preferences. This is why they are assumed to opt for the bilateral option because they offer the easiest solution due to the reduction of actors and issues (Davis 2009: 26). Therefore, interregional forums are solely expected as the preferred outcome of actors that seek general liberalization and globalization (Aggarwal and Fogarty 2004).

Aggarwal and Fogarty (2004) as a point of reference study the influence of IGs across venues and across regions. They confirm that the impact of business groups is particularly decisive for initiating interregional negotiations. However, their research claims that IGs seem to be less influential regarding the question of how to negotiate and, thus, the directional impact is not clear. This might depend on the intensity of mobilization which differs between the four kinds of IGs and their interest in the counterpart region. Therefore, Aggarwal and Fogarty (2004) argue that there is an intense engagement of protectionist, mainly agricultural, actors which lobby towards specific regime characteristics.

Further, the different IGs can use direct and indirect channels to influence trade policy-making in the EU. The structure offers two opportunities to impact the EU foreign economic policy in that IGs may exert influence through the EU MS or they can influence the Commission directly. This logic might well coincide with the actors' interests. Woll (2010: 13 ff.) argues that export-oriented groups lobby the Commission in favor of liberalization, while protectionist actors seek to lobby their national governments due to the alleged favorable instruments at the domestic level.

In sum, the influence of IGs on EU trade policy-making is not clear, neither in the exact direction towards different venues nor in the causal mechanisms or the channels used. To understand if and which groups impact the trade strategies employed, four factors need to be taken into account: the preferences of the IGs, distinguished between societal versus economic actors and liberalization versus protectionism; the engagement of these groups; their used channels being either direct or indirect, and their importance in economic terms on a supranational European and a domestic EU MS level (see also Woll 2010: 15). What the literature on IGs in the realm of FTP has not done so far is a systematic analysis of how they influence the EU FTP across issues, i.e. what type of IG lobbies for the inclusion or exclusion of what type of issue in trade negotiations.

Realist perspective

The literature on EU FTP is even slimmer from a realist side. The group of realist scholars has analyzed FTP from an International Relations perspective. One of these sources, which has already been mentioned, that of Aggarwal and Fogarty (2004), includes in its study a *systemic* hypothesis, concluding that the EU was driven by geopolitical considerations in interregional trade negotiations. Additionally, Zimmermann (2007) explicitly draws on realism and makes a geopolitical and mercantilist inspired argument. According to his research, the EU was motivated by mercantilism in its behavior towards China's and Russia's accession to the WTO. Also García (2013) recently published an article, which examines the EU in terms of preferential trade agreement strategies with third actors. She argues that the EU has moved from normative objectives and soft power to become a more realist actor with the aims of maintaining its position in the global economy. Similar to García's (2013) approach, Da Conceição-Heldt (2014) argues that the EU has undergone a paradigm shift from multilateralism to regionalism or bilateralism, respectively, in order to make use of its asymmetrical bargaining power in favor

of its material interests. She illustrates this argument with the bilateral EU-Mexico talks, and the interregional EU-MERCOSUR negotiations, in both of which she highlights the aspect of balancing the U.S.'s hegemonic attempts in South America. Other scholars, who do not directly derive arguments from a realist approach, still give power considerations a particular role in explaining EU FTP towards African states (Farrell 2005). Overall, however, realist explanations of EU FTP are scarce, and neither of the existing studies have systematically studied the EU FTP across venues or issues through a comparative research design.

2.3 Gap in research

As has been pointed out, EU FTP across venues is little understood, and just like interregionalism, bilateralism as one particular EU strategy has been barely studied, and any work that has been done limits itself to case studies. Although the influence of IGs, for instance, has been studied across regions (Bièvre and Dür 2005; Dür 2007; Dür and De Bièvre 2007; Gerlach 2006; Reichert and Jungblut 2007), this has not been done for interregional versus bilateral venues. Bilateralism and IGs have been studied by Dür (2007), who has looked at the EU bilateral agreements with Mexico and Chile. Although he concludes that export-oriented IGs were the driving force behind these negotiations, his results indicate that the counterpart region and rival actors do indeed have an influence on the EU FTP.

When it comes to the EU FTP across venues, multilateralism is the forum which is understood best and for which most literature is provided. In particular, this research focuses on the EU in the WTO. Daugbjerg and Swinbank (2006: 1), for instance, analyze "agricultural exceptionalism" and its impact on EU trade policy-making in the WTO. The adaptation of EU policy to WTO rules and pressures has also been studied by Hocking (2004), who proposes three models to capture such an influence: club, adaptive club, and the multistakeholder model. Further, Holmes (2006) argues that the EU's alleged balance between sovereignty and liberalization has been challenged by the WTO.

In the interregional venue, the relationship between the EU and its counterpart region is anything but clear. Some scholars have argued that the EU serves as a role model for regional organizations beyond Europe (Farrell 2007; Hettne and Söderbaum 2005; Söderbaum and van Langenhove 2005; Börzel and Risse 2009), and thus have treated the counterpart region as a dependent variable. Research on negotiations between the EU and organizations among developing countries has been carried out, but is mostly limited to single case studies (Gilson

2002; Gilson 2005; Chen 2005; Stevens 2006; Doctor 2007; Santander 2002; Santander 2005; Doidge 2011). Comparative studies are rare and focus on a comparison between EU and U.S. strategies (Monteagudo and Watanuki 2003; Grugel 2004). In addition, the examination of interregionalism lacks a comprehensive theory. Although scholars deduce hypotheses from different strands of theories (Hänggi 2000; Aggarwal and Fogarty 2004; Söderbaum et al. 2005; Söderbaum and van Langenhove 2005; Hardacre 2009; Doidge 2007; Doidge 2011), a systematic analysis of EU FTP across different venues in the same region and across different regions has not yet been provided.

Slimmer still is the literature on the EU FTP across issues from all three sides: IG, EU MS, or realism. The analysis inspired by the principal-agent framework has considered the EU FTP across issues implicitly by demonstrating institutional struggles between the Commission and EU MS over exclusive or shared EU competences. Billiet (2009), for instance, shows that the Commission and EU MS disagreed over who has the competence of negotiating intellectual property in the WTO. The literature on non-tariff trade barriers as one issue of FTP, on the other hand, is completely detached from the literature on EU trade policy-making. Drezner (2007) analyzes the EU's cooperation with the U.S. on regulatory standards, and demonstrates that consensus between these two great powers leads to a convergence of standards. Bradford (2012), instead, examines the extent to which the EU can be a unilateral rule-maker of regulatory standards. However, neither of these two studies have been carried out in association with an analysis of the EU FTP.

A further gap in research is striking: treatment of the counterpart region. Although the counterpart region stands out in a number of studies as an important factor that might influence trade negotiations and EU FTP (e. g. Aggarwal and Fogarty 2004; Dür 2007), it is not taken into account as an independent variable but, if at all, as a dependent one. This is puzzling, because research indicates that the EU FTP has been increasingly influenced by external factors such as developing countries (Baldwin 2006).

In sum, there are three substantial gaps of research in the literature: first, a lack of comparative analyses of EU FTP by looking at negotiation venues and issues; second, the lack of a solid theoretical model on EU FTP from a realist perspective, including extra-regional factors as opposed to intra-regional factors; third, a lack of consideration of the counterpart region and its features as an independent variable for EU FTP. Addressing these gaps in the literature, this thesis provides a comparative research design, a competing theory-testing framework, and the counterpart region as an explicit independent variable. The comparative

research design analyzes the design of EU FTP regarding negotiation venues and issues across different regions and within these regions. A combination of primary and secondary cases maximizes the external validity of this research. The competing theory-testing framework tests an original theoretical model rooted in realist theorizing – *commercial realism* – against mainstream explanations for EU FTP hinging on IGs, captured by commercial liberalism, and EU MS' preferences, captured by the principal-agent framework. From this *commercial realism*, chapter 3 derives expectations on how extra-regional factors, including the counterpart region, influence EU FTP.

3 Theory

Why has the EU changed the design of its FTP towards developing countries? In analyzing this question, this thesis examines the EU FTP towards South America and Southeast Asia. Towards these two regions in particular, the EU has changed its FTP's design by switching negotiation venues (from interregionalism to bilateralism), and it has varied the inclusion of negotiation issues (from comprehensive to more selective). The EU's varying FTP is surprising because the EU has maintained long-lasting interregional relations with the region's organizations MERCOSUR and ASEAN and because the EU is committed to support regional integration. Yet while the EU reiterates its commitment to a multilateral world, it has shifted to bilateral (selective) trade relations with Brazil and Singapore.

In examining the EU's interregional or bilateral approach towards third regions, scholars have focused on EU-internal factors, and have paid less attention to EU-external variables. The vast majority of literature on EU's interregionalism has emphasized the EU's affection for regional organizations and the diffusion of norms and ideas (such as the EU's model of regional integration) from Europe to other parts of the world (e. g. Börzel and Risse 2009). An alleged endogenous change of preferences in the EU regarding FTP's venues has instead been employed to explain the EU's increasing use of bilateralism (e.g. Furby 2012). The endogenous change of preferences has been linked to the Global Europe strategy paper, which the Commission released in 2006. As diverse as the two strands of literature are, they have in common their focus on EU-internal variables. Neither of these strands, however, can explain why the EU shifted between venues both before and after 2006.

Contrasting the literature's focus on EU-internal factors when explaining EU FTP, this thesis highlights EU-external factors, and argues that a theoretical model rooted in realism – *commercial realism* – is better suited to explaining the EU's varying design of FTP towards developing and emerging countries. In contrast to earlier studies on EU FTP, this thesis focuses on EU-external rather than EU-internal variables, on exogenous rather than endogenous factors, and on material rather than ideational factors. In equipping the research design with as much validity as possible, the thesis' research strategy employs a theory-testing framework. This framework tests *commercial realism* against empirical data while controlling for EU-internal variables: EU MS and IGs. The principal-agent framework conceived of EU FTP as a function

of EU MS' heterogeneity or homogeneity, and commercial liberalism puts into focus IGs' lobby of the Commission.

3.1 Competing theories

Collapsing the theory-testing framework into one table, figure 2 illustrates the four variables deduced from *commercial realism*, the principal-agent framework, and commercial liberalism for studying the design of EU FTP. Employing a competing theory test, this is, firstly, to confirm the validity of EU-external factors in explaining EU FTP; secondly, to falsify EU-internal factors in explaining the *design* of EU FTP, and thirdly, to set out the scope conditions of realist theorizing and its explanatory power in EU FTP. The design of FTP consists of two aspects. These are the negotiation venue, whether it is interregional or bilateral,⁹ and the negotiation issues, which can be negotiated comprehensively or selectively. Combining these two aspects, the FTP's design covers four possible outcomes: comprehensive interregionalism, selective interregionalism, comprehensive bilateralism, and selective bilateralism. These four outcomes make up the variation of the dependent variable, which the thesis analyzes with two sets of independent variables: an extra-regional set, involving rival actors and the counterpart region's cohesion, and an intra-regional set, comprising EU MS and IGs.

⁹ Other negotiation venues are multilateralism and plurilateralism, which this thesis does not consider due to time and space constraints.

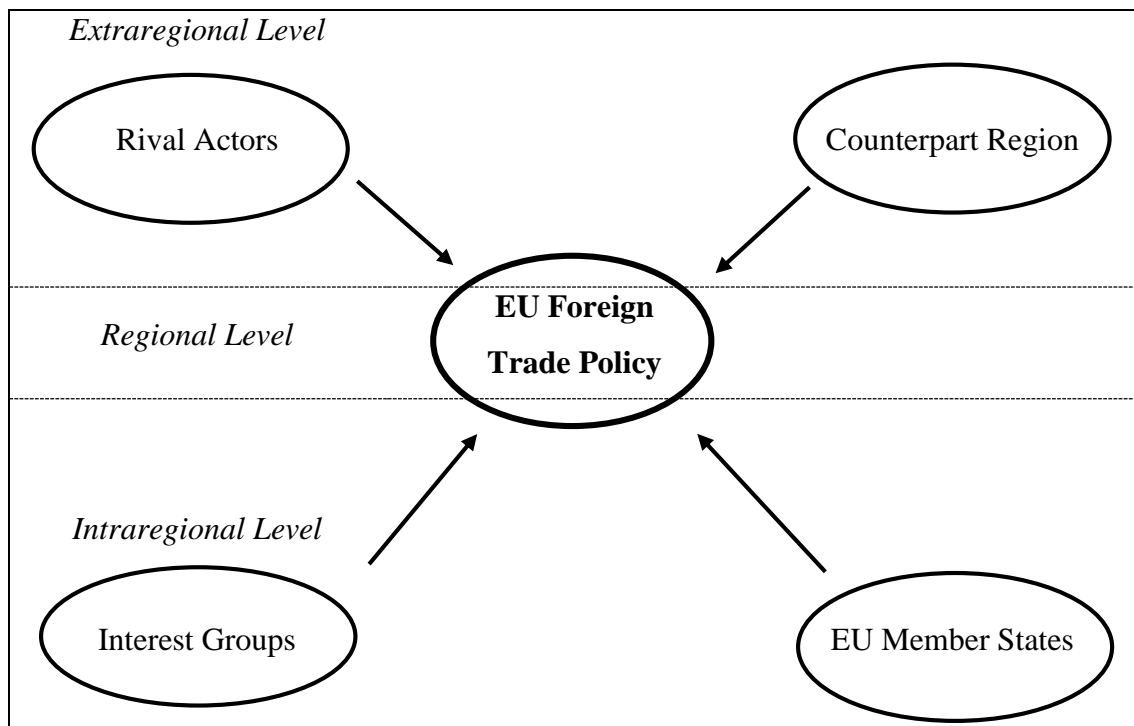


Figure 2: Theory-testing framework

Reference: Own Illustration

Extra-regional factors versus intra-regional factors

The extra-regional set of variables rests on a theoretical model rooted in realism. In a realist world, the EU competes with other great powers, such as the U.S., China and Japan, for global influence. Power and influence are multi-faceted in nature and reach to a military, a diplomatic, and an economic sphere. In competing for economic power, the EU tries to secure privileged relations with third markets in developing and emerging countries. In this sense, the EU uses these countries instrumentally to augment European economic security against those other great powers. In enhancing European economic security, the EU negotiates trade agreements such as AAs, SPs, or FTAs. When such agreements are also negotiated by great powers, the EU competes with them for settling a deal with the respective partner. In this situation, simultaneous negotiations may become a zero-sum-game because an agreement with the EU may impede a parallel agreement with another great power. In boosting the likelihood of reaching an agreement, the EU adjusts the design of its FTP to features of the counterpart region, especially that of its cohesion. Whenever either of the two factors (the engagement of

rival actors and the cohesion of the counterpart region) change, the EU adjusts its FTP to these extra-regional factors.

In a general form, this leads to the following hypothesis derived from *commercial realism*: if extra-regional factors, which are trade relations with the counterpart region of rival actors and the cohesive strength of that counterpart region, constrain the EU's economic power, the EU will change the design of its FTP in favor of competing successfully with rival actors and reacting to the most important features of the counterpart region. Chapter 3.2 unfolds the general form of this hypothesis by explaining assumptions of the theoretical model, clarifying *commercial realism* and how entities compete for economic power, and then deriving two hypotheses from this model. Chapter 3.3 outlines alternative explanations to *commercial realism*.

Alternative explanations to *commercial realism* are an intra-regional set of independent variables derived from the principal-agent framework and commercial liberalism.¹⁰ The principal-agent approach emphasizes institutional power struggles between the Commission and the Council regarding different EU policies. In FTP, scholars usually argue that EU MS influence the Commission's autonomy in trade negotiations or in multilateral institutions (see chapter 2.2.2). Billiet (2006) demonstrates the impact of EU MS on the inclusion of different negotiation issues in the WTO rounds because, prior to the Lisbon treaty, investment, services, and non-tariff trade barriers were mixed competences of the EU and EU MS. Translating this argument into the Commission's negotiation mandate, the Commission enjoys the greatest autonomy and leeway with a broad mandate covering several negotiation issues. Restricting the

¹⁰ The author conceives of these explanations as alternatives to that of *commercial realism* although their respective value of the independent variable expects the same value of the dependent variable as *commercial realism* does, because this research project is backward looking (Scharpf 1997: 24 ff.). A backward looking research design is interested in explaining an existing policy outcome, i.e. a particular value of a dependent variable. When thinking of these explanations as equifinal, this would imply multiple (i.e. different) paths leading to the same policy outcome (Jacobs and Jacobs 2010 on equifinality). In this situation, process-tracing can help evaluate whether explanations are equifinal or alternative, because this research strategy identifies ex ante alternative causal paths leading to similar outcomes (George and Bennett 2005: 76).

mandate to only selected issues, such as trade in goods, gives the Commission only little leeway or autonomy. With respect to an explanation of this autonomy, the principal-agent framework has highlighted EU MS heterogeneity or homogeneity. Heterogeneity, however, does not lead one-dimensionally to more Commission autonomy, but scholars inspired by the principal-agent framework have argued in these two directions (see chapter 2.2.2): the more heterogeneous EU MS are, the more autonomy the Commission enjoys; or, the more homogeneous EU MS are, the more autonomy the Commission enjoys. Direction one assumes that heterogeneous preferences among EU MS prevents them from restricting the Commission's power, which results in a vague negotiation mandate. Direction two assumes that homogenous preferences of crucial EU MS are necessary for the Commission to use a vague negotiation mandate and thereby to have more leeway. In a general form, this leads to the conjecture that EU MS' heterogeneity influences the EU's design of FTP as far as negotiation issues are concerned.

Commercial liberalism, in contrast to the principal-agent framework, rests on IGs' influence on EU FTP. IGs are at the core of the reasoning behind commercial liberalism, and scholars have argued that their influence determines the outcome of EU FTP (Dür 2008). Influence covers several dimensions, but it is especially the lobby effort that should constitute one aspect of the voicing of policy interests. This lobby effort can target the Commission directly or EU MS indirectly, and it can be ascribed to four different IGs' sectors: export-oriented actors, agriculture, services, and NGOs. The sector which is most interested in FTP is that of export-oriented actors, and their lobby effort influences the FTP design of the EU. Their preferences over the FTP's design lie within a limited scope of venues but a large scope of issues. Export-oriented IGs prefer bilateralism over interregionalism because it secures the EU's asymmetrically high bargaining power within negotiations, which usually leads to a favorable outcome. Regarding issues, export-oriented IGs prefer a comprehensive scope of issues because this exposes them not only to the trade in goods but also to services and the investment market. In a general form, this leads to the hypothesis that the more intense the export-oriented IGs' lobby effort, the more limited the scope of venue (bilateralism).¹¹

¹¹ The liberal hypotheses are based on the assumption that the EU is grounded in liberal democratic legitimacy. As elaborated by Scharpf (2012), governmental actors will consider domestic actors which are affected by certain decisions.

Realism versus liberalism

The distinction between an extra-regional and an intra-regional set of variables is roughly conceived of as the difference between realist and liberal International Relations schools. These two schools have very different assumptions and expectations about international trade. Implicitly, scholars have perceived the difference between realism and liberalism as one between pessimism and optimism. While realist scholars are pessimistic about the world in the sense that they emphasize power politics and the self-interests of nation-states, and, thus, sometimes deny the possibility of sustainable cooperation, liberals perceive the world as one in which peaceful collaboration is likely and desirable. When realism highlights the competition for security or the overarching goal of survival, liberals put their finger on welfare gains. In a realist world, states attempt to secure their position within the international system, whereas in the liberal one, all actors try to cooperate peacefully and solve collective action and coordination problems. It is not surprising that early liberal International Relations scholars also called themselves utopians or idealists, or others, e.g. Edward Carr (1939), even labeled them moralists.

This difference in describing two worlds is rooted in the concept of relative versus absolute gains. It was Adam Smith (1776), who introduced the concept of absolute gains in the realm of economics and argued that international trade will eventually lead to a win-win-situation. From this perspective, commercial relations, in particular between nation-states, is a positive-sum-game because each unit may take the opportunity to specialize in order to exchange its goods afterwards with others. Ultimately, this fruitful exchange will enhance every nation's and everybody's welfare and will allow people to live in a richer, more advanced global economy. This is not to say, however, that there would no longer be any distributional conflicts. Nevertheless, liberalism allows for a variation of certain degrees of absolute gains and their variation over time, be it long-term or short-term. It is this idealism, though, that was further developed economically by David Ricardo (1821), and politically by Immanuel Kant (1781), as proposed within the "Kantian tripod" (Boehmer 2004: 1), a peace theory involving the roles of democracy, international institutions, and economic interdependence. Once this tripod becomes reality, states will live in peaceful cooperation, because the three factors ensure collaboration and diminish the likelihood of militarized conflicts.

Indeed, the perception of international trade depends on the emphasis on either absolute or relative gains. The focus on the latter aspect of the global economy reveals economic competition to a greater extent than by merely highlighting absolute gains. Given competitive struggles on a domestic level between firms, for instance, and on an international level between nation-states, the actors will strive for relative rather than absolute gains. In his famous book *The Twenty Years' Crisis*, Carr (1939) reveals how idealists have focused on absolute gains in order to paint a picture of a peaceful world but, according to him, it is competition which will influence international politics and foreign policies. In a competitive situation, actors need and will attempt to perform better, grow bigger, and, finally, gain more than others. It is exactly this that realist scholars emphasized when they worked on power politics, and it is exactly this concept which defines relative gains. This emphasis on relative gains, on power politics, and on competition is what distinguishes realism from liberalism, which, by contrast, highlights absolute gains, welfare gains, and cooperation between states.¹²

3.2 Extra-regional set of variables

Apart from the emphasis on relative gains and the concentration on power politics, realism is a much more a fragmented rather than a monolithic theory (Wohlforth 2008). Even a clear categorization of realist strands is not possible because scholars highlight very different explanatory factors, and base their analysis on diverse assumptions (Brown 2012; Doyle 1997). At the core of approaching the world realistically lies the emphasis on relative gains when studying power politics. Realists are interested in power, how nation-states behave in an anarchic international system, and how international factors influence states' behavior.

¹² Gilpin (1981) lays out this argument in his book on "War and Change in World Politics" in which he argues that despite the increase of economic interdependence in the capitalist era the quintessential nature of international relations has not changed. Instead, international relations are still characterized by a struggle for relative gains in different dimensions: economic, territorial and political.

3.2.1 Economic power

Great powers compete for power in the international system. Although realist scholars have leaned towards the material qualities of reasoning, they have not yet come to a consensual definition of what power actually is. Whereas Waltz (1979) and Mearsheimer (2001) have focused on the material aspect of power, others have further developed the work of their predecessors such as Stephen Walt (1987), who emphasized the dimension of threat, which is more than the pure aggregation of material power. Carr, however, had already raised the problem of the multi-faceted nature of power (1939: 108), when he wrote that political power in the international sphere may be categorized for the purpose of discussion along three dimensions: military, economic and power over opinion. He is right though when he claims that these categories are closely interdependent, and that, in the real world, states will make use of all three of them. Yet it is remarkable that realist scholars have focused so much on the military dimension of power given that there is also an inherent connection to economic power at least.

In fact, many other realist scholars have implied the economic facet of power in their work, although they may have not explicitly mentioned it. Kolodziej (2005: 129-138) points out that realists are aware of other forms of power such as scientific, technological, and economic, but they consider it as subordinate to military capabilities. This is most certainly true for Mearsheimer's offensive realism, in which he distinguishes potential and actual power. Whereas actual power stems from military capacities, potential power is a prerequisite and resides to a major extent in the size of a state's population and the level of domestic wealth. Even Waltz (1979: 131) admits power includes more components than just weaponry, namely the size of population, territory, resources, political stability, and economic strength. Neoclassical realists also acknowledge the importance of economic assets, so that Schweller (2006: 13), for instance, argues that national power rests on administration and material factors, i.e. population size, territory, weaponry, development, and the scale of the nation's economy. Similarly, Mastanduno and Kapstein (1999: 5) argue that what is distinctive about realism is the emphasis on positional conflicts, which, however, can equally be over resources, markets, and political influence (e.g. Gilpin 1981).

What makes the relationship of power dimensions puzzling, however, is that scholars have argued that the study of power politics presents a more distinctive sphere than the study of economics (see, for instance, Morgenthau (1954)). This becomes most obvious with

Mearsheimer's (2001: 12) famous statement: "What money is to economics, power is to international relations". Thus, on the one hand, scholars have perceived power as a multi-faceted concept with different dimensions such as political and economic power, and on the other hand, they have differentiated it into two completely separate spheres. The latter approach, however, does not make sense if we accept the former and the other way round. In fact, economics are one facet of power, and this is so for two reasons: First they are a prerequisite for military power and, thus, invoke "security externalities" (Chan 2001: 8). Second, economics can be used as an instrument to exercise power over other states.

Economic power: weapons¹³

In order to achieve foreign policy goals, economics and politics "march[ed] hand in hand" (Carr 1939: 115), and we may separate both analytically but in the real world a nation-state will employ both to a certain degree with just the same objective. When states aim to increase their power, they have at their disposal a wide range of instruments, from 'soft' power, such as the power over opinion, to hard, military power. Economics is thus just one instrument among others that states can use within the service of international pursuits. One can therefore imagine a number of ways how states employ economics in order to pursue their interests on the global stage.

Firstly, and most famously, they use economic sanctions or incentives to pressure other actors into certain policies that are in favor of their own positions. Everyone would agree that states take advantage of their economic power. Let us just consider how the US treated Cuba and on occasions imposed sanctions or offered aid.

Secondly, states may employ economic *weapons* to control foreign markets. One common way of ensuring one's own position in other areas of the world is to pour direct or indirect investments into those regions. Thus, states are not only virtually present through their investors, or, at least, their capital, but also have the possibility to exercise power over these markets, markets that are or have become increasingly dependent on their sponsors. In the same vein, developing aid and favorable market access to the actor state's economy may also increase dependence and in that way enable the actor to achieve more control and eventually more

¹³ Drezner (2014: 347) provides a brief overview of the current debate on economic power.

power. Hirschmann (1969: 13) made the same point when he argued that the power of coercion can be military but also peaceful and, ultimately, “commerce can become an alternative to war” (1969: 15). Here, it becomes clear that politics and economics are inseparable since it is often not obvious if states use political power to access markets in order to enhance their own economy or if they attempt to control markets in order to increase political power (Carr 1939: 127).¹⁴

Economic power: security

Besides the use of economic power, commerce and trade are essential constituent features of state security because they affect the level of state power within the international system. These externalities range from competitive disadvantages and the need for export markets, to missing resources and goods from foreign markets, and reduced welfare (Gilpin 1981: 67-72; Gowa 1994; Mastanduno 1991; Kirshner 1999). Let us first turn to the latter since, touching on possession goals, it is the most contested one and is, therefore, often associated with absolute gains. The debate has arisen over an opposition between “two economic systems” (Hirschmann 1969: 3), with welfare on the one hand and power on the other. Similarly, Carr (1939: 119) discussed the distinction between power and welfare, or as he labeled it, between guns and butter.

It is most certainly true that domestic welfare does increase absolute gains, but that does not exclude or contradict relative gains. In contrast, the trade-off between guns and butter only arises if states do not (yet) have enough power to be a securely sovereign state, needing to buy weaponry and afford a military by potentially accepting that its inhabitants suffer. Put simply,

¹⁴ The same goes for 19th century imperialism. Scholars from various backgrounds debated the reasons for and instruments of the imperial movement. The discussion evolved into the question of whether imperialism was an economic movement through the use of political instruments or a political endeavor with economic weapons (Carr 1939: 115). Lenin (1916) and Hobson (1902) ascribed imperialism to the problems of overconsumption and the interests of business and finance which capture the state. Waltz (1979) argued against this *economic* explanation and pointed more to the fact that imperialism itself is a political concept independent of time and economic circumstances.

all states care about their security, and thus concentrate primarily on guns, perhaps affording butter only once they have reached the level of a “welfare state” (see the discussion of Zimmern by Carr 1939: 120). Commercial gains, absolute as they may be, are essentially relevant to the building of a powerful state and eventually increase relative power (Kirshner 1999: 76).

It is, however, not only the welfare and wealth of a state that potentially enhances its actual power, but also the foreign export markets and the supply of scarce domestic resources that it acquires from other countries (Schweller 1999; Grieco 1990; Gilpin 1981; Gilpin 1987; Gilpin 2001; Hirschmann 1969). States attempt to secure more and larger export markets because they can use them to sell their mostly industrial products cheaper, and because they sometimes face the problem of “overconsumption” (Hobson 1902). This problem consists of the excessive production of industrialized products that would flood the domestic market, and thus requires other countries and humans as potential consumers. This is a problem for nation-states, not because it affects primarily domestic welfare, but because it affects relative power. Once they are unable to improve their national economy, they lose both economic and military weight. This is even more pressing if rival actors pick up foreign markets and reduce one’s own trade potential. In addition, states always rely to a certain extent on resources from foreign markets that are domestically scarce. Whether the resources are agricultural or of another nature, states always attempt to retrieve resources as cheaply as possible and they compete for these with other consumers.

The need for foreign markets to retrieve resources, export goods, and enhance the domestic economy, in connection with the awareness of how states exercise economic power over other states, explains why nations will rather strive for free trade than for autarky. With trade relations, states are able to increase their influence in foreign markets, and at the same time increase domestic assets (Mansfield and Gowa 1993), and they will do so primarily by diverting trade from rival actors to developing countries (Hirschmann 1969: 25). Although autarky and a closed economy may indeed be one possibility for survival (Carr 1939; Grieco 1990), it will not allow for growth and will impede the increase of relative gains. The trade-off between granting favorable trade relations to other countries (thereby also allowing for their benefits) and the increase of relative power on the international stage (Kirshner 1999: 117) is solved by diverting trade to developing countries, and thus treating them instrumentally within competition with other great powers. In addition, the problem of the distribution of gains through trade is solved once one great power is militarily and economically so strong that

benefits will outweigh the costs of free trade (Carr 1939: 46). Similarly, Krasner (1976: 320) has argued that the relationship between political power and international trade depends on the “relative opportunity costs of closure of trading partners”. Thus, a state which is large and industrialized enhances its own power by engaging in an open system due to the relatively low opportunity costs of closure. In consequence, it depends significantly on the conditions of free trade whether it leads to relative gains or not, and is thus not in opposition to realist reasoning, per se.

3.2.2 Rival actors

Meanwhile, realism as an academic school is very diverse. Few baselines unite this theory: At the core of realist thinking the only actors on the international stage are political entities which strive for relative gains and compete for power. Realists are therefore interested in power politics, how state-like entities behave in the international system, and how international factors influence states’ behavior.

Assumptions about actors and preferences

Following the realist assumption that state-like entities are the only actors in the international system, *commercial realism* treats the EU as a unitary actor in the international sphere, and, besides the EU, considers states as the only actors therein. Consequently, the model assumes that the EU behaves like a state-like entity in economic relations. These economic relations also involve other states which differ in their political and commercial power. This inequality of power divides states roughly into three categories: great powers, emerging, and developing countries.

More precisely, the inequality of power distinguishes between states that are a direct impediment to the EU (i.e. a rival actor) and less powerful states. Less powerful states may be still regionally important (i.e. a regional core state¹⁵) or even less powerful by being small in size and/or economically less developed. This distinction is important because we assume that

¹⁵ Katzenstein (2006) first raised this term. Regional core states are crucial countries within a region, which may build coalitions, link their regions to other regions, or behave as pivots.

the EU discriminates states along these lines. While the EU mainly sees rival actors as competitors, it uses regional core states or developing countries instrumentally in order to compete with rival actors for economic power. Ultimately, rival actors are the economically most important states in the international system (measured by GDP; see chapter 4).

States and state-like entities are boundedly rational actors, and although they do not have all the information about the world, they still consider their external environment when exercising foreign policy. In considering the environment, states strategically take into account the preferences and behavior of other actors because these might affect their own preferences and strategies (Lake and Powell 1999). Security and survival in competition with other actors are the main motives to counterbalance rival actors and to offensively secure a state's position at the expense of other actors. This counterbalancing or offensive search for power characterizes the zero-sum-quality of international relations, which makes these relations competitive (see Schweller 1999). States compete because they can never be certain about each other's intentions (Mearsheimer 2001: 30) and because competition per se implies a striving for relative gains. Since everyone could potentially overtake a state's position at any time, this state will always preventively want to make sure that it is better off than your direct rival. Competition for power, in consequence, is always present and it is "always an essential element of politics" (Carr 1939: 102).

In competing for economic power, the EU and rival actors are in competition for privileged trade relations with regional core states or developing countries. Trade relations are not one-dimensional but include several issues: trade in goods, trade in agriculture, investments, services, and non-tariff trade barriers. As these, to varying degrees, have to be dealt with by a state, privileged relations on either a selective or comprehensive range of such issues can be initiated. From a realist perspective, the EU should prefer selective negotiations or relations. With a selective range of issues the EU can distinguish between offensive and defensive interests in trade relations, and can thus enter into favorable and privileged trade relations which exclude defensive European interests such as agriculture. Rival actors instead would prefer that the EU entertained no privileged trade relations with regional core states or developing countries at all because any privileged trade relationship can impede a rival actor's potential growth and power (table 3).

Table 3: Actors and preferences over outcome in commercial realism I

Actor	Preference over outcome
EU	Selective design
Rival actor	No trade relations

Reference: Own illustration

Hypothesis

The EU is concerned with relative power, above all in terms of economics, and, in consequence, has the ultimate goal of enhancing its competitiveness against rival actors. The best way to achieve economic competitiveness is to arrange favorable trade relations with foreign, developing markets in such a way as to establish, maintain, or strengthen its own economic power against rivals such as the U.S. (Zimmermann 2007: 816 ff.). Favorable trade relations may go different ways, but one, which is exclusive and comprehensive at the same time, is an FTA (or similar) with the respective actor(s). Thus, great powers compete for FTAs with developing or emerging countries because they provide the opportunity to enhance the domestic economy by providing an export market and promising a supply of scarce resources. As a result, the negotiations of FTAs are competitive zero-sum-games in which great powers try to pick up the market first and with the best conditions.

The second aspect of the EU's design of FTP in addition to the negotiation venue is negotiation issues. These negotiation issues can be categorized into trade in goods, trade in agriculture, services, investments, and non-tariff trade barriers. Great powers employ a divide-and-rule strategy in the sense that they prefer a selective design of negotiation issues. This is because such states instrumentally use trade relations with developing or emerging countries. Considering the EU's interests, the Commission should try to apply a selective design of negotiation issues, and to exclude agricultural ones. This is due to the fact that agriculture is a traditionally defensive EU interest because the EU has subsidized the European agricultural market.

Trade therefore not only covers the retrieval of resources and the export of industrial goods. Rather, commercial relations cover a broad range of sectors of which trade in goods is only one part. Services, investments, and non-tariff trade barriers are also essential features of trade relations (Young and Peterson 2014), although they might be non-traditional in external

economic policies. These non-traditional features, though, are increasingly important for industrialized states because they tackle non-industrial commerce, such as services and investments, and because they attempt to make the external environment even more favorable by de- or re-regulating areas not covered by the traditional “trade in goods” sector (Blockmans 2013: 2 f.). This was also acknowledged by the most recent debate on the EU as an international actor as Damro (2012) argues that it leverages its single market as a source of power. The ‘market power Europe’ (Damro 2012) makes full use of three elements of its market integration which are the EU’s economic and social policies and its regulatory standards. Especially the externalization of regulatory standards is a major source of power (Damro 2012: 686 f.).

Drezner (2007) and Bradford (2012) have discussed the regulatory ingredient of (economic) power. Drezner (2007) has demonstrated that regulatory convergence or divergence depends on either the consensus or disagreement of great powers. In her article of 2012, Bradford pushes the debate more in the direction of the EU as a unilateral rule-maker as an important foreign policy tool. This thesis catches up on these points and takes forward another perspective on regulatory competition. Under certain conditions, the EU can set regulatory standards unilaterally (Bradford 2012: 5). Further, when great powers such as the EU and the U.S. have a consensus on regulatory standards, this will lead to a convergence of these standards (Drezner 2007). Any disagreement between the great powers, however, may not only lead to a divergence of those regulatory standards, but even to competition over them.

One instrument which covers the retrieval of scarce resources, the expansion of one’s own market, the establishment of new economic potential for services and investments, and regulatory standards, is precisely that of trade negotiations. These allow the EU to treat these issues either within a single undertaking or separately according to its needs. Therefore, trade negotiations are at the same time comprehensive and exclusive. They are comprehensive because they cover a certain amount of issues. FTA talks are exclusive, however, because they target only selected countries, thereby excluding other potential participants.

Since the EU strives to establish, maintain, or strengthen its economic power (encompassing all aspects of trade), it competes with other great powers, such as the U.S., Japan, or China, for FTAs with foreign markets. By diverting trade from rival actors to other countries in South America or Southeast Asia, great powers seek to improve their economic power. They do so by initiating and eventually signing an FTA. The existence of competing

initiatives for FTAs by the U.S., Japan, or China thus explains the EU's start of trade negotiations and their design (table 4):

Hypothesis (1): The more intensive the trade relations between the counterpart region and rival actors, the more comprehensive is the design of EU FTP.

In spelling out the causal mechanism between the independent variable (rival actors' trade relations with the counterpart region) and the dependent variable (EU FTP) of hypothesis 1, we assume that the EU prefers a selective design with separate negotiation issues over a comprehensive one, as explained at the beginning of this chapter (3.2.2). Only when rival actors have broad trade relations with the counterpart region does the EU counterbalance these relations with a comprehensive design of FTP.

Table 4: Outcomes in commercial realism I

Rival actors	Outcome
Broad relations	Comprehensive design
Narrow relations	Selective design

Reference: Own illustration

The causal mechanism starts with a genuine interest on the part of the EU in the policies and in the position of power of rival actors in all its various forms. Firstly, therefore, the EU observes rival actors and their position of strength because we assume that the EU competes with those actors for economic power. In competing with rival actors, the EU invests time and personnel in observing and keeping track on how rival actors position themselves in the international system. An observable implication of this first part of the causal mechanism is that the EU has staff which spends time and resources on observing rival actors such as the U.S., Japan, or China. Disconfirming evidence for the first part of the causal mechanism would be if the EU had no staff to observe rival actors with respect to their position of power.

Secondly, in observing rival actors, the EU is also interested in monitoring (in the sense of noticing, but not in the sense of checking) not only their position of strength but also their activities within the global economy. Because the EU competes with rival actors for (economic) power, and thus for privileged trade relations with third regions, the EU also invests resources

in monitoring rival actors' activities towards the counterpart region. An observable implication of this second step in the causal mechanism is the particular tools that EU staff have in order to monitor rival actors' commercial activities towards the counterpart region. Disconfirming evidence for the second part of the causal mechanism would be if the EU had no tools or invested no resources in monitoring rival actors' activities, and the EU did not follow or try to follow trade relations between rival actors and the counterpart region.

Thirdly, when the EU observes rival actors and monitors their activities, it has an interest in counterbalancing their activities. The EU strives for an equally privileged or a more privileged relationship with the counterpart region so that rival actors' activities towards the counterpart region should have an impact on the EU's policies. The EU believes that if rival actors have broad relations with the counterpart region, it has to compete with them and launch counter-initiatives. As an observable implication we expect to find statements in documents or in interviews which describe the EU's relations with rival actors as competitive or ascribe to them negative externalities to the EU. Disconfirming evidence for this third part of the causal mechanism would be if the EU ascribed positive externalities to rival actors' trade relations with the counterpart region, or else described them as complementary.

When the EU observes and monitors rival actors, and believes that it has to compete with their relations with the counterpart region, the EU strives to counterbalance their initiatives, and include the same or a greater number of negotiation issues in its FTP. Broad trade relations between rival actors and the counterpart region lead, therefore, to a comprehensive design of EU FTP (figure 3).

Causal mechanism	Observable implication	Disconfirming evidence
Rival actors have trade relations with the counterpart region	Negotiation issues in trade relations	-
EU observes rival actors	Staff to observe rival actors	No staff to observe rival actors
EU monitors their activities	Tools to monitor their activities	No staff and no tools to monitor their activities
EU believes that it competes with their activities	Statements on competition or negative externalities	Statements on complementarity or positive externalities
EU adjusts its design of FTP	Comprehensive versus selective design	Selective design in case of broad trade relations

Figure 3: Causal mechanism in commercial realism I

Reference: Own illustration

3.2.3 Counterpart region

When rival actors are present, the EU varies the design of its FTP across negotiation issues *and* across negotiation venues. Combining negotiation issues and negotiation venues, EU FTP comprises four possible outcomes, which one can explain through taking into account rival actors *and* features of the counterpart region.

Assumptions about actors and preferences

In considering the counterpart region, *commercial realism* assumes three actors in the international system: the EU, rival actors, and the counterpart region, which may consist of a regional core state and of other developing or emerging states. As chapter 3.2.2 outlined, the EU discriminates between rival actors and the members of the counterpart region. While the EU competes with rival actors, it uses the counterpart region's member states instrumentally to boost its economic growth and power. When rival actors are present and when the EU competes with them, it alters the FTP's design of venues according to the counterpart region. The outcomes of the FTP's design regarding venues, which this thesis considers, are interregionalism and bilateralism.

From a realist perspective, the EU prefers bilateral negotiations over interregional ones. In bilateral relations, the EU can take advantage of its asymmetric market power. The EU has, asymmetrically, considerable commercial strength vis-à-vis developing or emerging countries because it consists of industrialized states and because it is also an accumulation of economies. This asymmetric economic power also gives the EU asymmetric bargaining power in international negotiations or trade relations (see, for example, Heron 2011; Meunier and Nikolaïdis 2006). To take full advantage of this bargaining power, the EU must negotiate or deal with single countries bilaterally. In interregional relations, however, developing countries can balance the EU's bargaining power by teaming up (table 5).

Rival actors would prefer that the EU does not engage in trade relations or trade negotiations with the counterpart region at all. Any kind of relation or negotiation could potentially impede rival actors' privileged exchanges or their attaining of economic power within the international system. The preferences of the counterpart region's member states instead vary according to their degree of internal cohesion. If the counterpart region is cohesive internally, their members prefer interregional relations or negotiations. If the counterpart region is non-cohesive, however, their members are more likely to prefer bilateral relations or negotiations. It is, therefore, the EU's anticipated preferences of the counterpart region regarding the design of venue that explain the EU's shift from interregionalism to bilateralism.

Table 5: Actors and preferences in commercial realism II

Actor	Preference over outcome
EU	Interregional design
Rival actor	No trade relations
Counterpart region	Variation according to cohesion

Reference: Own illustration

Hypothesis

Trade negotiations are competitive struggles between great powers for another reason. The respective partner(s) pit competing actors against each other by strategically using simultaneous negotiations. Developing or emerging countries have the possibility of attracting more (at least two) negotiation partners at the same time, and to prolong these negotiations in order to get the most out of the talks. By negotiating simultaneously with more actors, the state(s) can insist on better conditions and can include certain, pertinent issues at the exclusion of others, in order to talk about complete favorable packages of prevailing topics. In an extreme case, it could even be the developing countries that pressure the negotiation partners into concessions, if the latter desperately want access to the foreign market. Thus, the more great powers negotiate simultaneously with a country, the higher the bargaining power of that country.

It does, however, not only depend on the quantity of rival actors which propose or engage in trade negotiations but also on their quality. Just as the EU, other great powers could adopt different tactics, among which bilateral or interregional approaches are. From a realist perspective, they would only choose the latter if the counterpart region appears as a cohesive bloc and if, as explained above, at least two rivals attempt to secure market access at the same time. The EU will attempt to mirror such negotiation proposals in order to secure its market access and not to miss potential markets. Thus, if the rival actor adopts the interregional approach, the EU will mirror it, and vice versa for bilateral negotiations.

In brief, this means that if a rival actor negotiates with a number of countries on a large number of issues, the EU will fear missing out on the market, and considering this competitive character, will simultaneously engage in negotiations with at least the same number of partners and on the same number of issues. From a realist perspective, therefore, the EU would always

prefer bilateral to interregional talks because it gives a great power more leverage against the negotiation partner, i.e. the developing country. If the EU enters bargaining situations with only a single state, and even one from a less industrialized region, the EU will have, asymmetrically, more negotiation power. This is also why great powers often employ a divide-and-rule strategy in other world regions. In this way, they prefer to negotiate bilaterally because in these cases they have more leverage, and, can also play the single states off against each other during the actual negotiations.

There is, however, one other way that developing countries can improve their bargaining power, which the above-mentioned hypotheses have already hinted at: coalition building. By collaboration, developing countries can coordinate their trade preferences and enter negotiations as a bloc in order to have more advantage in the bargaining process. As a bloc, developing states can prevent great powers from adopting bilateral approaches and can push them to higher concessions. In addition, they can coordinate their trade policies in order to get more out of the negotiations. One way to ensure en-bloc negotiations is the establishment, maintenance, deepening or widening of regional integration. In that way, organizations between developing countries may ultimately serve as leverage in negotiations (Fernández 1998: 22; Page 2000: 38; Langhammer and Hiemenz 1990: 9), which will give them bargaining power on the international stage.

This situation, however, only holds if these countries show a certain degree of cohesion. Cohesion among members of regional organizations is the process or fact of sticking together and remaining united in satisfying members' interests. The members are a united whole when they all agree on the goal of representing the entire group as such to the external environment (see also Da Conceição-Heldt and Meunier 2014: 267). This representation of the group in external relations may be within both economic and political realms. The satisfaction of the members depends, therefore, among other factors, on their interests. The more divergent they are, the more difficult it is to represent the group to the external environment; the less united the members are, and the more difficult their "sticking together", then finally, the less cohesion

there is.¹⁶ In consequence, cohesion presents briefly a low degree of diverging interests, whereas a divergence of interests is, in concise terms, non-cohesion.

The argument is most convincing when states build a customs union (CU) with a common external tariff rather than just a free trade area (Fernández 1998: 22) because they will coordinate and establish one common external tariff. From an institutional perspective, such a CU would prevent bilateral negotiations more than a free trade area because member states would have to exit the integrated union in order to negotiate country-to-country agreements. A free trade area, however, still allows the states to continue with bilateral talks, which nevertheless disturb integration in the long run since they prevent the region from integrating further towards a customs or even an economic union.

However, it not only depends on the stage of integration whether member states use a regional organization as leverage in negotiations. Rather, it can also hinge upon their internal cohesion and if they are able or willing to appear as a bloc. If member states in a region witness a relatively high degree of cohesion, cooperation in external relations is much easier than if the countries are diverse. By contrast, if a region is divergent internally, it will have problems appearing as a bloc and establishing or maintaining interregional talks.

Hypothesis (2): The higher the degree of cohesion within the counterpart region, the more likely the EU is to use an interregional design.

Although cohesion or divergence can be a result of very different factors,¹⁷ the supply of regional leadership (Mattli 1999) or, at least, of a regional core state may push the

¹⁶ Da Conceição-Heldt and Meunier (2014: 267) measure cohesiveness with the share of competences within the EU. The author decided not to use this measurement because of the limited degree of institutionalization within ASEAN and MERCOSUR.

¹⁷ It would be interesting to study the factors that explain why states sometimes use regional organizations as bargaining blocs, which this thesis cannot provide. Generally, three potential explanations may be appropriate. First, member states coordinate in order to decrease transaction costs, because they have similar trade preferences, and would benefit from en-bloc negotiations. Second, from an institutional perspective, the degree of institutionalization and integration influences the likelihood of negotiating as an entire region. Third, hegemonic

establishment, maintenance, or strengthening of an integrated bloc. Scholars, looking at this issue from very different angles, have highlighted the importance of hegemony (Kindleberger 1973, Gilpin 1981, Pedersen 1999) or of an available regional power (Mattli 1999, Nolte 2010, Schirm 2010), which could potentially push regional integration.¹⁸ The approach here is different in two senses: first, a regional power is not vitally necessary for an organization to integrate, but under certain circumstances, it may facilitate or push collaboration; second, the absence or presence of a regional power will affect the EU's foreign trade policy towards the region.

A regional core state presents itself as the most important and thus decisive actor in the counterpart. It mostly has the material capacity to give incentives or potentially threaten with sanctions, and it has the potential to lead a group into collaboration or favorable outcomes. Having said this, however, it does not necessarily hold that a regional power provides leadership. Rather, it may shift along a continuum between being a paymaster (Mattli 1999) for integration or being a "Rambo" and an actual obstacle (Krapohl et al. 2014) to cooperation. The regional power's willingness and commitment to regional integration is decisive as to whether it pushes cooperation (e.g. in the form of negotiations as a group) or whether it obstructs or defects from cooperation. The latter case means that regional powers could also defect from cooperation on external affairs, which would open up the region to adopting bilateral negotiations as opposed to interregional ones.

The presence or absence of a regional core state is important for a second reason in that it affects the EU's foreign trade policy towards the region. Since the EU prefers to negotiate bilaterally, if the environment allows it, the existence of a regional power decides the number of negotiations the EU will engage in. Let us first consider the case of a present regional core state, which is economically clearly superior to its neighbors. In such a situation, the EU will have a clear preference for negotiations with the regional power because it wants to secure its economic position with the most important regional market. Thus, unless the regional power insists on interregional negotiations, the EU will choose the bilateral path and privilege this

stability theory or power transition theory may argue that member states balance against other actors such as the United States in South America or China in Southeast Asia, and for this reason appear united.

¹⁸ For a differentiation between hegemony and regional leadership, see Destradi (2010).

state over its regional neighbors. If, however, a region does not contain a regional core state that is obviously more important and has much more weight than the other member states, the EU will attempt to diversify its trade relations (Hirschmann 1969) by engaging in negotiations with many countries. Simply put, if a region does not have a regional power, the EU will have no reason to privilege one actor over the others, but rather it will try to pick up one market after another.

In spelling out the causal mechanism between the independent variable (counterpart region's cohesion) and the dependent variable (EU FTP) of hypothesis 2, we assume that the EU prefers a bilateral design over an interregional one, as explained in section one of chapter 3.2.3. We further assume that rival actors also have relations with the counterpart region, which pressures the EU into counter-initiatives. Only when the degree of the counterpart region's cohesion is high, does the EU adjust its FTP by using an interregional design.

The causal mechanism starts with a genuine interest on part of the EU in features of the counterpart region and its regional integration. Firstly, therefore, the EU observes and monitors the counterpart region and its process of regional integration. This is because there is the assumption that the EU competes with rival actors for privileged trade relations and needs to adjust its FTP to features of the counterpart region. In competing with rival actors, the EU invests time resources and personnel in observing and tracking regional integration in the counterpart region and to what extent its members show solidarity with their region. An observable implication of this first part of the causal mechanism is that the EU has staff which spends time and resources on observing and monitoring the counterpart region and its regional integration. Disconfirming evidence for the first part of the causal mechanism would be if the EU had no staff observing or monitoring the counterpart region.

Secondly, in competing with rival actors for privileged relations with the counterpart region, the EU judges on a case-by-case basis which FTP is most appropriate to the counterpart region. The EU is interested in counterbalancing rival actors' trade relations, and therefore also aims to establish privileged relations with the counterpart region. When observing features of the counterpart region and its regional integration, the EU can make a decision about what FTP is most suitable for achieving the most favorable trade relations. An observable implication for the second part of the causal mechanism is that the EU makes case-by-case decisions on how to design its FTP towards a particular region. Disconfirming evidence would be that the EU had

a fixed preference for bilateral or interregional relations disregarding the degree of cohesion within the counterpart region.

Thirdly, when the EU observes and monitors the counterpart region, and when it judges what FTP design is most appropriate for the counterpart region, the EU has an interest in reaching favorable trade relations (i.e. an agreement) with the partner region. The EU therefore believes that an appropriate FTP design leads to an eventual successful conclusion of an agreement or of any type of privileged trade relations. In believing in the success of its attempts, the EU has an interest in matching the design of its FTP to the features of the counterpart region. An observable implication of the third part of the causal mechanism is that we expect to find statements in documents or in interviews which either affirm belief in the success of the EU's design of FTP under the condition of having observed the counterpart region, or that a particular design would lead to more success than another design. Disconfirming evidence for the third part of the causal mechanism would be if the EU assigned its FTP design a function other than to establish successful trade relations with the counterpart region, i.e. as a normative dimension.

When it observes and monitors the counterpart region, and both judging what FTP's design is appropriate for the region, and believing that this design successfully leads to an eventual agreement, the EU adjusts the design of its FTP to the degree of cohesion within the counterpart region. A high degree of cohesion within the counterpart region, therefore leads to an interregional design of EU FTP (figure 4).

Summing up the impact of rival actors and the counterpart region on EU FTP, trade relations are vulnerable to extra-regional factors. In responding to extra-regional factors, the EU tries to strengthen, or at least to maintain its power position versus rival actors on the international stage. Economics are one facet of this power, and, so the EU is concerned with its economic security. By enhancing or maintaining the EU's economic security, the Commission attempts to establish privileged trade relations with developing or emerging countries. In establishing these relations, the EU is constrained by international factors, i.e. rival actors and features of the counterpart region. When these factors change, the EU reconfigures its FTP design (table 6).

Rival actors influence the European FTP's range of issues, and the counterpart region's cohesion influences the European FTP's choice of venue. When rival actors entertain a broad relationship with the counterpart region, the EU counterbalances these relations and chooses a comprehensive rather than a selective design. When, in addition, the counterpart region appears

to be a cohesive actor, the EU chooses an interregional rather than a bilateral design in order to increase the likelihood of an eventual agreement. The confluence of these two independent variables explain the dependent variable's four outcomes.

Causal mechanism	Observable implication	Disconfirming evidence
Counterpart region cohesion	Index of cohesion	-
EU observes counterpart region	Staff observing and monitoring counterpart region	No staff observing and monitoring counterpart region
EU judges what FTP is appropriate for the region	Case-by-case decision on FTP design	Fixed preference for a particular FTP design
EU believes that an appropriate FTP leads to success	Statements regarding the expected success of a particular design	Other reasons, i.e. normative, for using a particular design
EU adjusts its design of FTP	Interregional versus bilateral design	Bilateral design in case of cohesive counterpart region

Figure 4: Causal mechanism in commercial realism II

Reference: Own illustration

Table 6: Outcomes according to commercial realism II

	Rivals: broad relations	Rivals: limited relations
Cohesive	Comprehensive interregionalism	Selective interregionalism
Non-cohesive	Comprehensive bilateralism	Selective bilateralism

Reference: Own illustration

3.3 Intra-regional set of variables

Liberal approaches, which have their origin in idealism (Immanuel Kant 1781/1984), have different assumptions about the world than those of realists. While realism emphasizes competitive struggles between states, liberalism assumes that peaceful cooperation is likely and desirable. The “Kantian tripod” (Boehmer 2004: 1) of democracy, international institutions and economic interdependence would both ensure collaboration and diminish the likelihood of militarized conflicts (Doyle 2005). In the economic realm, cooperation improves welfare gains across borders and societies (Smith 1776/1977; Ricardo 1821). International trade in the liberal world is a positive-sum game, from which every country profits. Although states may gain varying amounts, these absolute gains are not weighted against each other. Rather, states attempt to increase their welfare absolutely.

This does not imply that liberalism expects a world without any type of competition, nor would it imply that in a liberal world free trade is an automatic result. Let us consider the hard case, commercial liberalism, which presents a distinct strand within the liberal school, and based on the assumption that IGs matter.¹⁹ Commercial liberalism accounts for varying outcomes in the global economy, ranging from free trade to protectionism. The theory argues that pressure from domestic groups explains why free trade is more likely under the conditions “where strong competitiveness, extensive intra-industry trade, or trade in intermediate goods,

¹⁹ For an overview of commercial liberalism as opposed to idealist and republican liberalism, see Zacher and Matthew (1995) or Keohane (1989). For a more general overview of liberal approaches, see Schirm (2013).

large foreign investments, and low asset specificity internalize the net benefits of free trade to powerful actors, thus reducing the influence of net losers from liberalization” (Moravcsik 1997: 529). Commercial liberalism takes into account relative gains and distributional conflicts not on an international level between states, but on a domestic or transnational level between individual actors.

3.3.1 Ideas and institutions

If trade relations are non-competitive games between state-like entities, international factors cannot be explanatory variables for FTP. Rather, FTP in a liberal world depends on domestic factors. These factors range from ideas (Kahler 1985), to institutions (Meunier 2000; 2005; 2007), to IGs (Young 2000; Dür 2007). Three broad strands of liberal theorizing represent those three different explanations. Ideas may relate to a constructivist notion of liberalism that highlights the EU as a normative actor which exports its model of integration and pushes for liberalization and free trade. Institutional struggles refer to an institutional reasoning of liberalism, which draws on the distribution of competences and power within supranational bodies, and between supranational institutions and the EU MS. The third type of liberalism, IG pressures, focuses on domestic pressures for policy-making, and explains it by investigating business and societal actors.

Constructivism has contributed to understanding the interregionalism of the EU. Scholars have regarded the EU as a role model for regional integration beyond Europe and to promote its own type of integration process, outcome, and its institutions to other regions in the world (Hettne and Söderbaum 2005; Söderbaum and van Langenhove 2005; Börzel and Risse 2009). Börzel and Risse (2009) have even initiated an entire research cluster to investigate the influence of the EU as a promoter of ideas on organizations beyond Europe in areas such as Africa and Asia. They argue that the EU perceives itself as a success story, an effective and legitimate governance, which has enabled its member states to integrate economically and politically. Consequently, the supranational institutions diffuse these ideas and act as a normative power on the international stage. Thus, the promotion of regional integration beyond Europe has evolved as part of the governance package of the EU.

From such a perspective, the EU should promote not only political but also economic ideas. As a role model, it diffuses not only regional integration but also economic integration,

and, eventually, free trade. This overlaps with the assumption, sometimes raised in the literature (Da Conceição 2010: 1113), that the Commission is in favor of liberalization. According to this argument, the Commission's negotiation position implies pro-liberalization because any trade deal with the outer world increases its institutional competences. Aggarwal and Fogarty (2004: 226) also described the Commission, in particular the DG Trade, as being rather pro-liberalization and pro-interregionalism. Since the DG Trade is the responsible actor of EU FTP, we can assume that the Commission as a whole will be pro-interregionalism, and therefore prefer interregional negotiations to bilateral ones or to no negotiations at all.

Readers often take an ideas-based explanation for constructivist reasoning. It is true that constructivists often emphasize identities, ideas, and norms for an investigation into foreign or international policies. However, constructivism actually contains much more than just its pure focus on ideas as an explanatory factor. Rather, what unites constructivists is the notion of shared and constructed knowledge, which matters in politics. Moreover, it is not only constructivists, who occupy ideas as an independent variable but liberals also consider it, for instance, with the approach of diffusion. Thus, the diffusion of the idea of liberalization and regional integration, promoted by the EU, is not necessarily a constructivist explanation, but one that a constructivist liberalist or even a liberal-institutional approach can also encompass. Ideas from an institutional perspective can be seen as common knowledge or a belief in of how the world works. The spread of the liberal and regional idea from the Commission to other regions may present a preference for interregionalism for pure institutional reasons.

Diffusion, defined as the "socially mediated spread of policies across and within political systems, including communication and learning processes across and within populations of adopters" (Biesenbender and Tosun 2014: 425), along with its associated research, focuses on the fact that since the 1990s regional organizations have spread across the globe. Conceiving regional organizations as similar institutions and their establishment in developing regions in the 1990s spatially and temporally clustered (Elkins and Simmons 2005: 34), this development has motivated scholars to explain regional integration beyond Europe using mechanisms of learning or emulation (e.g. Lenz 2012; Jetschke and Murray 2012). Assuming interdependence between different regions, scholars have argued through mechanisms of learning, emulation, or adaptation, that the EU has actively or passively diffused its model of regional integration. Distinguishing the actor and the recipient of diffusion (Börzel and Risse 2012), most studies on regional integration have focused on the recipient side: why,

how, and when developing regions have adapted the European model (e.g. Jetschke and Murray 2012). Nevertheless, the actor side (in these studies, the EU) cannot be neglected, and at least implicitly, should support regional integration. One way of doing so is via interregionalism: that is, “regionalism through interregionalism” (Hänggi 2003). Diffusion research would therefore expect an EU preference for interregionalism even in cases where this interferes with material interests. The theoretical expectation is that, in cases where a comprehensive FTP design is in tension with an interregional one, the EU downgrades its material interests in a comprehensive design and sticks to the interregional design. Diffusion theory, in sum, cannot make sense of the EU’s change from interregionalism to bilateralism.

Other scholars have emphasized an institutional argument to explain EU FTP especially regarding the dimension of negotiation issues (Baldwin 2006; Billiet 2006; Da Conceição 2010; Delreux and Kerremans 2010; Elgström and Larsén 2010; Elsig 2007a). They claim that EU MS seek to retain sovereignty over trade issues, while the Commission attempts to achieve some competences through negotiations with external actors. Competitive stances might therefore arise between the Commission and the Council or EU MS. In general, scholars have used the principal-agent-framework (see, for example, Dür and Elsig 2011) to analyze the cleavage between the Commission and EU MS within the Council.

Reasoning of the principal-agent framework is two-sided, however. According to this framework, both heterogeneity and homogeneity among the principals can reasonably lead to a weak or strong position for the Commission within international negotiations. Baldwin (2006: 927), for instance, argues that if EU MS’ preferences are heterogeneous, the Commission will be a weak negotiator. Elgström and Larsén (2010), in contrast, argue the exact opposite in that the Commission will enjoy a high degree of autonomy in cases when the member states’ preferences are heterogeneous. Thus, the direction of the influence of EU MS on EU FTP is not clear. However, if we add the dimension of issue design to the choice of venues, there is a possibility of examining the principal-agent argument empirically. Before the Treaty of Lisbon, institutional struggles might have been present between the Commission and EU MS over investments, services and intellectual property issues, which finally led to the ECJ Opinion 1/94 (see chapter 1.5). From an institutional perspective, it best serves the Commission to negotiate in comprehensive designs as this ultimately increases its power against EU MS.

For the two following theoretical models, based on an intra-regional set of variables, these considerations feed into two important assumptions. Firstly, the theoretical models rest

on the assumption that the EU, in particular the Commission, prefers interregionalism over bilateralism, and that it prefers a comprehensive over a selective design because this promotes the EU's model of regional integration and free trade. Secondly, EU MS cannot explain why the EU at some times employs an interregional and at others a bilateral design. In both designs, the Commission has the same degree of autonomy vis-à-vis EU MS. EU MS, however, may explain why the Commission swings between using a comprehensive and a selective design.

3.3.2 EU member states

The Commission, which negotiates on behalf of the EU, has the same degree of autonomy, whether the EU employs a bilateral or an interregional design of FTP venues. In neither venue does the Commission enjoy more or less leeway, and with neither venue can it expand its institutional powers vis-à-vis the Council.

Assumptions about actors and preferences

Institutional struggles between the Commission and the Council may, however, be decisive for the mandate's design of issues. Negotiation issues are, amongst other political matters, trade in goods, trade in agriculture, services, investments, and non-tariff trade barriers. With respect to investments, services and non-tariff trade barriers, the Commission thus had a clear incentive to push a comprehensive design in order to expand its power as a negotiator in issues beyond trade in goods and agriculture. Briefly, EU MS are relevant when studying EU FTP with regard to the design of issues but not the design of venues.

In the theoretical model on EU MS, actors are therefore the EU, as represented by the Commission, and EU MS. The preferences of these actors over outcomes differ between the Commission and the EU MS. As chapter 3.3.1 sketched out, a theoretical model based on the principal-agent framework (from now on liberal-institutional model) assumes that the Commission prefers a comprehensive to a selective design. A comprehensive design ensures full liberalization and is a contribution to free trade, which the Commission favors. Further, a comprehensive design gives the Commission the opportunity to expand its powers as a negotiator in trade issues.

For analytical purposes, we can distinguish EU MS into two groups: EU MS with defensive interests, and EU MS with offensive interests (see, for example, Da Conceição-Heldt 2011). The liberal-institutional model assumes that EU MS build their preferences on domestic groups which lobby their governments. EU MS with defensive interests are those with important agricultural groups. EU MS with offensive interests, in contrast, are those with important export-oriented or services actors. Because EU MS with defensive interests rely on EU protection, these EU MS prefer a selective design of issues (i.e. excluding agricultural issues) or no trade relations at all to a comprehensive design. EU MS with offensive interests, instead, prefer comprehensive designs because these ensure wide and deep liberalization, which export-oriented and services actors rely on. Table 7 sums up the actors and their preferences regarding outcomes.

Table 7: Actors and preferences in the liberal-institutional model

Actor	Preference over outcome
EU (represented by the Commission)	Comprehensive design
EU MS with offensive interests	Comprehensive design
EU MS with defensive interests	Selective design

Reference: Own illustration

Like *commercial realism*, the liberal-institutional model assumes that the EU is a unified actor in international trade relations, but EU MS influence the EU's mandate for these negotiations. Furthermore, the model assumes that EU MS and the Commission are boundedly rational actors in settings of strategic interaction.

Hypothesis

Many scholars have used the principal-agent approach, which has its origin in economics, to study EU FTP (see chapter 2.2.2). In general, the principal-agent approach distinguishes the principal, which in economics is the capital owner and which in FTP is the EU MS from the agent, which in economics is the manager and in the FTP the Commission (Da Conceição-Heldt 2010). The framework assumes that agents have incentives to depart from the

principals' interests so that the principal tries to control the agent. The principals delegate powers to the agent in the first place in order to reduce transactions costs.

In EU FTP, the EU MS as principals delegate the competence to negotiate on behalf of the EU to the Commission to avoid negative externalities, to provide credible commitment (Kerremans 2004), and to reduce transaction costs. The Commission as the agent of FTP seeks to expand its autonomy vis-à-vis the EU MS in the form of competence maximization, and EU MS in return try to control the Commission in international negotiations (Kerremans 2004). With respect to EU FTP design, the Commission can effectively expand its powers and competences by initiating and negotiating a comprehensive set of issues, which includes investments, services, and non-tariff trade barriers in addition to the trade in goods and the trade in agriculture. By including these issues, the Commission ensures it is the sole negotiator acting on behalf of the EU, and excludes the principals from the negotiation rounds. Excluding principals from the negotiation rounds is one defining feature of the agent's autonomy, and expanding the mandate's scope gives the Commission increased flexibility (Meunier 2000: 111).

The Commission has agenda-setting power in defining the FTP design, above all in defining the design of venues (Elsig 2007b), and since it is the institution in charge, it has more information than the principals on possible trade negotiations. The Commission's autonomy therein, however, can be constrained by the principals' converging interests. The more homogeneous the EU MS' interests are, the more capable they are in controlling and constraining the Commission (Elgström and Larsén 2010). Interest divergence, in contrast, favors the Commission's discretion (Elsig 2007b) in setting the FTP design.

Assuming two groups of actors with different preferences for either a comprehensive or a selective FTP design, the heterogeneity or homogeneity of the principals' preferences are central to the extent to which they delegate authority to the agent. Hawkins and Jacoby (2006) argue that states delegate authority to organizations only when the preferences of all actors converge. If EU MS have homogeneous preferences for a comprehensive FTP design based on their offensive interests, they delegate authority to the Commission to pursue negotiations. Since, in this case, EU MS and the Commission have the same preference for the same outcome, the result will be a comprehensive mandate. If EU MS, however, have homogeneous preferences for a selective FTP design based on defensive interests, they will have an interest

in forcing the agent's hand. In restricting the Commission's authority to a limited range of issues, the result will be a selective mandate.

The Commission wants to maximize its institutional powers, and therefore "uses every opportunity to expand the scope of its competences, for example by placing all trade issues under its exclusive competence" (Da Conceição-Heldt 2012: 84). By factoring in its greater informational asymmetry compared to its agents, the Commission can take advantage of heterogeneous preferences among EU MS for a comprehensive versus a selective FTP design. These two factors, greater information and heterogeneous preferences among the principals, increase the opportunities of agency slack (Da Conceição-Heldt 2010: 1119). Agency slack describes unintended consequences in the sense that the Commission acts in a way undesired by EU MS (Da Conceição-Heldt 2010: 1110). When the opportunities of agency slack are high, the Commission can take advantage of its agenda-setting monopoly and suggest its preferred mandate independent of EU MS' interests. Due its insensitivity to the substance of negotiations given its general preference for a holistic format, it suggests a comprehensive mandate which allows it room for maneuver in non-tariff trade barriers, investments, and services issues.²⁰

Hypothesis (3): The more heterogeneous EU member states' preferences are, the more comprehensive is the design of the EU's negotiations.

²⁰ From a principal-agent perspective, there are two dimensions to the mandate: comprehensive versus selective, and vague versus concrete. Further, EU MS' homogeneity and heterogeneity of preferences can reasonably lead to a comprehensive or a selective mandate and to a vague or concrete mandate. Case a) EU MS have homogeneous preferences based on offensive interests. This would lead to a comprehensive design. Case b) EU MS have homogeneous preferences based on defensive interests. This would lead to a selective design. In both cases a) and b), EU MS force the agent's hands by issuing a concrete mandate. Case c) EU MS have heterogeneous preferences, and because they are unable to come to a consensus, they provide the agent with a comprehensive and vague mandate. Case d) There is an alternative causal mechanism for case c). EU MS have heterogeneous preferences, and precisely because of this they negotiate as long as they find a consensus and agree on a comprehensive mandate, which is concrete and not vague. Given that a consideration of case a), b), and d) would increase the complexity of the empirical analysis immensely, the thesis focuses on case c) only.

In spelling out the causal mechanism between the independent variable (EU MS' preferences) and the dependent variable (EU FTP) of hypothesis 3, we assume that the Commission prefers a comprehensive design to a selective one as section one of chapter 3.3.2 explained. We assume further that the Commission has an interest in expanding its institutional power vis-à-vis the Council or the EU MS, which leads to the preference for a comprehensive design. The causal mechanism of hypothesis 3 is also based on the assumption that the EU MS communicate their preferences to the Commission in a formal or informal way, and that the Commission listens to these preferences, subsequently taking them, to some degree, into account in drafting the negotiation mandate. Because these two assumptions are neither unique to EU MS hypothesis nor to the EU MS model, we take them as assumptions rather than as empirical evidence for the causal mechanism of the EU MS hypothesis. The Commission will be successful in reaching a comprehensive negotiation mandate in cases where the Council is heterogeneous (or in cases where the EU MS have homogenous, offensive interests).

Given the assumptions that the Council communicates its preferences and that the Commission takes them into account, the causal mechanism starts by hypothesizing that the Commission prepares the mandate independently of the Council. In cases where EU MS have heterogeneous preferences, the Commission takes advantage of its position as an agent, especially its information advantage, since it prefers a comprehensive design. In having this preference, the Commission can draft a negotiation mandate based on its own interests, and thus sideline the Council's interests when the opportunities of agency slack are high. An observable implication of the first part of the causal mechanism is that the Commission has a procedure for drafting the negotiation mandate independently from the Council, and for presenting it to the EU MS afterwards. Disconfirming evidence for the first part of the causal mechanism of the liberal-institutional model would be if the EU worked closely with the Council in drafting the negotiation mandate.

Secondly, after having suggested a first draft of the negotiation mandate, the Council has to develop a position on this draft. In cases where the Commission has greater information than the Council and where the Council has heterogeneous preferences, the Commission has more leverage to defend its (comprehensive) draft mandate. Given the EU MS' heterogeneous preferences, the transaction costs of reaching a joint position on the draft which would give the Commission clear instructions of revision are high. In other words, a joint position on the draft with clear instructions on changes of it is more difficult when EU MS have heterogeneous

preferences than when they have homogeneous preferences. This difficulty of finding a joint position is observable by finding the Council discussions in deadlock. Because of this difficulty and because of the Council's debates in deadlock, the Council adopts the Commission's draft as initially suggested. As an observable implication of the second part of the causal mechanism we therefore expect to find deadlock in Council discussions on the negotiation mandate. Disconfirming evidence for the second part of the causal mechanism of EU MS model would be if the Council continued discussions until the EU MS were able to reach a compromise.

Thirdly, after the Commission has presented a draft negotiation mandate and the Council was unable to find a joint position on giving the Commission clear instructions to change the draft mandate, the EU MS adopt the Commission's suggested mandate without major revisions. This is based on the assumption that the Commission pressures the Council into adopting negotiation directives because it has a very strong interest in opening (comprehensive) negotiations. Being lobbied by the Commission, the Council adopts the Commission's draft for a negotiation mandate without major modification. Disconfirming evidence for the third part of the causal mechanism would be if we found the Council to majorly revise the negotiation mandate until a joint position among EU MS on such changes were reached, and adopted the mandate only then

In cases where EU MS are heterogeneous, the Commission drafts the (comprehensive) negotiation mandate independently, and the Council is unable to find a common position on which modifications to instruct regarding this draft mandate, therefore adopting the Commission's draft. In these situations, the Commission's preference is met in that the FTP's design is comprehensive rather than selective (figure 5).

In reverse situations in which EU MS are homogeneous on the design of EU FTP, they are able to restrict the Commission to a clearly defined mandate. When EU MS have converging preferences they are able to find a collective decision on the mandate and bind the Commission to this design. In cases where EU MS have homogeneous defensive interests, they will bind the Commission to a selective design or will prevent any kind of trade agreement. In cases where EU MS have homogeneous offensive interests, they will define a comprehensive design for the Commission.

Causal mechanism	Observable implication	Disconfirming evidence
EU member states' preferences	Offensive versus defensive interests	-
Commission prepares negotiation mandate	Independent preparation from Council	Close collaboration between Commission and Council
Council cannot find a common position on the mandate	Deadlock in Council discussions	Compromise among EU MS sought and found
Council adopts Commission's draft	Draft without major revision	Adoption of mandate when consensus on major revision
EU adjusts its FTP design	Comprehensive versus selective design	Selective design and heterogeneous preferences

Figure 5: Causal mechanism in the liberal-institutional model

Reference: Own illustration

3.3.3 Interest groups

The consideration of IGs in policy-making, whether they are societal or economic, lies at the core of liberal reasoning. These domestic-pluralist explanations argue that IGs compete for attention from governmental actors (Elsig 2007) whose policies, in turn, answer societal and economic needs. From this perspective, the argument is mainly a functionalist one (Moravscik 1997: 528) as it assumes that governments' policies reflect the demands of its population. Thus, the commercial-liberal hypotheses build on the assumption that governments, in their decision-making, are considerate when actors are affected by certain policies. Interestingly, Scharpf

(2012) credited the EU as a decision-making body with exactly this sort of liberal democratic legitimacy. Thus, what matters when studying the EU's policies, is research into intra-regional IGs.

Assumptions about actors and preferences

Commercial liberalism assumes that the EU is a unified actor in trade negotiations, and that, apart from the EU, states are the only actors in the international arena. Within the EU, however, IGs are important actors in that they influence national and supranational preferences (Drezner 2007; Moravcsik 1997, 1999). IGs are boundedly rational, and international trade between the EU and other states is a positive-sum game in which every actor can gain in absolute terms. These benefits may, however, be distributed differently between states and domestic IGs.

With respect to international trade, we can identify four kinds of IGs: those in favor of liberalization and those in favor of protectionism (Mansfield and Milner 2012), and societal and economic actors (see table 2 in chapter 2.2.2). Protectionist groups, whether they are societal or economic in substance, prefer not to enter any kind of negotiation with actors beyond Europe (Davis 2009). As societal actors, IGs such as NGOs oppose the idea of economic internationalization, and are thus skeptical towards trade negotiations of any kind. The economic edge of the protectionist groups such as agricultural interests rely materially on the protection of the European market and fear constraints by liberalization. Those that are in favor of liberalization can be societal or economic actors as well. Societal groups which support liberalizing generally appreciate globalization, and thus would favor interregional negotiations to bilateral ones, and to no negotiations at all. More difficult is the assumption regarding economic actors that favor liberalization, such as those that are export-oriented. Although interregional agreements would open them up to a bigger market, they would still prefer to negotiate it step-by-step, bilaterally. This is because only in bilateral negotiations can the EU secure its asymmetrical bargaining power and agree on outcomes that are more favorable for export-oriented groups (Davis 2009) (table 8).

With respect to the negotiation issue, actors with a liberal interest prefer comprehensive designs to selective designs. This is because comprehensive designs liberalize trade in goods and also other fields such as services, investments, or non-tariff trade barriers, opening up a

broader and deeper market to export-oriented actors and to services. Actors with protectionist interests, instead, prefer no negotiations or no trade relations at all as they do not want to liberalize any market. As chapter 3.3.1 outlined, the Commission prefers an interregional and a comprehensive design since interregionalism promotes the EU's model of regional integration, and because a comprehensive design promotes free trade. Table 9 sums up the actors' preferences regarding outcomes in commercial liberalism.

Table 8: Actors according to the two cleavages: society vs. economy and protection vs. liberalization

	Protectionist interest	Liberal interest
Societal actor	Actors that are opposed to economic internationalization	Actors that seek general global liberalization
Economic actor	Non-export oriented actors that rely on EU protection	Export-oriented actors

Reference: Own illustration based on the typology of Aggarwal and Fogarty (2004)

Table 9: Actors and preferences in commercial liberalism

Actor	Preference over outcome
EU	Comprehensive interregionalism
Economic actors with liberal interests	Comprehensive bilateralism
Societal actors with liberal interests	Comprehensive interregionalism
Actors with protectionist interests	No trade relations

Reference: Own illustration

Hypothesis

In the pluralist competition model, upon which the commercial liberalism rests, these diverse actors attempt to capture the relevant legislative or executive agents' attention in order to influence decision-making in their own interests (for an elaboration, see Elsig 2007a: 3). They do so in trade policies because these imply costs and benefits for the groups (Frieden and Rogowski 1996; Drezner 2007). Putting it another way, the distributional consequences give incentives to lobbying in favor of or against a policy proposal (Mattli and Woods: 2009: 12). This is why IGs would pressure the government towards a certain direction, which in return constitutes the main motivation for the engagement within negotiations (Mansfield and Milner 2012; Davis 2009; Capling and Low 2010). Thus, the actors will use a particular venue in order to meet their expectations of what will deliver a more favorable outcome (Davis 2009).

The influence of IGs on policy outcomes (in our case on EU FTP) relies on a diverse set of factors such as their internal organization, resources, economic importance, and strategies employed. In abstracting from these factors, the analysis simplifies the theoretical model by adopting the following strategies. First, focusing the theoretical model on the *commercial* type of liberalism, the model assumes that economic IGs are more important to state-like entities than societal IGs (Moravcsik 1997: 528 ff.). Second, the theoretical model suggests that when a particular sector of IGs shows itself to be more important by lobbying more intensively, the EU gives it more importance (Dür 2010: 19). When economic actors with protectionist interests (e.g. agricultural groups) lobby intensively, the EU takes their positions into account. Likewise, when economic actors with liberal interests (export-oriented actors) lobby intensively, the EU takes their positions into account.

IGs try to influence governmental actors by lobbying them, which encompasses a set of various channels (Dür 2010: 18). Outside the EU context, IGs can use different channels, mainly working with the public and the media. The present commercial liberal model has to refrain from considering this for pragmatic reasons although this would obviously provide a more exhaustive analysis. In the context of EU decision-making, IGs have four addressees: EU MS, the EP, the Commission, and, since 2010, the EEAS. The theoretical model focuses on the Commission because it is the EU institution which proposes the negotiation mandate to EU MS, and which communicates it to the EP and the EEAS. The EEAS will be taken into account in the empirical analysis, while the EP will not be taken into account because it was not involved in defining the negotiation mandates for MERCOSUR or ASEAN (Interview #33 and #34). EU MS are captured by the liberal-institutional model derived from the principal-agent framework, which emphasizes their preferences based on dominant economic actors in their countries.

In brief, the theoretical model derived from commercial liberalism focuses on economic actors as opposed to societal actors, on their lobby intensity as opposed to actor-internal factors, and on the Commission as a lobby channel as opposed to other channels. Assuming that economic actors encompass two sectors – agriculture and export – and assuming that agricultural groups are against any type of trade talks and that export-oriented actors prefer bilateral talks over interregional talks, hypothesis 4 expects a bilateral design of EU FTP in cases where export-oriented actors lobby the Commission intensively.²¹

Hypothesis (4): The more intensive the lobby of export-oriented interest groups, the more likely the EU is to use a bilateral design of negotiations.

In spelling out the causal mechanism between the independent variable (IGs' lobby intensity) and the dependent variable (EU FTP) of hypothesis 4, we assume that the EU prefers

²¹ "The European Commission maintains a Civil Society Dialogue consisting of regular meetings between civil society and European Commission officials to discuss aspects of Europe's trade policy" (European Commission 2012). This forum is open to any kind of interest group, where they can have their voices heard and receive information from the Commission. It presents the most important institution, in which the DG Trade engages with interest groups. It should be explicitly noted that this forum does not contain institutional constraints.

an interregional design over a bilateral one as section one of chapter 3.3.3 explained. We further assume that the EU is responsive to domestic groups, and adjusts its FTP to those actors which are most affected by a particular policy, and thus lobby most intensively. When export-oriented actors lobby intensively, the EU chooses a bilateral design over an interregional one.

The causal mechanism starts with a genuine interest on the part of the EU in IGs and their policy positions. In showing interest for IGs, the EU listens to them and their positions on certain policies, and thus establishes a forum in which it can listen to and enter discussion with IGs. Because the EU is responsive to domestic groups, it is interested in receiving input from IGs and in hearing their perspectives on EU FTP. The EU thus invests time and staff in listening to IGs, and has tools to facilitate this exchange. An observable implication of the first part of the causal mechanism is that the EU has a formal or informal procedure or forum, with or in which it listens to IGs and communicates with them. Disconfirming evidence for the first part of the causal mechanism of commercial liberalism would be if the EU had no procedure or forum to organize an exchange of views with IGs, but proceeded with IGs on an ad-hoc basis.

Secondly, in listening to IGs and paying attention to them, IGs have the opportunity to voice their opinion on a particular FTP. Because the EU is responsive, we can also assume that IGs take advantage of the EU's procedures for exchanging views with them, and that they communicate their positions therein. In communicating their views, IGs voice what design of EU FTP they prefer to other designs. As an observable implication of the second part of the causal mechanism, we expect to find statements in documents or in interviews which give a clear indication of what design particular IGs preferred and lobbied for. Disconfirming evidence for the second part of the causal mechanism would be if we found that IGs were indifferent regarding the design of EU FTP or if we found no statements at all about the design.

Thirdly, when the EU listens to and exchanges views with IGs through a formal or informal procedure, and when IGs voice particular views on EU FTP, the EU has an interest in taking their positions into account when exercising FTP. The EU is responsive to those groups, and thus it acknowledges the IG positions, which are most affected by certain policies. Therefore, their positions have an impact on EU FTP because the EU matches its policy to these groups by adopting their preferred design. As an observable implication of the third part of the causal mechanism, we would expect the EU to affirm to the adoption of certain policies because IGs had aired them. Disconfirming evidence for the third part of the causal mechanism would

be if we found that the EU did not take into account IGs' positions on the design of FTP or that it does adopt their views by only partly considering their positions.

When the EU listens to and exchanges views with IGs which raise those views, and which the EU subsequently adopts, it adjusts its FTP to the positions of the most affected, and thus most active IGs. If export-oriented actors with a preference for bilateral trade relations lobby the EU intensively, the EU is more likely to use a bilateral design as opposed to an interregional design of FTP (figure 6).

Causal mechanism	Observable implication	Disconfirming evidence
Interest groups' lobby	Number and frequency of consultations	-
EU listens to interest groups	Formal or informal procedure to listen to interest groups	Ad-hoc basis for listening to interest groups
Interest groups voice their views on EU FTP	Voicing a preferred FTP design	Indifference to FTP design
EU adopts positions of the most active interest groups	Statements on the adoption of these positions	No or only partly adoption of positions
EU adjusts its FTP design	Interregional versus bilateral design	Interregional design and intensive lobbying by export-oriented actors

Figure 6: Causal mechanism in commercial liberalism

Reference: Own illustration

Combining the liberal-institutional model and commercial liberalism, a combination of two intra-regional factors can give an explanation for the EU's variation in FTP design across

venues and issues. As chapter 3.3.2 outlined, EU MS influence the Commission’s mandate with respect to issues but not with respect to venues. The more heterogeneous EU MS’ preferences are, the more comprehensive the Commission’s design of FTP. As chapter 3.3.3 explained, export-oriented actors influence the EU’s design of venues. The more export-oriented actors lobby the Commission, the lower the number of addressees in negotiations (bilateral venue). Combining the impact of these two variables on the FTP’s design, table 10 illustrates the outcomes according to the combination of factors.

Table 10: Outcomes according to intra-regional factors

	EU MS heterogeneity	EU MS homogeneity (defensive interests)
Weak lobbying of export-oriented actors	Comprehensive interregionalism	Selective interregionalism
Strong lobbying of export-oriented actors	Comprehensive bilateralism	Selective bilateralism

Reference: Own illustration

3.4 Theories combining extra-regional and intra-regional factors

Recently, scholars have brought EU-internal factors together with external factors in an effort to explain EU FTP or EU’s negotiations with third partners. Among these scholars are Andreas Dür (2007) and Aukje van Loon (2013), who suggest theoretical models to study this combination of independent variables empirically. Dür (2007) argues that export-oriented IGs lobby the Commission “in response to the discrimination that they face” when third partners reach FTAs with rival actors such as the U.S. He applied this model to an analysis of the EU’s FTA negotiations with Mexico and Chile. Van Loon (2013), similarly, incorporates competition between the EU and the U.S. in Schirm’s (2013) societal approach. In using this approach, van Loon argues that IGs lobbied for the launch of trade negotiations with Mexico and South Korea because they were in competition with American companies. Neither of these scholars,

however, have analyzed why the EU has varied its FTP design. Instead, both Dür (2007) and van Loon (2013) have restricted their studies to examining why the EU launched negotiations with some countries (Chile, Mexico, and South Korea) and not with others.

Developing and testing a complementary theoretical model combining the set of extra-regional factors and the set of intra-regional factors is beyond the scope of this thesis. Each set of variables implies the assumption that their internal pairs of factors are compatible: In *commercial realism*, rival actors and the counterpart region cohesion are compatible in explaining EU FTP; in the set of intra-regional variables, EU MS and IGs are compatible in explaining EU FTP. Gathering both sets together, a combination of the two would be possible in two directions. First, as Dür (2007) and van Loon (2013) argue, IGs anticipate external constraints and negative externalities. Based on these anticipations, they alter their lobby activities of the Commission in such a way that the Commission becomes active on external constraints. Regarding FTP design, IGs could anticipate competition with American firms in external regions, and could perceive these regions as cohesive, which would then make them lobby for interregional negotiations rather than bilateral negotiations. Second, IGs do not alter their lobby activities, but the Commission faces external constraints in the international arena and acts as a gate-keeper. Although the Commission might have a preference for bilateral negotiations based on pressure from IGs, it opts for an interregional design when facing a highly cohesive region, for example. Because this would increase immensely the complexity of the theoretical model and the research design, the thesis acknowledges the possibility of multi-causality, but is unable to systematically test it.

Before moving to the empirical analysis, chapter 3 seeks to conclude with what this thesis cannot offer. The thesis analyzes EU FTP and not the EU's negotiations with a third actor as such. This implies three consequences: First, the thesis is on the second image of analysis, on the EU's foreign policy, and not on the third image of analysis, which would be international negotiations. Second, the thesis analyzes the EU's policy-making and not the EU's bargaining rounds with third actors. Third, the thesis will treat all states apart from the EU MS as black boxes. That is, the thesis does not analyze domestic factors neither within rival actors (the U.S., Japan, or China) nor within the member states of a competing region. By restricting the examination to the second image, the thesis is able to analytically distinguish EU-external and EU-internal factors, which would not be possible with a third image analysis. The exercise of

testing these two sets of variables is embedded in Karl Popper's (1982) academic spirit of testing hypotheses against empirical evidence.

4 Methodology

Chapter 4 elaborates a methodological framework to make the theoretical models (*commercial realism*, the liberal-institutional model derived from the principal-agent framework, and commercial liberalism) amenable to empirical research. Chapter 4.1 explains the epistemological and ontological foundation of the research design. Then, in 4.2, the operationalization of the dependent and independent variables is outlined. Chapter 4.3 elaborates the case selection, 4.4 the research design and data collection, and 4.5 the research's empirical sources.

4.1 Epistemology and ontology

Epistemologically, the thesis is committed to critical rationalism, as elaborated and defined by Karl R. Popper (1982). Critical rationalism, which treats science as the examination of theories and hypotheses, emphasizes falsification over verification as a method. Each theory must potentially fail by empirical evidence (Popper 1982: 15) so that each theoretical model serves as a control for its counterpart. Thus, *commercial realism* will only hold water in international trade if the institutional and liberal hypotheses can be falsified. As Zimmermann (2007) put it, if the liberal-institutional argument holds, this would shed doubt on realist thinking. The methodological framework follows the criterion of falsification: hypotheses are deduced from the theoretical models, and tested against empirical observations. Given the ambiguous nature of social sciences, however, the thesis assumes that theoretically expected evidence and empirical analysis has to weaken the demands of falsification. While Popper focused fully on the falsification principle, this thesis rests on the assumption of the more/less likely confirmation or disconfirmation of evidence. Based on process-tracing, "100 percent certain or unique tests are [...] impossible to attain as a result of the impossibility of perfect measurement of social phenomena. Therefore, test strength is a matter of degree and is best represented as a continuum" (Beach and Pedersen 2013: 102).

Ontologically, the dissertation draws on strategic choice (Lake and Powell 1999). States are treated as boundedly rational actors, which follow cost-benefit-calculations. According to strategic interaction, these actors are in a world in which one's behavior affects and constrains the other's. They act strategically in the sense that they must take into account the actions of others, and they are put into strategic situations which require an actor to "anticipate what the

actors will do” (Lake and Powell 1999: 8). The consideration of others, and an analytical differentiation between each actor’s preferences and strategies is therefore required, both of which do not necessarily overlap. The thesis treats these actors as boundedly rational, in that they do not have the entire information, but are faced with potentially unanticipated consequences. This bounded knowledge about the world and other actors triggers the establishment of formal or informal institutions.

4.2 Operationalization

Operationalizing the dependent and independent variables, chapter 4.2 starts out with the outcomes of the dependent variable, then moves to the set of extra-regional independent variables and the set of intra-regional independent variables. The scale of variables differs between nominal and ordinal. On each independent variable, chapter 4.2.2 and 4.2.3 also explain the observational implications of the hypotheses’ causal mechanisms, and assess the quality of these process-tracing tests.

4.2.1 Dependent variable

The research design of this thesis is backward looking (Scharpf 1997: 24 ff.) because it seeks to explain a policy outcome. This policy outcome is the design of EU FTP. This design is one dimension of the instruments of FTP, as opposed to goals, and it constitutes the dependent variable within this thesis. The dependent variable has four outcomes, led by a combination of two dimensions: venues and issues.

The design of EU FTP can differ along four venues: multilateralism, interregionalism, plurilateralism, and bilateralism. To be analytically complete, the EU can also pursue no negotiation at all. This thesis focuses on interregionalism and bilateralism, as two out of these five combinations, due to space and time constraints. The measurement of each venue relies on the number of the counterpart region’s member states because the thesis treats the EU as a state-like actor (see chapter 2.2). Interregionalism defines the EU’s relations with all members of the counterpart region, and bilateralism defines the EU’s relations with one member of the counterpart region. Multilateralism means the EU’s relations with all members of the counterpart region plus at least one, third actor. Plurilateralism means the EU’s relations with at least two members of the counterpart region. The operationalization is thus straightforward,

and the measurement relies on accessible information via the EU's webpages on the respective negotiation partner, whether it is an entire region or a selected country.

The design of EU FTP can further vary with regard to these negotiation issues: trade in goods, trade in agriculture, services, investments, and non-tariff trade barriers. The number of included negotiation issues defines the scope of EU FTP. That is, the higher the number of issues, the more comprehensive EU FTP; the lower the number of issues (i.e. one or two only), the more selective EU FTP. The operationalization of this dimension is also straightforward, and the measurement relies on accessible information via the EU's webpages on what issues the EU includes in its FTP.

Combining venues and issues in one variable, this leads to four outcomes of EU FTP: comprehensive interregionalism, selective interregionalism, selective bilateralism, and comprehensive bilateralism (table 11).

Table 11: Operationalization of dependent variable

	Comprehensive	Selective
Interregionalism	Comprehensive interregionalism	Selective interregionalism
Bilateralism	Comprehensive bilateralism	Selective bilateralism

Reference: Own illustration

4.2.2 Extra-regional set of independent variables

Commercial realism comprises two independent variables: rival actors and the counterpart region's cohesion. Both of these are ordinal variables ranging from low to high. In the case of rival actors, their breadth of trade relations varies between limited and large, while in the case of the counterpart region, its degree of cohesion varies between low and high. Both variables include a quantitative element in the sense that the breadth of rival actors' trade

relations are measured by the trade issues implied in their relations, and that the counterpart region's cohesion is measured by an index of fifteen indicators.

Rival actors

The definition of a rival actor or a great power is relational. The criterion of interest in this thesis is that of economic indicators. One of the most common and most frequently used indicators for economic power in the world is Gross Domestic Product (GDP), an indicator upon which this thesis relies. Based on calculations by the International Monetary Fund (IMF), Bergmann (2014) has created a timeline chart of the world's largest economies. In 2001, ahead of European countries, the U.S. and Japan were the most important economic powers. In 2007 China was ranked third behind the U.S. and Japan but ahead of European countries. By 2010, China had overtaken even Japan, and it was then the U.S., China, and Japan ahead of the European countries. In consequence, we treat the U.S. and Japan as the EU's rival actors until 2007, and after 2007 the US, Japan, and China.

The rival actors variable is measured by their breadth of trade relations. Operationalizing this breadth, the number of trade issues included in their relations with the respective region defines their scope. The more issues rival actors imply in their relations with the respective region, the broader their trade interactions are. The measurement relies on public information on all types of existing or planned agreements, negotiations, or other forms of relations, which tackle one or more of the following trade related issues: trade in goods, trade in agriculture, services, investments, and non-tariff trade barriers.

The causal mechanism of hypothesis 1 (rival actors) starts with an observation of rival actors by the EU, and with a monitoring of their activities. A third piece of evidence in the causal chain is to find statements by EU officials that point out a competition with rival actors or negative externalities of their relations with the counterpart region with regard to European trade talks. The first two pieces of evidence are not entirely independent from each other: both of them are highly certain, but rather less unique. If hypothesis 1 (rival actors) is true, it is relatively certain that we can find observation and monitoring activity by the EU of rival actors. If we do not find these features, this would put hypothesis 1 into question. Both activities are, however, not unique to hypothesis 1 (rival actors) as also in a liberal or even a constructivist world it would be possible that the EU observes and monitors the U.S., China, or Japan. Statements on competition or negative externalities have a rather low certainty but a moderate

degree of uniqueness. The EU could compete with rival actors without stating it in documents or interviews; therefore, even if we do not find these statements we cannot be certain that hypothesis 1 is wrong. On the one hand, we could, for example, also expect statements on competition when IGs compete with foreign IGs and lobby the Commission on this. On the other, it is relatively unlikely that EU officials admit to competition with rival actors if a liberal world expects absolute instead of relative gains (figure 7). Combining these three pieces of evidence, hypothesis 1 would pass a *hoop test* if we find pieces one and two, and it would pass a weak *smoking gun test* if we find piece three.

Piece of evidence	Causal mechanism	Certainty	Uniqueness
Independent variable	Rival actors have trade relations with the counterpart region		
One	EU observes rival actors	High certainty	Low uniqueness
Two	EU monitors their activities	High certainty	Low uniqueness
Three	Statements on competition or negative externalities	Low certainty	Medium uniqueness
Dependent variable	EU adjusts its FTP design		

Figure 7: Certainty and uniqueness of expected empirical evidence of hypothesis 1 (rival actors)

Reference: Own illustration

Cohesion of the counterpart region

Combining rival actors and features of the counterpart region, these two independent variables explain the design of EU FTP from a realist perspective. More difficult to measure than rival actors is the counterpart region's cohesion. The concept describes a continuum which may roughly materialize in the two dimensions of political and economic cohesion. Differentiating cohesion into these two dimensions, an index with fifteen indicators, and following a cumulative logic, operationalizes the concept.

Politically, cohesion appears in an intra-regional and an extra-regional context. Assuming that intra-regional disputes reflect divergence of preferences, political cohesion encompasses the number of disputes (1), their intensity (2), and their settlement (3), whether member states resolve them within or outside the organization. Corresponding to authority, i.e. the ability to speak on the behalf of a group (Jupille and Caporaso 1998), and autonomy, i.e. the capacity to act externally (Da Conceição-Heldt and Meunier 2014: 965), political, intra-regional cohesion includes the establishment of supranational institutions (4), the deepening of institutions (5), and the enlargement of institutions (6). Political, extra-regional cohesion, by corresponding to international recognition through organizational membership in international institutions, actor capability, or *de facto* recognition by third actors (Da Conceição-Heldt and Meunier 2014), materializes through unity in international institutions (7), unity in non-regulated sectors (8), and unity in presidential summits (9). Complementing political cohesion, economic cohesion plays out as anticipated or material of preferences. Measuring a divergence of preferences, economic cohesion encompasses the following: priorities about the negotiation partner (10), and the negotiation issue (11); divergence or convergence of trade (12) and investment by negotiation partner (13); and divergence or convergence of the type of trade (14) and the type of investment (15).

Cohesion	Indicator	Score
Political intra-regional	Number of trade disputes (1)	
	Intensity of trade disputes (2)	
	Settlement of trade disputes (3)	
	Supranational institutions (4)	
	Deepening of institutions (5)	
	Enlargement of institutions (6)	
Political extra-regional	Unity in international institutions (7)	
	Unity in non-regulated areas (8)	
	Unity in presidential summits (9)	
	Priority negotiation partner (10)	
Economic	Priority negotiation issue (11)	
	Convergence of trade (12)	
	Investment by partner (13)	
	Type of trade (14)	
	Type of investment (15)	
Sum		

Figure 8: Operationalization of cohesion

Reference: Own Illustration

These fifteen indicators, following a cumulative logic on an index from low (matching none of these indicators) to high (matching all of these indicators), allow the analysis to measure cohesion systematically over time: The higher the number of indicators in which the region is cohesive, the higher the overall degree of cohesion (figure 8). Assuming that a high degree of cohesion leads to strength on the international stage, this influences EU FTP design with regard to these regions.

The causal mechanism of hypothesis 2 (cohesion) starts with an observation of the counterpart region by the EU. Based on this observation, the EU subsequently judges what FTP design is appropriate for this particular region, and after that declares what it believes is a successful conclusion of trade talks given the appropriate strategy. This first evidential step is independent from the second and third, but is neither highly certain nor highly unique. In fact, the EU could also believe it knows an appropriate FTP for the region without observing the region beforehand. If it did observe the region, however, this situation could also be possible in

a liberal or a constructivist world, thus the feature is not highly unique. The second and third pieces of the expected evidence are not completely independent of each other. Both pieces are highly certain: If we do not find that the EU chooses an appropriate design for the region, and if it gives a rationale for the design other than that of the anticipated success, then this will reduce our confidence in hypothesis 2 (cohesion). In brief, the pieces are not very unique: In a liberal world too, the EU could search for a most appropriate and most promising strategy (figure 9). Combining these three pieces of evidence, hypothesis 2 (cohesion) would pass a *straw-in-the-wind test* if we found piece one, and it would pass a *hoop test* if we found pieces two and three.

Piece of evidence	Causal mechanism	Certainty	Uniqueness
Independent variable	Counterpart region cohesion		
One	EU observes counterpart region	Low certainty	Low uniqueness
Two	EU judges what FTP is appropriate for the region	High certainty	Low uniqueness
Three	EU believes that an appropriate FTP leads to success	High certainty	Low uniqueness
Dependent variable	EU adjusts its design of FTP		

Figure 9: Certainty and uniqueness of expected evidence of hypothesis 2 (cohesion)

Reference: Own illustration

4.2.3 Intra-regional set of independent variables

The intraregional set of independent variables relies on the liberal-institutional model derived from the principal-agent framework and on commercial liberalism. Following these theoretical models, EU MS and IGs are the independent variables allocated, respectively, to the principal-agent approach and commercial liberalism. Both variables are ordinal ranging from low to high.

EU member states

From a principal-agent perspective, the heterogeneity or homogeneity of EU MS is the independent variable which should fully explain FTP. Operationalizing EU MS' heterogeneity, their divergence or convergence of preferences may range from low to high. In the case of diverging preferences, EU MS are heterogeneous, and in the case of converging preferences, EU MS are homogeneous. The measurement of such heterogeneity and homogeneity relies on trade relevant indicators. Further, EU MS can express protectionist or liberal economic interests by either opposing or supporting trade relations. If the number of EU MS with protectionist interests balances the number of EU MS with liberal interests, then EU MS are heterogeneous. If, on the other hand, the number of EU MS with protectionist interests outweighs or falls below the number of EU MS with liberal interests, then, if their interests are asymmetric in favor of one direction, EU MS are homogeneous. The indicators for this heterogeneity or homogeneity rest on the interests expressed by EU MS, who, if not openly expressing any interest, we must assume are neutral towards the respective trade relations.

The first step in the causal mechanism of hypothesis 3 (EU MS) is an independent preparation of the negotiation mandate by the Commission. Secondly, the Council faces deadlock in the discussions about the negotiation directives. Thirdly, the Council adopts the Commission's mandate without major revisions. The first piece of evidence is independent from pieces two and three; this piece is neither highly certain nor highly unique. The Commission does not necessarily need to prepare the mandate independently but can also collaborate with the Council despite facing heterogeneous preferences among EU MS. Pieces two and three of the expected evidence are not completely independent of each other. Both pieces are quite certain but not highly unique. If hypothesis 3 (EU MS) is true, we should find deadlock in Council discussions and we should observe that the Council is unable to adopt a

different mandate from that of the Commission's draft. Thus, if we do not find this evidence, we can be relatively certain that this hypothesis is wrong. The pieces are not unique, however, because they are highly compatible with *commercial realism* and commercial liberalism (figure 10). Combining these three pieces of evidence, hypothesis 3 (EU MS) would pass a *straw-in-the-wind test* if we found piece one, and it would pass a *hoop test* if we found pieces two and three.

Piece of evidence	Causal mechanism	Certainty	Uniqueness
Independent variable	EU member states' preferences		
One	Commission prepares negotiation mandate	Low certainty	Low uniqueness
Two	Council cannot find a common position on the mandate	High certainty	Low uniqueness
Three	Council adopts Commission's draft	High certainty	Low uniqueness
Dependent variable	EU adjusts its FTP design		

Figure 10: Certainty and uniqueness of expected evidence of hypothesis 3 (EU MS)

Reference: Own illustration

Interest groups

Following commercial liberalism, IGs lie at the core of reasoning and constitute the independent variable. This variable should be operationalized with a low to high-ranging

influence on the Commission. Measuring IGs' influence is, however, contested, and Dür (2008), for instance, has discussed the problems underlying this task. He argues for applying methods triangulation in order to avoid biases. Complying with this suggestion, this thesis measures influence using both the self-assessment of the IG's influence and also the lobby activities of the Commission. Based on the assumption that the EU is grounded in a liberal legitimacy model (Scharpf 2012) which responds to those actors that are affected by certain policies, lobby activities are measured by the number of representatives of a particular IG sector that lobby the Commission, and by their frequency of consultation. Indicators for the number of representatives of each sector and the frequency of consultation rely on a five-point ordinal scale asked for in standardized interviews.

The causal mechanism of hypothesis 4 (IGs) starts with formal or informal procedures of the EU for listening to IGs. Secondly, IGs communicate a preferred FTP design within these procedures. Thirdly, the EU adopts the views of IGs when designing the negotiation mandate. All three pieces of evidence are completely independent of each other. Piece one is highly certain but it is not highly unique. In order for hypothesis 4 (IG) to be true we need to find procedures through which the EU listens to IGs. However, these procedures are also compatible with *commercial realism* and the liberal-institutional model. Piece two is highly certain but not unique: IGs need to communicate a preferred design. If we do not find this piece of evidence, it would disconfirm hypothesis 4 (IGs). At the same time, piece two is not unique to hypothesis 4 (IGs) as also in a realist world, IGs could communicate a preferred design to the EU. Piece three is not highly certain but highly unique. If we do not find statements by the EU that it has adopted IGs' views, this does not falsify hypothesis 4 (IGs) since the EU could adopt their positions without revealing them. If we find this piece, however, this strongly increases confidence in hypothesis 4 (IGs) because neither in the realist world nor in the institutional world would the EU fully adopt IGs' positions (figure 11). Combining these three pieces of evidence, hypothesis 4 (IGs) would pass a *hoop test* if we found pieces one and two, and it would pass a *smoking gun test* if we found piece three.

Piece of evidence	Causal mechanism	Certainty	Uniqueness
Independent variable	Interest groups' lobby		
One	EU listens to interest groups	High certainty	Low uniqueness
Two	Interest groups voice their views on EU FTP	High certainty	Low uniqueness
Three	EU adopts positions of the most active interest groups	Low certainty	High uniqueness
Dependent variable	EU adjusts its FTP design		

Figure 11: Certainty and uniqueness of expected evidence of hypothesis 4 (IGs)

Reference: Own illustration

4.3 Case selection

In order to empirically test the hypotheses, and to increase the theoretical models' internal and external validity, the thesis employs a complementary set of cases: primary cases that are studied in depth, and secondary cases from the universe of cases which are reviewed based on secondary literature only. This combination of primary and secondary cases is borrowed from the stepwise qualitative comparative approach. The stepwise approach assumes a trade-off between depth and breadth of analysis. It attempts to combine in-depth investigation with cross-testing the results against a breadth of further cases. Thus, in order to provide detailed investigation, while still adding a number of cases, the stepwise comparative approach assumes that cases beyond primary cases do not need to comprise in-depth analysis. The thesis

proposes the application of two stages: first, secondary cases within the universe of cases will be reviewed; second, primary cases will be investigated in depth. This allows the researcher to cover this whole universe of cases (table 12).

The universe of cases consists of all regional organizations among developing countries that the EU has negotiated with. The Commission provides a list of all concluded and ongoing FTA talks (DG Enterprise) of which the ones displayed in table 12 belong to our universe of cases. It comprises all negotiations of the EU with regional organizations among developing countries the member states of which the EU has trade relations with. This excludes trade talks with regional groupings that do not present organizations, such as the EPA or the Central American groups. In addition, it excludes the negotiations with Mexico, because it belongs to the North American Free Trade Area (NAFTA), consisting of the U.S. and Canada, which are neither developing nor emerging countries. In contrast, this thesis does treat Brazil and Singapore as emerging, and thus as not fully industrialized countries.

MERCOSUR and ASEAN present the primary cases of investigation because these two organizations have been perceived as the most successful regional integration projects beyond Europe. The two organizations are the most advanced ones in economic as well as in institutional terms. In addition, the two organizations comprise member states which are economically of extreme importance to the EU, namely Brazil in the former and Singapore in the latter. Moreover, the organizations are interesting because they interact with other great powers, namely the U.S. and China, which makes it possible to analyze the impact of these powerful states on EU FTP.

The stepwise comparative approach (Levi-Faur 2006) comprises several analytical steps in order to compare cases along more than one dimension. The thesis suggests comparing cases across regions, venues, and issues, and carrying out three analytical steps: first, the differentiation of the cases by geographic region; second, the distinguishing of cases by venues (bilateralism versus interregionalism); third, the differentiation of each venue in each region according to the negotiated issue investments, services, non-tariff trade barriers, agricultural trade in goods, and industrial trade in goods. According to strategic choice, the thesis uses a boxes-within-boxes approach. It treats both interregionalism or bilateralism as strategic interactions between actors. The thesis addresses three units of analysis in each case: the interaction between the counterpart region and the EU; the interaction within the counterpart region, and the interaction within the EU.

Table 12: The population of cases

Case	Counterpart region	Time	Venue
Primary	MERCOSUR	1995 - 2004	Interregional
Primary	MERCOSUR	Since 2010	Interregional
Primary	Brazil	Since 2007	Bilateral
Primary	ASEAN	2007-2009	Interregional
Primary	Singapore	Since 2010	Bilateral
<i>(Secondary</i>	<i>Malaysia, Thailand, Vietnam</i>	<i>Since 2010</i>	<i>Bilateral)</i>
<i>Secondary</i>	<i>ANDEAN Community</i>	<i>2006-2008</i>	<i>Interregional</i>
<i>Secondary</i>	<i>Columbia and Peru (and Ecuador)</i>	<i>2009-2010</i>	<i>Plurilateral</i>
<i>Secondary</i>	<i>South Africa</i>	<i>1990-1999</i>	<i>Bilateral</i>
<i>Secondary</i>	<i>GCC (Gulf Cooperation Council)</i>	<i>Since 1991</i>	<i>Interregional</i>

Reference: Own Illustration

4.4 Research design and data collection

To avoid empirical biases, the thesis is based on data triangulation, methods triangulation, and a combination of research strategies. By triangulating research strategies, it combines hypothesis testing, congruence testing, and rigorous process tracing. By triangulating methods, it combines interviews and document analysis. The empirical analysis starts with a

congruence test by examining whether the value of the independent variable and the outcome of the dependent variable match the theoretical expectations. If this congruence is given, the empirical analysis uses theory-testing process tracing. This allows the researcher to trace the explanatory power of its theory, while additionally controlling for alternative explanations.

Semi-structured interviews

Regarding data collection, the thesis proposes a combination of document analysis and interviews. In employing semi-structured interviews, which are adequate if the domain is known and the direction of inquiry is deductive, the thesis discriminates the template of interview questions between the addressees for two reasons. Firstly, the respective addressees of interviews differ to a certain extent regarding the need for information. While questions to the Commission cover both the dependent and the independent variable, investigation into the counterpart regions of MERCOSUR and ASEAN comprise more information on the independent variable. Secondly, the interviewer assumes an increase in knowledge after each interview, which enables proceeding interviews to be carried out in a more targeted and focused fashion. This applies, in particular, to the progression from interviews with the Commission towards interviews with the counterpart region. When the first are carried out, interviews with MERCOSUR and ASEAN are based on an advanced level of knowledge, which requires taking advantage of the already gathered information. Thus, these interviews are carried out in three steps: Firstly, EU personnel are interviewed; secondly, the interviewer consults staff and experts on MERCOSUR; and thirdly, experts on ASEAN are interviewed. Further, surveys complement these interviews, which can be used for the agents of the independent variable IGs. Here, self-assessment (Dür 2008) might be relevant and convenient to measure the influence of IGs. The standardized interviews require closed nexus-questions (Wang and Yan 2012), while semi-structured interviews require open x-questions. The mode of analysis of the semi-structured interviews is content-based rather than thematic (Morse 2012).

Standardized interviews

In studying the influence of IGs, the thesis uses the Commission, more precisely the CSD of the Directorate General (DG) Trade, as a point of reference. The CSD is a forum that was established by the DG Trade in 1998 and allows IGs to engage in EU FTP. With the CSD,

the Commission attempts to ensure participation in a “transparent and accountable trade policy based on consultations with all parts of the European civil society” (Com 2013). Although IGs have to register in the CSD to participate, it is open to any organization without institutional restrictions. The forum consists of regular meetings, in which the registered associations discuss trade policy-making with officials from the Commission. Thus, the CSD serves as a unit of analysis for an investigation into IGs’ influence on EU FTP, and therefore the registered groups are presented as the target population of the survey.

The method of data collection is a computerized self-administered questionnaire (CSAQ) (Groves et al. 2004: 139), a web survey, in which a computer illustrates the questions on a web site and the respondent administers them themselves. This method is appropriate for two reasons: first, the organizations are registered online on the CSD, which presupposes that they have internet access and are fairly familiar with web administrations; second, the survey mostly asks questions regarding attendance at meetings, which lowers the risk of any misunderstandings regarding content. The solicitation procedure is an email list based on the sample (Best and Harrison 2009: 417; Lozar and Vehovar 2008: 267), which is appropriate because the survey consults are a non-probabilistic closed sample. Google docs, an open source questionnaire program, runs the survey.

The sample (Groves et al. 2004: 44 f.) is selected from the groups in the CSD that have been registered since its initiation in 1998. Although the registration is transparent and accountable, one should be beware of time bias within the survey. The CSD provides only the list of the currently registered organizations, which leads to a difference between the target and the frame population. The members that can be selected into the sample are those that are currently listed in the register of the CSD with their contact details. This leads to a bias in the results because some groups might have withdrawn from the forum for some reason. Those groups can, however, not be taken into account because they are not accessible. Since the frame population is of finite manageable size, it is identical to the sample. The construct that is investigated is the influence of the members of this sample on EU FTP. According to the measurement of this construct (Lozar and Vehovar 2008: 136), which has been elaborated in chapter 4.2.3, it is conducted by self-assessment of influence, frequency of consultation, and number of representatives. As for the mode of questions, the survey mainly asks for a rating of individual items, that is, the assignment of an independent value according to an ordinal scale to each item (Fabbris 2013: 22).

The semi-structured and standardized interviews serve primarily to control, to verify or potentially falsify the conducted data through document analysis. This triangulation avoids biases and an over-reliance on information from documents.

4.5 Empirical sources

Primary documents are collected from several units of analysis, MERCOSUR, ASEAN, the EU, and various empirical sources. Broadly speaking, the sources cover webpages, documents, newspaper articles, primary data from two surveys, a consultation, interviews, and trade data. The description of the empirical sources moves from the survey data to the consultation dataset, and from trade data to documents, webpages, and lastly newspaper articles.

One of the two questionnaire datasets is a survey that Dür and De Bièvre (2007)²² ran. This they conducted with a random sample of 100 EU-based IGs registered in the CSD, of which 48 responded. The 48 respondents were mainly NGOs, but they also covered trade unions, agricultural and business groups. De Bièvre and Dür's survey complements the second survey, which was conducted with the groups registered in the CSD in July 2013. It contains a sample of 283 groups, of which N=44 responded.²³ 87 out of 283 stakeholders could not fill in the survey for three reasons: they were not engaging in the EU's trade issues, delivery failed, or they were represented by a European umbrella organization. Of the remaining 196 groups, 44 returned the survey, which means a return rate of 22 percent.

The consultation dataset relies on the DG Trade's public consultation on the EU future trade policy of March 2010. DG Trade ran a consultation to which it received 321 responses. 304 of these are public but, unfortunately, only 85 of them are accessible. Moreover, the dataset only includes those consultations which replied to the questionnaire question by question as opposed to giving just a general statement on the EU future trade policy. This leaves a dataset measuring 66 N. The dataset relies on six of the original questions from the survey, and the responses were coded qualitatively with an overall number of 24 response categories.

²² I thank Andreas Dür and Dirk de Bièvre very much for being so kind and making their questionnaire available to me.

²³ For the questionnaire please see annex I.

Trade data complement these three datasets, which are accessible via various statistics. The OECD database contains information on foreign direct investments inflows and outflows by partner country in millions of US Dollars. The UNComtrade database provides numbers on trade flows in exports and imports by partner country in millions of US Dollars, and through these one can distinguish between groups of products. The Inter-American Development Bank offers information on trade within MERCOSUR and with export and import partners beyond the region. The Integrated Database on Trade Disputes (IDATD) contains information on the number of trade disputes, their topic, and their settlement in the Americas, especially within MERCOSUR. Unfortunately, nothing similar exists for ASEAN. However, the dispute settlement database of the World Trade Organization (WTO) and the HIIK conflict barometer complement information-gathering for both organizations, since they contain information on the resolution of conflicts among the member states beyond their own dispute settlement mechanism.

As for documents, the author consults primary sources from the EU, MERCOSUR, and ASEAN. Since the EU is mostly very transparent, it provides a large amount of data. Most importantly for research on the IGs' lobby of the Commission are the minutes of the CSD meetings, which are all available online. In addition, the Commission has launched a number of related investigations and published their results online on the DG Trade webpage within the range of the CSD. Important too, is the information on the EU's member states behavior within the Council, which the author collects on the homepage of the Council. Moreover, the EU has made transparent and accessible to researchers the meetings of the Council within the Dorie database. This comprises meetings of the Council relevant to the topic which date from 1994 to 2009. MERCOSUR and ASEAN also provide a number of different documents and information, which the author consults. These contain the treaties and minutes of meetings for both organizations, their documents of summits, as well as annual reports for both regional projects.

Three newspaper webpages provide extraordinary data on MERCOSUR and the EU: Agence Europe, Euractive, and Mercopress. The former two contain information on the EU and their policies and politics on a daily basis, and thus comprise valuable information on the EU's exposure to internal and external influences. Euractiv also documents EU policies and politics, and provides the reader with detailed information on the most recent developments within the realm of EU FTP. Mercopress represents an equivalent to these European press agencies with respect to Latin America in that it has documented the policies and positions of MERCOSUR

and its member states. Therefore, it comprises information on MERCOSUR's internal cohesion as well as Brazil's behavior within and commitment to the organization. The documents are accessed partly by document analysis and by quantitative content analysis. This means that the documents are coded according to the indicators of the variables and systematically incorporated into a literature administration system.

The most substantial source of empirical data the thesis relies on are semi-structured interviews. The total number of such interviews relevant to the thesis is 46 with 50 interview partners.²⁴ These interviews were carried out in Brussels, Belgium, and Montevideo, Uruguay, in March, April, and August 2014, and in February 2015. Interview partners were contacted mostly by email, and sometimes through phone calls, and each interviewee was assured complete anonymity. For this reason, interviews are referred to by indicating the institutional affiliation, date, and place of interview. Interviewees are institutionally affiliated to the Commission, the EEAS, the Council, and the EP, to EU delegations, the MERCOSUR secretariat, foreign ministries, and delegations to the EU located in Brussels. In Uruguay, some interviewees were experts affiliated to universities, (former) diplomats, and staff from think tanks or foundations. Taking into account the South American cultural context, these interviewees belong to the political elite and are in regular and close contact with policy-makers.

²⁴ For the interview templates please see annex II.

PART II

5 Universe of cases

In its latest “Trade for All” strategy paper (Commission 2015), the Commission’s DG Trade, under the direction of Cecilia Malmström, sets out the EU’s new trade agenda. This trade agenda lays out the direction of EU FTP with an emphasis on an “effective policy that tackles new economic realities and lives up to its promises” (Commission 2015: 10), and that is forward-looking in shaping globalization. Tackling new economic realities and having a forward-looking approach, the EU highlights a comprehensive and a bilateral agenda for trade agreement negotiations. Being comprehensive, this agenda aims at promoting trade in services, facilitating digital trade, supporting mobility, addressing regulatory issues as a priority, ensuring the efficient management of customs, securing access to energy and raw resource, and protecting innovation. Being forward-looking, the strategy paper develops an explicit bilateral agenda (Commission 2015: 29 ff.) that covers the entire globe but with Asia as a strategic priority.

The EU had already put this agenda into practice before making it explicit in the “Trade for All” strategy paper. Having started a variety of trade negotiations with partners from around the globe, the EU has had ongoing talks with North America (TTIP with the U.S., and the comprehensive economic and trade agreement with Canada) and with Latin America (bringing forward the EU-MERCOSUR talks on an AA). With Asia Pacific, the EU has launched FTA negotiations with Japan, Malaysia, and Thailand, and investment negotiations with China and Myanmar. In the Arab world, the EU is committed to the FTA negotiations with the GCC, and even evaluates stronger economic relations with Iran. The EU also wants to cooperate more closely with African countries, Turkey, and countries in its neighborhood. Further to this, the EU has already concluded various FTAs, among them agreements with Singapore, South Korea, and Vietnam, as well as with Mexico, Colombia, Peru, and South Africa.

Among these currently ongoing, temporarily suspended, or already concluded trade agreement negotiations, nine constitute this research project’s universe of cases: the EU’s initial negotiations on an AA with the Andean Community (CAN), and its shift to bilateral FTA negotiations with selected CAN members Colombia, Peru, and latterly, Ecuador; the EU’s Trade, Development and Co-operation Agreement (TDCA) with South Africa, which is a member state of SADC; and the FTA negotiations with the GCC. These are in addition to the EU’s shift from interregional negotiations with MERCOSUR and ASEAN to bilateral trade talks with Brazil and Singapore, respectively, and Europe’s change back to interregionalism

with MERCOSUR in 2010. These constitute the universe of cases because these countries are members of regional organizations in the developing world, and because the EU has had trade talks with at least one member of their organizations. Based on secondary literature, chapter 5 provides an empirical overview of four of these cases by starting with the EU-CAN interregional talks on an AA, and the EU's subsequent change to bilateral FTA talks, then proceeding with the TDCA negotiations with South Africa as a member of SADC, and concluding with the EU-GCC FTA negotiations. Each section provides descriptive results on the dependent variable, and assesses the influence of chapter 3's independent variables in these cases, based on available information in the secondary literature. A caveat before proceeding: the above-mentioned cases are under-researched, and, consequently, there is a very limited amount of literature available, so information is scarce. Future research on various grounds would be valuable to these regions, where there seems to be a lack of academic expertise. Considering this lack of research, chapters 6 and 7 investigate systematically the EU's relations with South America and Southeast Asia in the following in-depth case studies: the first phase of EU-MERCOSUR negotiations, the EU-Brazil SP, the second phase of EU-MERCOSUR negotiations, the EU-ASEAN negotiations, and the EU-Singapore negotiations.

5.1 Latin America

CAN has its roots in the Andean Pact first discussed in 1966 by the presidents of Chile, Colombia, Ecuador, Peru, and Venezuela, which was motivated by the need for regional economic integration and the need for a geopolitical counterbalance to the then militarily-ruled Argentina and Brazil (Dabène 2012: 49). After the creation of the Andean Development Bank in 1968, they concluded the Andean Pact by signing the Cartagena Agreement in 1969 without Venezuela (Dabène 2012: 49). In signing this agreement, CAN was highly ambitious in its aims at reducing the development gap and furthering industrialization within the region, and at providing strong institutions to the regional organization (Dabène 2012: 50). Despite intense internal disputes, the economic crisis of the late 1990s, and the ideological drifting apart of the member states, the Andean Pact became the Andean Community in 1996 (Dabène 2012: 51). After the initial withdrawal of Chile and the final withdrawal of Venezuela from CAN, the regional organization numbered four members: Bolivia, Colombia, Ecuador, and Peru.

5.1.1 EU-CAN negotiations on an Association Agreement

Political relations between CAN and the EU began in 1996 when they signed the Declaration of Rome, which was later, in 2003, replaced by the Political Dialogue and Cooperation Agreement (EEAS 2015a). This agreement lay the cornerstone for subsequent negotiations on an AA, which eventually started in 2007. Next to political issues and interregional cooperation, the AA included a comprehensive FTA, including trade in goods, trade in agriculture, services, investments, and non-tariff trade barriers such as IPR. To the same degree as the EU's negotiations with MERCOSUR (as chapter 6.1 and 6.3 will show) and with ASEAN (as chapter 7.1 will show), the EU-CAN talks on the AA were interregional and comprehensive in substance.

Before the launch of comprehensive and interregional negotiations, at the time the EU and CAN signed the Political Dialogue and Cooperation Agreement, it appears that the main interest in an AA came from the Andean countries rather than from Europe. At the Madrid Summit in 2002, for instance, CAN aired the wish to start negotiations on an AA rapidly (Adiwasito et al. 2006: 5). The presidents of CAN member states approached the EU on the AA, and although the EU confirmed its intention to start these talks, especially concerning the agreement's FTA component, it linked the launch to two conditions (Adiwasito et al. 2006: 5 ff.). Before starting comprehensive and interregional negotiations, the EU wanted to await the completion of the Doha Round (which eventually broke down in 2008), and it recommended CAN to be sufficiently integrated economically in order to be prepared for the comprehensive FTA.

Despite the EU's initial condition on the completion of the Doha Round and sufficient regional integration, negotiations on an AA began in 2007. The reasons for the EU's withdrawal from its initial position seems to be the increasing engagement of the U.S. and of China in the Andean region. While before 2007, the Andean region was of little interest to the EU, it shifted attention to CAN after Andean countries started FTA negotiations with the U.S. and with China. FTA talks between Colombia, Ecuador, Peru and the U.S. started in 2004 after the failure of the FTAA, and the U.S. reached its first agreement with Peru one year later (Adiwasito et al. 2006: 4). The design of the U.S.'s negotiations was comprehensive and deep, and covered broader commitments than CAN had made internally in its regional organization (Adiwasito et al. 2006: 4). At about the same time, China also launched trade talks with CAN, to the extent that by 2006 there had even been a third of communications between these two partners (Dimon

2006: 203). The literature on EU-CAN relations has widely acknowledged the impression that the EU took the decision to launch negotiations under the pressure of rival actors engaging in the Andean region (e.g. Adiwasio et al. 2006; Giacalone 2007; Dimon 2006). Dimon (2006: 214) points out that the EU was reactive to the U.S., and therefore it entered late into the process of negotiating trade agreements, but that this made the EU even more active in pursuing its agenda. The reason for the EU's decision was to "secure market access [...] and to not be left behind in the region by the US" (Dimon 2006: 214).

The literature contains very scarce information on cohesion within CAN or on any features of CAN that could be relevant to the negotiations with the EU. This reinforces once again the need to take into account these factors when studying EU FTP. Nevertheless, Adiwasio et al. (2006: 6-14) provide strong evidence for the fact that the EU had monitored CAN before starting negotiations on an AA. Before launching the talks, the two regional organizations agreed on a joint assessment process in 2005, in which the EU and CAN exchanged information and monitored the process of integration in the Andean region. This was a joint exercise, in which representatives from both organizations met to review CAN's progress in economic integration. This went beyond pure observation because the EU put itself into the position of actually checking or judging on the progress made in the Andean region. A monitoring exercise by the European Central Bank (ECB) accompanied this process, in which it assessed regional integration in Latin America, including CAN and MERCOSUR, with an institutional index of regional integration. This monitoring focused only on economic features of regional integration, and was supposed to feed into the EU's negotiation process.

There is uneven evidence in the literature on the extent to which the EU must have considered CAN a cohesive group. On the one hand, the EU established the condition for CAN to advance economic integration before starting negotiations. On the other hand, the EU intensively observed and monitored this economic integration. Assuming the EU to be a rational actor, which takes features of CAN into account when making trade decisions (and taking the two empirical elements together) the EU must have perceived CAN as sufficiently integrated, i.e. cohesive, after the joint assessment procedure. Apparently, the EU had an interest in negotiating with CAN as a group, and considered it convenient after having monitored the region. This impression changed in the course of negotiations, and when the EU understood CAN's heterogeneity, the interregional talks failed (as chapter 5.1.2 will show).

There was no information in the literature on the role of EU MS or IGs in the EU-CAN AA negotiations. Summing up the evidence on rival actors and cohesion provided in the

literature, it appears that the EU's decision to launch negotiations was a reaction to the U.S.'s and China's initiation of trade talks with CAN or its member states. Under the pressure of the American FTA talks with Colombia, Ecuador, and Peru, and the Chinese trade talks with CAN, the EU did not want to be left behind in the Andean region. Preparing comprehensive negotiations with the group, the EU actively observed and monitored CAN's regional integration, and subsequently started interregional negotiations. The scarce information that there is on the EU-CAN negotiations complies with the hypotheses and process-tracing evidence of *commercial realism*.

5.1.2 EU-Colombia, Peru, Ecuador FTA negotiations

After the fourth round of negotiations on the AA between the EU and CAN, the EU acknowledged the failure of these talks. Because of this, the EU cancelled unilaterally the fifth negotiation round (Fritz 2010), and thereby the breakdown of the AA talks was declared. After this collapse, the EU opened up a double track system of negotiations which split political issues and cooperation talks, on the one hand, and the FTA talks, on the other, into two different negotiations schemes. In one scheme, the EU continued to negotiate political issues and cooperation with CAN in an interregional format (EEAS 2015a). In the other scheme, the EU wanted to negotiate a comprehensive FTA based on the principle of flexibility, which allowed the Commission to pursue bilateral trade talks (Szegedy-Maszák 2009).

Those CAN member states which found themselves ready to negotiate a comprehensive FTA could initiate these talks with the EU. The EU first started FTA negotiations with the "willing Andean countries" (EEAS 2015a) of Colombia, Ecuador, and Peru. Shortly thereafter, Ecuador pulled out of the negotiations,²⁵ but the EU continued negotiating FTAs with Colombia and Peru, about which the last meeting in March 2010 finalized the agreements (EEAS 2015a). The negotiations were concluded in 2011, and in June 2012 the EU signed a comprehensive FTA with Colombia and Peru, application of which started one year later (DG Trade 2015a). After Ecuador's withdrawal from the trade talks, it regained interest in the agreement, with the result that the EU and the Ecuadorian negotiators agreed in 2014 that the country would join the FTA on the conditions already negotiated (DG Trade 2015a). Although the EU then had a

²⁵ Bolivia and Ecuador pulled out of the negotiations because of some controversial issues such as IPR and Ecuador's capital outflow tax (Albertoni and Clavijo 2013; ICTSD 2014).

comprehensive plurilateral FTA with Colombia, Ecuador, and Peru, the process of negotiations was of a bilateral format. Therefore, the EU's FTP design changed from comprehensive interregional to comprehensive bilateral.

Under the pressure of the U.S.'s comprehensive FTAs with CAN members, the EU faced a trade-off between an interregional AA and a comprehensive trade agreement. This makes the EU-Latin America case very similar to the EU-Southeast Asia case, as chapter 7.2 will show, where a similar trade-off between an interregional format and a comprehensive format pressed the EU into giving priority to one or the other. This dilemma becomes very clear with Bolivia's position in the earlier AA talks. Bolivia, in contrast to its fellow members and in contrast to the EU, insisted on interregional negotiations and rejected the negotiation of services, IPR, and biodiversity (Szegedy-Maszák 2009: 237). The comprehensive nature of the AA was apparently very controversial in CAN, and the Bolivian proposal demonstrates that the EU had two options: negotiate an interregional but selective agreement, or shift to a bilateral but comprehensive format. The EU chose to redirect its mandate to a bilateral format, which leads to the impression that the EU reacted to pressure from the U.S., who had already negotiated comprehensive agreements. Feres and Sanahuja (2005: 38) share the perception that the EU's trade strategy in Latin America is reactive to American initiatives, and that the EU's primary goal is the defense of European economic interests.

Literature on the EU-CAN negotiations provides very strong evidence that the failure of the interregional format and the EU's change to bilateralism was linked to heterogeneity within the Andean region. Seeing this increasing heterogeneity during the interregional talks, the EU simply reacted to CAN's level of unity. Several scholars point out that the EU cancelled the fifth negotiation round and changed its FTP design because CAN's unity had subsided. There was disagreement in CAN on some of the negotiation issues (Haubrich Seco 2011: 9), there were internal conflicts in CAN (Fritz 2010), and CAN could not manage to reach a common position in the fourth round of negotiations (Szegedy-Maszák 2009: 237). Controversial issues, on which CAN members did not reach a common position, were non-traditional ones such as services, and non-tariff trade barriers, as the Bolivian proposal (to withdraw these issues from the negotiations) demonstrates.

The EU, however, did not want to refrain from the comprehensive format of FTA negotiations, and thus changed its interregional mandate in favor of bilateralism (Sbragia 2010). This was linked to the fact that Colombia and Peru, too, argued in favor of separate agreements with the EU because there was no more coincidence of priorities among the four CAN partners

(Szegegy-Maszák 2009: 220). Dissimilar to the EU-Southeast Asia case (as chapter 7.2 will show), Bolivia, as a CAN member state, explicitly rejected the idea of bilateral negotiations because these FTAs would cause divisions in the regional organization (Szegegy-Maszák 2009: 240). This is interesting because the EU kept on emphasizing how bilateral FTAs would eventually feed into multilateralism (Commission 2015), and because the EU does not abandon its integrationist rhetoric. The EU's bilateral trade strategy, and the explicit acknowledgement by CAN members that this strategy disturbs regional integration, raises questions about the EU's integrationist discourse (Feres and Sanahuja 2005: 38).

Based on the information available in the literature, the EU-Latin America case reinforces the validity of *commercial realism*. Facing pressures from the U.S. and from China, who had already concluded or were in the process of setting up broad trade relations with CAN member states, the EU reacted with similarly comprehensive initiatives. The EU initially tried to negotiate a comprehensive and interregional AA with the regional organization. Due to increasing heterogeneity among CAN member states, culminating in the inability of CAN to present a common position at the fourth negotiation round, the EU abandoned interregionalism, and shifted to a bilateral format. As seen in Bolivia's proposal, which foresaw interregional but selective negotiations, the EU prioritized a comprehensive design over an interregional design. This shift from interregionalism to bilateralism in the EU-Latin America case, therefore, complies with the expected causal mechanism of *commercial realism*. There was, however, no information on the role of EU MS or IGs, which makes it impossible to provide a systematic analysis or a systematic control for alternative explanations.

5.2 Southern Africa

Until 2000, the EU had regulated its trade relations with Africa through the Lomé Convention of 1975, which guaranteed non-reciprocal trade preferences to the African Caribbean Pacific (ACP) countries. The WTO found these non-reciprocal trade preferences incompatible with international rules on global trade, and requested that the EU negotiate WTO-compatible agreements with the ACP countries. This request led to the Cotonou Agreement of 2000, in which the EU and 77 ACP countries agreed to replace the non-reciprocal trade agreement with new and WTO-compatible arrangements by 2008. These new trade arrangements should be reciprocal, comprehensive and substantive, and they should progressively lead to the reduction of trade barriers (Bilal 2002: 8 f.). In negotiating such

arrangements, the EU created the Economic Partnership Agreements (EPA), which target ACP countries by transforming the non-reciprocal trade agreements into reciprocal ones.

Although the deadline for these EPAs was set for 2008, negotiations on these agreements or their implementations have not yet concluded (by the time of writing in November 2015) (DG Trade 2015b). This is partly due to the complexity of these talks, with the EU distinguishing three categories of countries: least developed countries (LLDC), less developed countries (LDC), and those countries that fall into neither of these categories, such as South Africa. The EPA negotiations targeted primarily LDCs, so that LLDCs received special treatment, while other countries were requested to negotiate normal FTAs. South Africa, for example, had already negotiated a TDCA with the EU before the launch of EPA talks, and was initially not allowed to participate in the EPA negotiations (Bilal 2002: 21).²⁶ Later, however, in 2007 South Africa did join the SADC-EPA negotiation group.

Using the example of the SADC-EPA negotiation group, chapter 5.2 demonstrates the complexity of these trade talks, and the destructive impact the EU had on regional integration in Africa, although the EPA negotiations had meant to strengthen African regional organizations. The EU's EPA talks, however, do not belong to this research project's universe of cases, even though they targeted developing countries, which are members of regional organizations. The EPAs are also not part of the universe of cases because in these talks the EU used a top-down-approach of forming regional negotiation groups. As the next section shows, these negotiation groups did not necessarily overlap with membership in regional organizations, which makes these cases highly problematic for the analysis based on the theoretical models outlined in chapter 3. These theoretical models assume that regional organizations use bottom-up approaches, in which the degree of cohesion of member states can vary. Where negotiation groups do not even overlap with membership in regional organizations, this configuration would make an analysis of cohesion inadequate. After having demonstrated the dynamics of the EPA negotiations in Southern Africa, chapter 5.2 assesses the literature on South Africa's TDCA with the EU, which belongs to the thesis's universe of cases.

²⁶ It is not entirely clear from the literature why South Africa was initially not allowed into the EPA negotiations. It seems that the EU counted it as a non-ACP country because of the already concluded TDCA (Bilal 2002: 21).

5.2.1 EU-Economic Partnership Agreement negotiations

After signing the Cotonou Agreement in 2000, which set out the plan for the EPA negotiations, the Council authorized the Commission's negotiation directives in June 2002. This negotiation mandate laid out two phases of negotiations with ACP countries. The first phase targeted all ACP countries in one while the second, beginning in 2003, initiates the actual negotiations with regional ACP groups. The negotiation groupings were not named in the directives, as ACP countries were supposed to allocate themselves to a particular group. The Commission had a clear interest in these negotiation groupings, because this reduced transaction costs, bearing in mind that, otherwise, the Commission would have needed to negotiate 77 bilateral FTAs (Meyn 2004: 1). At the same time, the Commission reiterated that African regional integration would allow ACP countries to develop economically in a more effective and long-lasting way.

Although the configuration of negotiation groupings rested with ACP countries, the Commission had a preference for a geographical set-up (Bilal 2002: 18). In a study carried out in 1998, the Commission examined six proposed regional EPAs, including SADC without South Africa (Bilal 2002: 11). Without imposing these particular groups, the Commission wanted to enter EPA talks with ACP negotiation groupings that reflected *effective* regional trade arrangements. Therefore, it communicated the following in a document: "Regional economic integration initiatives based on the objective to establish a CU or a free trade area, which have not been implemented and for which *legally binding interim agreements* do not exist or are not *effectively implemented in accordance with their schedule*, should not be considered for the negotiations of EPAs" (as cited by Bilal 2002: 19). It is questionable whether this statement reflects European support for African regional integration given that implementation is difficult to assess, and that integration in the developing world is limited. Effective implementation in accordance with a precise schedule is therefore extremely difficult and unlikely.

Literature on the EPA negotiations widely acknowledged that, despite the EU's declared intention to support African regional integration, it actually disturbed precisely these regional organizations (Bilal 2002; Borrmann et al. 2007; Kitipov 2012; Kohnert 2008; Lecomte 1998; Muntschick 2013; Pollio 2010; Ramdoo and Bilal 2013). The core problem of the EPA talks was that the Commission wanted to negotiate with ACP groupings without double membership, so that each country had to allocate itself to one and only one ACP grouping. This was highly problematic because there is overlapping membership in African regional integration. Thus,

membership of regional organizations was not identical to membership in ACP groupings for the EPA negotiations (Bilal 2002: 20; Borrmann et al. 2007: 3). At the same time, the Commission communicated that it was no problem to exclude non-LDC countries from an EPA grouping despite being a member of a regional organization (Bilal 2002: 21). However, this effectively led to highly fragmented EPA-ACP groupings.

In Southern Africa, the configuration of EPA-ACP groupings led to a high fragmentation of regional integration and EPA groupings. SADC, a regional organization in Southern Africa with a core membership within a CU, has a total of 15 members. Of these 15 member states, seven allocated themselves to the SADC grouping within the EPA talks. South Africa was initially excluded from the EPA negotiations, and all other member states decided to opt for other configurations (Bilal and Ramdoo 2013: 121). Being a consequence of the Commission's insistence on ACP groupings, the EU's trade strategy in Africa has damaged team spirit among ACP countries and has disturbed regional integration (Kohnert 2008: 13). The EPA negotiations have undermined regional integration in Africa (Lecomte 1998; Ramdoo and Bilal 2013), and the EU has had a destructive impact on SADC (Muntschick 2013).

5.2.2 EU-South Africa TDCA negotiations

During the EPA negotiations in 2007, South Africa joined the SADC-ACP configuration, which shifted the EU's focus towards reaching a comprehensive EPA with the whole SADC-EPA grouping including South Africa (DG Trade 2015c). This might have decreased the risk of deteriorating regional integration in SADC. Even before the EPA negotiations, however, SADC had faced various difficulties (Alden and Soko 2005: 377), among them South Africa's bilateral negotiation of a TDCA with the EU. The bilateral TDCA, which included a comprehensive FTA, was concluded in 1999 after four years of negotiation (DG Trade 2015c). Six and Küblböck (2006: 24) argue that the TDCA introduced a paradigm shift of the EU in its FTP towards developing countries; one which moved away from non-reciprocal trade preferences in favor of ACP countries to reciprocal trade preferences. This shift to reciprocal trade preferences first materialized in the EU-TDCA negotiations, in which DG Trade strongly insisted on a WTO compatible agreement (Frennhoff-Larsén 2007).

There is a serious scarcity of research and information on the TDCA, so chapter 5.2.2 is clearly limited. The information that there is in the literature indicates that the EU had no interest in supporting SADC and its integration process. Two pieces of evidence support this

perceived lack of support. First, the EU refused to accept South Africa both in the EPA negotiations and the SADC-ACP grouping (Six and Küblböck 2006: 26). This must have seriously limited the SADC grouping's bargaining leverage given the economic and political weight of South Africa. Second, Levermore et al. (2000: 11) report that elites in Southern Africa had the impression that the EU treated SADC's CU as if it did not exist. Despite South Africa's membership of SADC, the EU had no interest in the TDCA's impact on regional integration in Southern Africa. This is congruent to *commercial realism* insofar as Lewis (2003: 1) outlines that Southern African countries had no unified position in international negotiations.

Frennhoff-Larsén (2007) provides more detailed information on the EU's internal dimension at the time the Commission negotiated the TDCA. The Commission's negotiation team consisted of the DG Development as the leading DG, its commissioner and director general, and the Task Force South Africa (TFSA) (Frennhoff-Larsén 2007: 862). Apart from the negotiation team, nearly every DG was involved in the TDCA talks because of the agreement's comprehensive format (Frennhoff-Larsén 2007: 863). Frennhoff-Larsén (2007) goes on to explain how the different interests of DGs fed into the negotiation process. These being DG Trade's desire for a WTO-compatible agreement; the TFSA's developmental interests and alliance with South Africa, and also DG Agriculture and DG Enterprise's own agendas. In drafting the two negotiation mandates (one on the TDCA, and the other on the planned free trade area) the negotiation team had to delicately maneuver the DG's different interests (Frennhoff-Larsén 2007: 871 f.).

In addition, the Commission needed authorization from the Council for these two negotiation mandates, which was unproblematic in the first case, but more difficult in the second. The first mandate was a compromise between DG Trade and DG Development, and the Council authorized it without major changes because EU MS had homogeneous preferences in favor of launching negotiations with South Africa (Frennhoff-Larsén 2007: 871). The second mandate was more difficult to agree on, because, as a first step in the negotiation, DG Development had to reach a compromise with DG Agriculture, DG Enterprise, and DG Trade (Frennhoff-Larsén 2007: 872). As a second step, the Commission had to convince the Council to adopt this draft mandate, which was problematic because EU MS had heterogeneous preferences on the planned free trade area. Some countries had offensive interests and favored liberalization: the UK, Sweden, Denmark, Finland, and the Netherlands (Frennhoff-Larsén 2007: 866). France, Spain, Italy, Greece, and Portugal, however, had defensive interests based on its agricultural sectors and favored protectionism over liberalization (Frennhoff-Larsén

2007: 866). Contrary to the causal mechanism of the principal-agent hypothesis 3, however, EU MS had long internal negotiations on the mandate, and they approved only a tight mandate, which left little leeway for the Commission (Frennhoff-Larsén 2007: 866 f.). This tight but comprehensive mandate was a compromise among EU MS, and largely restricted the TSFA as a negotiator (Frennhoff-Larsén 2007: 872 f.).

Considering the limited amount of information and the scarcity of literature on the TDCA, only a limited evaluation of the theoretical models outlined in chapter 3 can be given. Regarding *commercial realism*, the literature contained no information on rival actors and their impact on the EU FTP. Nor was there information on SADC's degree of cohesion. The only piece of evidence that indicates a low degree of cohesion is Lewis's (2003) assessment that SADC's member states had no unified position in international negotiations. Regarding EU internal factors, there was no information on IGs but some details on EU MS and their position on the Commission's negotiation mandate. As Frennhoff-Larsén (2007) explains, EU MS had heterogeneous preferences, and the Council adopted a comprehensive mandate. However, the following empirical evidence disconfirms the causal mechanism of hypothesis 3 (on EU MS): EU MS had long internal discussions on the draft negotiation mandate; the final mandate was a compromise among EU MS, and the Council adopted a comprehensive but tight mandate, which left little flexibility for the Commission. In conclusion, the information found on the TDCA complies with no theoretical model, and it disconfirms the liberal-institutional model based on the principal-agent framework.

5.3 Gulf region

In the Gulf region, the EU has maintained interregional relations. These relations were institutionalized with the GCC, which is a regional organization set up in 1981 consisting of six members: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates. Consolidating interregional relations with the GCC, the EU issued a Cooperation Agreement in 1988, which aimed at strengthening stability in the Gulf region, facilitating economic and political relations, and broadening cooperation in the fields of technology, energy, industry, and the environment (EEAS 2015b). The Cooperation Agreement also included a commitment from both sides to start negotiations on an FTA. Since 1990, negotiations on such an FTA have

started and failed several times.²⁷ In the last phase of talks in 2002, the EU and the GCC resumed negotiations, but these were unilaterally suspended by the GCC in 2008 (EEAS 2015b). Since then, the two regional organizations have maintained informal contacts, and the EU is still committed to an FTA covering trade in goods and services (DG Trade 2015d).

Unlike in EU-Southeast Asia relations (as chapter 7.2 will show) and in EU-Latin America relations (as chapter 6.2 will show), the EU did not refrain from its interregional design of FTP, and, in the last phase of negotiations, employed a selective design of FTP, restricting issues to trade in goods and services. The design of issues of the EU's mandate often changed throughout the course of relations with the GCC, based on shifts in priorities and changing international contexts (Colombo and Committieri 2013: 2). In 2008, the GCC suspended the interregional, selective talks because it had to make too many concessions, while having the feeling that the EU did not return concessions to the GCC (Colombo and Committieri 2013: 2).

Compared to other cases investigated in this research project in chapters 5, 6, and 7, the EU-Gulf regional relations seem to be a deviant case. In its interregional relations with the GCC, the EU has placed far more emphasis on political issues (including geopolitical considerations and human rights issues) than in all its other trade agreements. Antkiewicz and Momani (2009) explain that the EU's motivation for the interregional FTA negotiations with the GCC do not lie in trade but in geopolitical and ideational interests. According to them, trade between the EU and the Gulf countries is rather limited, and the GCC would gain much more economically from an FTA than would the EU (Antkiewicz and Momani 2009: 4 f.). In its interregional negotiations with the GCC, the EU reinforced the connection between trade relations and security, in that it embedded the relations in its Wider Europe Strategy (Antkiewicz and Momani 2009: 18) after it recognized the increasing instability in the Gulf region after 2003.

The EU's emphasis on these political issues might have also been a reason for its continued pursuit of interregionalism despite the low degree of cohesion in the GCC. Although Echagüe (2007) points out that the EU has maintained a reactive policy towards the GCC, the European insistence on interregionalism does not match features of the Gulf region. Rather than being cohesive, the GCC is not a single block (Colombo and Committieri 2013: 25) run by

²⁷ The EEAS does not specify the reason for the several failures, but this was presumably because of the EU's and GCC's different institutions, their divergent interests, and their different positions on European values (Kostadinova 2013).

political and institutional tensions. Within the GCC, member states have no experience with interregional negotiations; they have no supranational institutions, and no common position in external relations (Echague 2007: 9). These political and institutional tensions have also played out in trade negotiations, when individual GCC members signed bilateral FTAs with the U.S. (Echague 2007: 9). In this sense, the EU's interregional policy has neglected the Gulf's regional reality.

Echague (2007) and Antkiewicz and Momani (2009) describe four motives for the EU to have approached the Gulf interregionally, despite the GCC's institutional and political tensions. First, interregionalism was a pragmatic approach in the sense that the EU would not have had the capacity to negotiate several bilateral FTAs with the GCC's member states (Antkiewicz and Momani 2009: 15; Echagüe 2007: 2). Having the possibility of coming to an agreement with the whole region would reduce transaction costs. Second, the EU had an interest mainly in Saudi Arabia, and by insisting on interregionalism, it has avoided negotiating bilateral agreements with the Gulf's small states such as the United Arab Emirates, in which the EU lacks interest (Echagüe 2007: 2). Third, by setting the counterpart region's CU as an initial condition for FTA negotiations, the EU tried to lock in economic reforms. These liberal reforms would have been beneficial to the EU because they would have secured a large market, and would also have facilitated investment and technology flows (Antkiewicz and Momani 2009: 16). Fourth, and coming back to the EU's insistence on political issues, Europe attempted at stabilizing the Gulf region and at cementing peace and security by encouraging regional integration (Antkiewicz and Momani 2009: 16; Echagüe 2007: 11).

In approaching the GCC with an emphasis on economic relations, the EU has been reacting to its rival actors: the U.S., China, and Japan. Initially, the EU perceived the Gulf region as an American sphere of influence given the U.S.'s security relations with some of the Gulf countries, which is why Europe turned to low politics (economics) rather than high politics (security) in dealing with the GCC (Echagüe 2007: 1 f.). The EU tried to build a geopolitical alliance with the GCC in order to counterbalance the American influence in the region (Antkiewicz and Momani 2009: 17 f) by using trade negotiations as an instrument. It seems that in the case of the Gulf region, the EU employed FTAs as a "weapon" to secure political influence and to meet political preferences rather than to compete for commercial power as such. This focus on economics as a "weapon" rather than as a power source has changed since 2004, when the U.S., China, and Japan started to strengthen and broaden their trade relations with GCC member states. These initiatives and changes in the global economy have boosted

Europe's wish to conclude an FTA with the GCC (Colombo and Committieri 2013: 8). Two of the GCC member states, Bahrain and Oman, signed bilateral FTAs with the U.S., on occasion of which, in 2005, the EU trade commissioner Mandelson criticized the Americans by saying that the U.S.'s bilateralism "risk[s] undermining the proper functioning of the GCC customs union" (as cited by Antkiewicz and Momani 2009: 20). This statement notwithstanding the fact that the EU itself has done the very same by negotiating bilateral FTAs with members of regional organizations in other parts of the globe. Japan has also intensified its engagement in the Gulf region, and China started negotiating an FTA with the GCC in 2004 (Antkiewicz and Momani 2009: 20; Echagüe 2007: 4 f.). This strong engagement of rival actors in the Gulf region has triggered the European need for an FTA with the GCC.

Concerning EU MS and IGs, the information retrieved on the EU-GCC negotiations show that these actors have had only limited influence on EU FTP towards third regions. In the case of the GCC negotiations, EU MS have shared the Commission's position and have supported the FTA (Antkiewicz and Momani 2009: 8). Only during the course of FTA negotiations has the Council become active by blocking petrochemicals from the GCC due to pressures by IGs (Colombo and Committieri 2013: 5). In general, the influence of IGs in the EU-GCC negotiations has been limited, as demonstrated by Antkiewicz and Momani (2009). According to this study, business has lobbied the Commission on two particular issues in the negotiations: petrochemicals and aluminum (Antkiewicz and Momani 2009: 10 and 14). Their lobbying activities were, however, not crucial in explaining the EU's motivation within the FTA or its design (Momani 2009).

The EU-GCC FTA negotiations seem to be a peculiar case because intra-regional factors cannot satisfactorily explain the EU FTP towards the Gulf, and nor do extra-regional factors influence the European policy as expected by *commercial realism*. The EU pursued interregionalism despite the GCC has been non-cohesive, and it has pursued a rather selective design (focusing on trade in goods and services) despite rival actors' trade relations. Based on the data, it appears that the EU employed FTA negotiations as an instrument to further political issues and geopolitical interests, rather than to gain commercial power as such. Therefore, rival actors had an influence on EU FTP towards the Gulf, but not in the direction as expected by *commercial realism*. It would be particularly interesting to study the EU-GCC negotiations in more depth in order to investigate the motivation behind the EU's interregional, selective FTA.

Summing up the empirical information on the research project's universe of cases, there was some support for the explanatory power of *commercial realism*, but either no information

or disconfirming evidence for EU-internal factors (i.e. EU MS and IGs) was found. The EU's relations with Latin America, that is, its shift from interregionalism to bilateral negotiations with CAN's (willing) member states, is the case which complies best with *commercial realism*. When the EU faced competition with the U.S., it initially launched interregional and comprehensive negotiations on an AA. Given that the EU did not want to sacrifice the comprehensive format of trade talks, at a certain point in time it shifted to bilateral negotiations with willing CAN member states. Concerning EU MS and IGs, there has been a serious scarcity of information in the literature on EU-Latin America relations. An overall lack of information is also true for EU-Southern Africa relations, particularly the TDCA negotiations with South Africa. It is impossible to give a justifiable assessment of rival actors, Southern African cohesion, or IGs in the TDCA negotiations. The only information available concerned EU MS, and disconfirmed hypothesis 3 (EU MS) which was derived from the liberal-institutional model. The EU-GCC FTA negotiations, which were interregional and selective in design, seem to be a deviant case. Information on the EU-Gulf relations confirmed neither *commercial realism* nor the liberal-institutional model nor commercial liberalism. As has been argued in the literature, EU MS and IGs have had only a very limited influence on EU-GCC negotiations. Contrary to hypothesis 2 (counterpart region cohesion), derived from *commercial realism*, the EU insisted on interregionalism despite the GCC's apparent lack of cohesion. Rival actors have had an influence on the EU FTP towards the Gulf in the sense that the EU's interest in FTA talks increased when it saw the U.S., China, and Japan engaging in the region. Nevertheless, the EU restricted the mandate to a selective design, and it did not launch comprehensive negotiations. In the EU-GCC case, Europe had a much bigger emphasis on political goals than on competition for commercial power.

6 South America

Argentina and Brazil established MERCOSUR in 1991 with the Treaty of Asunción, and shortly thereafter Uruguay and Paraguay acceded to the regional organization. Three years later, in 1994, the member states set up the (ever imperfect) CU of MERCOSUR. The Treaty of Ouro Preto ascribed the regional organization a legal personality, and the treaty formalized the CU. From the beginning, MERCOSUR was a Brazilian project and a top foreign policy priority for that major regional power (Malamud 2005: 425; Bandeira 2006: 25; De Lima and Hirst 2006: 29). Brazil was also a key player in the interregional relations between MERCOSUR and the EU, which emerged shortly after the foundation of the CU. In 1995, the two organizations signed an Interregional Framework Cooperation Agreement, which laid out the principles of the interregional relations. The EU further committed itself to interregionalism when, in 1999, Europe and MERCOSUR started negotiations on an interregional AA. The AA with MERCOSUR was supposed to include a comprehensive FTA, institutional cooperation, and political collaboration. For the EU, the AA meant much more than a purely commercial deal, and it expressed this by initiating negotiations not just on an FTA but on a far broader agreement altogether.

There is a vast array of literature on the EU's interregional relations with MERCOSUR, and on the first phase of negotiations on an AA (1999-2004). Despite the amount of literature on these negotiations, the EU's initiative of and commitment to this potential agreement is surprising for one reason. At the time when the negotiations started, the EU was already engaged in multilateral negotiations at the level of the WTO. At that time, this so-called Doha Round seemed promising, and it included all EU and all MERCOSUR's member states. Basically, all issues which were supposed to be discussed in the negotiations on an AA were also included in the Doha Round. Nevertheless, the EU negotiated simultaneously in the Doha Round and on an AA. Even more surprising is the fact that the EU re-launched the interregional negotiations in 2010, after the first phase of negotiations had failed in 2004. The EU re-opened these negotiations on an AA (which are still ongoing at the time of writing) although other actors such as the U.S. have long decided to get rid of the regional format of trade talks. The EU, furthermore, initiated a bilateral SP with Brazil in 2007, which is ongoing simultaneously to the negotiations on an AA. The Commission initiated this SP despite its commitment to the interregional format of relations with South America. Meanwhile, although the EU commits

itself to a multilateral world order and to supporting regional integration, it has shifted between different venues with varying issues in its trade relations with South America since 1999.

In analyzing the question of why the EU has employed varying designs of FTP towards South America, this chapter examines three case studies: the first phase of the EU-MERCOSUR negotiations on an AA (1999-2004) (chapter 6.1); the EU-Brazil SP initiated in 2007 (chapter 6.2), and the second phase of the EU-MERCOSUR negotiations on an AA (since 2010) (chapter 6.3). Each chapter section first describes the outcome of the dependent variable, and goes on to examine the impact of the independent variables on this policy outcome. Each section then examines the impact of the extra-regional set of independent variables, and controls it for the set of intra-regional independent variables. Within each section, when testing the impact of these variables, there is first a description of the outcome of the independent variable and its congruence with the dependent variable. Then the causal mechanism is traced between the independent and the dependent variable. Chapter 6.4 summarizes the empirical results.

6.1 EU-MERCOSUR negotiations 1999-2004

The EU and MERCOSUR were ready to start negotiations on an AA in 1999. After some rounds of preparatory talks, the exchange of market offers began in 2000. Parallel to these negotiations, the U.S. negotiated a similar agreement with MERCOSUR and the rest of Latin America, the so called FTAA, while the EU, the U.S., and MERCOSUR simultaneously negotiated trade matters in the WTO. The EU's AA was not just a traditional FTA. Instead of being purely an FTA on goods issues, the AA included a comprehensive FTA, covering non-traditional trade features such as public procurement and IPR, and political and institutional collaboration between the EU and MERCOSUR.

The EU's mandate for negotiating the AA was interregional and comprehensive in substance (table 13). The mandate laid out two principles: first, it restricted the EU to negotiating with the entire group of MERCOSUR, and thus forbade any bilateral negotiations with selected members of the organization. Second, the mandate included not just trade in goods and trade in agriculture, but also investments, services, and non-tariff trade barriers. In including traditional and non-traditional features in the negotiation mandate, the EU chose a comprehensive design, which strikingly resembled much of the U.S.'s FTAA approach (Faust 2002). The outcome of the dependent variable in case study I is thus comprehensive interregionalism.

Table 13: Dependent variable of first phase of EU-MERCOSUR negotiations

	High number of issues (Comprehensive)	Low number of issues (Selective)
High number of addressees (Interregionalism)	EU-MERCOSUR interregional negotiations on a comprehensive Association Agreement	
Low number of addressees (Bilateralism)		

Reference: Own illustration

6.1.1 Rival actors

Commercial realism argues that international factors influence the EU's design of FTP. Rival actors' trade relations with South America influence the design of issues, and features of MERCOSUR influence the EU's design of venues. In case study I, the EU obtained an interregional, comprehensive mandate. Analyzing this outcome from the perspective of *commercial realism*, the empirical examination tests the hypothesis that the broader the trade relations are between rival actors (in case study I, the U.S.) and the counterpart region (in case study I, South America), the more comprehensive will be the EU's design of FTP (in case study I the negotiation mandate for the AA with MERCOSUR). Testing this hypothesis, the empirical analysis should find broad trade relations between the U.S. and MERCOSUR, and should trace an impact from these relations back to the EU's negotiation mandate.

In case study I, the U.S. is a rival actor, whereas Japan and China are not. Chapter 4.2.2 defined rival actors as the most important economic actors in a certain year measured by GDP. This measurement identified the U.S. and Japan as rival actors in the period 1999 to 2004,

during which the EU-MERCOSUR negotiations occurred. Although Japan is, by this measurement, a rival actor and was an important export partner in the 1990s, it showed no attempt at negotiating or concluding a trade deal with MERCOSUR or any of its members. With Latin America, Japan negotiated FTAs with Chile, Mexico, and Peru, but not with MERCOSUR. The U.S., instead, was extremely active in South America. In 1994, the U.S. initiated the FTAA, an agreement which was to reach from Alaska to Tierra del Fuego, stretching over the entire Latin American continent. The FTAA's predecessor was the Enterprise of the Americas Initiative, which focused on trade liberalization, investments, and debt restructuring (Arashiro 2011: 24), and which was the political idea of former U.S. president Bush. The idea was to unite America's countries in one common free trade area, and to integrate Latin America peacefully into the American market (Carranza 2004: 320; Grugel 2004: 608). For the U.S., the FTAA would have "open[ed] up the most dynamic market after NAFTA" (Carranza 2004: 323). Having started preparatory talks on the FTAA in 1994 with 34 heads of governments, the countries began with the exchange of market offers in 1998 (FTAA 2011), but by 2004, the FTAA talks were gradually stagnating.

Value of the independent variable

The American FTAA approach was multilateral and comprehensive. In targeting the entire Latin American continent, the FTAA was based on multilateralism. The multilateral agreement should have embraced 34 countries, including the U.S., Canada, the Caribbean, Central America, and MERCOSUR's member states. Although the FTAA was multilateral in substance, among MERCOSUR's members the U.S. was only interested in an agreement with Brazil. In expressing its interest in Brazil as a political and economic strategic partner, the Council of Foreign Relations suggested that the U.S. government work on closer ties with Brazil (Mercopress 2002d), and the U.S. Under Secretary for Latin America agreed that an FTAA without Brazil was no option for the U.S. (Mercopress 2002d). Despite the American interest in Brazil as a selected member state, MERCOSUR insisted on a regional format in the FTAA negotiations. Reinvigorating the regional format in 2002, for instance, Brazil's purpose was reported by a Brazilian delegate to be to rebuild MERCOSUR in order to enter discussions with the U.S. on a regional footing (Mercopress 2002c). The so called Buenos Aires Consensus called for a "Latinamerican [sic!] power block" (Mercopress 2003a) to strengthen MERCOSUR for negotiating with the U.S. (Mercopress 2003b).

Besides being multilateral, the FTAA was comprehensive in substance. For its time, this comprehensive format was unprecedented. Indeed, the FTAA went far beyond a traditional FTA. In tackling non-traditional features, it also included agribusiness, services, investments, and non-tariff trade barriers. Among the non-tariff trade barriers, government procurement, subsidies and compensatory rights, competition policies, a tribunal on controversies, and IPR were the most controversial subjects (Mercopress 2003c). Although the U.S. had a clear preference for this comprehensive format, it became clear during the negotiations that the U.S. had no interest in negotiating agriculture. Agriculture was among the most sensitive issues for the U.S., and it was also the most offensive negotiation issue for MERCOSUR's members. With it being such a controversial issue, the U.S. refused to make any kinds of concessions on agribusiness. In fact, the U.S. wanted to leave agriculture to multilateral negotiations in the WTO, while discussing all other issues in the FTAA. Brazil strongly opposed this format and insisted on a single undertaking of negotiation issues when signing the FTAA, which eventually did not happen (Mercopress 2003d).

Descriptively, the U.S. aimed to build very broad trade relations with MERCOSUR and the rest of Latin America. The comprehensive format of the FTAA was unprecedented, and, for its time, went far beyond usual and traditional FTAs. The U.S.'s broad trade relations with MERCOSUR coincided with the EU's comprehensive design of FTP towards South America. Both negotiations were comprehensive and covered the exact same range of trade issues.

Causal mechanism

Scholars have widely interpreted the EU's initiative as a reaction to the U.S.'s approach (Grugel 2004), and perceived the EU and the U.S. as rivals for influence over the South American continent (Faust 2002). The U.S.'s FTAA targeted the entire Latin American continent, attempting to integrate the continent peacefully into the U.S. sphere of influence (Carranza 2004: 320). By launching the FTAA initiative, the U.S. followed its profound motivation to gain competitiveness, to aggressively boost its exports (Diedrichs 2003: 316), and to fulfill strategic interests in "securing worldwide market access" (Lenz 2009: 64).

Retrospectively, it is impossible to reconstruct how much staff, time and resources the Commission invested into observing the U.S.'s foreign policy towards South America, and what exact tools the Commission used to monitor the U.S.'s FTAA approach. From the interviews, several documents, and secondary literature it is clear, however, that the EU did

indeed observe and monitor the U.S.'s initiative. The interviewees widely admitted that the Commission observes competing actors such as the U.S. on different levels such as summits or political dialogues (Interview #10). The EU always observes competing actors and tries to understand how these actors get involved with South America (Interview #6; Interview #9). Therefore the EU does monitor and also mirror rival actors (Interview #6).

From the historical order of negotiations, it becomes clear that the EU monitored the FTAA from the beginning. The EU mirrored the FTAA in timing, in including issues, and in suggesting specific formats. In mirroring the FTAA, the timing of the American and the European negotiations with MERCOSUR were exactly the same. The EU started preparatory talks at the same time that the FTAA rounds began with the Summit of the Americas in Miami; the EU initiated bargaining rounds with MERCOSUR just when the FTAA members had their first ministerial meeting Quebec in 2000; and, eventually, the EU-MERCOSUR talks stalled in the early months of 2004 at the exact same time the FTAA talks did. Even when the negotiations were already ongoing, the EU experienced similar difficulties to those in the FTAA talks (Klom 2003). Agriculture, for instance, was the most controversial topic in both the EU-MERCOSUR FTA talks and in the FTAA talks. In being such a sensitive issue to Europe, the EU demanded to leave agriculture off the table unless the U.S. and Japan put an end to their subsidies on agriculture (Mercopress 2002a) – a position that was rejected by Brazil. Later in the negotiations, the EU suggested splitting negotiations into several phases (Mercopress 2002b). This was a proposal which the U.S. had made before, and which Brazil rejected in both situations. Doctor (2007: 291) concluded that both negotiations became increasingly interlinked so that failure and stagnation on one part was replicated in the other.

The EU clearly believed that it was in competition with the U.S. for influence in South America, and therefore the EU-MERCOSUR negotiations were counter-initiative to the FTAA. Interviewees confirmed that there had always been competition between the U.S. and the EU, and that the EU had always made a counter-move to the U.S.'s steps. The FTAA was a strong motivational force for the EU because when Europe faced such competition, it was interested in the trade negotiations (Interview #20 and #21). In addition, every time the U.S. made a move, the EU did so, too (Interview #39; Interview #40; Interview #41). In 2000, an EU official said he believed that the FTAA could not interfere with the EU-MERCOSUR negotiation, but only because the FTAA includes 34 governments, and thus 34 sets of interests, thereby suggesting that he does not fear the FTAA could materialize (Mercopress 2000a). The EU's negotiations on an AA happened in an obviously competitive context (Revista Mercosur 1996). Because the

EU did not want to be left behind the U.S. (Mercopress 2004b), it negotiated the FTA with MERCOSUR as a means of counteracting the FTAA (Inter-American Development Bank 1999) in its desire to avoid at all costs an “upsurge of US influence in the continent” (Inter-American Development Bank 1999).

EU FTP also responded to political interests (Inter-American Development Bank 2001) thus underlining the strategic importance of the AA. For the EU the agreement with MERCOSUR was extremely important because it was not only about trade but was also political in substance. The EU feared losing political presence and prestige in South America (Santander 2005; Woolcock 2007; Faust 2002; Sbragia 2010), and so Pascal Lamy pointed out that “indeed the EU’s profound motivation in this agreement has always been geopolitical; it is not just a trade agreement: it is political, economic and trade related” (as cited by Inter-American Development Bank 2006: 86). The sense of strategic importance surrounding this agreement made competition with the U.S. even more intense. In this atmosphere of competition for influence in South America, the FTAA negotiations and the EU’s FTA negotiations with MERCOSUR were a zero-sum-game (Grugel 2004). Failure in the FTAA talks was finally replicated in the EU’s FTA talks. When it became clear to the EU that the U.S.’s negotiations had failed, the EU lost complete interest in the comprehensive and interregional format of negotiations, and offended MERCOSUR with an unambitious market offer (Interview #20 and #21). This market offer is what let negotiations on the AA stagnate.

Table 14: Empirical evidence on rival actors in case study I

Causal mechanism	Empirical evidence	(Dis-)Confirmation
Rival actors have trade relations with the counterpart region	Broad trade relations between the U.S. and MERCOSUR	
Staff to observe rival actors	EU observation of U.S.	+
Tools to monitor their activities	EU monitoring of FTAA	+
Statements made on competition or negative externalities	Wide acknowledgement that the EU perceived itself to be in competition with the U.S. and the American FTAA	+
EU adjusts its design of FTP	Comprehensive design of EU's FTP	+

Reference: Own illustration

Results

Summing up the results, the congruence test was positive: broad trade relations between the U.S. and MERCOSUR led to a comprehensive design of EU FTP towards South America. In response to the U.S.'s comprehensive FTAA initiative, the EU launched similar trade negotiations with MERCOSUR. The empirical results also comply with the expected evidence of the causal mechanism (table 14): The EU observed the U.S. and monitored its activities in the FTAA. Additionally, the EU mirrored the U.S.'s initiative towards Latin America, and opened a counter-initiative towards MERCOSUR. Interviewees confirmed that the EU perceived itself to be in competition with the U.S. and felt that it needed to counteract the

FTAA. Secondary literature and also the press have widely acknowledged the competition between the U.S. and the EU for influence in South America. These empirical results therefore confirm hypothesis 1 (rival actors) in case study I.

6.1.2 Counterpart region cohesion

The U.S.'s FTAA initiative was comprehensive and interregional. The EU's mandate was also comprehensive and the mandate identified an interregional design. In its negotiations with the U.S., MERCOSUR insisted on a regional format, which was facilitated by two factors. First, MERCOSUR's members established a CU in 1994, which required a common external tariff. This CU was a Brazilian project, and it was its top foreign policy priority (Malamud 2005: 425; Bandeira 2006: 25; De Lima and Hirst 2006: 29). Second, Brazil, as the regional power, was capable of keeping the regional format and of pushing regional integration within MERCOSUR. The CU helped to prevent bilateral negotiations between Argentina or Uruguay and the U.S. (Duina and Buxbaum 2008), and was exploited by Brazil to increase leverage in international negotiations (Carranza 2004). In explaining this in more detail, *commercial realism* expects an interregional design when South America appears to be cohesive. The empirical analysis should demonstrate that the higher the degree of the counterpart region's (in case study II South America's) cohesion, the more addressees the EU includes in its FTP design (in case study II, the more likely interregionalism will be towards South America). We expect therefore a high degree of cohesion within MERCOSUR and an impact on the EU's interregional design for the period prior to the launch of, and in the early stages of negotiations.

Value of the independent variable

The Protocol of Ouro Preto ascribed MERCOSUR a legal personality in 1994, and it formalized the CU, which facilitated a regional format for international negotiations. Between 1997 and 2003, MERCOSUR was highly cohesive, and this was encouraged by the regional power, Brazil. On the index of cohesion, MERCOSUR (1997-2003) scored eleven on a fifteen-point scale (figure 12). This positive judgement of MERCOSUR's success in the 1990s matches the interpretation of a well-working regional organization.

MERCOSUR's success and high degree of cohesion was reflected in trade disputes and their settlement. MERCOSUR started out with a relatively high number of trade disputes (127)

in 1995, but this number gradually decreased and reached a modest amount (33) in 1998 (IDATD 2011). These low-scale conflicts could normally be resolved within the structure of MERCOSUR with member states bringing only one dispute, on textiles, to a third dispute settlement mechanism outside of the organization. One year after bringing the conflict to an international body, MERCOSUR's members opted for a voluntary settlement based on a mutual agreement. In the same spirit, most of MERCOSUR's trade disputes were therefore low-scale. Only two conflicts occurred that were more serious: the automobile sector crisis of 1995, and the footwear industry dispute of 1999. Both disputes, though, were settled rapidly and easily by using the regional dispute settlement mechanism.

Cohesion	Indicator	Score
Political intra-regional	Number of trade disputes (1)	X
	Intensity of trade disputes (2)	X
	Settlement of trade disputes (3)	X
	Supranational institutions (4)	X
	Deepening of institutions (5)	X
	Enlargement of institutions (6)	X
Political extra-regional	Unity in international institutions (7)	X
	Unity in non-regulated areas (8)	X
	Unity in presidential summits (9)	
	Priority negotiation partner (10)	X
Economic	Priority negotiation issue (11)	X
	Convergence of trade (12)	X
	Investment by partner (13)	
	Type of trade (14)	
	Type of investment (15)	
Sum		11

Figure 12: Degree of MERCOSUR's cohesion 1997-2003

Reference: Own Illustration

MERCOSUR's close cooperation was also effective in establishing new institutions. The permanent dispute settlement mechanism was MERCOSUR's first *supranational*

institution, established by the Protocol of Olivos in 2002 (Arnold and Rittberger 2011). One year later, the member states announced the second *supranational* institution, which was the MERCOSUR parliament, or Parlasur. Besides setting up new institutions, MERCOSUR's members deepened their institutions by signing nine protocols or agreements. In this, the member states agreed on the Protocol of the Harmonization of Intellectual Property Norms (1995), the Protocol for the Defense of Competition (1996), the Legal Framework on the Regulations Regarding Dumping on Imports from non-MERCOSUR Countries (1997), and the Protocol of Montevideo on Trade in Services (1997). Two International Commercial Arbitration Agreements (1998), and the Agreement for the Regulation of the Protocol of Competition Policy, the Protocol of Olivos for the Solution of Controversies, and the Agreement for International Freight Contracts Jurisdiction between MERCOSUR countries (2002) followed. Further to setting up new institutions and deepening existing institutions, MERCOSUR smoothed its path towards enlargement. Venezuela's and the Andean countries' admittance to the organization was prepared when President Chavez participated in a presidential summit (2001) (Mercopress 2001a), and when MERCOSUR's members agreed on Peru's anticipated accession (2003) (Mercopress 2003e).

Also, on an international level, MERCOSUR appeared united and celebrated important achievements. Brazil was particularly successful in bringing about the Initiative for the Integration of Regional Infrastructure in South America (IIRSA) (2000), which attempted to integrate South America in terms of commerce, energy, and infrastructure (Small 2005). In international institutions, Brazil also appeared as a leader when it led the group of developing countries in the WTO's Doha Round negotiations. In this case, Brazil successfully mobilized the G20 to pressure the U.S. and the EU into significant agricultural reforms (Hopewell 2013). Within MERCOSUR, Brazil was also very active in its push for the *regional* format of South America's negotiations. To ensure this regional format, Brazil assisted fellow members both materially and institutionally. In this endeavour, Brazil provided safeguard measures and special rules for financing transactions to Argentina, which had entered a recession (Genna and Hiroi 2007). Brazil also voluntarily restricted exports (Bear, Cavalcanti and Silvia 2002), and agreed to macroeconomic coordination. These were significant steps, which injected energy into MERCOSUR's attempts at integration, based on the organization's *inter-presidential* character (Malamud 2005).

The two most important states, Brazil and Argentina, also had converging positions on MERCOSUR's foreign trade agenda. They both agreed to strengthen MERCOSUR's

negotiating capacity, and emphasized the content of negotiations with the U.S. and the EU over the negotiations' timetables (Mercopress 2001b). Brazil and Argentina preferred an agreement with the EU, which demonstrates that MERCOSUR's members at that time had similar preferences regarding their negotiation partner. This was also because both countries traded more with the EU than with the U.S. Indeed, in 1999, Argentina's trade with the EU amounted to 27 percent while with the U.S. it was 16 percent; Brazil's trade with the EU accounted for 31 percent compared to 24 percent with the U.S. (UNComtrade 2012). Over negotiation issues, too, MERCOSUR's member had similar preferences in asking for a single undertaking, i.e. an agreement which includes all negotiation issues at once. Trade data resemble MERCOSUR's cohesion in its external trade agenda. Prior to negotiating with the EU, between 1995 and 1999, trade with European countries increased in the Brazilian and the Paraguayan cases or stayed on a relatively constant level in the cases of Argentina and Uruguay (UNComtrade 2012). Trade flows between MERCOSUR's members and European countries, at the very least, remained stable (figure 13), and promised to increase further with an FTA. Similarly stable were the trade flows between the U.S. and MERCOSUR's countries. Although there does not appear to be systematic data on investment numbers, the above-mentioned indicators allow the researcher to accord MERCOSUR a high degree of cohesion between 1997 and 2003.

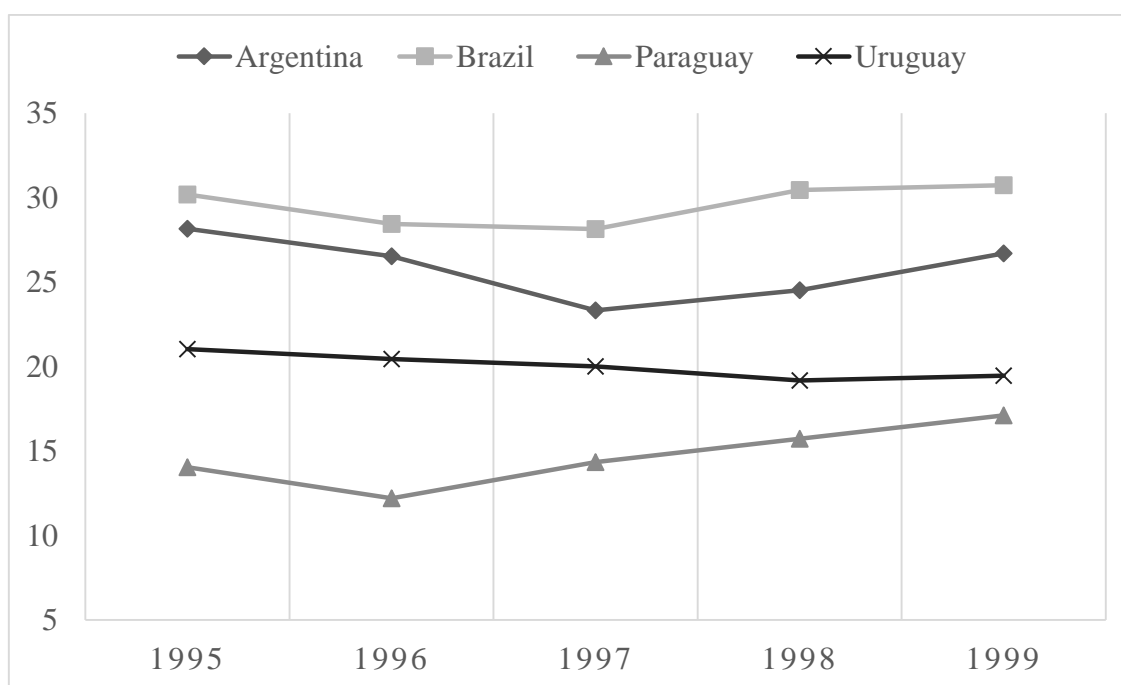


Figure 13: Trade between MERCOSUR's members and EU27 1995-1999

Reference: Own illustration based on UNComtrade data (2012)

Causal mechanism

Scholars have interpreted the EU-MERCOSUR negotiations on an AA (1999-2004) as an example of EU's normative power with which it supports regional integration and sells its own model (for instance, Börzel and Risse 2009; Hänggi 2003; Santander 2002). Chapter 6.1.2 seeks to give empirical evidence on the EU's material interests in launching the *interregional* format, which was much more a counter-initiative to the U.S., “competitive interdependence” (Sbragia 2010), than a normatively motivated policy. Use of an interregional design was a case-specific decision because bilateral negotiations with Brazil would have led nowhere.

The Commission, in general, invests time and resources in analysing and monitoring third regions. The DG Trade and the DG Agriculture have particular units on trade analysis dedicated to monitoring economic integration of third regions, and to analysing scenarios on possible trade agreements between the EU and these regions. These units conduct studies on eventual trade agreements before negotiations are launched, while negotiations are ongoing, and after negotiations are concluded (Interview #11). The staff of these units analyse what European economic concerns are at stake, and assess what interests the counterpart region has, i.e. whether they are defensive or offensive (Interview #15). In enhancing the Commission's knowledge at stake, these units exchange information with other, country- or region-specific units (Interview #15). While bargaining rounds are ongoing, the Commission also analyzes the counterpart region's market offers, whether they are ambitious enough, and whether they are “generous” enough (Interview #15). Although there is not more detailed information on how exactly the Commission monitored South America, statements by EU officials allow the researcher to conclude that the Commission did in fact observe MERCOSUR. In 2004, for instance, EU official Falkenberg said that MERCOSUR was starting to seem more vision than reality in terms of regional integration, and that MERCOSUR's members would not trust each other (Mercopress 2004a).²⁸ This indicates that the EU closely monitored regional integration in MERCOSUR while it was negotiating with its members.

Officially, the EU prefers multilateralism and region-to-region relationships (Interview #16) so that the general line of the EU is to promote that view (Interview #9). Meanwhile in

²⁸ Fragmentation within MERCOSUR had already started by 2004. Cohesion is a continuum and a gradual process over time. An update of cohesion for smaller time units would provide more specific results, but this was not feasible in this thesis due to space and time constraints.

this sense, the EU has a natural affection towards regional organizations, and in economic relations it considers carefully what venue to use for negotiations. For the EU, the strategic interest in South America lay with Brazil, and in concluding an agreement with that economically and politically most influential member of MERCOSUR (Interview #20 and #21; Interview #6). The Brazilian importance to the EU rests on its size, its economic weight, and its political relevance, to the extent that an agreement with Brazil for Europe is indispensable (Interview #6). In trying to find an FTA with Brazil, the EU had little leeway in deciding on the negotiation format (Interview #4). One of MERCOSUR's principles was that it is governed through a CU, which required negotiations to be carried out as a bloc. This negotiating format was thus "retained for the EU-MERCOSUR negotiations" (Inter-American Development Bank 1999: 33). Because MERCOSUR was a CU and because Brazil had a geopolitical vision for the regional organization (Christensen 2013: 274), the EU had to follow the interregional path. Brazil openly favored negotiations with a "strong Mercosur block" (Mercopress 2001c) and not on a region-to-country basis because a regional format gives the group greater bargaining power. In fact, when Argentina and Uruguay voiced the idea of bilateral talks with external actors, Brazil insisted on the regional format, and made it clear that bilateralism is not compatible with membership of the CU (Interview #20 and #21). Given Brazil's geopolitical vision for MERCOSUR, the EU had little flexibility when deciding about the venue for negotiations, that is, whether it should be bilateral or interregional (Interview #38). The EU's preference over negotiation venues depends, therefore, on the particular region (Interview #4), and on the group's willingness and readiness (Interview #16). Rather than having a generally fixed preference, the EU makes its FTP design dependent on features of the respective region to increase the likelihood of reaching an agreement.

In adjusting the negotiation format to the features of South America, Europe's motivation to adopt the *interregional* design of *trade negotiations* was much more material than normative. Lenz (2009) has argued that the EU's motivation in fostering regional integration (in Latin America) has gradually shifted from "a normative-political to a commercial-economic impetus". This shift occurred when the EU realized that it was in rivalry with the U.S. for economic influence in South America (Lenz 2009). *Interregional* negotiations were necessary and were most likely to lead to an agreement with Brazil due to MERCOSUR's CU and because MERCOSUR is politically too important to Brazil to refrain from regional integration (Interview #20 and #21; Interview #38). Nevertheless, for the EU, regional integration was also a role model (Interview #40), and the EU believed that it would be economically beneficial to

the EU to allow an interregional agreement to materialize (Interview #6). When negotiations with MERCOSUR were ongoing, the EU, in fact, insisted on interregional negotiations and refused to talk to MERCOSUR's members on a bilateral basis (Sanchez-Bajo 1999). In 2002, for instance, the EU suggested splitting negotiation into two phases, and, connected to this proposal, demanded deeper integration on the part of MERCOSUR (Mercopress 2002b). In this situation, it was the EU that demanded more integration from MERCOSUR and which refused bilateral negotiations, but only once negotiations were already ongoing, and when the EU was restricted to a region-to-region format of negotiations. The negotiation directives literally forbade any bilateral moves between Europe and MERCOSUR. Also, the EU wanted to prevent bilateral trade talks with Uruguay or Paraguay uniquely (thereby excluding Brazil) in times when MERCOSUR might gradually enter into crisis.

Evidence on how MERCOSUR's members used the *regional* negotiation format to their advantage supports the argument that their cohesion also influenced the EU's design of FTP. When negotiations began, Argentina and Brazil openly admitted to negotiating on multiple fronts to get the most out of trade talks and to pressure the EU and the U.S. into concessions (Bulmer-Thomas 2000; Doctor 2007). Argentina unilaterally communicated that MERCOSUR should negotiate as a bloc on multiple fronts (with the EU, the U.S., and with Asia) thereby using the regional organization as bargaining leverage (Mercopress 2001d). Brazil reinforced this when it proposed the strengthening of MERCOSUR for negotiating effectively with the EU and the U.S. (Mercopress 2002c). MERCOSUR's members used the CU to their advantage "to tackle the complex challenges of the Americas Free Trade Association discussions, relations with the European Union and other world blocks" (as cited by Mercopress 2002e).

Results

Summing up the results, the congruence test was positive: South America's high degree of cohesion led to an interregional EU FTP design towards South America. When the EU faced competition with the U.S., it aimed to reach a deal with Brazil whether it was in or outside MERCOSUR. MERCOSUR's CU and Brazil's geopolitical vision for the regional organization made the decision to adopt an *interregional* design rationale. The empirical results also comply with the expected evidence of the causal mechanism (table 15). The Commission had separate units for conducting analysis based on the features of South America, and it monitored MERCOSUR's offensive and defensive interests. Based on this, the Commission's staff

analyzed scenarios that would shape EU FTP. The EU's decision to apply an *interregional* design was case-specific rather than a generally fixed preference. Although the Commission has a natural inclination towards regional organizations, the EU had a particular interest in Brazil, and the only possible way to reach an agreement with this country was through MERCOSUR. Interregionalism was motivated by the expected success of negotiations, which was much more likely to happen in this way than by approaching Brazil bilaterally. MERCOSUR also actively used the CU to increase bargaining power in international negotiations with the U.S. and the EU.

Table 15: Empirical evidence on South America's cohesion in case study I

Causal mechanism	Empirical evidence	(Dis-)Confirmation
Index of cohesion	High degree of cohesion	
Staff to observe and monitor counterpart region	Commission observed and analyzed features of South America	+
Case-by-case decisions on design of FTP	Interregional design was a case-specific decision	+
Statements regarding the expected success of a particular design	Main EU interest in Brazil, conducted through negotiations with region	+
Interregional versus bilateral design	Interregional design of FTP	+

Reference: Own illustration

6.1.3 EU member states

The empirical analysis controls the results of *commercial realism* for a set of intra-regional independent variables: EU MS and IGs. The liberal-institutional model argues that EU MS determine the Commission's negotiation mandate and its design. Assuming that the Commission has the same degree of autonomy, whether it negotiates bilaterally or interregionally, EU MS should have greatest influence on the design of issues. The EU designed a comprehensive mandate when it started negotiations on an AA with MERCOSUR covering trade in goods, trade in agriculture, services, investments, and non-tariff trade barriers. Agriculture, above all, is a sensitive and a controversial issue among EU MS because some of them (e.g. France) rely on subsidies for agribusiness and on the protection afforded by the EU's agricultural market. The hypothesis according to the liberal-institutional model is that the more heterogeneous EU MS are regarding offensive versus defensive interests towards the counterpart region (in case study I, South America), the more comprehensive will be the Commission's negotiation mandate (in case study I, for the negotiations on an AA with MERCOSUR). The empirical analysis should therefore detect heterogeneity among EU MS regarding the negotiations in order to confirm the hypothesis derived from the liberal-institutional model.

Value of the independent variable

A first press release was published by the Council in November 1999 with the beginning of the future interregional AA with MERCOSUR. This press release identified MERCOSUR as a third partner (instead of its single member states) and it identified a comprehensive design and a single undertaking. The AA, as was agreed by the Council, included all trade issues without excluding any sector, and which were supposed to be negotiated as one single deal (instead of separating issues into different stages of negotiations). The AA was therefore in accordance with WTO rules, and the mandate's design was without any doubt comprehensive.

Although it was not possible to reconstruct the preferences of all EU MS regarding whether the design should be comprehensive or selective, the empirical analysis indicates heterogeneity rather than homogeneity. The analysis assumes that those EU MS, of which no information could be found on their preferences, were neutral to the negotiations. Those, on which some information could be found, should have been salient and important interlocutors

in defining the negotiation mandate. Secondary literature also described the Council as strongly divided over the negotiations with MERCOSUR at this time (Østhus 2013: 33).

Two EU MS were found to be favorable to the negotiations, whereas two were found to be opposed to them due to defensive interests in agribusiness. This two-to-two ratio identifies a high level of heterogeneity of EU MS regarding the AA with MERCOSUR. Spain and Britain were very much in favor of the negotiations; Spain for historical and cultural reasons, and Britain because it had offensive interests in the trade talks. Spain had a long common history with South America for colonial reasons, and thus the decision to launch the negotiations with MERCOSUR was poignantly taken under the Spanish presidency of the EU. Britain, was favorable too, but for different reasons. It saw commercial advantages in reaching a deal with South America, and thus had offensive interests. France and Ireland, in contrast to Spain and Britain, were strongly opposed to the negotiations with MERCOSUR because a) an agreement could harm their agricultural sectors and b) an agreement could undermine the Common Agricultural Policy (Inter-American Development Bank 2000: 78). France even used its veto capacity to refuse the launching of negotiations. In this way, it was particularly difficult, right until the very last moment, to reach a negotiation mandate (Inter-American Development Bank 1999: 34).

Causal mechanism

Retrospectively, it was difficult to reconstruct empirical evidence on the causal mechanism from the independent variable (EU MS' heterogeneity) to the dependent variable (comprehensive design of EU FTP). The empirical evidence is ambiguous because, on the one hand, the Commission collaborated closely with the Council in finding a negotiation mandate, and, on the other, the Commission pushed hard to include agriculture in the directives. Firstly, interviewees pointed out that the Commission discusses every draft and every text closely with the Council (Interview #9). Although EU MS had sensitivities and heterogeneous preferences, the Commission tried to keep the mandate and all texts close to EU MS' interests (Interview #9). More generally, the Commission discusses everything with the Council, and the Commission and the Council always find an outcome (Interview #9). Secondly, however, the Commission pushed strongly for the inclusion of agriculture in the negotiation mandate because it knew MERCOSUR's position on this issue from preparatory talks. MERCOSUR's members, Argentina in particular, insisted that the negotiations must include agribusiness in a single

undertaking and that this was not for negotiation (Inter-American Development Bank 2000: 78).

Despite having asymmetrically more information than the Council and despite the heterogeneity of EU MS' preferences, the Commission could not use this to its advantage. Until the bitter end, EU MS sought both among themselves and with the Commission a compromise on the negotiation directives. Several meetings of Commissioners and ministers failed to reach an agreement on the scope and substance of the negotiation directives (Inter-American Development Bank 2000: 78). The main problem was agriculture, which was a sensitive issue, with France and Ireland opposed to including agribusiness in the mandate (Inter-American Development Bank 2000: 78). Although the Council discussions were somehow in deadlock, the EU MS still tried to find an agreement. Even the French president sought a compromise, and initiated a meeting among EU governments (Inter-American Development Bank 2000).

Until the very last moment, it was difficult to reach an agreement on the mandate, and particularly on the issue of agriculture. Eventually, the Council approved a mandate for the Commission, but this mandate deviated from the Commission's initial draft and was the result of a heavy debate within the Council. It was, so to speak, a last-minute compromise among EU MS. The Council agreed on a document, which proposed that negotiations should first address non-tariff trade barriers, and then, after mid-2001, discuss tariff issues (Inter-American Development Bank 2000: 78). In this way, the mandate deviated not only from the Commission's proposal but also from the French proposal, which suggested starting trade negotiations in 2003 (Inter-American Development Bank 1999: 34). Up until the last moment, the Commission "faced serious difficulties in agreeing on its mandate" (Inter-American Development Bank 2000: 78), and it had to wait for an agreement within the Council.

Later on in the bargaining rounds, the Commission tried to go even further than the proposal of the mandate by suggesting that commencement of the second phase of negotiations (on tariffs) should occur only when success in the first phase (on non-tariff barriers) had been reached. The head of negotiations, Mr. Falkenberg, added: "we [the EU; added by author] are willing to begin seriously talking about tariff reductions, but Mercosur must be more willing to open markets" (as cited by Mercopress 2002b). This proposal was immediately rejected by MERCOSUR, and Brazil declared that it "does not accept splitting negotiations with Europe in two phases" (as cited by Mercopress 2002b). Agribusiness was again a problem in the negotiations when the EU refused to make concessions on it. This time, however, the difficulty

did not stem from EU MS but occurred because the Commission realized that the U.S. was not willing to make concessions on agriculture either (Mercopress 2002a).

Results

Summing up the results, the value of the independent variable (EU MS) is congruent to the outcome of the dependent variable (comprehensive design of EU's FTP) so that hypothesis 3 (EU MS) complies with the congruence test. The expected empirical evidence on the causal mechanism, however, is more critical of according confirmation to hypothesis 3 (EU MS). Rather, the evidence suggests that the Commission collaborated with the Council on drafting a mandate. Until the very end, EU MS tried to find a compromise both among themselves and with the Commission on the mandate, and the final negotiation directives deviated from the Commission's initial suggestion (table 16). The mandate was a compromise among EU MS, and the Commission just insisted on the inclusion of agriculture because it knew that this issue was indispensable to MERCOSUR.

Table 16: Empirical evidence on EU member states in case study I

Causal mechanism	Empirical evidence	(Dis-)Confirmation
EU member states' give preferences	Heterogeneity of preferences	
Commission prepares negotiation mandate	Collaboration between Commission and Council	-
Council cannot find a common position on the mandate	EU MS seek compromise despite opposition	+/-
Council adopts Commission's draft	Final compromise on revised mandate	-
EU adjusts its design of FTP	Comprehensive design of EU's FTP	+

Reference: Own illustration

6.1.4 Interest groups

In controlling the realist explanation of *commercial realism* for EU-intraregional factors, the empirical analysis also tests the impact of IGs on EU FTP. IGs' pressure on EU policy-making lies at the core of liberal theorizing, and commercial liberalism hypothesizes that the more intense the lobbying activities of export-oriented actors are, the more likely the EU is to choose a bilateral over an interregional design. What we observed in case study I is an interregional design of EU FTP towards South America. The empirical analysis should therefore detect rather low lobbying activity of export-oriented actors compared to other actors and compared to case study II, where the EU switched to bilateral relations with Brazil.

Although there is considerable literature on the EU-MERCOSUR negotiations between 1999 and 2004, none of this research dedicates systematic analysis to the impact of IGs on EU FTP towards South America or the impact of IGs on the negotiations in a more general sense. Also, given the timing of the negotiations, which started in 1999, a rather limited number of documents on the talks are available. The DG Trade, for instance, started making available the minutes of CSD meetings only in 2008, which is some time after the negotiations stagnated in 2004. This means that data on the first phase of the EU-MERCOSUR negotiations and the extent to which they were influenced by IGs are limited compared to the other case studies. Therefore, the analysis of chapter 5.1.4 has to rely exclusively on standardized interviews (N=44) with stakeholders registered in the CSD.

Value of the independent variable

Of the N=44 responses, fourteen are relevant to case study I of the EU-MERCOSUR negotiations from 1999 to 2004.²⁹ Being relevant, IGs have observed EU FTP since at least 1999, and have considered the first phase of EU-MERCOSUR negotiations “very important” or “important”. We assume that those IGs which found the negotiations “hardly important”, “not at all important”, or ticked “no answer” were not sufficiently engaged in lobbying activities, and are therefore not relevant for the empirical analysis of case study I. Six out of fourteen relevant IGs belonged to the export-oriented sector, one IG belonged to services, and seven IGs had defensive interests. Of these, two were trade unions and the other five belonged to the agricultural sector (figure 14). IGs belonging to the export-oriented sector were in the minority compared to those from all other sectors taken together (services, trade unions, and agriculture) since they made up only 43 percent of the number of IGs. They were nevertheless the largest represented sector, with all other groups each constituting a lower percentage

²⁹ The author is aware that N=14 is a limited number of observations. Two aspects, however, alleviate this problem of limited observation. Firstly, the observations stem from standardized interviews with a very restricted sample used in a qualitative research design. Assuming that those IGs that have strong preferences voice their opinion (also in standardized interviews) there is a reduced risk of selection bias in the empirical results. Secondly, the author employs methods triangulation, which makes standardized interviews a compatible empirical source to other sources described in chapter 4.5. This also applies to case studies II, III, IV, and V.

(agriculture at 36 percent, trade unions at 14 percent, and services at 7 percent). With respect to the indicator of the number of IGs' lobbying the Commission, export-oriented actors were a modest yet still the largest group in this regard.

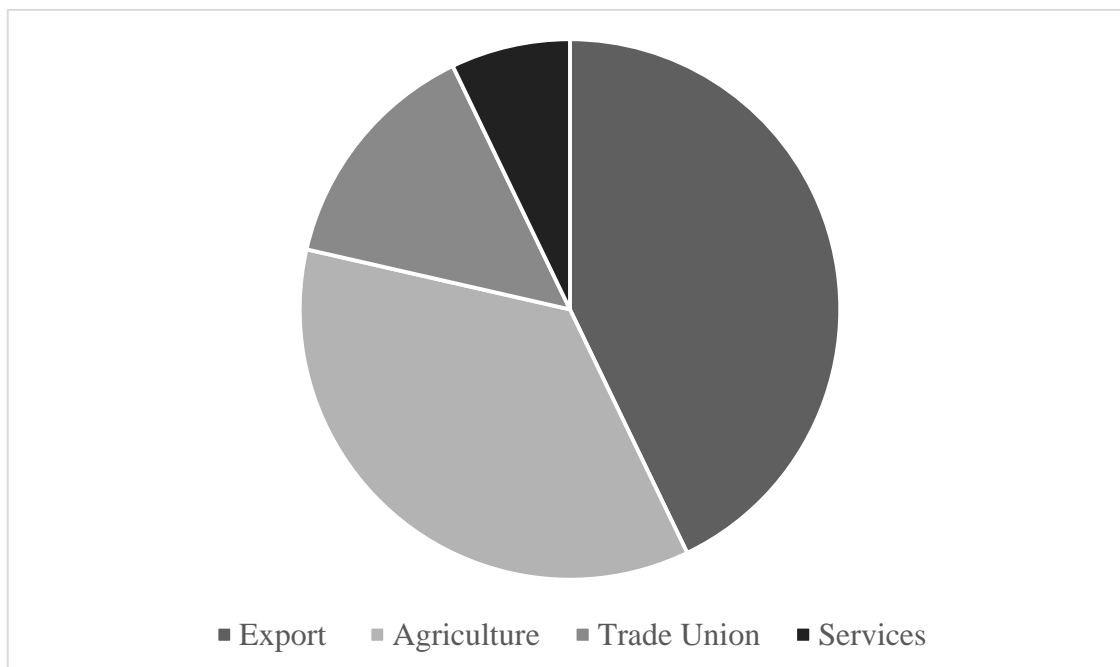


Figure 14: Share of interest groups lobbying in EU-MERCOSUR negotiations, 1999-2004

Reference: Own illustration

Between 1998 and 2000, when negotiations with MERCOSUR gradually began, two export-oriented IGs never attended the CSD meetings and one attended only rarely. Counting empty boxes, “rarely”, and “never” as irregular attendance, 50 percent of export-oriented IGs (three) could be said to have attended the CSD meetings irregularly. The other 50 percent (three) of export-oriented IGs frequently attended the meetings, two of them “very often” and one “sometimes”. Counting “very often”, “often”, and “sometimes” as regular attendance, agricultural IGs have consulted the CSD most frequently with 80 percent (four) frequently asking questions to the DG Trade through the CSD. The services IG also attended the CSD regularly, and 50 percent of trade unions (one) also attended the CSD frequently. With respect to the indicator of frequency of IGs' consultation of the Commission, it is possible to conclude that agricultural IGs consulted the DG Trade more frequently than other groups, including export-oriented actors. Although export-oriented actors made the largest group of lobby

activists in the CSD, only 50 percent of them lobbied the Commission frequently (figure 15).

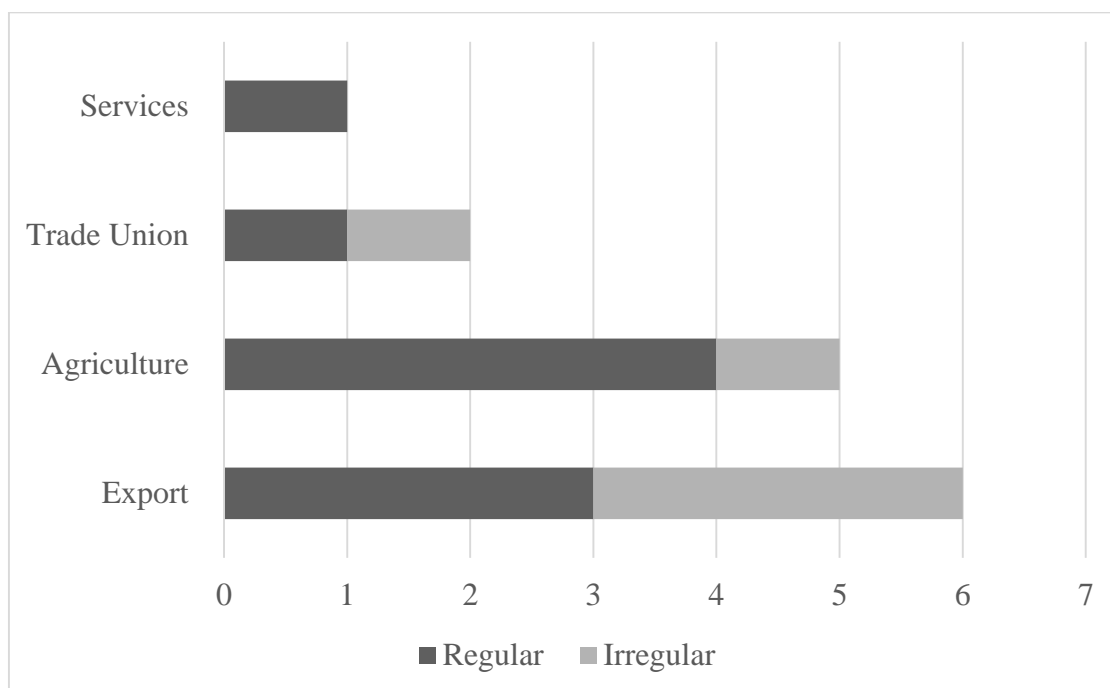


Figure 15: Frequency of interest group consultation, 1998-2000

Reference: Own illustration

Self-assessment of the IGs' influence is ambiguous, too. 79 percent of IGs (11) judged themselves as influencing the DG Trade "to some extent" while 21 percent of IGs believed they "hardly" influenced the DG Trade.³⁰ Two export-oriented actors and one trade union were among those stakeholders that "hardly" influenced EU FTP, constituting 33 percent of export-oriented IGs and 50 percent of trade unions (figure 16).

³⁰ This is congruent to the results of Dür and De Bièvre (2007) in whose survey 77 percent of IGs reported that their activities affected European trade policy "to some extent". This is also true for case studies II, III, IV, and V.

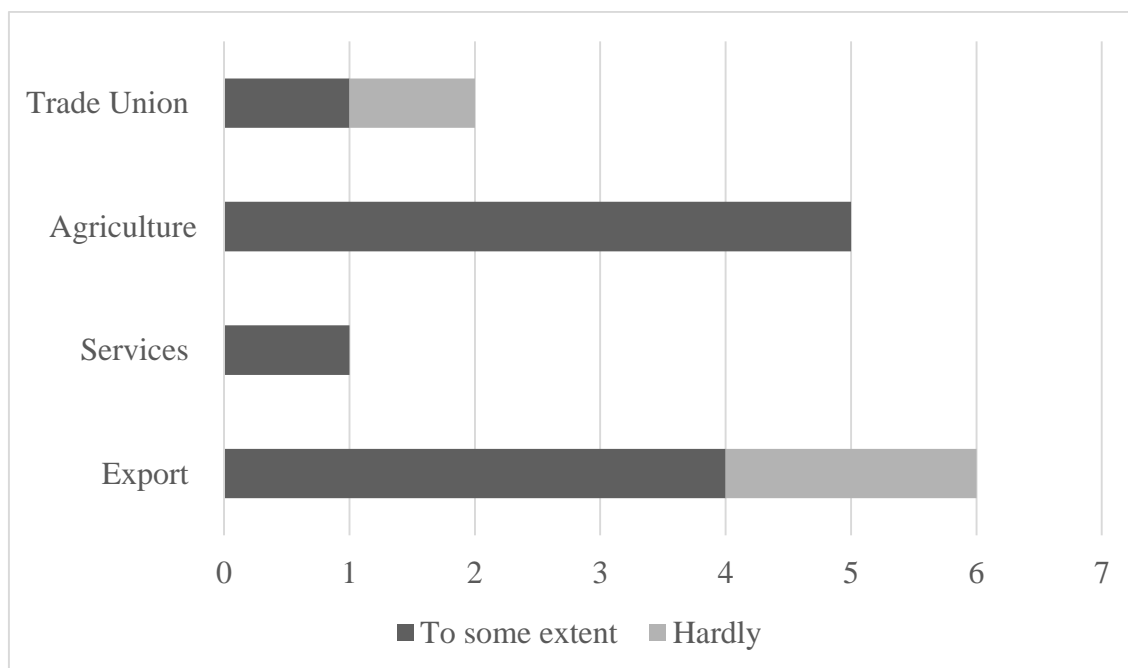


Figure 16: Self-assessment of interest groups' influence in EU-MERCOSUR negotiations 1999-2004

Reference: Own illustration

Although the export-oriented sector was the largest faction of IGs lobbying the Commission through the CSD between 1998 and 2000, only 50 percent of them lobbied the Commission frequently, and 33 percent would claim to have “hardly” influenced EU FTP. In taking these three indicators into account, a limited degree of lobbying effort can be ascribed to the export-oriented actors. The agricultural sector, by contrast, strongly lobbied the Commission because they frequently attended the CSD meetings, having only one group fewer than the export-oriented actors, and with 100 percent of agricultural stakeholders believing that they influenced EU FTP “to some extent”. In cases where the EU’s design is interregional we expect a low intensity of lobbying effort on the part of export-oriented actors. The respective causal mechanism starts with formal or informal procedures through which the Commission listens to IGs. Secondly, IGs voice their positions on EU FTP and communicate a preferred design of venues. Thirdly, the Commission stands by its original preference and will not adopt IGs’ positions when they do not lobby intensively for them.

Causal mechanism

The EU has developed formal and informal procedures to listen to IGs of all types. The Commission's main formal procedure in giving IGs a voice in international trade negotiations is the CSD. The CSD gives stakeholders the opportunity to raise their concerns, which the Commission has to respond to (Interview #4), and provides a forum for different groups to ask questions to the Commission (Interview #16). The separate DGs of the Commission also conduct advisory groups, in which they meet with IGs to exchange views and to receive input from them (Interview #5). On specific negotiations, the Commission sometimes seeks IG expertise via a questionnaire, but it did not do so in the first phase of EU-MERCOSUR negotiations (1999-2004). Informally, the Commission set up a network of meetings and events to hear stakeholders' opinions (Interview #8), and stakeholders themselves sent letters or position papers to the Commission (Interview #15). The exchange between the Commission and IGs is thereby much more regular than on an ad-hoc basis.

As section one of chapter 5.1.4 explained, agricultural and export-oriented IGs lobbied the Commission the most, the former with defensive and the latter with offensive interests. Commercial liberalism assumed that agricultural stakeholders would lobby against any type of negotiations because they are focused on protecting the European market, while export-oriented actors would lobby for bilateral negotiations because these promise the most beneficial outcome to them compared to interregional negotiations. The empirical evidence should therefore demonstrate a preferred bilateral venue in the case of export-oriented actors, and the answer "neither" by agricultural stakeholders to the question: "Which trade negotiations serve the interest of your organization best?". Of those stakeholders that were active in the EU-MERCOSUR negotiations (1999-2004), however, 64 percent (9) preferred multilateral negotiations in the WTO over interregional or bilateral talks. Nearly 29 percent (4) replied to the question with "neither", "does not matter", or did not answer at all, and one group mentioned three different types of venues, thereby indicating that all of these stakeholders are indifferent to the FTP's design. None of the stakeholders, however, mentioned interregional or bilateral negotiations (figure 17).³¹ IGs therefore either indicated no particularly preferred venue of trade

³¹ This is congruent to the results of Dür and De Bièvre (2007), in whose survey they asked a question regarding the venue of EU FTP: "What is your policy position on the following issues? The EU should give priority to multilateral WTO negotiations rather than to bilateral

talks, or they indicated multilateral negotiations (from which the EU clearly deviated in 1999). This did not vary between sectors of IGs, meaning that not even export-oriented actors lobbied for bilateral negotiations.

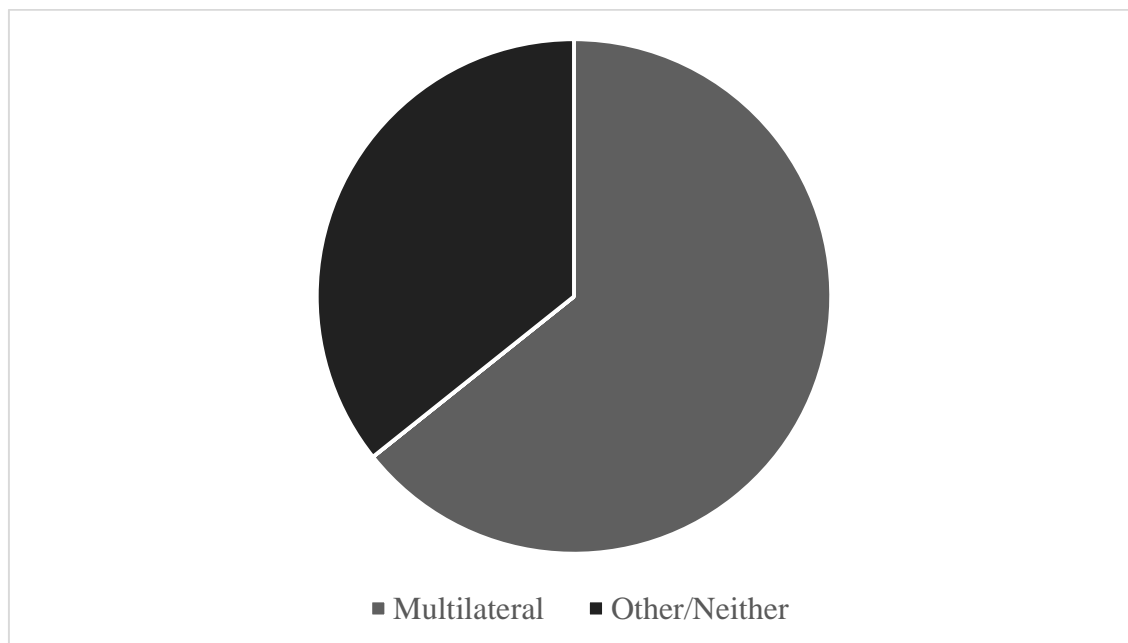


Figure 17: Interest groups' preferred venue of negotiations in case study I

Reference: Own illustration

Despite this preference for multilateral negotiations and despite the indifference of 29 percent of stakeholders to the venue of trade talks, a majority of IGs (57 percent) appreciated the Commission's decision to launch negotiations with MERCOSUR (in 1999). The majority of these IGs were export-oriented actors, of which 83 percent (5) "appreciated" or "very much appreciated" the decision, and also the services representative, while 40 percent (2) of agricultural IGs appreciated the launch of trade talks. 80 percent (3) of agricultural stakeholders, however, "hardly appreciated" or did "not appreciate at all" the negotiations, as did one trade union (figure 18). Export-oriented actors thus seem to have been satisfied with EU FTP towards South America although neither their theoretically assumed preference (bilateral negotiations) nor their indicated preferred venue (multilateral negotiations) have been met.

agreements". On this question, 61 percent of respondents strongly agreed or agreed, and 33 percent ticked "neither", while only six percent disagreed. This is also true for case studies II, III, IV, and V.

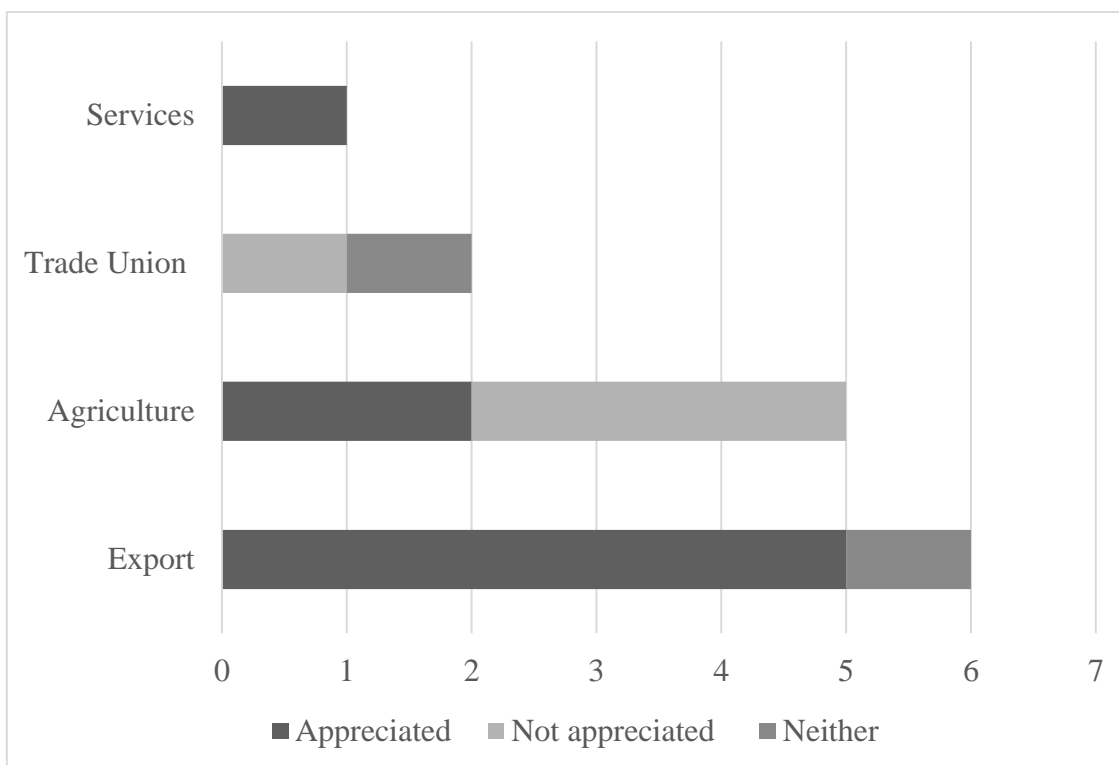


Figure 18: Interest groups' appreciation of EU-MERCOSUR negotiations 1999-2004

Reference: Own illustration

With respect to the EU's adoption of IGs' positions, there were no statements found that the Commission paid particular attention to any sector or took into account the position of any sector in particular. In cases where defensive interests of the Commission and IGs are congruent, the Commission, here, particularly, the DG Agriculture, takes them into account (Interview #5). It does so however not in the design of venues but by excluding tariff lines or by adjusting the expectations on concessions (Interview #5). In cases where the interests of the Commission and IGs diverged, the Commission reported that it took notes but that it had to judge what concerns could and could not be met (Interview #4). Rather than adopting the position of the most active IGs (in case study I, export-oriented actors or agricultural stakeholders), the Commission carefully assessed what demands it could take into account, and adopted these positions only on the substance of negotiations and not on their design. IGs themselves are skeptical when describing themselves as having a qualitative influence on the Commission. Some IGs replied that the Commission "is very aware" or that the Commission takes their positions into account "sometimes with better results, sometimes with less results" (annex III).

Results

Summing up the results, the congruence test was largely negative: export-oriented actors and agricultural IGs were the most active stakeholders, and the EU's design of venues was neither bilateral (as was the theoretically assumed preference of export-oriented actors) nor did they exercise no negotiations (as was the theoretically assumed preference of agricultural actors). The empirical evidence demonstrated that the Commission, in fact, had formal and informal procedures for listening to IGs and exchanging views with them. In 1999, however, the stakeholders either voiced no particular preference for a negotiation venue, or, when they did, they mentioned multilateralism. Interviewees from the Commission reported that they take heed of IGs when they are in the bargaining rounds, i.e. on tariff lines or concessions, but they judge carefully what concerns to uphold or not.

It is extremely difficult to assess the empirical evidence on IGs in case study I. Export-oriented actors were the largest group in the CSD, closely followed by agricultural stakeholders. Agricultural stakeholders, however, more frequently lobbied the Commission, and 100 percent of them declared that they lobbied the Commission "to some extent". Export-oriented actors were less active than agricultural IGs, but neither of them mentioned a preference for interregionalism or bilateralism. In the sense that export-oriented actors were less active in terms of frequency of consultation compared to agricultural IGs, there is confirmation of hypothesis 4 (IGs), which expected an interregional design in cases of low intense lobbying efforts by business groups. However, in the sense that export-oriented actors were the largest group in number, and agricultural IGs were the stakeholders that most frequently consulted the Commission, hypothesis 4 is not confirmed because export-oriented actors' lobbying should have led to bilateral negotiations, and that by agricultural stakeholders to no negotiations at all. Because the empirical evidence is not clear cut and because the Commission and IGs reported that the Commission only partly adopts stakeholders' views, it can be concluded that this evidence does not confirm hypothesis 4 (IGs) (table 17).

Table 17: Empirical evidence on rival actors in case study I

Causal mechanism	Empirical evidence	(Dis-)Confirmation
Number and frequency of consultation	Intensive lobbying by agricultural and export-oriented actors	
Formal or informal procedure for listening to interest groups	CSD and advisory groups as formal procedures	+
Voicing a preferred design of FTP	Interest groups preferred multilateral negotiations or were indifferent	-
Statements on the adoption of these positions	Only partial adoption by the Commission of stakeholders' positions	-
Interregional versus bilateral design	Interregional design of EU's FTP	+-

Reference: Own illustration

Summing up the empirical results of case study I's analysis, the extra-regional set of independent variables (rival actors and the counterpart region's cohesion) influenced the design of EU FTP as expected, and the intra-regional set of hypotheses (EU MS and IGs) was partly disconfirmed. The congruence test was positive for the impact of rival actors and the cohesion of the counterpart region. It was also positive with regard to the impact of EU MS but only partly positive for the influence of IGs. The process-tracing test found confirmatory empirical evidence for hypotheses 1 (rival actors) and 2 (cohesion) but not for hypotheses 3 (EU MS) and 4 (IGs) (table 18). The empirical analysis thus provided confirmatory evidence for *commercial realism* but neither for the principal-agent framework nor for commercial liberalism.

Table 18: Impact of independent variables in EU-MERCOSUR negotiations, 1999-2004

Independent variable	Congruence	Causal mechanism
Rival actors	Confirmed	Confirmed
Cohesion of counterpart region	Confirmed	Confirmed
EU member states	Confirmed	Disconfirmed
Interest groups	Partly disconfirmed	Disconfirmed

Reference: Own illustration

6.2 EU-Brazil strategic partnership 2007

At some point during the negotiations in 2004, the EU gradually lost interest in the EU-MERCOSUR discussions on an AA, which culminated eventually in a very unambitious market offer on agriculture. This market offer dealt the deathblow to the trade talks, and from this moment on, negotiations stagnated. Officially, however, the negotiations never stopped. Despite the EU now being indifferent to interregional negotiations, it still had strong interest in reaching a trade deal with Brazil. Immediately after the interregional negotiations had stagnated in 2005, the EU started to search for alternatives and the possibility of a bilateral agreement with Brazil. This led to the EU-Brazil SP in 2007, which the Commission first communicated to the Council and the EP. This communication outlined the European perspective on Brazil, which identified the country as a key actor in global affairs (Luiz Cervo 2010: 26 f.). The SP therefore accorded Brazil a privileged status and drew up practical action plans to create closer ties with the regional power (Interview #6). The SP has been regulated by the European External Action Service (EEAS) since its establishment in 2010. Although the SP and the negotiations on an AA (which the Commission re-launched in 2010) are not formally interlinked, the bilateral relations with Brazil clearly serve as a means of deepening economic relations and to weave those relations into an eventual bilateral agreement.

Descriptively, the SP is a bilateral and limited foreign policy design (table 19). By definition, the SP addresses only Brazil as one selected state within South America, and it contains a limited number of trade issues. Besides trade issues, the SP covers political dialogues, economic matters, environment and sustainable development, bi-regional

cooperation, science and technology, cultural aspects, and people-to-people relations (EU 2011). The SP's Joint Action Plan provides a framework for practical action and concretizes the SP's content by strengthening the multilateral system, tackling the international financial crisis and global economy, addressing climate change and energy issues, setting millennium development goals, strengthening political, socio-economic, and cultural bi-regional relations, and by emphasizing the importance of transnational exchanges. Among the EU's top priorities among these issues is the cooperation with Brazil on renewable energy and biofuels. With respect to trade issues, the SP is restricted to investments and to non-tariff trade barriers. Among regulatory issues, the SP discusses anti-dumping, health, and sanitary issues. The SP further serves to discuss controversial issues that were not solvable within the EU-MERCOSUR negotiations (Interview #6). Within the limited design of the SP, the EU has decided to include everything but trade and services because, in line with the CU's directives, these issues need to be discussed with all MERCOSUR affiliates at once unless Brazil agrees with its fellow members on a bilateral format.

Table 19: Dependent variable of EU-Brazil Strategic Partnership

	High number of issues (Comprehensive)	Low number of issues (Selective)
High number of addressees (Interregionalism)		
Low number of addressees (Bilateralism)		Selective, bilateral EU-Brazil Strategic Partnership

Reference: Own illustration

6.2.1 Rival actors

In 2005, the U.S. made it clear that it was no longer interested in negotiations with the entire MERCOSUR group. Instead it intended to focus only on bilateral relations with Brazil, as MERCOSUR's major economy. In revealing this policy change, Washington's Trade Representative, Peter Allgeier, said in front of the U.S. Chamber of Commerce that the four

plus one format, originally launched to keep negotiations with MERCOSUR going, was “something which does not interest the US” (as cited by Mercopress 2005a).

Value of the independent variable

In singling out Brazil in 2006, the U.S. and its Brazilian partner signed a letter of intent to establish instruments which should eventually facilitate and boost bilateral trade flows, investments, and business exchanges. These instruments extended also to ethanol, which was extremely important to the American aviation industry (Mercopress 2006a). In 2007, the U.S. and Brazil signed a strategic bio-fuels promotion agreement as part of the memorandum of understanding in order to advance cooperation in biofuels. This was followed by further memorandums of understanding concerning other issue areas such as taxes and education (US 2015a). The U.S. is the world’s largest consumer of ethanol, which made the agreement particularly attractive for Brazil (Mercopress 2007a). These new agreements were a deviation on the American side from the previous FTAA approach, which was much more comprehensive and which attempted at eliminating tariff barriers – an element which was not included in the bilateral agreements. Nevertheless, the letter of intent expressed the “desire to eliminate obstacles to bilateral commercial relations” (BrazilCouncil 2006). In expressing this desire, the bilateral agreements triggered a fear that Brazil could move forward with the U.S., or even other great powers, on a bilateral basis. Concerns emerged that the Brazilian bilateral agreements could lock MERCOSUR’s smaller members out of the global or regional value chain, and the U.S. responded to these concerns by insisting that it was not her aim to “creat[e][ing] problems inside the Mercosur customs union” (Mercopress 2007b).

Since 2001, China, has also become increasingly important to MERCOSUR and to Brazil in particular. Trade flows between MERCOSUR’s members and China have risen dramatically (figure 19), with China establishing a network of intensive commercial relations with South America. Brazil’s trade with China accounted for just three percent of its total trade in 2001, but saw a rise to 14 percent in 2010. Paraguay’s trade flows with China increased even more markedly from seven percent in 2001 to nearly 19 percent in 2010. In addition, China also set up agreements with Latin American countries and with Brazil. For example, in 2001, 110 Chinese officials and businessmen visited Latin America with trade and investment objectives (Mercopress 2001e). Further, in 2004, China and Brazil committed themselves to a bilateral strategic alliance, and they even signed ten agreements covering trade and cooperation in other

fields (Mercopress 2004c). China and Brazil further expanded their partnership to understandings on investments in ports and roads (Mercopress 2008a), to an agreement on the export of 100,000 to 160,000 barrels of oil per day, and to a memorandum of understanding to retrieve long-term funds from the Chinese Development Bank (Mercopress 2009a). Brazil even announced that it would consider starting FTA negotiations with China in the near future (state 2004) (Mercopress 2004d).

The expanding activities of China in South America were a result of and also led to increasing competition with the U.S. (and also the EU) for economic power. Journalists accused China of being aggressive when approaching the American continent on commercial issues by deducing that the emerging power “has been moving aggressively into Latin America” (Mercopress 2005b). China expanded commercial ties by boosting trade and by pouring investments into Latin America “in an effort to strengthen its presence in a region traditionally dominated by the United States” (Mercopress 2005b). The Chinese activities to counterbalance the U.S. in Latin America triggered concerns on the American side. In consequence, the U.S. asked for help from the Western hemisphere and asked their allies “to team with United States in trade associations to better compete with China and other world blocks” (Mercopress 2006b).

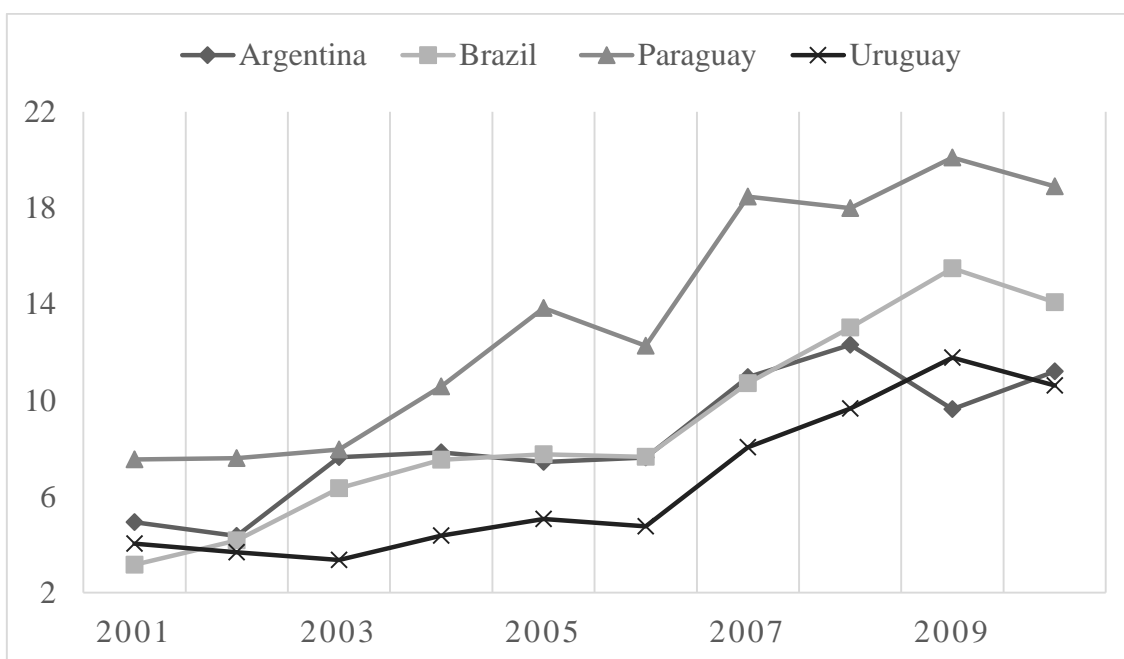


Figure 19: Trade flows between MERCOSUR's members and China 2001-2010

Reference: Own illustration

Both rival actors, the U.S. and China, had only limited trade relations with South America, however. On the one hand, China focused its efforts on selected countries, most of all Brazil, while the U.S. changed strategy from that of a regional format, by tackling MERCOSUR, to a bilateral format, by singling out Brazil. On the other hand, both China and the U.S. narrowed their trade policies to selected issues: facilitating trade, eliminating non-tariff trade barriers, boosting investments, and enhancing energy relations with Brazil. China focused on investments and on expanding commercial ties while the U.S. tried to eliminate some non-tariff trade barriers, boosted commercial exchanges, and poured investments into Brazil. Neither the U.S.'s nor China's relations with Brazil, however, covered market access, agriculture, or services. These trade relations between Brazil and the U.S. or China, the EU's rival actors, were limited in substance. The value of the independent variable, rival actors, is therefore clearly positively coincided to the outcome of the dependent variable, which is a selective design of issues. The EU therefore also switched from a comprehensive format to a selective design in 2007, when it launched the SP with Brazil.

Causal mechanism

As chapter 6.1.1 explained, the Commission and the EEAS, which has been in charge of the SP since 2010, try to understand the involvement of rival actors in third regions. The EU has staff to observe, monitor, and mirror rival actors' relations with third actors and so too with Brazil (Interview #6). The EU observes rival actors on different levels, including that of summits and political dialogues (Interview #10), while the Commission's issue-specific DGs observe rival actors' policies in their particular field (Interview #5). Chapter 6.1.1 gave evidence that the Commission has particular units to observe, monitor, and analyse rival actors' trade relations with third partners. Although we could find no evidence that this is also the case with the EEAS with regard to the SP with Brazil, interviewees confirmed that the EU is keen on learning what rival actors do, which gives an "important context" (Interview #10) to European trade policy-making.

The Commission and the EEAS have the following tools to monitor rival actors' trade relations with South America and Brazil: the delegations (since the entry into force of the Lisbon Treaty in December 2009); the issue-specific DGs; the Commission's trade analysis units, and the country or region specific units of the DG Trade. It was not possible to find systematic empirical evidence on what exact tools the EU used (and whether it did so) to

monitor the U.S. or China in its relations with Brazil. Some anecdotal evidence, however, indicates that the EU invested resources into monitoring the American and Chinese players. Firstly, one interviewee pointed out that although the EU is aware of China's increasing economic and political activities in South America and its well developing relations with Brazil, the EU also knows that China focuses mainly on energy and primary commodities. This focus by the Chinese on resources makes the country a less intense competitor to the EU (Interview #6). Secondly, an EU official said in 2005 that the Commission would be willing to restart FTA negotiations with South America if the U.S. were ready to make concessions on agriculture (Mercopress 2006c). This indicates that the EU closely followed what the U.S.'s relationship with Brazil and the rest of the region. Thirdly, in 2007, when EU official Falkenberg was on a visit to South America, the press expected that he would "sound out Mercosur members" (Mercopress 2007c) about the U.S.'s further concessions on agriculture. This indicates that EU officials took advantage of their visits to partner regions to also gain information about rival actors' relations with those zones.

None of the EU officials mentioned any explicit competition with the U.S. or China for privileged relations with Brazil in the context of the SP. Other interviewees such as officials from MERCOSUR's members, experts on EU-MERCOSUR relations, and secondary literature, however, clearly pointed out competition between the EU and its rival actors for having economic ties with Brazil. Interviewees from South America declared that the EU and the U.S. have started negotiations with many partners and that they are competing for these negotiations (Interview #26); they always have similar strategies (Interview #38); and every time the U.S. makes a move, the EU tries to catch up (Interview #39). With China, interviewees described a less intense competition because China's trade composition with Brazil is very different from the EU's composition given that China mainly looks for raw materials (Interview #39). In economic relations, the EU's main competitor is therefore the U.S.; however, in energy relations, China is a major competitor to the EU (Interview #27). On a more general note, the EU's main ambition in reaching trade deals is, according to an EU official, to set a golden regulatory standard to which its partners have to adapt and which would have "system-changing potential" (Interview #6). In the changing international context of China's rise (Interview #43), the EU now competes with the U.S. *and* China, and all of them "compete with each other to acquire new markets and no one will hesitate to occupy the other's backyard" (Santander 2014: 70).

In pursuing this endeavour, the SP is part of the EU's broader external relations with multiple functions. Firstly, the SP was a tool both to find an agreement with Brazil despite the stagnating EU-MERCOSUR negotiations (Euractiv 2007), and also to rule out bilaterally difficulties on market access and non-tariff trade barriers with Brazil, such as nitrocellulose or anti-dumping issues (Interview #6). Secondly, the SP was an approach to working with Brazil behind the scenes (Interview #10) and to paving the way for a European trade deal with Brazil either with or without MERCOSUR (Interview #26; Interview #35). Thirdly, the SP was a political and prestige project to single out and privilege relations with important and economically great countries (Interview #9; Interview #39). In this respect, Brazil was still missing as a major partner (Interview #20 and #21). Although the SP is not contradictory to the EU-MERCOSUR negotiations on an AA (in fact, the two talks are in some ways even compatible), there would not have been a bilateral SP with Brazil if the AA had been concluded in the first place (Interview #39).

Results

Summing up the results, the congruence test was positive: limited trade relations of the U.S. and China with Brazil (independent variable) led to a selective design of issues regarding EU FTP (dependent variable). The empirical evidence indicated that the EU, i.e. the Commission and the EEAS (in charge of the SP since 2010), had staff, resources, and tools to observe and monitor American and Chinese trade and energy relations with Brazil. The data were, however, less systematic on what staff, what resources, and what tools the EU used exactly to observe the U.S. or China in the context of the SP. An EU official from the Commission pointed out that the EU competes with China in energy relations, but no other EU official explicitly mentioned European competition with the U.S. or China in the context of the SP. Instead, interviewees from South America, as well as secondary literature, described strong competition between the EU and the U.S. in trade relations but less so with China. The empirical evidence only therefore partly confirms the expected empirical evidence of hypothesis 1's (rival actors) causal mechanism (table 20).

Table 20: Empirical evidence on rival actors in case study II

Causal mechanism	Empirical evidence	(Dis-)Confirmation
Rival actors have trade relations with the counterpart region	Limited relations of the U.S. and China with Brazil	
EU observes rival actors	EU has staff to observe rival actors	+-
EU monitors their activities	EU has tools to monitor activities	+-
EU believes that it competes with their activities	External actors and experts ascribed competition	+-
EU adjusts its design of FTP	Selective design of EU's FTP	+

Reference: Own illustration

6.2.2 Counterpart region cohesion

The increasingly active Chinese presence in South America, and the continued activities of the U.S. pressured the EU into counter-initiatives towards Brazil. In responding to these pressures, the EU chose to single out Brazil in an SP, and thus chose to use a bilateral framework instead of adhering to the interregional construction of relations.

Value of the independent variable

The reason why the EU decided to move ahead with Brazil bilaterally was the increasing fragmentation of MERCOSUR. The South American countries faced gradually increasing

problems with each other, and rising difficulties in their common external relations. This had already started when MERCOSUR was still in FTA talks with the EU, and the members' team spirit gradually weakened. On the index of cohesion, MERCOSUR scores just three out of fifteen indicators between 2003 and 2007, so that a low degree of cohesion must be ascribed (figure 20).

Before the EU and Brazil launched the SP, between 2004 and 2006, the number of trade disputes in MERCOSUR have increased from eleven to fifteen. Only two of them were solved through MERCOSUR's own dispute settlement mechanism, whereas members brought two other conflicts to international bodies. Brazil brought one dispute on anti-dumping duties to the WTO. The other conflict concerned a pulp mill. Here., although Uruguay had taken the case before the MERCOSUR dispute settlement mechanism, the other disputant, Argentina, brought it to the International Court of Justice (ICJ), even rejecting the competence of MERCOSUR (Luchi 2011: 16; Di Martino 2010: 6) on this issue. Although the pulp mill dispute was considered one of the most serious conflicts in South America, Brazil decided not to intervene, but perceived the dispute as a purely bilateral issue (Malamud 2011: 13). Meanwhile, Brazil had its own ongoing disputes with its neighbors. One of these was a conflict with Paraguay on the Itaipu dam, which flared up in 2006 (Mercopress 2006d). As a consequence of this conflict, Paraguay began to lean closer towards the U.S. in commercial and military issues.

Institutionally, MERCOSUR's integration has stagnated since 2003. Between 2003 and 2007, the members did not set up any more supranational institutions. On the contrary, the parliament started functioning in 2007, and within only three years citizens could vote its members directly, although this had originally been scheduled for the same year (Caballero 2011: 163 f.). Neither had MERCOSUR deepened integration between 2003 and 2007. It signed only two agreements; one on rules of origin, and the other one on the accession of Venezuela to MERCOSUR. In addition, the members took no steps at this time to further enlarge the regional organization.

The low degree of cohesion becomes most obvious in MERCOSUR's external agenda as its members had clearly divergent positions regarding international institutions. Firstly, in 2005, Brazil bid for a permanent seat on the United Nations Security Council, which received no support by its MERCOSUR partners, with Argentina even opposing Brazil's bid (Malamud 2011; Christensen 2013: 277). Then, in the same year, Brazil submitted its candidature for director-general of the WTO. The second among four applications came from Uruguay, whose representative made it to the last round while the Brazilian candidate was rejected after the first

round (Malamud 2011: 9). Thirdly, also in 2005, Brazil applied for a leadership position in the Inter-American Development Bank alongside Colombia. MERCOSUR's members supported the Colombian candidate and not the Brazilian one (Malamud 2011: 10). Fourthly, in 2008, Argentina's president bid for the chair of UNASUR. Although he was the only promising candidate, he failed because Uruguay decided not to support him (Mercopress 2008c).

Cohesion	Indicator	Score
Political intra-regional	Number of trade disputes (1)	X
	Intensity of trade disputes (2)	
	Settlement of trade disputes (3)	
	Supranational institutions (4)	
	Deepening of institutions (5)	
	Enlargement of institutions (6)	
Political extra-regional	Unity in international institutions (7)	
	Unity in non-regulated areas (8)	
	Unity in presidential summits (9)	
	Priority negotiation partner (10)	
Economic	Priority negotiation issue (11)	
	Convergence of trade (12)	X
	Investment by partner (13)	
	Type of trade (14)	X
	Type of investment (15)	
Sum		3

Figure 20: Degree of MERCOSUR's cohesion 2003-2007

Reference: Own Illustration

The members of MERCOSUR also started to have divergent preferences on the substance of the external trade agenda. In the Doha Round, for instance, Brazil and Argentina allocated themselves to opposing working groups because Argentina could not accept Brazil's pro-liberalization agenda on manufactured goods (Christensen 2013: 276 f.). At several presidential summits, the members aimed to reform the double tariff system, but they were not able to find a compromise (Mercopress 2007d). This led observers to conclude that

MERCOSUR had nothing to show than an unfinished agenda (Mercopress 2007d). Anecdotally, the former Brazilian finance minister said that “Mercosur has become irrelevant and too complicated” (Mercopress 2007e), and the former Brazilian president Cardoso put it thus: “South America has never been so divided, MERCOSUR is nothing but an illusion of integration and Brazil lost its leadership and convergence capacity” (Mercopress 2007f).

Brazil’s neighbors started to be disappointed with MERCOSUR and its external agenda. In 2003, Argentina and Uruguay aired the possibility of degrading the CU to a free trade area. This would allow the members to negotiate FTAs on a bilateral basis. Although this had not materialized, Uruguay and the U.S. agreed bilaterally on an investment treaty (Mercopress 2006e) and a free trade understanding (Mercopress 2006f). In terms of substance, the countries no longer had a common preference for a negotiation partner. While in the beginning, the members agreed that an FTA with the EU would be most favorable, later on, Argentina, Uruguay, and Paraguay became dissatisfied with the lack of progress in negotiations. Argentina, Uruguay, and Paraguay wanted to move forward with the EU and the U.S., whereas Brazil favored a wait-and-see approach. Moreover, the members perceived each other increasingly as competitors in agriculture, and with diverging positions on manufactured goods. In brief, the members had increasingly “diverging interests within the trade area” (Christensen 2013: 275).

Trade data, however, only partially reinforce MERCOSUR’s increasing fragmentation between 2003 and 2007. Trade flows between MERCOSUR’s members and European countries decreased but only to a slight degree, and the development was symmetric for all countries (figure 21). Meanwhile, trade flows with the U.S. were also shrinking, but exports and imports to and from China were on the rise (figure 22). This reiterates the pressure on the EU exerted by the growing Chinese presence in South America.

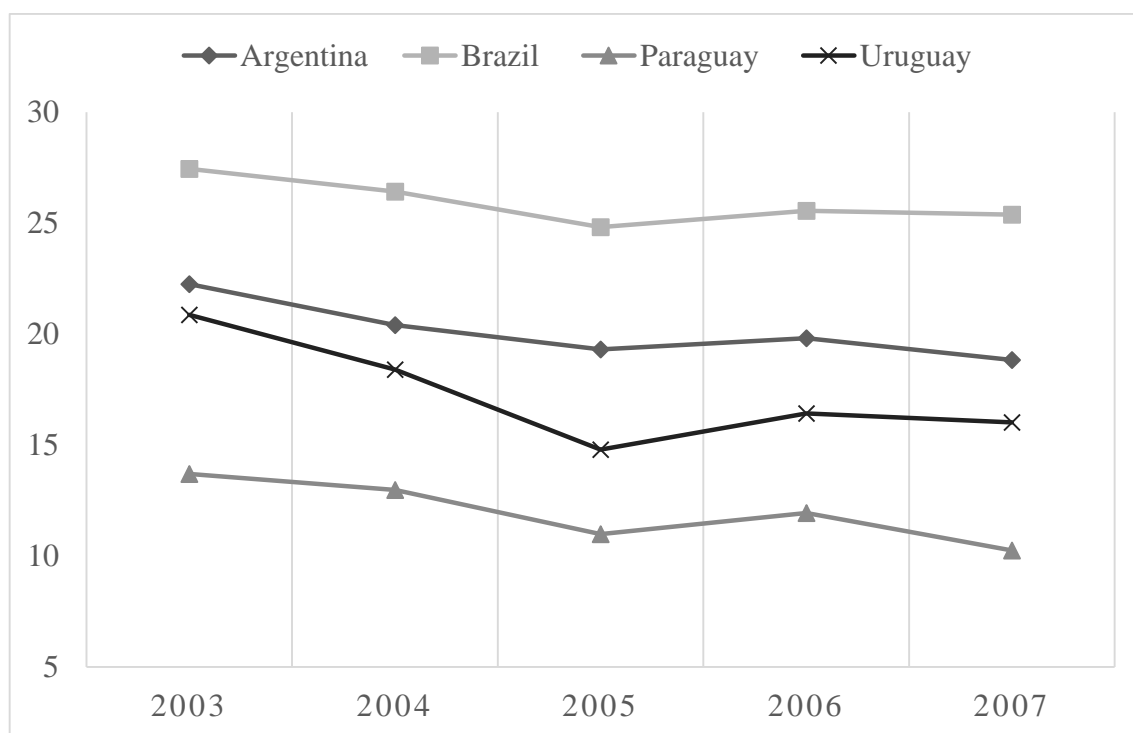


Figure 21: Trade flows between MERCOSUR members and EU27 2003-2007

Reference: Own illustration based on UNComtrade (2012)

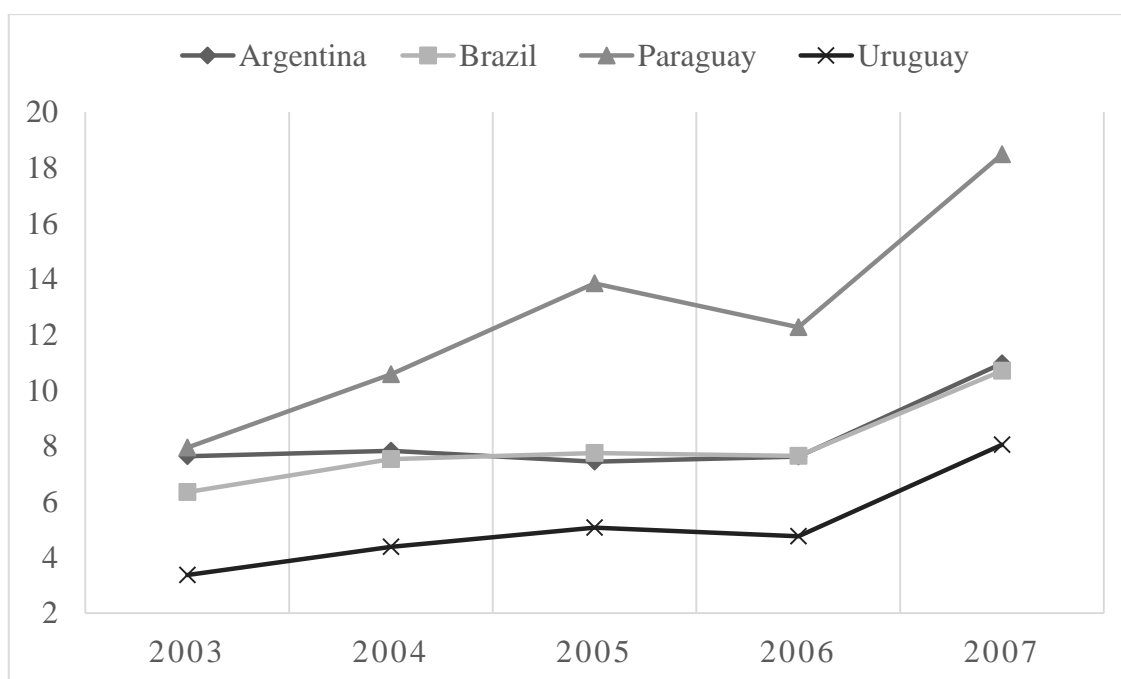


Figure 22: Trade flows between MERCOSUR members and China 2003-2007

Reference: Own illustration based on UNComtrade (2012)

Causal mechanism

As chapter 6.1.2 showed and as chapter 6.3.2 will show, it is known from the empirical evidence that the EU has staff and resources to observe and monitor South America. It was not possible, however, to find systematic data on if and how the EU (either the Commission or the EEAS) observed South America or Brazil in the context of the SP. Empirical evidence indicates that the EU's delegations play a role in reporting to the Commission, the EEAS, and EU MS on MERCOSUR and its members (see chapter 6.3.2), but these were set up in 2010, and therefore after the SP's launch.

In launching the SP, the Commission took into account MERCOSUR's institutional environment and MERCOSUR's devastating situation in 2007. The SP was therefore not a fixed preference (and neither had interregionalism been a fixed preference) but it was a situation-specific decision. The SP was a political and economic project to move forward with Brazil bilaterally despite MERCOSUR's CU and its restrictions (Interview #39). At the time the EU launched the SP, MERCOSUR's "international negotiation capacity" (Mercopress 2008b) was, as a Uruguayan official concluded, dead. This led to a loss of interest by Europe in the *interregional* process (Inter-American Development Bank 2007: 140). Although some EU officials pointed out that they would have preferred an interregional agreement over the SP, they explained that the interregional design has its limits when the partner region (i.e. MERCOSUR) is not well integrated (Interview #5; Interview #8). In cases where the region is not well integrated, and in the case of South America in 2007, MERCOSUR was not ready for negotiating an interregional *and* ambitious agreement (Interview #8), but bilateralism was an easier option (Interview #6; Interview #8). The SP was clearly a situation-specific decision because an interviewee pointed out that the EU would not have launched bilateral relations with Brazil if the AA had been concluded in the first place (Interview #9). At the same time, the EU had to choose the format of an SP because bilateral FTA negotiations would have not been acceptable to Brazil (Interview #38). The European motivation for the bilateral SP with Brazil was therefore situation-specific and rational rather than normative. The SP allowed for a coordinated way to proceed with political and economic relations with Brazil, and it allowed for including a number of different issues in one single framework (Interview #6). This enabled the EU to focus its resources on Brazil as a single member of MERCOSUR (Interview #6). The SP, in brief, was the result of the EU's changing perception of South America over time: "Brussels' view of Latin America was based on a perception of historic and structural

homogeneity which did not match the region's political and economic circumstances" (Carlos Lessa 2010: 128).

In switching to the SP, the EU did not deviate officially from interregional negotiations with MERCOSUR (because these were officially never off the agenda although between 2004 and 2010 nothing happened) but unofficially it introduced a new design. This new bilateral design is not formally interlinked with the interregional negotiations but informally the two are inevitably connected (Interview #23). On the one hand, the SP and the interregional negotiations are complementary. This is because the EU has tried to keep the two tracks separate (Interview #35); the SP is not on market access (which the interregional negotiations are) (Interview #5), and the SP does not interfere with regional integration in MERCOSUR (Interview #28; Interview #38). On the other hand, the SP manifested the concern that Brazil could move forward with the EU bilaterally on FTA negotiations that also include market access (Interview #38). By calling Brazil a *strategic partner* and a *regional leader*, the EU harmed relations between Brazil and the rest of South America (Malamud 2011: 18), and frustrated Argentina by not considering her a strategic partner for the EU (Interview #9). The SP between the EU and Brazil "implicitly undermine[d] the interregional effort and consequently the agreement between the EU and Mercosur as the default forum for political dialogue and cooperation" (Gomes Saraiva 2010: 164).

Results

Summing up the results, the congruence test was clearly positive: a decreasing degree of cohesion within South America (independent variable) led to a bilateral design of EU FTP (dependent variable). This was in contrast to an earlier interregional design, which was accompanied by a high degree of cohesion within South America. The empirical evidence retrieved supports the causal mechanism of hypothesis 1 (rival actors) but it is less systematic and less explicit than in case study I. Chapter 6.1.2 demonstrated, and chapter 6.3.2 will demonstrate, that the EU has staff, resources, and tools to observe and monitor South America and its internal relations. There was no information, however, on what staff, resources, or tools the EU invested in observing or monitoring South America in the context of the SP. The empirical evidence demonstrated, though, that the SP was a situation-specific decision in which the Commission took into account South America's features, i.e. MERCOSUR's CU as its institutional environment and MERCOSUR's increasing fragmentation. The Commission

expected that the SP would increase the likelihood of an agreement with Brazil whether it was operating with or without MERCOSUR. In the latter case, the SP would have directly paved the way for a bilateral FTA with Brazil as soon as the Brazilian government was ready; in the case of operating with MERCOSUR, the SP would have served to discuss difficulties with Brazil bilaterally, hoping that the regional power could push interregional negotiations in the right direction. In either way, the EU hoped to find a successful agreement by deviating from interregionalism to bilateralism. The empirical evidence therefore partly confirms the first part of hypothesis 1's (rival actors) causal mechanism and it fully confirms the second and third parts (table 21).

Table 21: Empirical evidence on South America's cohesion in case study II

Causal mechanism	Empirical evidence	(Dis-)Confirmation
Index of cohesion	Low degree of cohesion in South America	
Staff to observe and monitor counterpart region	EU has staff to observe South America	+-
Case-by-case decision on design of FTP	Strategic Partnership was a situation-specific decision	+
Statements regarding the expected success of a particular design	EU expected a successful agreement with Brazil	+
Interregional versus bilateral design	Bilateral design of EU's FTP	+

Reference: Own illustration

6.2.3 EU member states

Controlling for EU-external factors and looking at EU-internal factors in explaining the EU's shift to a bilateral SP with Brazil, the empirical analysis starts with EU MS as an independent variable, and follows with IGs. The examination of the EU MS' impact on EU FTP towards Brazil since 2007 is, however, limited for two reasons: firstly, the Commission did not have a negotiation mandate for launching the SP with Brazil; secondly, empirical data on the SP is much more limited than those on the AA. For these two reasons, testing hypothesis 3 (EU MS) has to rely on plausibility in case study II.

Based on the empirical information available, it is possible to conclude that EU MS were homogeneous rather than heterogeneous upon launching an SP with Brazil. None of the interviewees said that any country was opposed to the Commission's decision to privilege Brazil as a strategic partner. None of the interviewees reported any sensitivities or particular interests involved or communicated by EU MS. None of the consulted documents, grey literature, or secondary literature reports any discussions among the Commission and EU MS about the SP. Furthermore, the Commission communicated its decision to privilege Brazil to the Council and the EP in one document without indicating any kind of discussion. On the substance of the SP, the EEAS (which has been in charge of the SP since 2010) discusses every issue and every text with EU MS. If the EU MS had a strong interest in a particular issue, the EEAS would take it into account (Interview #9).

This empirical information is not in itself sufficient to assess the expected empirical evidence of hypothesis 3's (EU MS) causal mechanism. The congruence test finds, however, no match between the value of the independent variable and the outcome of the dependent variable (table 22). The liberal-institutional model expected a selective design only in cases where EU MS have homogeneous, defensive interests. The empirical information, however, indicates that no EU MS was against the SP, and thus none of the EU MS had defensive interests when the Commission launched the SP.

Table 22: Empirical evidence on EU member states in case study II

Expected outcomes of variables	Empirical evidence	(Dis-)Confirmation
Homogeneity of defensive interests	Homogeneity of preferences (but not defensive interests)	
Selective design of EU's FTP	Selective design of EU's FTP	-

Reference: Own illustration

6.2.4 Interest groups

In 2007, the EU switched to bilateral relations with Brazil, on the outcome of which chapter 6.2 has tested the influence of rival actors, the counterpart region's cohesion, and EU MS. In making the empirical test as robust as possible, the examination controls these variables for IGs. The empirical analysis of IGs' impact on the EU's launch of the SP with Brazil relies on N=44 standardized interviews carried out with stakeholders registered in the CSD. 24 IGs of the N=44 interviews are relevant to case study II on the EU-Brazil SP. These IGs have observed EU FTP since at least 2006, and they have considered the EU-Brazil SP as "very important" or "important". Assuming that those IGs which found the SP "hardly important", "not at all important", or which ticked "no answer" did not sufficiently engage in lobbying activities of the Commission related to the SP, such IGs are not considered relevant to case study II. In testing the influence of these IGs on the EU-Brazil SP, the analysis relies on a hypothesis deduced from commercial liberalism: the more intense lobbying activities of export-oriented actors are, the more likely the EU is to switch to a bilateral design. Given the outcome of the dependent variable (the EU's shift to bilateral relations with Brazil) the theoretical model would expect intense lobbying by export-oriented actors prior to the SP's launch in 2007.

Value of the independent variable

Comparing the IGs which lobbied the Commission on the EU-Brazil SP to the number of stakeholders during the first phase of EU-MERCOSUR negotiations (1999-2004), their absolute number increased from fourteen to 24. Of these 24 IGs, exactly 50 percent (twelve) were export-oriented actors, and therefore this percentage slightly increased over time. When the negotiations on the AA were launched in 1999, only around 43 percent of stakeholders belonged to the export-oriented sector. When the decision was taken to initiate the SP with Brazil, five of the IGs were from agribusiness, three were trade unions, two NGOs, and two stakeholders from services (figure 23). Distinguishing the stakeholders into offensive and defensive interests, those IGs with offensive interests were in the majority at 58 percent.

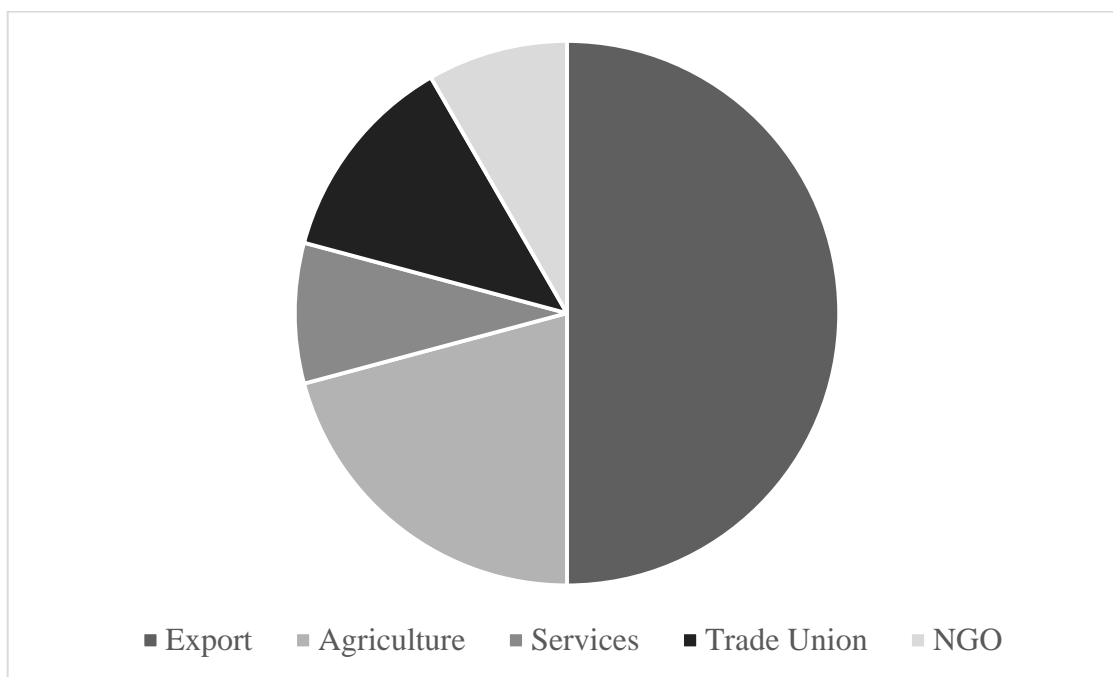


Figure 23: Proportion of interest groups lobbying at EU-Brazil Strategic Partnership 2005-2007

Reference: Own illustration

Export-oriented actors attended the CSD meetings more regularly than any of the other IGs. Between 2005 and 2006, 58 percent (seven out of 12) of the export-oriented IGs frequently lobbied the Commission by attending the CSD meetings “very often”, “often”, or, at least, “sometimes”. Among the other twelve stakeholders, 58 percent (seven) attended the CSD

regularly. However, the two NGOs included in the overall group of stakeholders never went to the CSD meetings, and only some of the other IGs lobbied the Commission on a frequent basis. The most active actors were agricultural groups, of which four attended the meetings regularly, but these were still in a minority compared to export-oriented actors (figure 24).

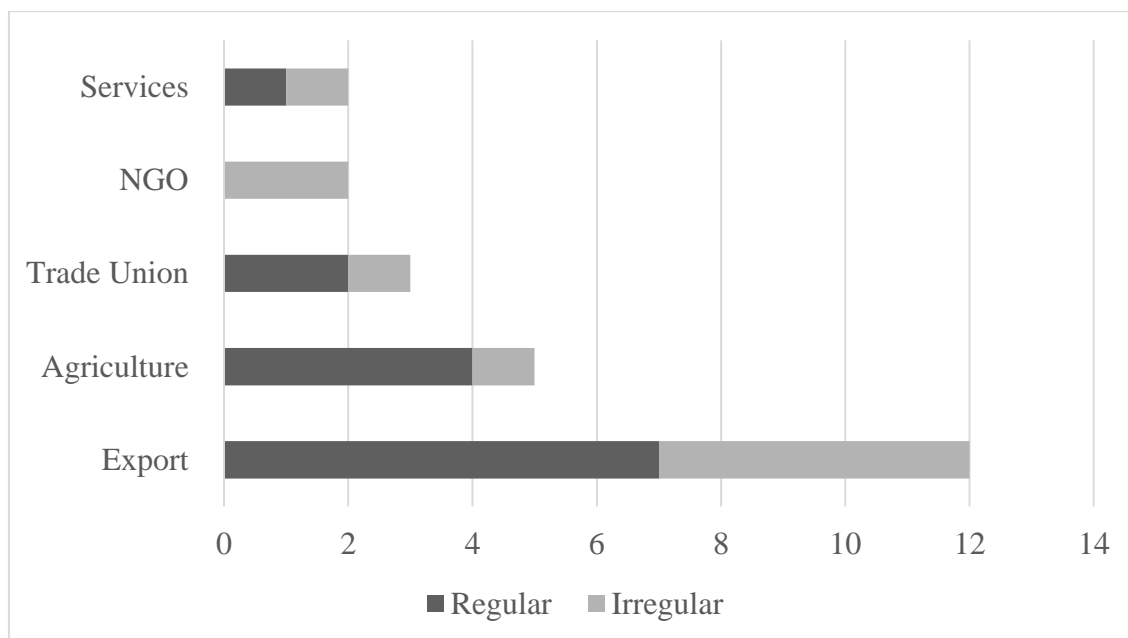


Figure 24: Interest groups' frequency of consultation at EU-Brazil Strategic Partnership 2005-2006

Reference: Own illustration

The IGs' self-assessment of influence on EU FTP has not considerably changed over time, and did not considerably differ between IGs' sectors. 79 percent (19) of IGs regarded themselves as having influenced the Commission "to some extent". One stakeholder ticked the box "not really", around 13 percent (3) believe that they "hardly" influenced the Commission on its FTP, and one stakeholder ticked "not at all". The sector with the greatest, self-assessed influence was that of export-oriented actors, where 75 percent regarded themselves as having influenced the DG Trade "to some extent". The remaining 25 percent believed they "hardly" or "not really" exerted influence. Interestingly though, 100 percent of agricultural stakeholders regarded themselves as having influenced the Commission "to some extent", and the same was true for services. Trade unions and NGOs were slightly more skeptical because 33 percent of those stakeholders only "hardly" influenced and 50 percent of NGOs claimed to not have influenced the Commission "at all" (figure 25).

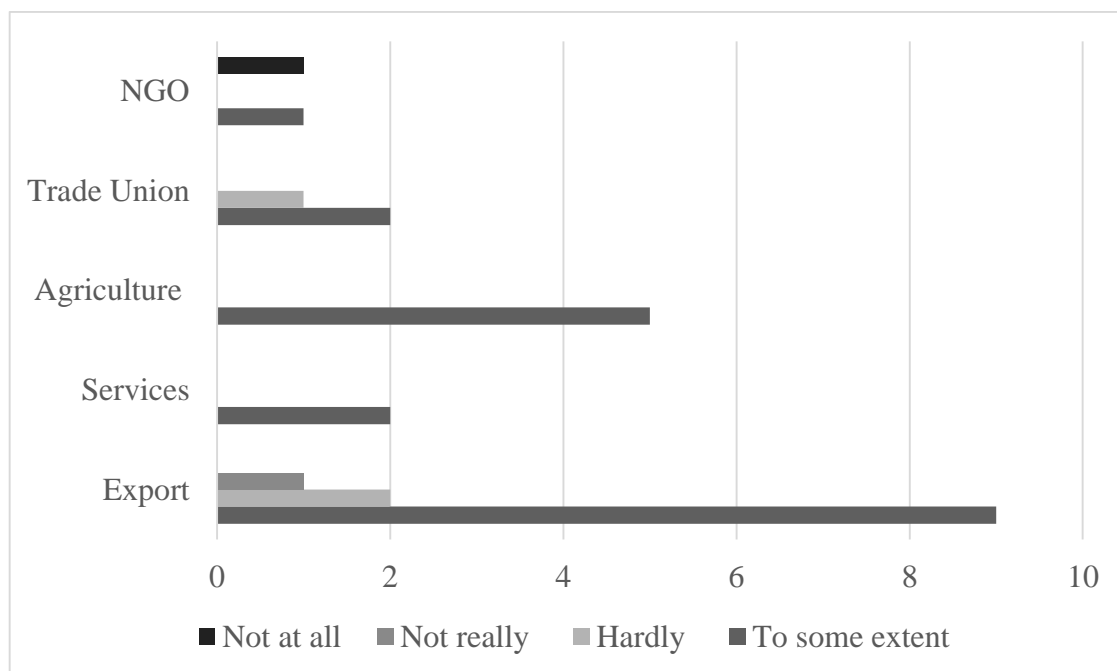


Figure 25: Interest groups' self-assessment of influence EU-Brazil Strategic Partnership 2007

Reference: Own illustration

With respect to the indicators of IGs' influence on the Commission, the judgement on the value of the independent variable in case study II is more straightforward than in case study I. Prior to the EU-MERCOSUR negotiations (1999-2004), export-oriented actors constituted the largest group compared to other sectors lobbying the Commission, but they attended the CSD meetings less regularly than agricultural stakeholders. In case study II, by contrast, export-oriented actors were the largest group accounting for exactly 50 percent of stakeholders. They were also the most regular attendees at the CSD meetings, and a large majority regarded themselves as having influenced the Commission to some extent. Concerning the three indicators of influence (i.e. number of actors, frequency of consultation, and self-assessment of influence), export-oriented actors lobbied the Commission on the EU-Brazil SP more intensively than other groups, and their lobbying activities increased over time compared to the first phase of EU-MERCOSUR negotiations. Linking this value of the independent variable back to the outcome of the dependent variable, the analysis shows a positive congruence. The more intensively export-oriented actors lobbied the Commission on its FTP towards South America, the more likely the Commission was to switch to bilateral relations with Brazil.

Causal mechanism

As outlined in chapter 6.1.4, the EU has developed formal and informal procedures for listening to IGs and to exchange views with them. The Commission and the EEAS have been in regular contact with stakeholders to gather input from them and to hear their views on the EU's negotiations. In exchanging views with IGs, the Commission's DGs, in particular the DG Agriculture and the DG Trade, maintain advisory groups in which they meet stakeholders at least once year. Formally, the Commission also meets IGs regularly in the CSD. Informally, IGs send letters and give the Commission input on negotiations (Interview #5). The Commission's DG Trade has more specific contacts with business groups because they provide technical input and also make technical requests (Interview #6). The EEAS, too, has a dense network of meetings and contacts with IGs, and it also facilitates meetings for stakeholders regarding negotiations from Europe and from South America (Interview #8). In maintaining such a network with IGs, the Commission and the EEAS have developed a set of formal and informal procedures for contacting IGs on negotiations and trade talks.

The empirical evidence on what venue IGs (export-oriented actors, in particular) lobbied for is ambiguous. None of the interviewees from the DG Trade indicated that any sector lobbied for a particular venue. One interviewee from the Commission, by contrast, pointed out that IGs did not lobby for bilateral relations with Brazil (Interview #6). Instead, the interviewee explained that the design of trade relations and negotiation mandates are the exclusive competence of the Commission, and IGs would rather contact the DGs over specific problems and technical issues in already ongoing negotiations (Interview #6). The EEAS also confirmed that there was not much lobbying activity or many concerns raised by stakeholders about the SP with Brazil (Interview #8). One interviewee from DG Energy instead mentioned that export-oriented actors expressed the wish to develop the SP even further into fully-fledged bilateral FTA negotiations with Brazil (Interview #19). This desire was articulated, however, when the SP was already ongoing. In that sense, the empirical evidence is ambiguous and there is no clear indicator that export-oriented IGs lobbied for bilateral relations with Brazil. When IGs were asked about their views on the EU-Brazil SP, 50 percent (12), in fact, revealed that they did not appreciate the SP. Even 33 percent (4) of export-oriented actors were neutral, "hardly" appreciated, or "did not" appreciate the SP, while 66 percent (8) "appreciated" or "very much appreciated" it (figure 26).

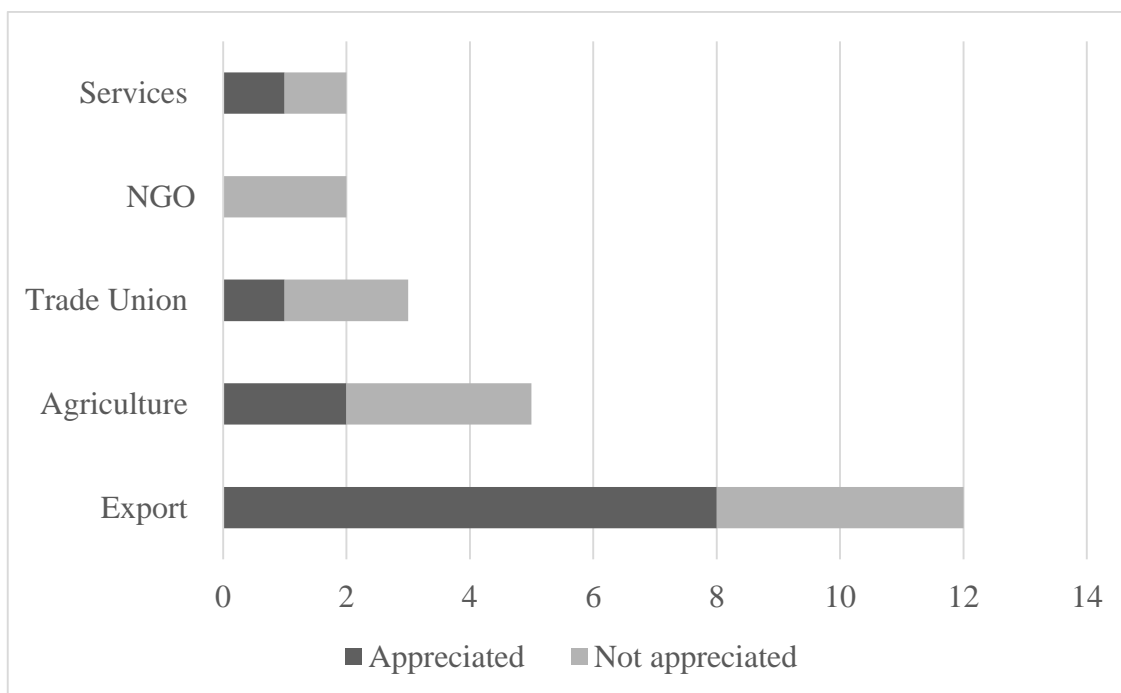


Figure 26: Interest groups' appreciation of the EU-Brazil Strategic Partnership

Reference: Own illustration

Literally none of the stakeholders interviewed mentioned a preference for bilateral trade relations over other types of trade relations. 50 percent (12) of the IGs favored multilateral negotiations instead, and 50 percent were indifferent to the FTP's venues by mentioning more than one venue or other types of relations (i.e. country-to-country relations), or being neutral or ticking "does not matter" (figure 27). Most interesting is the result that 50 percent (6) of industry groups were indifferent to the FTP design, and the remainder favored multilateral negotiations in the WTO (figure 28). 80 percent of agricultural IGs also preferred multilateral negotiations, and 20 percent were indifferent. This is astonishing given that the EU also negotiates agricultural issues in the WTO with emerging countries such as Brazil, who are anything but willing to accept a deal without concessions on agribusiness from the U.S., Japan, or the EU (Hopewell 2013). 33 percent (1) of trade unions and 50 percent (1) of services representatives also favored multilateral talks. The rest was indifferent to the FTP's venue. In being indifferent to the FTP design or in preferring, if at all, multilateral negotiations, this is, in fact, strong disconfirmatory evidence for hypothesis 4's (IGs) causal mechanism. Commercial liberalism would have expected that export-oriented stakeholders lobby for or are, at least, in favor of bilateral trade talks with Brazil – which, apparently, they were not.

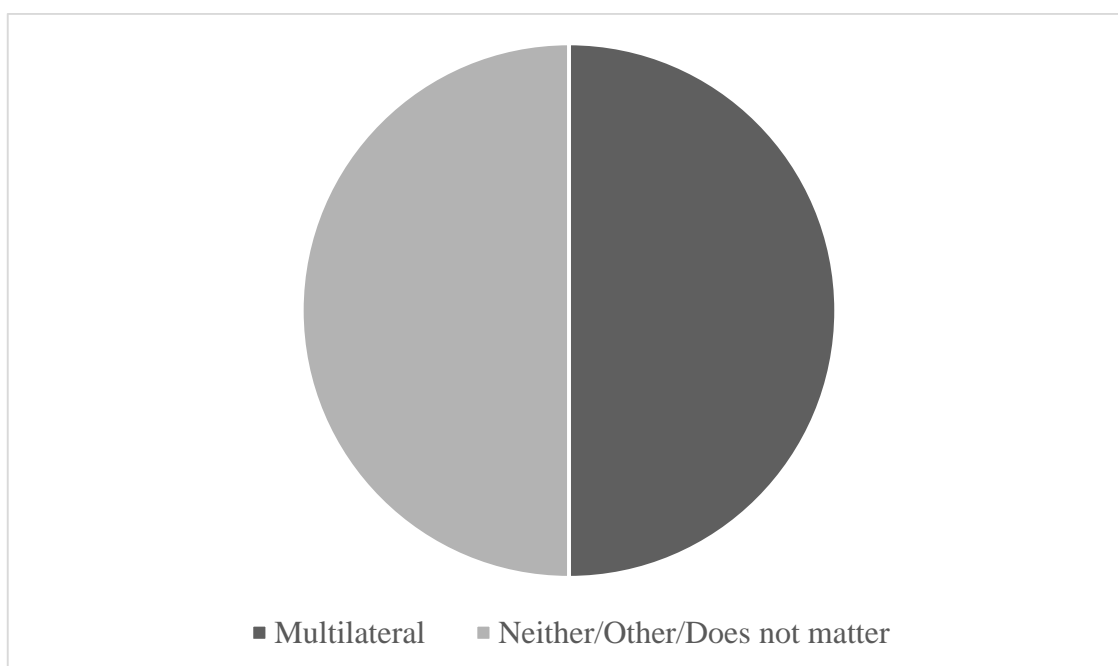


Figure 27: Interest groups' preferred venue (sectors aggregated) in case study II

Reference: Own illustration

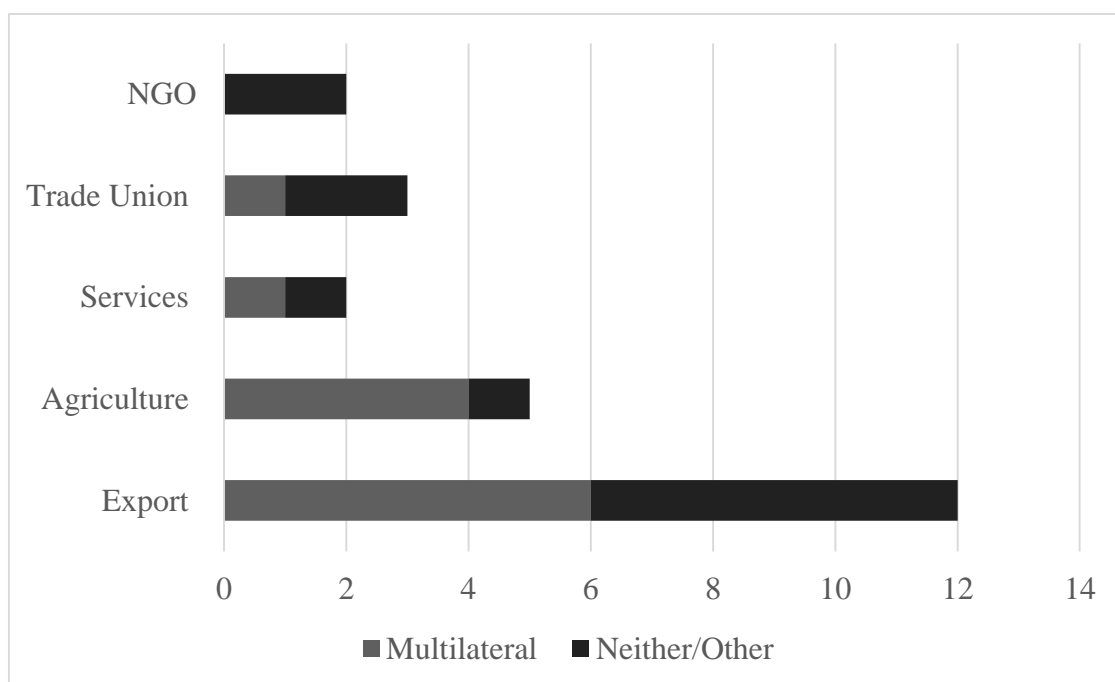


Figure 28: Interest groups' preferred venue (sectors disaggregated) in case study II

Reference: Own illustration

Statements on the adoption or non-adoption of IGs' views by the Commission or the EEAS also disconfirming hypothesis 4 (IGs). Interviewees from the Commission and the EEAS

pointed out that they only partly take into account IGs' concerns and demands, conditional to a number of factors. First, taking stakeholders' views into account depends on what concessions they ask for, and whether their positions find political acceptance in the Council and the EP (Interview #5). Second, if the IGs' concerns converge with the Commission's concerns, whether they are offensive or defensive, the Commission meets them in the substance of trade talks as was the case with tariff lines (Interview #5; Interview #8). One of the EEAS interviewees reported that the EEAS just takes notes of IGs' views, and sometimes the EEAS' staff replies but often the staff also considers stakeholders' views as overreactions and therefore not necessary to be taken into account (Interview #9). The interviewee from the DG Energy, who pointed out that industry groups wished to turn the SP into bilateral FTA negotiations, reported that the Commission was not even able to meet this demand because of MERCOSUR's institutional environment (Interview #19), and thus because of the features of South America, thereby confirming hypothesis 2 (cohesion) rather than 4 (IGs).

Although the Commission and the EEAS have established a dense network of exchanges with IGs, neither of them takes IGs' views fully into account. Rather, the Commission and the EEAS judge what demands they can meet, and they consider them conditionally. Both institutions have confirmed that they do not meet demands from IGs on the design of FTP (if they are at all existent (which they were not) – but, if at all, they consider demands on the substance of negotiations – i.e. tariff lines or concessions. IGs' self-assessment of influence confirms this interpretation when asked “[t]o what extent, if at all, does the DG Trade take into account the interests of your organization” (annex III). Stakeholders of all sectors reported either that the DG Trade listens to them; that the Commission takes IGs' views partly into account; or that stakeholders are not sure whether the Commission consider their views at all. On the first evaluation, three IGs, for instance, mentioned that the “DG Trade listens to us and respects our views”; that they “believe they [members of the DG Trade; *added by author*] listen to us”, and that the “Commission is aware of our [agricultural; *added by author*] voice” (annex III). On the second evaluation, four IGs reported that the DG Trade considers their views “only partly” or “occasionally”; that a congruence of Commission's and IGs' views “must have a certain influence”, or that stakeholders influence the “tariff dismantling negotiated in FTAs” (annex III). On the third evaluation, two IGs mentioned that they are “not sure” or that it “cannot be controlled” to what extent they influence the Commission. Only one stakeholder reported that the DG Trade considers its views “rather well” (annex III).

Results

Summing up the results, the congruence test was positive: export-oriented actors' lobbying activities increased (independent variable) and the EU adopted a bilateral FTP design (dependent variable). Thereby the EU has switched from an interregional to a bilateral design, and, in accordance with this, the intensity of lobbying by industry groups has increased. The empirical evidence on hypothesis 4's (IGs) causal mechanism, however, disconfirms the expected evidence. The EU, the Commission and the EEAS had, in fact, a dense network of formal and informal procedures for exchanging views and listening to IGs. However, most of the IGs were indifferent to the FTP design or favored multilateral negotiations in the WTO. None of the stakeholders reported that they would prefer bilateral trade talks, not even export-oriented actors. Evaluating the adoption by the Commission or the EEAS of IGs' views, the assessments by EU officials and IGs are congruent in that the EU only partly adopts stakeholders' positions, and when they do so, it is not regarding the design of the FTP but concerning the substance of trade talks (i.e. tariff lines or concessions). The latter two pieces of evidence strongly disconfirm hypothesis 4 (IGs), so that, in sum, hypothesis 4's (IGs) causal mechanism is disconfirmed (table 23).

Summing up the empirical results of case study II's analysis, the extra-regional set of independent variables (rival actors and the counterpart region's cohesion) influenced the EU FTP design as expected, and the intra-regional set of hypothesis (EU MS and IGs) was partly disconfirmed. The congruence test was positive for rival actors and the counterpart region's cohesion. This was also true for IGs but not for EU MS. The process-tracing test partly found confirmatory evidence for hypothesis 1 (rival actors), it found confirmatory evidence for hypothesis 2 (cohesion), it found dis-confirmatory evidence for hypothesis 4 (IGs), and for hypothesis 3 (EU MS) the congruence test was negative (table 24). The empirical analysis therefore provided partly confirmatory evidence for *commercial realism* but not for the liberal-institutional model or for commercial liberalism.

Table 23: Empirical evidence on interest groups' influence in case study II

Causal mechanism	Empirical evidence	(Dis-)Confirmation
Number and frequency of consultation	Intense lobbying activities by export-oriented actors	
Formal or informal procedure to listen to interest groups	Formal and informal procedures carried out by Commission and EEAS	+
Voicing of a preferred design of FTP	Interest groups either indifferent or preferring multilateralism	-
Statements on the adoption of these positions	Part adoption of interest groups' views on substance of talks	-
Interregional versus bilateral design	Bilateral design of EU's FTP	+

Reference: Own illustration

Table 24: Impact of independent variables in EU-Brazil Strategic Partnership 2007-ongoing

Independent variable	Congruence	Causal mechanism
Rival actors	Confirmed	Partly confirmed
Cohesion of counterpart region	Confirmed	Confirmed
EU member states	Disconfirmed	N/A
Interest groups	Confirmed	Disconfirmed

Reference: Own illustration

6.3 EU-MERCOSUR negotiations 2010-ongoing

Between 2004 and 2010 MERCOSUR made almost no institutional progress. Similar to MERCOSUR's status in 2004, the CU was still imperfect in 2010. In the meantime, the EU had undergone a massive treaty change with the Lisbon Treaty's entering into force in December 2009. The Lisbon Treaty gave the EP equal footing in the Council for ratifying international agreements which belong to the ordinary legislative procedure. The Lisbon Treaty also assigned the EU exclusive competence in investment and services. Divergent as the EU and MERCOSUR have become since 2004, so the difficulties of the re-launched negotiations on an Association Agreement have become similar.

In 2010, under Spanish EU presidency, the Commission re-opened interregional negotiations with MERCOSUR on an Association Agreement. The Commission justified the re-launch with the previous negotiation mandate (1999) on the first phase of interregional negotiations. The Commission did not ask the Council for new negotiation directives. Indeed, it based the re-launch on this old mandate even though the first phase of negotiations had ended in complete failure. The negotiation mandate was still restricted to interregionalism and to a comprehensive design of issues (table 25). As before, the mandate prescribed a region-to-region format and forbade any bilateral negotiations between the EU and MERCOSUR's members. It also included all trade issues, i.e. trade in goods, trade in agriculture, investments, services, and non-tariff trade barriers, so that the scope was still comprehensive interregionalism.

Table 25: Second phase of EU-MERCOSUR negotiations 2010-ongoing

	High number of issues (Comprehensive)	Low number of issues (Selective)
High number of addressees (Interregionalism)	Interregional negotiations on a comprehensive EU- MERCOSUR Association Agreement	
Low number of addressees (Bilateralism)		

Reference: Own illustration

6.3.1 Rival actors

Commercial realism argues that the EU employs a comprehensive design when it competes with rival actors for privileged trade relations with South America. Given that MERCOSUR and the EU re-launched the interregional negotiations on an Association Agreement which was comprehensive in substance, *commercial realism* expects to find broad U.S. and Chinese trade relations with MERCOSUR's member states.

Value of the independent variable

The U.S. had started already singling out Brazil in 2006, signing a letter of intent to establish instruments intended to eventually facilitate and boost bilateral trade flows, investments, and business exchanges, and which reached out to the energy market. Following these instruments, the U.S. and Brazil signed a bilateral biofuel-agreement covering Brazil's ethanol market. When the U.S. and Brazil reached these bilateral agreements, the U.S.

communicated the wish to further remove obstacles to trade (see chapter 6.2.1). The U.S.'s desire to reach a broader agreement with Brazil particularly intensified after the breakdown of the Doha Round in 2008, when the U.S. increasingly turned to bilateral negotiations. Being interested in bilateral trade talks, in 2009 the U.S. announced an "interest[ed] in promoting a bilateral trade agreement with Brazil, even when it could mean bypassing Mercosur" (Mercopress 2009b). This statement regarding a possible deviation from the regional format in the context of FTA negotiations is in clear contrast to 2007, when the U.S. said that it did not want to cause problems in MERCOSUR (chapter 6.2.1). Highlighting this contrast gives us a clear indicator of the intensified wish of the U.S. to reach a bilateral trade deal with Brazil. With other members of MERCOSUR too, the U.S. expanded commercial relations on a bilateral basis (Mercopress 2009c). Although with Brazil an expansion of trade relations to market access has not yet transpired the U.S. did explicitly communicate an attempt to make this so.

China actively intensified trade relations with MERCOSUR's members by signing cooperation agreements and by consolidating a strategic partnership with Brazil. Since 2001, China has become increasingly important to MERCOSUR, and thus the country concluded a number of commercial agreements with its members, particularly Brazil (chapter 6.2.1). To Brazil and its neighbors, China has turned into an important trade partner as, since 2003, exports and imports have increased from six to 14 percent of Brazil's overall trade, from seven to eleven percent of Argentina's, from seven to even 18 percent of Paraguayan trade, and from three to ten percent in the case of Uruguay (figure 29).

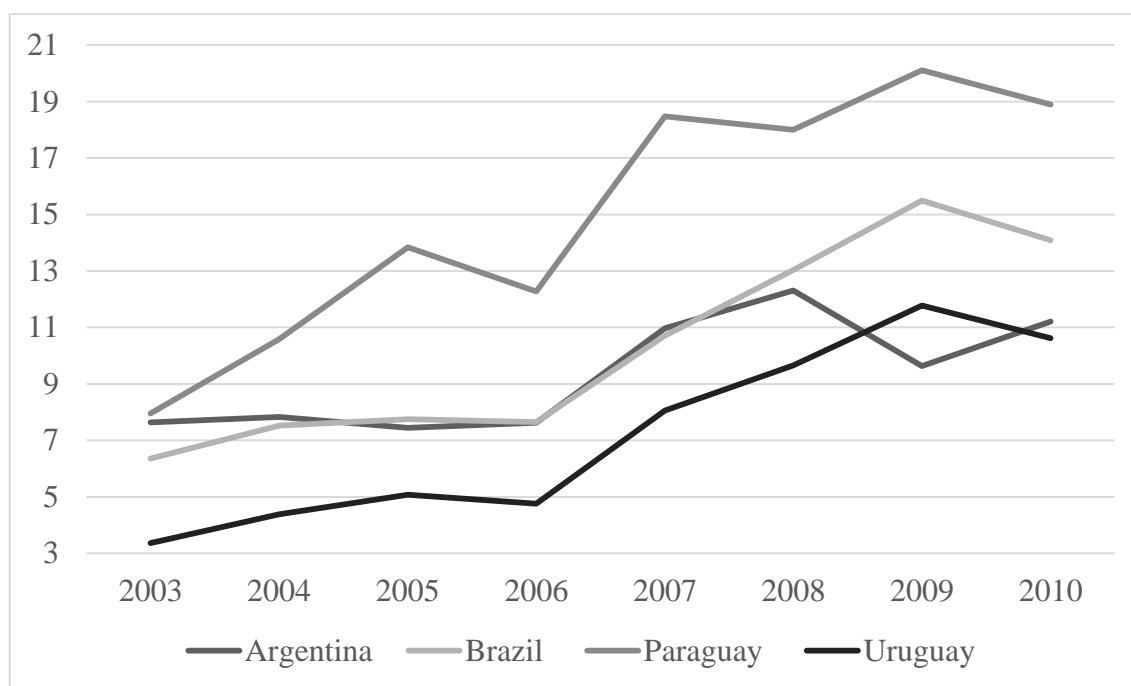


Figure 29: MERCOSUR's trade relations with China 2003-2010

Reference: Own illustration

Since 2009, China has consolidated cooperation agreements with MERCOSUR's members. With Uruguay, for instance, China signed bilateral cooperation agreements, and on that occasion professed an interest in agreements beyond traditional trade and investment relations (Mercopress 2009d). In the context of signing a bilateral agreement, Uruguay also aired the idea of having closer ties on a country-to-region basis between China and MERCOSUR (Mercopress 2009d). With Brazil, China intensified its commercial relationship by signing 13 accords to boost trade, investment, and cooperation. The countries also arranged a ten billion US Dollar loan for the Brazilian state-led gas company Petrobras, and they agreed to carry out transactions by using their respective currencies (the Real and the Yuan) instead of the US Dollar (Mercopress 2009e). In 2009, Brazil and China also consolidated a fully-fledged strategic partnership (Mercopress 2009e). China has therefore expanded trade relations with Brazil and with Uruguay. Notwithstanding this expansion, it has not negotiated and neither has it communicated an intention to negotiate an FTA with Brazil or any other member of MERCOSUR.

Causal mechanism

The EU has a large pool of staff to observe rival actors: country- or region-specific desks in the DG Trade, trade analysis units in the DG Trade and the DG Agriculture, the EEAS, and the EU's delegations. As chapters 6.1.1 and 6.2.1 explained, the EU's staff made a concerted effort to observe the U.S. and, more recently, China in their relations with South America - Brazil in particular. In observing these relations, the Commission tries to understand the involvement of these actors, and what their interests in the regions are (Interview #6; Interview #10). To facilitate a European understanding of rival actors, the staff also exchanges information. The delegation in Montevideo, Uruguay, for instance, collects information and shares it with the DG Trade, the DG Agriculture, and the EEAS (Interview #44; Interview #5). Although this is not very systematic, the EU always observes rival actors (Interview #9), and it particularly observes whether these actors negotiate FTAs with "interesting" partners such as Brazil (Interview #14).

Further than just observing rival actors, the EU has staff and tools to monitor their engagement, and to even mirror their activities (Interview #6). The EU monitors specifically what the U.S. and China do to retrieve information on their concessions in negotiations, and on their sensitivities in trade relations (Interview #4). Specifically the EEAS offers a detailed service on monitoring, in which they employ a large pool of people to follow how the U.S. or China become active (Interview #8). The trade analysis units of the DG Trade and the DG Agriculture are particularly important in monitoring when the EU is in negotiations with MERCOSUR, for instance. These units run different scenarios based on the questions of what FTA would be most favorable to the EU, and of what impact rival actors' existing or potential FTAs have on the negotiations and their outcome (Interview #11). If the EU has an interest in a specific issue or product, the units run analyses and scenarios on this, too (Interview #11). In running these scenarios, the trade analysis unit of DG Agriculture is extremely careful: The people of the unit "dig out all agreements" (Interview #15) the counterpart region or country has ever negotiated; they analyze the ambitions, the products, and the concerns, and they check the entire final agreements and annexes, the concluded tariff lines, and the quotas (Interview #15). The EU attempts to do these analyses for every country but due to limited resources it does so only for those partners with whom the Commission negotiates (Interview #15). In the context of the resumed EU-MERCOSUR negotiations, the EU paid specific attention to both China's engagement (Interview #44), and also to the U.S.'s (Mercopress 2009d).

In 2010, the EU was still MERCOSUR's most important trade partner despite China's increasing importance to South America (figure 30). MERCOSUR traded 22 percent of its overall exports and imports with the EU, followed by China and the U.S. at 13 percent each, while Japan accounted for only three percent of MERCOSUR's overall trade. Except for Paraguay, the EU was the most important trade partner for all countries constituting 19 percent of Argentina's overall trade, around 24 percent of Brazil's, and 15 percent in the case of Uruguay.

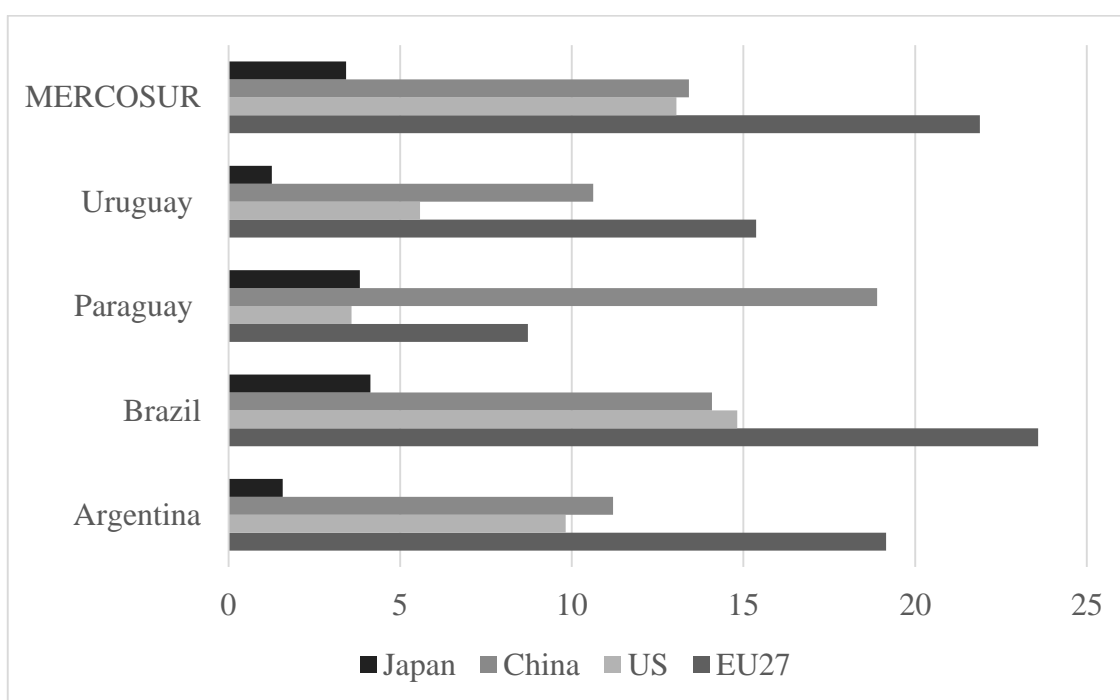


Figure 30: MERCOSUR's trade with the EU27, the US, China and Japan 2010

Reference: Own illustration

Nevertheless, the EU felt pressured into negotiating an FTA with Brazil (through MERCOSUR), and nearly all interviewees pointed out that the EU competes to a greater or lesser extent with the U.S. and China. The Commission itself communicated to the public that it proposed to re-launch negotiations with MERCOSUR as “a trading bloc that has not yet concluded any free trade agreements [...] with any major competitor of the EU” (Commission 2010). Major competitors of the EU, reflecting the size of their economies, are, according to one interviewee of the Commission, the U.S., Japan (Interview #23), and also China. With those countries, the EU competes for trade partners, for gravity in binding these partners to Europe, and for setting regulatory standards (Interview #23). This is why the EU and U.S. almost

simultaneously negotiated FTAs with third partners. New actors such as China have become increasingly challenging to the EU, and also to other countries - in particular, Russia, who is becoming increasingly active (Interview #41). These actors (the U.S., China, and Russia) have affected the EU-MERCOSUR negotiations in that the EU now is less relevant to South America as a trade partner (Interview #43), and therefore they have intensified the pressure on Europe to conclude an FTA with Brazil.

In competing with those actors, the EU strives for privileged economic relations and for political influence in the region. Competing for privileged economic relations, the EU mainly was and is still in a race with the U.S. for setting regulatory standards. Often the EU and the U.S. have conflicting interests in negotiations with third partners regarding non-tariff trade barriers. In agricultural issues, for instance, the U.S. prefers trademarks while the EU prefers geographical indications. If one of the two is first to conclude an agreement, then its generic name is imposed on the third partner (Interview #23). This is partly why the EU and the U.S. started negotiations with many partners, one after another (Interview #26), and are in competition with each other, although they do not always compete and are sometimes even partners (Interview #9). The U.S.'s negotiations on a Trans-Pacific Partnership (TPP), for instance, has also pressured the EU into signing FTAs (Interview #41). The EU's relationship with China is similar to that with the U.S. because the EU is concerned about China's increasing engagement in South America (Interview #9). In that sense, the EU competes with China but the competition is less intense than that with the U.S. because China has a different type of trade relations. In establishing commercial relations with South America, China is mainly interested in primary commodities but not in services or non-tariff trade barriers (Interview #44; Interview #39). In competing for political influence in South America, interviewees pointed out that it would be good for the EU to have an agreement with Brazil as a first mover for three reasons. Firstly, an agreement with a partner so close to the U.S. would be politically beneficial to the EU in terms of competition (Interview #20 and #21). Secondly, concluding an agreement with MERCOSUR would prove that the EU is a major actor on the world stage (Interview #28) and that it can also engage with South America, with which the EU so far has had no meaningful agreement (Interview #18). Thirdly, the actor who is first to conclude an agreement with Brazil will be ahead of the others, and thereafter it will be more difficult for other actors to also agree on a deal with Brazil (Interview #18).

The perceived necessity of reaching a deal with Brazil was triggered by the onset of European financial crisis. The EU-MERCOSUR negotiations were resumed under the Spanish

EU presidency, which made the resumed trade talks a priority because of Europe's by then critical economic situation (Interview #41). Indeed, a Spanish official at the time anecdotally called the financial crisis a potential springboard for negotiations (Mercopress 2009f). Some interviewees even referred to the Euro crisis as the main motivation for re-launching trade talks since it lay behind the EU's fear of losing competitiveness (Interview #9; Interview #38; Interview #44). In its endeavor to confront this fear, the EU strove to open new markets especially those with emerging economies like Brazil (Interview #9; Interview #44) and other growing markets in South America (Interview #45). In this sense, Europe's crisis intensified the EU's need to conclude privileged trade relations with foreign markets in a competitive atmosphere with the U.S. and China.

The EU's relationship with the U.S., however, is not purely competitive in that they can also be partners. A potential game-changer in the EU-U.S. relationship and their trade relations with Brazil are the negotiations on the Transatlantic Trade and Investment Partnership (TTIP). If the EU and the U.S. allied themselves in trade relations, particularly in mutually recognizing their regulatory standards, Brazil (and the rest of South America) would subsequently fear being left outside this value and trade chain, and would then need to adjust to European or American standards (Interview #44). Regulatory standards, which are mutually recognized or which could even be common to both regions, would have a huge impact on Brazil and its trade relations with the U.S. and the EU (Interview #23). Indeed, the impact on Brazil was already felt when the U.S. and the EU announced the beginning of TTIP negotiations. TTIP boosted Brazilian interest in the EU-MERCOSUR negotiations, and since the start of TTIP bargaining rounds, Brazil has been convinced that the Association Agreement with the EU needs to be signed (which differs from the first phase of EU-MERCOSUR negotiations when Brazil mainly used the trade talks to play the U.S. and the EU off against each other) (Interview #26).

Results

Summing up the results, the congruence test was partly positive: the EU resumed a comprehensive design (dependent variable) in carrying out negotiations with MERCOSUR based on the old mandate of 1999. Further, it anticipated broad trade relations on the part of the U.S. and expanding trade relations on the part of China (independent variable). In 2009, the U.S. announced that it had attempted to negotiate a trade deal with Brazil (which would encompass market access) and China has gradually intensified and widened its trade relations

with MERCOSUR's members since 2001. Neither the U.S. nor China, however, had de facto broad trade relations with South America's members at the time the EU re-launched negotiations. A major reason for the EU's resumption of comprehensive negotiations was the European crisis, which pushed the EU's fear of losing competitiveness in foreign markets. The empirical evidence confirms the expected causal mechanism. The EU has gradually expanded its resources (staff and tools) in order to observe rival actors and to monitor their engagement in South America. One of its key focuses was on China's activities with MERCOSUR's members. Interviewees widely mentioned the EU's competition with the U.S. or China through privileged trade relations, setting regulatory standards, or through having political influence in South America, particularly Brazil. Some interviewees pointed out negative externalities in the realm of non-tariff trade barriers when the EU and other actors negotiate with Brazil or other partners. These results concur with the expected empirical evidence, and therefore (partly) confirm hypothesis 1 (rival actors) in case study III (table 26).

Table 26: Empirical evidence on rival actors in case study III

Causal mechanism	Empirical evidence	(Dis-)Confirmation
Rival actors have trade relations with the counterpart region	Anticipated broad trade relations with Brazil	
Staff employed to observe rival actors	Staff employed to observe the U.S. and China	+
Tools available to monitor rivals' activities	Tools and resources available to monitor the US and Chinese activities	+
Statements made regarding competition or negative externalities	Widely acknowledged that the EU perceives itself in competition with the U.S. and China, as triggered by the European crisis	+
EU adjusts its design of FTP	Comprehensive design of EU's FTP	+-

Reference: Own illustration

6.3.2 Counterpart region cohesion

The European financial crisis accelerated the EU's need for third markets and to compete with the U.S. and China's emerging economy. In 2010, when the Commission re-opened negotiations on an Association Agreement with MERCOSUR, it based the re-launch on the earlier negotiation mandate of 1999. In adhering to this mandate, the EU returned to an interregional strategy. Part of an explanation as to why the EU resumed interregionalism in its relations with MERCOSUR was the South American group's renewed team spirit. The

empirical analysis thus expects a high degree of MERCOSUR cohesion between 2007 and 2010.

Value of the independent variable

After 2007, MERCOSUR did indeed resume some of its team spirit. The number of trade disputes decreased, members showed more effort in pushing for regional integration, and they agreed on who and what were priorities in external relations. On the index of cohesion, MERCOSUR scored eight out of fifteen indicators, therefore showing a medium degree of cohesion (figure 31). Since 2007, the number of MERCOSUR's trade disputes has decreased. At the time Brazil and the EU launched the bilateral SP, MERCOSUR's members still witnessed a relatively high number of disputes (twelve new conflicts in 2007). Between 2007 and 2010, however, this number decreased from twelve to eight in 2008, six in 2009, and four in 2010 (IDADT 2011). Most of these conflicts were settled by MERCOSUR's members within the regional structure of their organization. The organization's intergovernmental dispute settlement mechanism was sufficient in some cases, and in others the cases were brought to MERCOSUR's supranational tribunal. Since 2007, the ratio of issues solved within MERCOSUR has been above 50 percent, whereas before that time it had been below 50 percent in almost all years (IDADT 2011). Just one dispute was serious, and this was brought to the ICJ, and thus solved outside of MERCOSUR. In this case, Brazil and Paraguay fought over the usage of Itaipú, an energy relevant reservoir. Although this case was serious and brought to the ICJ, the number of disputes brought to third dispute settlement mechanisms was lower between 2007 and 2010 than between 2003 and 2007 (IDADT 2011).

On an institutional level, too, MERCOSUR's members tried to revive regional integration. Brazil, in 2009 for instance, suggested and promoted the creation of a MERCOSUR High Court of Justice (Mercopress 2009g). Although this would have been a major step towards deeper regional integration, Uruguay rejected the Brazilian proposal. In contrast to Brazil's suggestion, the members agreed instead to establish the Justice Tribunal, a supranational organ. Further to this, they agreed on proportional representation in Parlasur (Mercopress 2009h), and prepared the Brazilian proposal for creating a MERCOSUR police force similar to Europol (Mercopress 2009i). In deepening and widening regional integration, MERCOSUR's members also accepted Venezuela as a new member, but not until 2012 and without Paraguay's consensus.

Cohesion	Indicator	Score
Political intra-regional	Number of trade disputes (1)	X
	Intensity of trade disputes (2)	X
	Settlement of trade disputes (3)	X
	Supranational institutions (4)	X
	Deepening of institutions (5)	
	Enlargement of institutions (6)	
Political extra-regional	Unity in international institutions (7)	
	Unity in non-regulated areas (8)	X
	Unity in presidential summits (9)	
Economic	Priority negotiation partner (10)	X
	Priority negotiation issue (11)	X
	Convergence of trade (12)	X
	Investment by partner (13)	
	Type of trade (14)	
	Type of investment (15)	
Sum		8

Figure 31: Degree of MERCOSUR's cohesion 2007-2010

Reference: Own illustration

Apart from the non-consensual accession of Venezuela to MERCOSUR, the countries agreed to gradually coordinate policies which had not been integrated before. They attempted to cooperate in the energy sector and on matters of immigration. Furthermore, they made plans to deepen integration in trade and investments (Mercopress 2010e). In international institutions, however, MERCOSUR only partly showed team spirit. Although in agriculture the members had a common position, this was not true in the other issue areas. At times, the countries even belonged to opposing working groups in the WTO, or sometimes the countries tried to preserve their independence in international institutions (Interview #20 and #21; Interview #28; Interview #38).

In MERCOSUR's external agenda, South America was less united than in 1999, but more so than between 2003 and 2007. For all trade partners except the EU, MERCOSUR's members had diverging preferences, which is also why the group had only a limited, common

external voice (Interview #28). With respect to the EU, however, the members shared a common position. In 2010, the countries agreed that negotiations on an Association Agreement with the EU would be beneficial to MERCOSUR. This was different from MERCOSUR's relations with the U.S. or China, with whom there was no agreement among MERCOSUR's members on whether to launch FTA negotiations or not. The same was true for other big players such as Canada or Asian countries. Regarding negotiation issues, MERCOSUR had a united position in the sense that the members agreed on a single undertaking. All negotiation issues, including agriculture, had to be agreed on at once, and Brazil transmitted MERCOSUR's position on this. Apart from agriculture, MERCOSUR's members had slightly divergent positions, but they agreed to enter bargaining rounds with a common voice (Interview #36 and #37). Among the agreed top priorities of MERCOSUR's members were market access in agriculture and a real liberalization of the EU's agricultural sector (Interview #28). Regardless of these commonalities, Uruguay and Paraguay differed enormously from Brazil and Argentina. These two smaller members lobbied for more FTAs and for more liberalization whereas Brazil tried to protect its industry, and Argentina still today favors protectionism over liberalization (Interview #39; Interview #42).

Trade data only partially confirm a higher degree of cohesion within MERCOSUR between 2007 and 2010. Both prior to 1999, and thus before the EU's launch of interregional negotiations, and after 2007, and thus, after the EU's bilateral attempt, MERCOSUR's trade flows with the EU27 were very symmetric and very stable. Only between 1999 and 2007, in the time when the EU launched the bilateral SP with Brazil, were trade flows most asymmetric and most unstable (figure 33). Between 2008 and 2010 exports and imports between MERCOSUR's members and the EU27 were extremely stable (figure 32), but only Argentina was able to increase trade flows with European countries (UNComtrade 2012). MERCOSUR's trade flows with the U.S. and China were also considerably stable, but to a lesser extent.

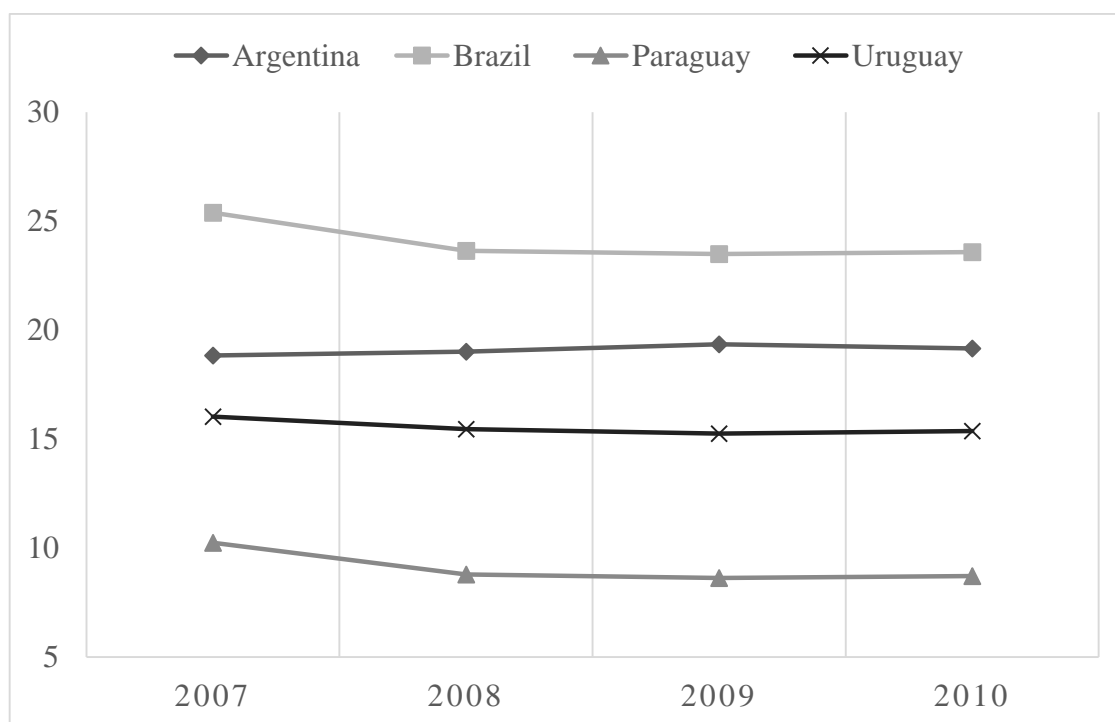


Figure 32: Trade flows between MERCOSUR's members and EU27 2007-2010

Reference: Own illustration

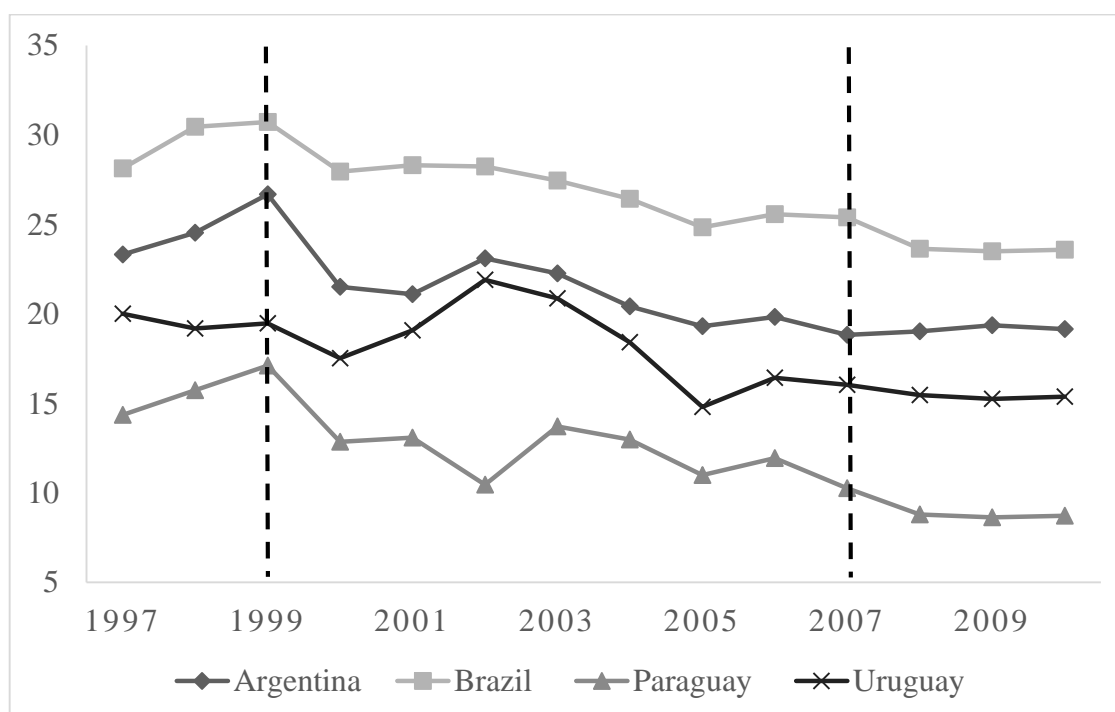


Figure 33: Trade flows between MERCOSUR members and EU27 1997-2010

Reference: Own illustration

Causal mechanism

Chapter 6.1.2 explained how the EU observed and examined South America's trade relations and its members' defensive and offensive interests in economics. In fulfilling these tasks, the Commission has two separate trade analysis units, one in DG Trade and one in DG Agriculture. These units are in charge of organizing staff and resources to analyse scenarios based on various calculations of European and South American interests (Interview #11). The Commission's DG Trade, furthermore, has country or region experts, who observe MERCOSUR's integration and its members' political and economic interests (Interview #23). These *desks* monitor MERCOSUR's integration process and follow benchmarks (Interview #23). Since the entering into force of the Lisbon Treaty and since the spread of EU delegations, the EU has become more professional in observing and monitoring its partner regions. Also, in the South American case, EU delegations in Uruguay (where MERCOSUR has its secretariat), Paraguay, Argentina, and Brazil are responsible for reporting on these countries and on regional integration. The European delegation in Montevideo, Uruguay, has observed MERCOSUR, and once every two months the delegation comments on regional integration and sends the report to Brussels (Interview #35). The delegation's staff collects information on MERCOSUR, and it has invested a lot of time and resources in monitoring the regional organization and its members. In addition, since 2010, the delegation has done extensive *fieldwork* by talking to more than 40 people (Interview #44). In general, although the EU has not developed a systematic procedure for observing its counterpart regions (Interview #23), it has staff (in the Commission, the EEAS, and within the delegations) observing South America and monitoring MERCOSUR's integration process and its members' interests.

Chapters 6.1.2 and 6.2.2 explained that the EU has a certain affection towards regional integration, and therefore interregionalism is "somewhat in the EU's DNA" (Interview #14; Interview #20 and #21). Nevertheless, the design of venue for trade talks is a case-by-case and a situation-specific decision. This is because what matters for the EU is *realpolitik*, and MERCOSUR's regional integration is not the EU's responsibility (Interview #14). Thus, the Commission reported that the EU had been contemplating negotiations with Brazil bilaterally because it has a chief interest in Brazil and because it would prefer a bilateral FTA with it (Interview #23). In taking the decision to re-launch the interregional negotiations despite the EU's preference for bilateral talks with Brazil, the EU had to take into account both MERCOSUR's CU and Brazil's interest in maintaining that CU. Because Brazil has a deep

strategic interest in MERCOSUR, the EU did not have much flexibility in the negotiation mandate (Interview #38).

The design of the negotiation mandate, instead, usually depends on the counterpart region, and considering the interests of the European partner, the EU has to judge what design is most logical and least costly (Interview #23). The least costly option in the South American case was to re-launch the *interregional* negotiations because MERCOSUR works like a bloc (Interview #38) although the EU's interest lies in Brazil (Interview #20 and #21). European interviewees were clear about the fact that if the EU could negotiate a bilateral FTA with Brazil, it would (Interview #43). That is, if MERCOSUR reconfigured, the EU would also reconfigure its negotiation mandate (Interview #10), but the impetus would need to come from Brazil itself (Interview #4) and as long as this does not occur, then it "does not make sense for the EU to move forward with Brazil" (Interview #44). The EU's decision to re-open the *interregional* negotiations and to re-use the *interregional* design was, therefore, clearly a case-specific and a situation-specific result based on what was most logical and least costly to the EU.

In deciding on an interregional format, the EU expected that this would be the only viable option leading to an FTA with Brazil through MERCOSUR's CU. The alternative (a bilateral FTA with Brazil) was discussed internally in the EU (Interview #23), but from South America's perspective it would have never been acceptable (Interview #38). Brazil, especially, would have not accepted a bilateral FTA (Interview #43) because, for the Brazilian government, MERCOSUR is a politically and economically strategic measure (Interview #38), and therefore Brazil insists that MERCOSUR's members negotiate as a bloc (Interview #39). The European motivation for an interregional design was thus clearly driven by material concerns and by the anticipated likelihood of realizing an FTA.

Crucial for Europe and in South America was and still is Brazil as the regional power in MERCOSUR. Interviewees widely reported that Brazil is MERCOSUR's leader and dictates the progress of regional integration and international negotiations (Interview #41). The regional power has a strategic and geopolitical vision for MERCOSUR (Interview #26), and it therefore insists on a regional format in international negotiations. This was also the case in the first phase of EU-MERCOSUR negotiations on an Association Agreement (1999-2004), but since the start of the second phase in 2010, Brazil has pushed even stronger for the regional format and the negotiations. The difference between the first and the second phase of negotiations is that now, in 2015, Brazil has a genuine interest in concluding an agreement with the EU. By contrast, in 2004, Brazil had mostly been interested in increasing its bargaining power and in pushing its

role as a regional and global player. Between 2004 and 2010 nothing happened between the EU and MERCOSUR because Brazil was simply not interested (Interview #43). Brazil's interest in an agreement with the EU was sparked in 2011/2012 when the Brazilian society exercised pressure on the Brazilian government to open the economy more to extra-regional actors. The Brazilian chamber of commerce particularly lobbied for a signing of FTAs with third partners, and, due to these domestic pressures, Brazil started pushing for negotiations with the EU at a formal and an informal level (Interview #41; Interview #44; Interview #45). The only country, which is now considered 'difficult', is Argentina because it has increasingly relied on protecting its economy.

Results

Summing up the results, the congruence test was positive: an increasing degree of cohesion within South America (independent variable) led to an interregional design of EU FTP (dependent variable). The empirical evidence on the causal mechanism also confirms hypothesis 2 (cohesion). Since 2010, the EU has developed a more professional procedure for observing and monitoring South America by relying on the Commission's, the EEAS', and the delegations' staff. In the case of MERCOSUR, the delegation was crucial in reporting to Brussels on matters regarding MERCOSUR's members and its regional integration. Interviewees from the Commission and from South America made it clear that interregionalism was a case- and situation-specific decision, and was least costly. Interregionalism was most logical because, with it, the EU anticipated the highest likelihood of reaching an agreement with Brazil, in this case through MERCOSUR's CU. The empirical evidence thus strongly supports hypothesis 2 (cohesion) and its causal mechanism (table 27).

Table 27: Empirical evidence on South America's cohesion in case study III

Causal mechanism	Empirical evidence	(Dis-)Confirmation
Index of cohesion	High degree of cohesion in South America	
Staff available to observe and monitor counterpart region	Commission, EEAS, and delegations observe South America	+
Case-by-case decision on design of FTP	Interregionalism is least costly option	+
Statements regarding the expected success of a particular design	Interregionalism most likely to lead to an agreement with Brazil	+
Interregional versus bilateral design	Interregional design of EU's FTP	+

Reference: Own illustration

6.3.3 EU member states

The second phase of the EU-MERCOSUR negotiations on an Association Agreement were peculiar because the Commission did not ask the Council for a new negotiation mandate. Instead, the Commission based the re-launched trade talks on the old negotiation mandate of 1999, notwithstanding both the massive treaty change the EU had undergone in the meantime and the changed international context after 2004. Re-opening the talks under the Spanish EU presidency, the negotiation directives were therefore exactly the same as before, encompassing an interregional and a comprehensive design. Given the comprehensive format of talks, hypothesis 3 (EU MS) would expect heterogeneous preferences from EU MS.

Value of the independent variable

EU MS had very divergent preferences regarding negotiations with MERCOSUR and the mandate's design. Some countries had offensive interests and were very much in favor of the comprehensive trade talks, while other countries had defensive interests and were completely against resuming trade talks with MERCOSUR, especially in the agricultural sector. The Commission re-opened the negotiations under the Spanish presidency, and thus had the support of Spain (Mercopress 2010a). European MS with offensive interests were favorable towards the trade talks. These were countries like Germany and the UK, as reported by the Brazilian foreign ministry (Mercopress 2010b). Countries with defensive interests strongly opposed the trade talks were France, Ireland, and Eastern European states (Interview #4). In fact, France explicitly warned the Commission that an agreement with MERCOSUR could seriously damage European agriculture (Mercopress 2010b; Mercopress 2010a). The Council took note of the concerns of "a large amount of member states", which it then communicated to the public (Council 2010). EU MS' preferences were clearly heterogeneous because some countries were in favor of negotiating with MERCOSUR while others bluntly opposed negotiating with the regional organization.

Causal mechanism

The opening of the comprehensive negotiations with MERCOSUR were peculiar because the Commission prepared the revival independently, not even consulting the Council on it or on a new mandate. Basing the re-launching of negotiations on the old negotiation mandate of 1999, the Commission did not ask the Council for authorizing neither the new nor even the old negotiation directives. The Commission resumed negotiations "out of the blue" (Interview #18) and commenced them without prior consultation with the Council. In proceeding independently, the Commission acted correctly, legally but dubiously, politically. Some countries, for instance France, protested against the Commission's unilateral step (Interview #18).³² Even the EP criticized the Commission, on behalf of the Council, for resuming trade talks without consulting the EU MS (Mercopress 2011a). Without being

³² Although two interviewees reported that the decision to resume negotiations based on the old mandate did not cause any problems in the Council (Interview #5; Interview #9).

consulted, the Council eventually communicated that it *took note* of the Commission's decision to re-open negotiations (Council 2010). The Commission indeed prepared the negotiations independently but it did not even consult the Council on the mandate. Instead, it just used the old mandate. This piece of evidence is therefore not confirmatory for the causal mechanism because the process was very different from the usual procedure for international negotiations.

The collaboration between the Commission and the Council was closer in the bargaining rounds. As soon as negotiations had started, the Commission regularly informed EU MS on the trade talks, and discussed every text with the Council (Interview #8) in weekly meetings in the Trade Policy Committee (TPC) and of the Latin American working group COLAC (Interview #14). In these meetings, the Commission discussed issues, sensitive to the EU MS's anxieties, and tried to balance their concerns (Interview #4), through a continuous dialogue (Interview #9). Notwithstanding this close collaboration, trade Commissioner De Gucht said in 2010 that the EU-MERCOSUR agreement could be concluded within a short-time period despite France's strong opposition (as cited by Mercopress 2010c).

Results

Summing up the results, the value of the independent variable (EU MS' preferences) is congruent with the outcome of the dependent variable (comprehensive design of EU's FTP) so that hypothesis 3 (EU MS) passes the congruence test. However, the empirical evidence demonstrates that the Commission deviated from the usual procedure for negotiating international agreements. By deviating, the Commission simply based the resumed comprehensive negotiations with MERCOSUR on the old negotiation mandate of 1999, and it did not ask or consult the Council. Sidelining EU MS, the Commission did not ask for a new negotiation mandate nor did it ask the Council to re-authorize the old one. In this sense the Commission prepared the negotiations independently but it did not prepare, did not discuss, and did not ask for authorization for an updated negotiation mandate. Because this procedure is very different from the regular procedure on launching trade talks, the empirical evidence disconfirms hypothesis 3, deduced from the principal-agent framework (table 28).

Table 28: Empirical evidence on EU member states in case study III

Causal mechanism	Empirical evidence	(Dis-)Confirmation
EU member states' preferences	Heterogeneity of preferences	
Commission prepares negotiation mandate	Commission embeds negotiations in old mandate	-
Council cannot find a common position on the mandate	N/A	
Council adopts Commission's draft	N/A	
EU adjusts its design of FTP	Comprehensive design of EU's FTP	+

Reference: Own illustration

6.3.4 Interest groups

The empirical analysis of IGs' influence on EU FTP towards South America after 2007 (case study III) relies on more data than in case study I and II. Empirical data include N=44 standardized interviews with IGs, the minutes of CDS meetings between the Commission and IGs, and a dataset based on the Commission's consultation of IGs on the EU's future trade policy. Of the N=44 standardized interviews, 27 are relevant to the analysis of IGs' influence on the second phase of the EU-MERCOSUR negotiations (since 2010). These 27 stakeholders have observed EU FTP since at least 2010, and must have considered the second phase of EU-MERCOSUR negotiations as "very important" or "important". We assume that those IGs which found the negotiations "hardly important" or "not at all important" were not sufficiently

engaged in lobbying activities on this issue to be considered relevant. After having launched the EU-Brazil SP in 2007, the EU returned to an interregional design in 2010 when it re-launched the EU-MERCOSUR negotiations on an Association Agreement. In analyzing this shift from bilateralism to interregionalism from a commercial liberal perspective, the deduced hypothesis was that the less intensively the Commission is lobbied by export-oriented actors, the more likely it is to use an interregional design. Given the interregional outcome of the dependent variable, the empirical analysis should demonstrate fewer lobbying activities of export-oriented actors compared to both other sectors and to the EU-Brazil SP (case study II).

Value of the independent variable

The total number of stakeholders lobbying the Commission through the CSD increased from 24 to 27 between 2005 and 2009. Of these 27 IGs involved in lobbying activities in 2009, 48 percent (thirteen) were export-oriented actors. Comparing this 48 percent to the 50 percent represented by export-oriented actors in 2005, the percentage of industry representatives had decreased slightly. Accounting for 48 percent of all stakeholders, export-oriented actors were, however, still the largest group compared to other sectors. Five stakeholders were representatives from agriculture, four belonged to services, three to trade unions, and two to NGOs (figure 34). The absolute number of services and of export-oriented actors had therefore increased slightly. Distinguishing the IGs into offensive and defensive interests, the majority, at around 63 percent (17), had offensive interests as opposed to other actors from agriculture, trade unions, and NGOs.

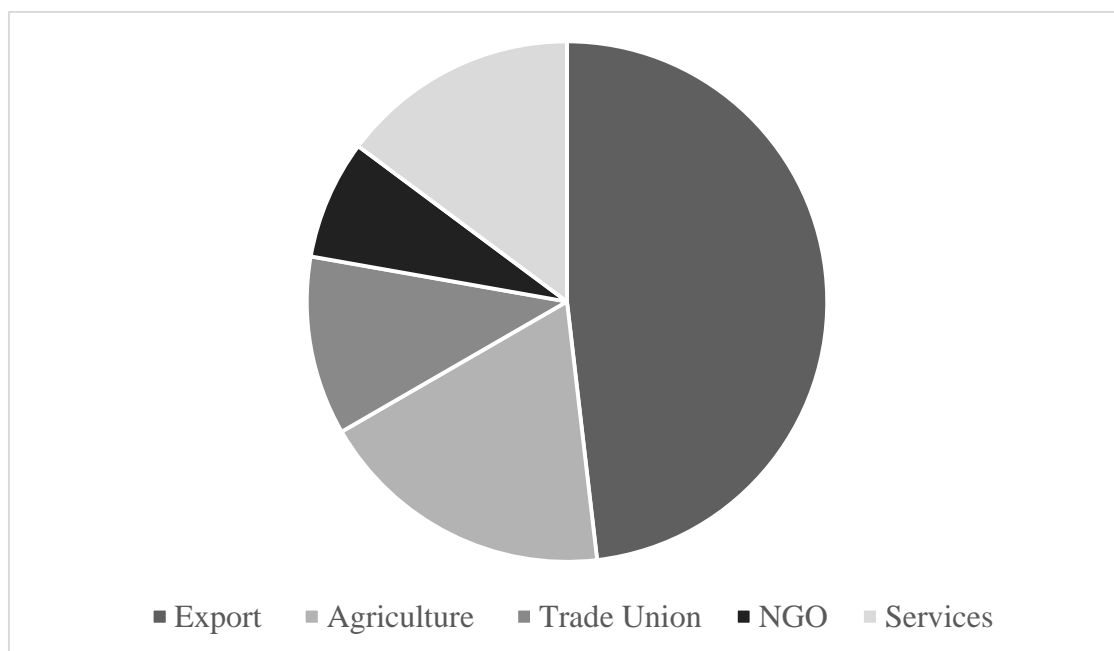


Figure 34: Share of interest groups lobbying at EU-MERCOSUR negotiations 2007-2010

Reference: Own illustration

The attendance at CSD meetings did not change considerably over time. In case study II (EU-Brazil SP), 58 percent (seven out of twelve) of export-oriented actors consulted the Commission regularly. In case study III (the second phase of EU-MERCOSUR negotiations), around 54 percent (still seven but out of 13) of export-oriented actors consulted the Commission regularly. The absolute number of business groups lobbying the DG Trade frequently therefore stayed the exact same. Export-oriented actors were thus the largest group attending the CSD meetings regularly, followed by agricultural stakeholders. 80 percent (four out of five) agricultural IGs attended the CSD meetings regularly, and so did two trade unions, two NGOs, and three representatives of services (figure 35). The frequency of consultation increased for NGOs and services when comparing these numbers to those of the EU-Brazil SP. All of these groups consulted the Commission “very often”, “often”, or “sometimes”.

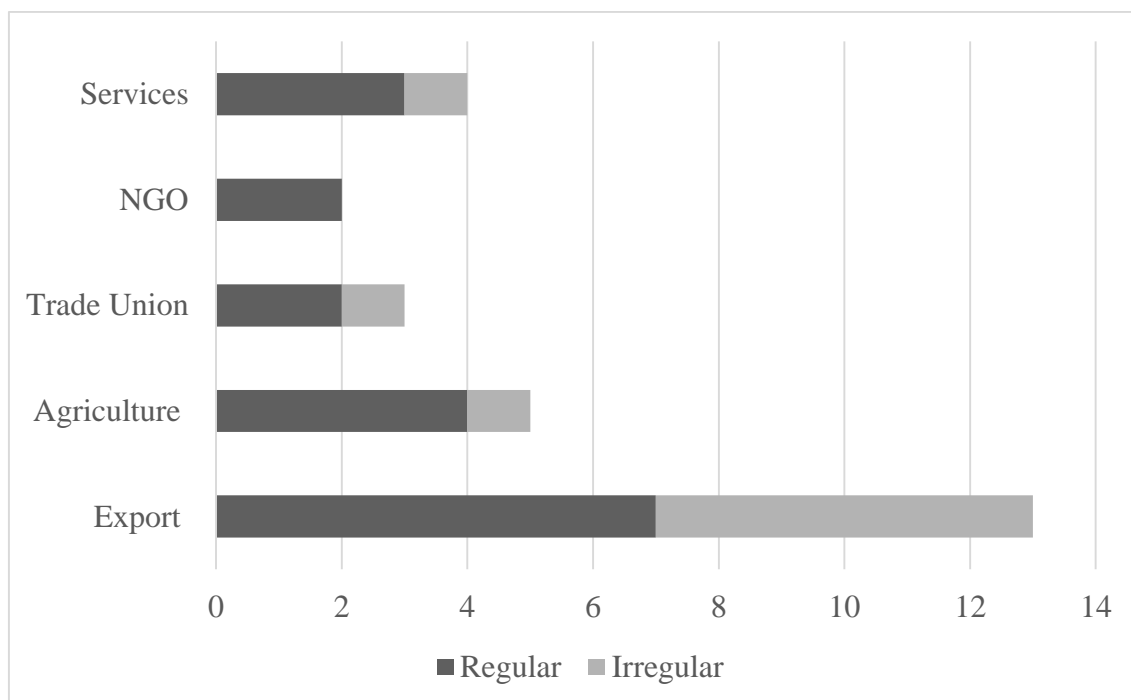


Figure 35: Interest groups' frequency of consultation during EU-MERCOSUR negotiations 2007-2010

Reference: Own illustration

As in case study I and II, the majority of IGs (81 percent) regard themselves as having influenced EU FTP “to some extent”. This does not vary considerably between different sectors. Three stakeholders believe that they “hardly” influenced EU FTP, one “not really”, and another one “not at all”. The vast majority of export-oriented actors at nearly 77 percent (ten) judges that they influenced the Commission “to some extent”. Two of them assume that they “hardly” had an impact on EU FTP, and one assumes that it did “not really” have an impact. More optimistic are representatives from agriculture and services, of which 100 percent believe that they influenced the Commission “to some extent”. Trade unions and NGOs are more pessimistic because one trade union (33 percent) believes that it “hardly” influenced EU FTP, and one NGO (50 percent) even concludes that it did not influence the Commission’s strategy “at all” (figure 36).

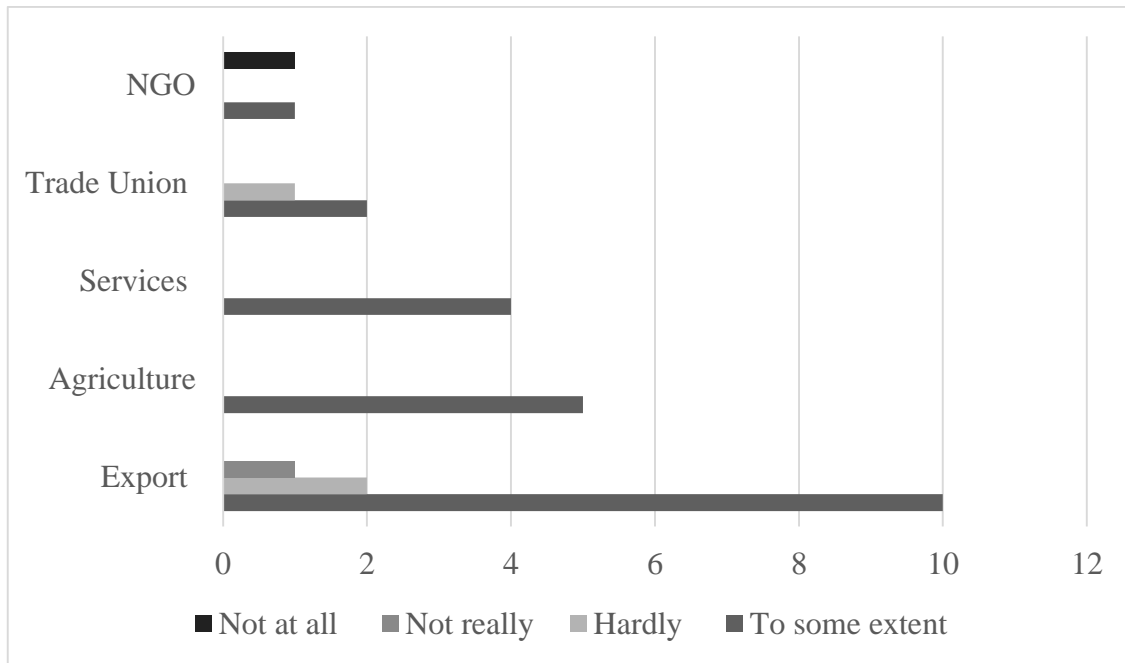


Figure 36: Interest groups' self-assessment of influence on EU-MERCOSUR negotiations 2010-ongoing

Reference: Own illustration

With respect to the indicators of IGs' influence on EU FTP towards South America the empirical analysis demonstrates mixed results but with a tendency towards a strong influence. Compared to the EU-Brazil SP (case study II), the number of export-oriented actors decreased and so did their frequency of consulting the Commission. The percentage of actors only decreased from 50 percent to 48 percent, and in 2009 export-oriented IGs still constituted the largest group compared to other actors. The absolute number of export-oriented IGs consulting the Commission frequently stayed exactly the same (seven) and only decreased in percentage from 58 percent to 54 percent (from seven out of twelve to seven out of 13). The vast majority of export-oriented actors (77 percent) assume that they influenced the Commission "to some extent", and only three of them are more critical. This leaves us to conclude that export-oriented actors kept on lobbying the Commission quite intensively, especially when comparing their lobbying activities and influence to other sectors. This falsifies the hypothesis deduced from commercial liberalism (theoretical model IV), which expected that a more intense lobby by export-oriented actors would lead to bilateralism instead of interregionalism.

Causal mechanism

The re-launched EU-MERCOSUR negotiations on an Association Agreement (re-opened in 2010) have been peculiar because the Commission based the decision to re-open trade talks on the mandate of 1999 on the first phase of negotiations. In the meantime, since 2004 (when the first phase of negotiations failed), however, the EU has undergone a massive treaty change. The entering into force of the Lisbon Treaty in December 2009 changed the negotiation of international agreements in a particular way because since then the EP has had the right to consent to Association Agreements. Since December 2009 the EP has informally expanded its role in the negotiation of international agreements so that it is now also involved in designing the Commission's negotiation mandate. Although the EP expanded its role, it was not involved when the Commission decided to re-launch negotiations with MERCOSUR in 2010 (Interviews #33 and #34). This is important to note because, since the Lisbon Treaty entered into force, IGs have increasingly made use of the EP to transmit their policy positions, and have lobbied Members of Parliament intensively (Interview #2; Interview #33 and #34). In that way, the EU offers stakeholders another channel for transmitting their positions, which they use to a large extent (Interview #2).

Apart from the EP, IGs can lobby the Commission and the EEAS, both of which were also lobbied in the EU-MERCOSUR negotiations. As chapters 6.1.4 and 6.2.4 explained, the EEAS developed a network of meetings and contacts with IGs, and the Commission runs the CSD and has advisory groups to exchange views with IGs (Interview #15). Further to these formal procedures, the Commission ran a consultation on the EU's future trade policy with the civil society in 2010 in which it asked for opinions on the EU's current and future FTP (Interview #4). The Commission and the EEAS also have regular informal contacts with IGs, and stakeholders often send letters or position papers, which they also did in the EU-MERCOSUR negotiations (Interview #15).

In their lobbying activities and in their contacts with the Commission, IGs mostly ask about specific problems, give technical input, or try to influence the substance of negotiations (Interview #6; Interview #14; see also chapters 6.1.4 and 6.2.4). In the context of the EU-MERCOSUR negotiations, many IGs have contacted the Commission, and most of them were on the defensive side (Interview #14). Having defensive interests, those stakeholders tried to convince the Commission to stop negotiations with MERCOSUR and criticized the Commission heavily for re-opening FTA negotiations with MERCOSUR (Euractiv 2010).

Industry groups, by contrast, had pushed the Commission to re-launch the talks although they were mostly interested in Brazil. According to a business group representative, Eurochambers and BusinessEurope formed an alliance to re-open negotiations but the interviewee added that this was absolutely not due to rival actors (Interview #16). In a communication by business groups, however, the Chambers of Commerce from Europe, Brazil, and Uruguay demanded their governments revive negotiations because otherwise “China will overtake the EU and will be second only to the United States as the main export market for Latinamerca in the coming decade” (Abruzzini as cited in Mercopress 2010d). Interviewees from the Commission pointed out that industry groups were mostly interested in negotiating with Brazil (Interview #4), and some had earlier demanded to turn the SP with Brazil into bilateral FTA negotiations (Interview #19). One year later, however, the Eurochamber, an organization of industry and business groups, published a document in which it urged the Commission to stop making concessions on agriculture even if that meant stopping trade talks with MERCOSUR (Mercopress 2011b).

The majority of IGs (nearly 63 percent, or 17) appreciated the Commission’s decision to revive interregional negotiations with South America. 22 percent (6) of IGs did not appreciate the re-opening, and for 15 percent (4) it did not matter (figure 37). The groups that least appreciated the negotiations were NGOs (100 percent, or 2), trade unions (33 percent, or 1), and agricultural groups (60 percent, or 3). The vast majority of export-oriented actors (85 percent, or 11) instead “appreciated” or “very much appreciated” the Commission’s decision compared to 15 percent (2) which “neither “appreciated nor not appreciated” the revived negotiations (figure 38).

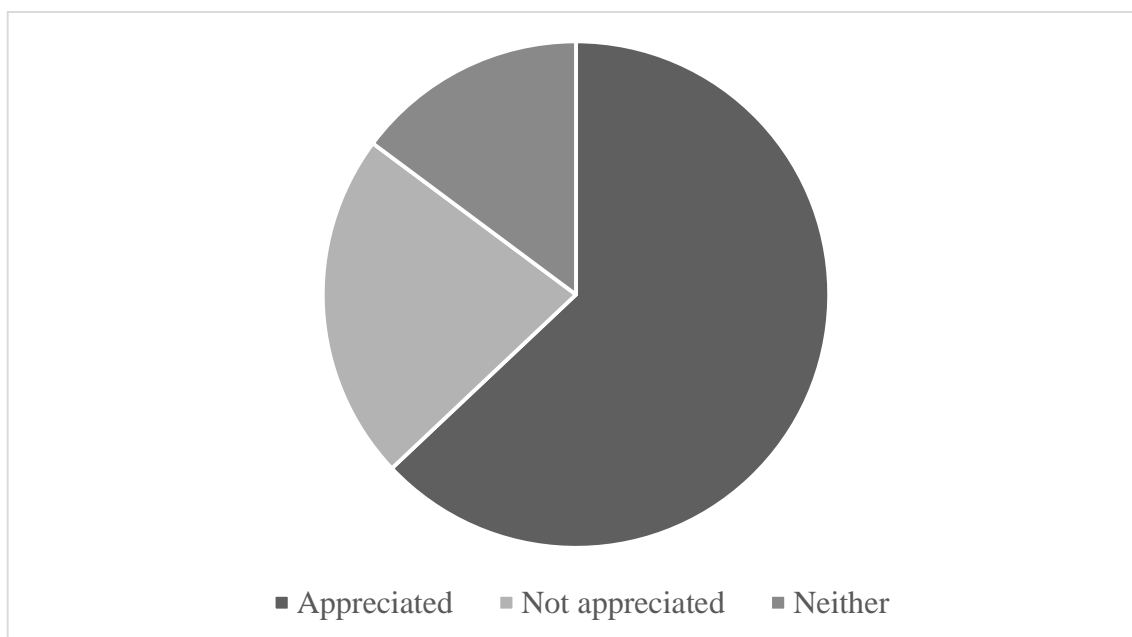


Figure 37: Interest groups' appreciation (sectors aggregated) of EU-MERCOSUR negotiations 2010-ongoing

Reference: Own illustration

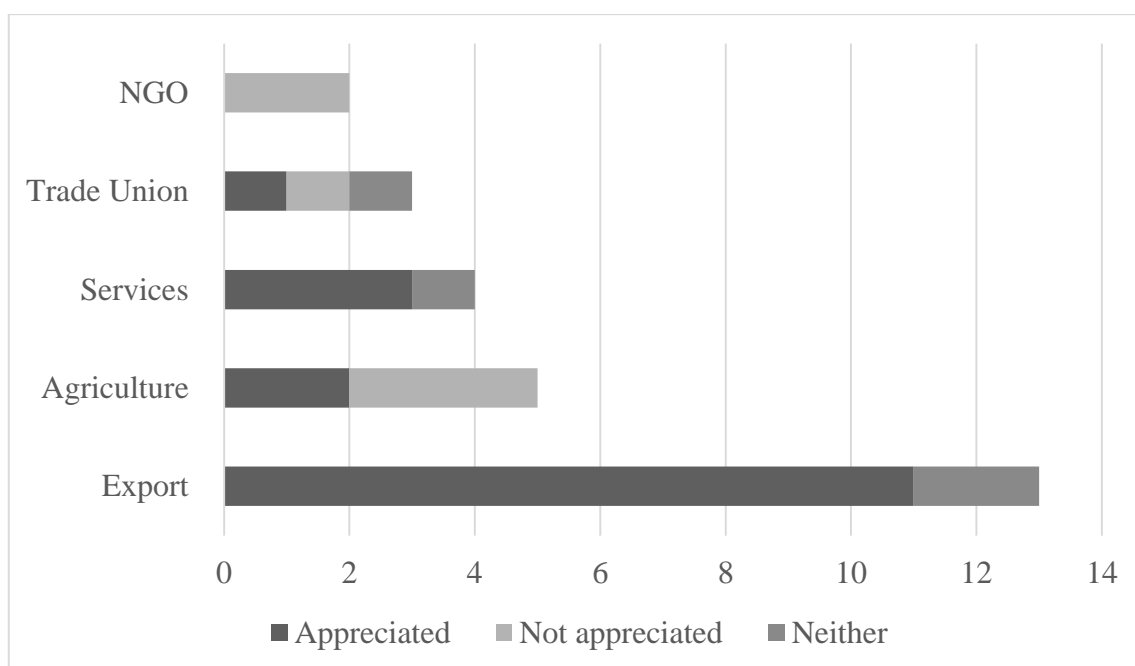


Figure 38: Interest groups' appreciation (sectors disaggregated) of EU-MERCOSUR negotiations 2010-ongoing

Reference: Own illustration

Asking IGs about their preferred venue, the majority of still either favored multilateral negotiations or were indifferent regarding the design of venues. Nearly 45 percent (12) preferred multilateralism, and a further 45 percent (12) preferred another or neither venue (figure 39). In contrast to earlier periods, one export-oriented actor mentioned a preference for interregional negotiations, and two groups (one export-oriented actor and one services representatives) mentioned a preference for bilateral negotiations. 46 percent of export-oriented actors (6) still preferred multilateral negotiations, however, and 38 percent (5) were indifferent. Also, most agricultural IGs favored multilateralism, at 80 percent (4), as did one trade union and one services representative. For the majority of trade unions (66 percent or 2) and NGOs (100 percent or 2) the design of venue did not matter (figure 40). In consequence, IGs were still either indifferent to the EU's design of venues or they still preferred multilateralism over any other venue, as was the case in 1999 and in 2007 when the EU launched, respectively, the first phase of interregional negotiations and the bilateral relations with Brazil.

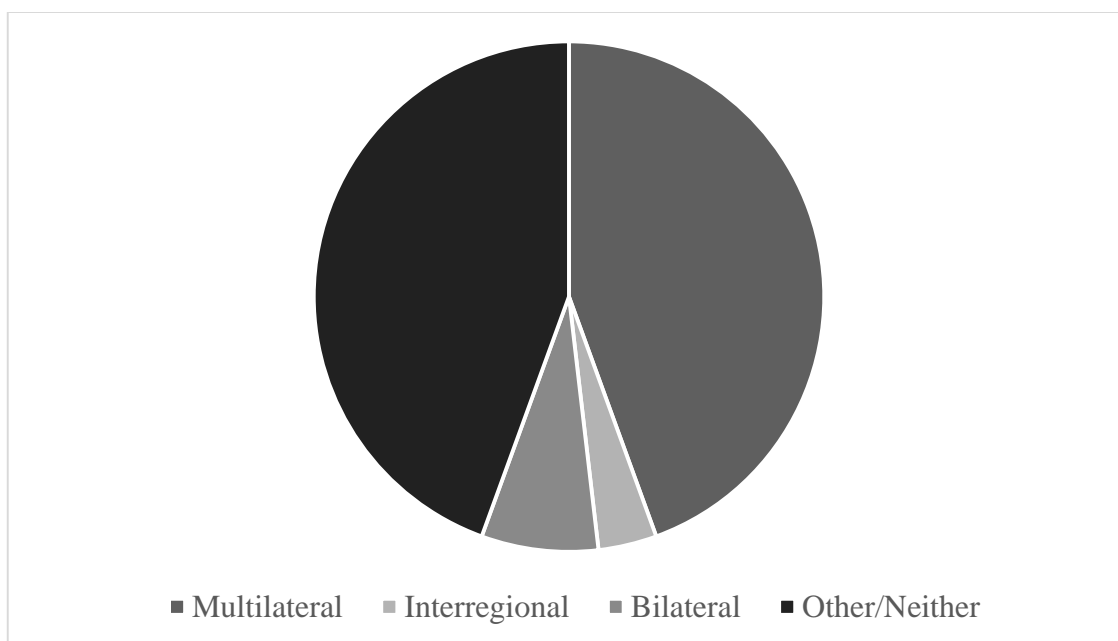


Figure 39: Interest groups' preferred venue (sectors aggregated) EU-MERCOSUR negotiations 2010-ongoing

Reference: Own illustration

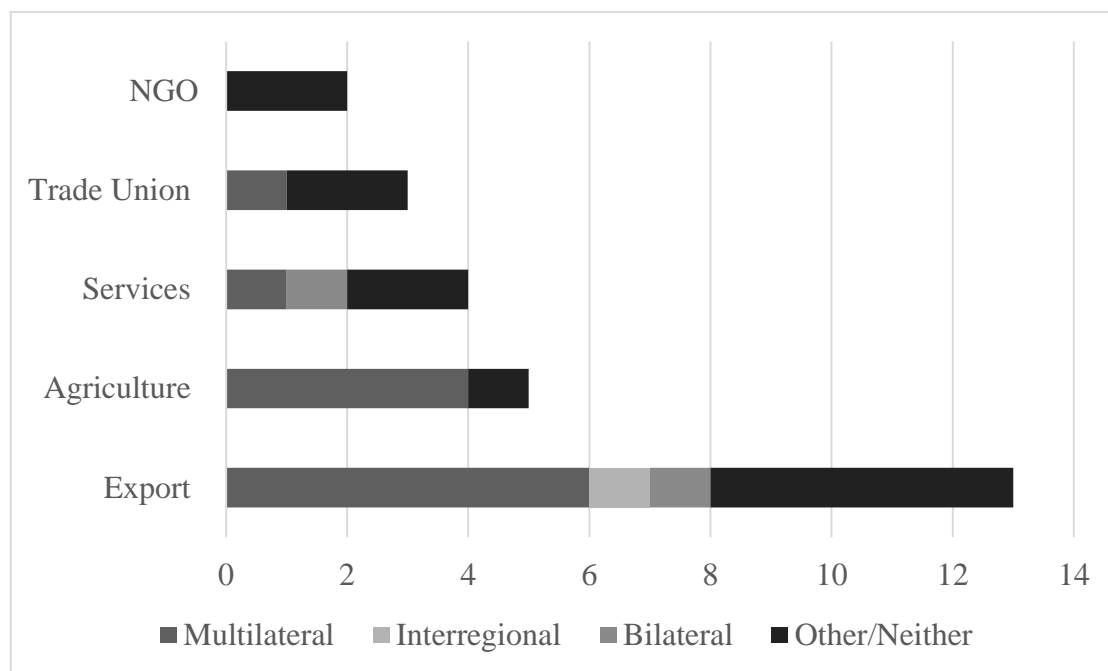


Figure 40: Interest groups' preferred venue (sectors disaggregated) EU-MERCOSUR negotiations 2010-ongoing

Reference: Own illustration

In 2010, the Commission ran a consultation of IGs on the EU's future trade policy, based on which a dataset of N=238 was set up. In this consultation, IGs commented on what issues and what partners the EU should focus its economic relations on, and what venues would best serve to discuss FTAs in the near future. The consultation composed 75 export-oriented actors, 80 agricultural groups, 29 services representatives, six trade unions, 35 NGOs, and 13 foreign actors (figure 41). The replies given by export-oriented actors confirm the evaluation that industry groups do not lobby for a particular venue of trade talks. Rather, it is important for them that the EU at least starts negotiations and takes into account the IGs' input on the substance of talks. To the question "Do our current FTA negotiations provide the right geographic and substantive focus for our bilateral trade relationships in the context of the Europe 2020 strategy?", only 9 percent (7) of export-oriented groups replied that the EU should focus more on Brazil, while 17 percent (13) mentioned MERCOSUR. The remaining 74 percent (55) mentioned neither Brazil nor MERCOSUR. On the question "In addition to continuing to push for a successful conclusion to the Doha Round, how can the EU best pursue overall EU trade policy objectives in the WTO?", the vast majority of export-oriented actors were neutral, and only 21 percent (16) highlighted that the EU should search for agreements beyond the WTO.

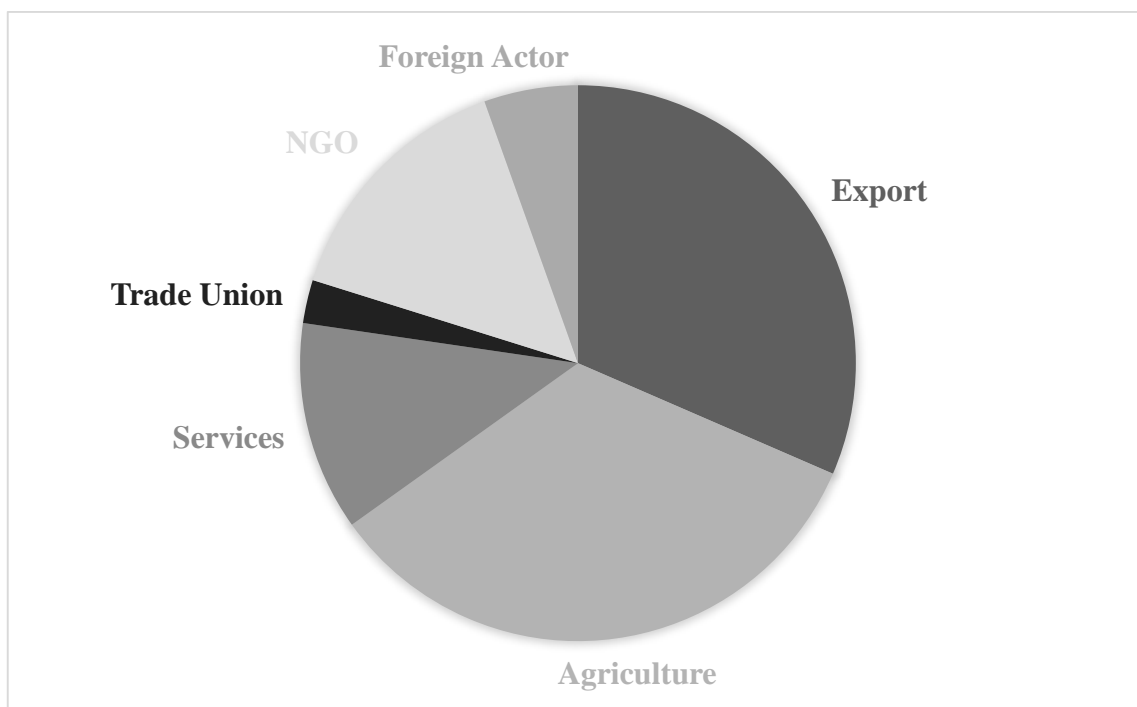


Figure 41: Interest group sectors at the Commission's consultation on the EU future trade policy (2010)

Reference: Own illustration

Chapters 6.1.4 and 6.2.4 pointed out that the Commission and the EEAS only partly takes IGs' views into account. Firstly, the EU judges what demands can and cannot be met (Interview #4). Secondly, in case of converging defensive or offensive interests between the Commission and IGs, the EU has an interest in considering these views (Interview #5). In other cases, the Commission takes notes, replies, or discusses with IGs (Interview #9). Thirdly, the Commission mostly considers IGs with regard to the substance of negotiations, i.e. tariff lines or concessions. It is, however, the Commission which sets the framework for the design of negotiations (Interview #33 and #34). Anecdotaly, in the case of the EU-MERCOSUR negotiations on the Association Agreement, agricultural groups lobbied the Commission intensively to stop these trade talks because they could harm the European agricultural market (Mercopress 2011b). Despite these intense lobbying activities, the Commission gave no sign of considering these defensive positions, let alone of interrupting negotiations.

Results

Summing up the empirical results, the congruence test largely failed. Export-oriented actors made up the largest group in the CSD and they lobbied most intensively compared to other sectors (independent variable). Commercial liberalism would have expected bilateral negotiations with Brazil, but instead the EU re-launched *interregional* (dependent variable) negotiations with MERCOSUR on an Association Agreement. The empirical evidence confirms what chapters 6.1.4 and 6.2.4 summarized. Although the EU has a dense network of formal and informal procedures to exchange views with IGs, stakeholders are either indifferent to the EU's design of venues or they prefer a multilateral FTP. The EU, in turn, adopts the IGs' positions only partly because it assesses them, and considers mostly demands on the substance of trade talks rather than the design of trade talks. Chapter 6.3.4 also demonstrated that the EU has even expanded its formal and informal procedures for listening to IGs. At the same time, however, IGs were still either indifferent to the venue question or they kept on emphasizing the WTO as a preferred venue. Nevertheless, export-oriented actors appreciated the re-launched negotiations with MERCOSUR although they had not pressured the EU to focus on Brazil or its regional organization. The congruence test and the process-tracing test thus disconfirm hypothesis 4 (table 29).

Table 29: Empirical evidence on interest groups' influence in case study III

Causal mechanism	Empirical evidence	(Dis-)Confirmation
Number and frequency of consultation	Intense lobbying activities by export-oriented actors	
Formal or informal procedure to listen to interest groups	Formal and informal procedures by Commission and EEAS	+
Voicing a preferred FTP design	Interest groups either indifferent or preferred multilateralism	-
Statements on the adoption of these positions	Part adoption of interest groups' views on substance of talks	-
Interregional versus bilateral design	Interregional design of EU's FTP	-

Reference: Own illustration

Summing up the empirical results of case study's III analysis, the extra-regional set of independent variables (rival actors and the counterpart region's cohesion) influenced the design of EU FTP (partly) as expected, and the intra-regional set of hypotheses (EU MS and IGs) was partly disconfirmed. The congruence test was partly positive for the impact of rival actors and positive for the counterpart region's cohesion. It was also positive for the impact of EU MS but disconfirmed for IGs' influence. The process-tracing test found confirmatory empirical evidence for hypotheses 1 (rival actors) and 2 (cohesion) but not for hypotheses 3 (EU MS) and 4 (IGs) (table 30). The empirical analysis thus provides confirmatory evidence for *commercial realism* but not for the liberal-institutional model or for commercial liberalism.

Table 30: Impact of independent variables EU-MERCOSUR negotiations 2010-ongoing

Independent variable	Congruence	Causal mechanism
Rival actors	Partly confirmed	Confirmed
Cohesion of counterpart region	Confirmed	Confirmed
EU member states	Confirmed	Disconfirmed
Interest groups	Disconfirmed	Disconfirmed

Reference: Own illustration

6.4 Results

The empirical analysis tested two sets of independent variables against EU FTP towards South America in three in-depth cases: the first phase of EU-MERCOSUR negotiations (1999-2004) (case study I); the EU-Brazil SP (2007-ongoing) (case study II), and the second phase of EU-MERCOSUR negotiations (2010-ongoing) (case study III). Examining these cases, the analysis tested four hypotheses derived from *commercial realism*, the principal-agent framework, and commercial liberalism. The extra-regional set of variables is based on *commercial realism*, which includes rival actors and the counterpart region's cohesion as independent variables. The intra-regional set of variables is based on the principal-agent framework and commercial liberalism, which encompass EU MS and IGs as independent variables. The empirical evidence partly confirmed the impact of rival actors on the EU's design of issues. It also confirmed the impact of South America's cohesion on the design of venues but disconfirmed the impact of EU MS on the design of issues. Finally, it partly disconfirmed the impact of IGs on the design of venues (figure 42).

The impact of rival actors' trade relations with South America on the EU's design of issues (comprehensive versus selective) was (partly) confirmed throughout the three case studies. In all case studies, the EU's design of issues coincided with the breadth of rival actors' trade relations with South America. When the U.S. and/or Chinese trade relations with MERCOSUR or Brazil were broad, or the EU anticipated them to be such, the EU employed a comprehensive design. When the U.S. and Chinese trade relations were limited, the EU, again, used a selective design. The empirical evidence fully confirmed the congruence between

variables and the causal mechanism in case study I, when the U.S.'s broad FTAA initiative led to a comprehensive counter-initiative by the EU. The empirical evidence confirmed the congruence between variables and partly confirmed the causal mechanism in case study II. The U.S. deviated from the FTAA to a more limited approach, and China also focused on a selected number of issues in its trade relations. The EU, in consequence, used a selective design. From that selective design, Europe switched again to comprehensive negotiations in 2010 after the onset of the financial crisis and when it anticipated broad relations between MERCOSUR and the U.S. and China. China gradually expanded trade relations, and the U.S. announced interest in a broader agreement in 2009. The European financial crisis accelerated the EU's need to conclude agreements with foreign markets. The congruence between variables was thus partly confirmed, and the empirical evidence fully confirmed the expected causal mechanism.

Given that the empirical evidence confirmed the expected causal mechanism of hypothesis 1 (rival actors), the process-tracing tests in case studies I, II, and III passed both a hoop test³³ and a smoking-gun test³⁴. The combination of these two tests provided evidence for pieces of the causal mechanism that are necessary (in case of the hoop test) and sufficient (in case of the smoking gun test) for causal inference. Passing these tests means that the provided evidence confirms hypothesis 1 (rival actors) and substantially weakens the competing hypothesis 3 (on EU MS).³⁵

³³ Hoop tests establish necessary criteria for an explanation relying on the logic of necessary conditions, and are more demanding than straw-in-the-wind tests. Passing a hoop test does not necessarily confirm a hypothesis, but failing a hoop test practically eliminates that hypothesis (Collier 2011).

³⁴ Smoking gun tests establish sufficient but not necessary criteria for an explanation relying on the logic of sufficient conditions, and are somewhat more demanding than hoop tests and much more demanding than straw-in-the-wind tests. Passing a smoking gun test thus strongly confirms a hypothesis, but failing a smoking gun test does not reject a hypothesis (Collier 2011).

³⁵ The assessment of whether process tracing evidence is necessary or sufficient for causal inference, and the evaluation of what confirmatory evidence means for competing hypotheses is based on Collier's (2011) article on process-tracing.

Independent variable	Congruence	Causal mechanism
CASE STUDY I		
Rival actors	Confirmed	Confirmed
Cohesion of counterpart region	Confirmed	Confirmed
EU member states	Confirmed	Disconfirmed
Interest groups	Partly disconfirmed	Disconfirmed
CASE STUDY II		
Rival actors	Confirmed	Partly confirmed
Cohesion of counterpart region	Confirmed	Confirmed
EU member states	Disconfirmed	N/A
Interest groups	Confirmed	Disconfirmed
CASE STUDY III		
Rival actors	Partly confirmed	Confirmed
Cohesion of counterpart region	Confirmed	Confirmed
EU member states	Confirmed	Disconfirmed
Interest groups	Disconfirmed	Disconfirmed

Figure 42: Empirical results EU's foreign trade policy towards South America 1999-2010

Reference: Own illustration

On the impact of South America's cohesion on the EU's design of venues (interregional versus bilateral) strong confirmatory evidence was found in all three case studies. Hypothesis 2 (counterpart region cohesion) expected that a high degree of cohesion in South America would lead to an interregional design. Case studies I, II, and III confirmed the congruence of variables and the expected empirical evidence of the causal mechanism. That is, congruently,

when South America was perceived as cohesive, the EU employed an interregional design (case studies I and III), and when South America was non-cohesive, the EU employed a bilateral design (case study II). The empirical evidence confirms that the EU observed features of South America between 1999 and 2010, that the Commission judged what design would be most appropriate based on their observations, and that it believed that this design would lead to a successful conclusion of trade talks. Hypothesis 2 on the counterpart region's cohesion was, therefore, fully confirmed. The confirming empirical evidence on the hypothesis' causal mechanism implies that the process-tracing tests in case studies I, II, and III passed both a straw-in-the-wind test³⁶ and a hoop test, relying on necessary empirical evidence for causal inference. Passing these tests confirms the relevance of the hypothesis. Although a straw-in-the-wind test and a hoop test are not sufficient to fully confirm a hypothesis, they imply that the competing hypothesis 4 (on IGs' influence) is weakened.

The extra-regional set of variables was controlled for an intra-regional set of variables, one of which was EU MS' preferences. Hypothesis 3 (EU MS) expected a comprehensive design in cases where EU MS have heterogeneous preferences. Case studies I and III found congruence between the variables, but case study II found no congruence between those variables. Although EU MS seemed to be homogeneous in case study II, they also seemed to have offensive rather than defensive interests, which should have led to a comprehensive design (see chapter 3.3.2). The empirical evidence was not sufficient to do process-tracing in case study II, and in case studies I and III the evidence disconfirmed the expected causal mechanism. In case study I, the Commission did not use EU MS' heterogeneity to its advantage but collaborated closely with the Council to find a consensual mandate. In case study III, the Commission based negotiations on the old negotiation mandate (1999), and neither discussed this decision with the Council nor asked for re-authorization of the mandate by the Council. This makes the causal mechanism not applicable to case study III. The causal mechanism of hypothesis 3 (EU MS) was based on process-tracing evidence for a straw-in-the-wind test and a hoop test, relying on necessary evidence for causal inference. This implies that failing a hoop test practically eliminates hypothesis 3 (EU MS), and strengthens the competing hypothesis 1 on rival actors. In sum, the empirical evidence disconfirmed hypothesis 3 (EU MS).

³⁶ Straw-in-the-wind tests are the weakest kind of process-tracing tests. Passing a straw-in-the-wind test increases the plausibility of the hypothesis, and failing it raises doubts about the hypothesis (Collier 2011).

The second independent variable of the intra-regional set were IGs' pressure on the Commission. Hypothesis 4 (IGs) expected a bilateral design in cases where export-oriented actors lobby the Commission intensively. The congruence test brought mixed results in the three case studies. In case study I, it was partly disconfirmed; in case study II, it was confirmed, and in case study III, it was disconfirmed. In case study I, export-oriented actors and agricultural groups lobbied the Commission equally intensively so that it was hard to assess what was the most active group. In case study II, export-oriented actors were clearly the most active group lobbying the Commission, and, in fact, the EU used a bilateral design. In case study III, export-oriented actors were also the most active group, but the EU used an interregional design. The empirical evidence disconfirmed the impact of IGs' on the EU's *design* of FTP in all three case studies. In case study II, where the congruence test was positive, the evidence disconfirmed the causal mechanism because IGs did not communicate a preferred venue and the Commission only partly, if at all, adopted IGs' views. Therefore, the causal mechanism failed a hoop test, which relies on necessary evidence for causal inference. Failing the hoop test eliminates hypothesis 4 (IGs) and strengthens the competing hypothesis 2 regarding the counterpart region's cohesion. The empirical results thus disconfirm hypothesis 4 (IGs).

Triangulating rigorous process-tracing, congruence testing, and hypothesis testing, it is necessary to check the empirical results of case studies I, II, and III for explanatory factors that were controlled for. The aim of the theoretical framework was to control *commercial realism* for EU MS and IGs. Figure 43 sums up the empirical results of the independent variables in case studies I, II, and III. High and low refer to the outcomes of the independent variables and this is indicated for each explanatory factor: high for broad trade relations of rival actors, high for a high degree of cohesion of the counterpart region, high for heterogeneity of EU MS' preferences, and high for intensive lobby efforts by export-oriented actors. Low, consequently, refers to the reverse outcome of each independent variable: low for limited trade relations of rival actors, low for a low degree of cohesion of the counterpart region, low for homogeneity of EU MS' preferences, and low for little intensive lobby efforts by export oriented actors.

Observing the outcomes of independent variables (rival actors, counterpart region cohesion, EU MS, and IGs) in case studies I, II, and III in figure 44, the empirical analysis was able to hold IGs constant. Over the course of the EU's economic relations with South America, the lobby efforts of export-oriented actors of the Commission was high. This is true for the first and second phase of EU-MERCOSUR negotiations and for the EU-Brazil SP. Given that there was no variation in export-oriented actors' lobbying efforts at the Commission, IGs cannot be

the explanatory variable for the EU's variation of interregionalism and bilateralism. By contrast, the competing independent variable, i.e. the counterpart region's cohesion, varied over the course of time from high to low to high. This variation was congruent to the variation of the dependent variable's outcome: from interregionalism to bilateralism to interregionalism. Triangulating hypothesis testing, congruence testing, and process-tracing, these results substantially weaken hypothesis 4 on IGs and strongly confirm hypothesis 2 on the counterpart region's cohesion.

Explaining the EU's swing from a comprehensive to a selective and again to a comprehensive design in case studies I, II, and III, both competing explanatory factors varied alongside the dependent variable's outcomes. EU MS' preferences varied from heterogeneity to homogeneity and to heterogeneity, and rival actors' trade relations varied from broad to limited and to broad. Reflecting on these results by considering the process-tracing tests, it is nevertheless possible to control rival actors for EU MS as independent variables. As explained above, the process-tracing tests on hypothesis 3 (EU MS) failed in case study I and case study III. In both cases, the results failed a hoop test, which practically eliminates the respective hypothesis 3 (EU MS). In case study II, EU MS' preferences were homogeneous, but were homogeneous on an offensive level, which is not congruent to the expected causal link between EU MS and the Commission's design of FTP hypothesized on the basis of the principal-agent framework. Because EU MS fail the congruence test in case study II, and because the empirical evidence fails a hoop test in case study I and III, this provides substantial material for ruling out hypothesis 3 (EU MS).

When controlling *commercial realism* for a liberal-institutional model derived from the principal-agent framework and for commercial liberalism, the empirical results provide substantial empirical evidence to confirm hypothesis 1 (rival actors) and hypothesis 2 (counterpart region cohesion) derived from realist theorizing. The liberal-institutional model's hypothesis 3 on EU MS failed both the congruence test and the process-tracing tests in case studies I, II, and III. Commercial liberalism's hypothesis 4 on IGs failed the congruence test in case studies I and III, the process-tracing test in case study II, and the hypothesis testing, since its outcome was constant. These results substantially weaken or eliminate an impact of IGs or EU MS on EU FTP design towards South America between 1999 and 2010.

Independent variable	Process tracing test
CASE STUDY I	
Rival actors	Hoop test and smoking gun test passed
Cohesion of counterpart region	Straw in the wind and hoop test passed
EU member states	Straw in the wind and hoop test failed
Interest groups	Congruence negative
CASE STUDY II	
Rival actors	Hoop test and smoking gun test passed
Cohesion of counterpart region	Straw in the wind and hoop test passed
EU member states	Congruence negative
Interest groups	Hoop test and smoking gun test failed
CASE STUDY III	
Rival actors	Hoop test and smoking gun test passed
Cohesion of counterpart region	Straw in the wind and hoop test passed
EU member states	Straw in the wind and hoop test failed
Interest groups	Congruence negative

Figure 43: Process tracing tests on EU's foreign trade policy towards South America 1999-2010

Reference: Own illustration

	Rival actors	Cohesion	EU member states	Interest groups
CASE STUDY I	High	High	High	High
CASE STUDY II	Low	Low	(Low)	High
CASE STUDY III	High	High	High	High

Figure 44: Hypothesis testing on EU's foreign trade policy towards South America 1999-2010

Reference: Own illustration

Summing up, the empirical results confirm *commercial realism* as a theoretical model for EU FTP towards South America. Testing *commercial realism* in a robust design, which triangulated congruence testing, process-tracing test, and hypothesis testing, the results demonstrate that rival actors, and South America as the counterpart region, influenced the EU's design of trade negotiations regarding issues and venues. This shows that the EU was reactive to extra-regional factors in making trade decisions by competing with the U.S. and later China for economic relations with Brazil. Further, the results show that the EU had no interest as such in pursuing interregionalism with MERCOSUR, but that this was a reaction to South America's high degree of cohesion. Having controlled *commercial realism* for an intra-regional set of independent variables (EU MS and IGs), these results hold.

7 Southeast Asia³⁷

ASEAN was established in 1967 by the founding members Indonesia, Malaysia, the Philippines, Singapore, and Thailand as an attempt to resolve inter-state conflicts peacefully. Since 1967, membership has expanded to Brunei, Cambodia, Laos, Myanmar, and Vietnam. In 1992, ASEAN's member states signed the ASEAN free trade area agreement, which paved the way for economic integration in Southeast Asia; in 2015, ASEAN was due to become an economic community with free circulation of goods and people. From the Asian perspective, ASEAN also served as a "trump card" in international negotiations based on the assumption that collective appearance achieves more than individual talks (Rüland 2001). ASEAN gradually strengthened regional cohesion and presented itself as a bloc vis-à-vis great powers such as China or Japan. Member states made these powers deal with them the *ASEAN way* so that, by then (2014), for instance, 31 countries had signed the Treaty of Amity and Cooperation in Southeast Asia, which laid out the fundamental principles of interacting with and within ASEAN. In 2007, ASEAN was also ascribed legal personality (Ong 2007). Notwithstanding ASEAN's achievements in economic integration and in external relations, the relations between ASEAN and the EU are asymmetric in an institutional sense. That is, while the EU has a common external tariff, requiring EU MS to negotiate trade agreements as a bloc, ASEAN is a free trade area allowing member states to negotiate bilateral agreements.³⁸

ASEAN's relations with the EU date back to the 1970s, when an informal dialogue between the two organizations started. This dialogue was continued by the ASEAN Brussels Committee, a Joint Study Group, until eventually the Cooperation Agreement had formalized

³⁷ There is less information and data available on EU-Southeast Asia trade relations than on EU-South America trade relations partly owing to the paucity of research on EU-ASEAN FTA negotiations.

³⁸ The EU's relations with ASEAN are different from the relations with MERCOSUR in two respects: first, ASEAN is a free trade area that allows member states to negotiate trade agreements bilaterally, whereas MERCOSUR is a customs union that requires at least the consent of all members to the negotiation of bilateral trade agreements. Second, ASEAN is a group of diverse countries lacking a clear regional power, whereas MERCOSUR, consisting of Argentina, Brazil, Paraguay, and Uruguay, has an obvious regional power with Brazil as a key member.

the fully-fledged talks by the end of the 1970s. In the 1980s, interregionalism extended to the ministerial and parliamentary level, and in the 1990s the Asia Europe Meeting embedded EU-ASEAN relations in a broader framework. Interestingly, it was not the EU that initiated interregional talks but ASEAN (Rüland 2001; Gilson 2005). The European motivation for having relations with Southeast Asia were economic and strategic in substance. From an economic perspective, interregional relations with ASEAN served the EU to secure European economic influence in Southeast Asia, thereby competing with the U.S. (Reiterer 2005). The British and Dutch, especially, had an interest in increasing a European economic presence in the region (Gilson 2005). From a strategic perspective, the EU searched for ways not to lose the rapidly growing Southeast Asian market to the U.S. or Japan (Rüland 2001). As a way to confront this fear of lagging behind the U.S. or Japan in the Asian market, the informal EU-ASEAN dialogue facilitated the EU's engagement with the "dynamic Asian economies" (Hwee 2007: 185).

In 2007, the EU and ASEAN took one step further with the Commission asking the Council for authorization to negotiate an interregional and comprehensive FTA with ASEAN. In preparatory talks with ASEAN, the partners explored the mutual benefits of an interregional FTA, and exchanged technical details. Only two years afterwards, the Commission pointed out to IGs that it had been considering alternatives to the interregional negotiations, and in 2010 it commenced FTA talks by deviating from the interregional design and switching to a bilateral one. Bilateral talks took off first with Singapore and were followed by talks with Malaysia (2010), Vietnam (2012), Thailand (2013), and preparatory talks with Indonesia (ongoing). The talks with Singapore were eventually finalized, and in 2013 the EU initialed the bilateral agreement. This still awaits ratification following the ECJ's opinion on the agreement's nature, and on whether it includes exclusive EU competences only or also shared competences. The question of what competences the agreement includes is related to the EU's varying design of issues in negotiations. With Singapore, the Commission negotiated everything but agriculture and investments, only adding investment protection later in 2013. With Malaysia, Vietnam, and Thailand, the Commission negotiated everything but investments in a single undertaking, leaving investment protection as an add-on agreement (authorized by the Council in 2013). Given the EU's long-lasting interregional relationship with ASEAN, it is quite surprising that the Commission changed track to a bilateral approach by negotiating with Singapore, Malaysia, Vietnam, and Thailand individually. There is also a question as to why it has a varying set of issues included in these negotiations.

Although there has been mushrooming literature on EU-ASEAN relations in political, security, and economic affairs (e.g. Welfens et al. 2009; Novotny and Portela 2012; Allison 2015), there is little written regarding the FTA negotiations between either the EU and ASEAN or the EU and Singapore, Malaysia, Thailand, or Vietnam. Robles (2008) assessed the EU-ASEAN FTA negotiations and judged that the EU's Asia strategy completely failed. According to his article, the EU was not able to successfully conclude the WTO negotiation rounds, and ASEAN managed to insist on the inclusion of Myanmar in the interregional talks. These two outcomes went against the conditions the EU had previously set to start trade negotiations with the bloc. Apart from this article, academic commentary (e.g. Andreosso-O'Callaghan 2009) has focused on the potential benefits of an interregional FTA (which never materialized). None of the recently published books or articles (except for Robles 2008) analyze the dynamics of Europe's trade negotiations with Southeast Asia.

In analyzing the question of why the EU has employed varying designs of FTP towards Southeast Asia, this chapter examines two case studies: the EU-ASEAN FTA negotiations (2007-2010) (chapter 7.1), and the EU-Singapore FTA negotiations (2010-2013) (chapter 7.2). Each chapter first describes the outcome of the dependent variable, and then examines the impact of the independent variables on this policy outcome. Each chapter proceeds with the impact of the extra-regional set of independent variables, and controls this set for the intra-regional set of independent variables. In testing the impact of these variables, each chapter describes the outcome of the independent variable and its congruence with the dependent variable, and then traces the causal mechanism between the independent and the dependent variable. Chapter 7.3 summarizes the empirical results. Where the analysis found strikingly similar or dissimilar results to those regarding EU-South America relations, the chapters compare case studies IV and V to case studies I, II, and III. The conclusion in chapter 8 finally provides a systematic comparison of EU-South America and EU-Southeast Asia relations.

7.1 EU-ASEAN negotiations 2007-2010

The EU started exploring the possibility of an FTA with ASEAN in 2002 (Astuto 2010), and, in 2005 the Vision Group on ASEAN-EU Economic Partnership examined the feasibility and the potential mutual benefits of an FTA between the EU and ASEAN. In several meetings, the blocs exchanged technical details and information on former approaches towards trade and FTAs. Through a quantitative and qualitative analysis, the Vision Group analyzed the economic

gains of an eventual FTA. Following this study, an eventual FTA would bring about the largest gains if it included the liberalization of services, and if it paid special attention to non-tariff trade barriers as impediments to commercial exchanges (Vision Group 2006).

Having taken into account this study, in 2007 the Council authorized the Commission to launch negotiations on a comprehensive and interregional FTA with ASEAN. Although comprehensive in its approach, the Council restricted the Commission to negotiating investment liberalization only, since, at the time, the Lisbon Treaty had not yet entered into force (but did so in December 2009). Bilateral investment treaties of EU MS forbade the inclusion of investment protection in the Commission's mandate. Amending the directives in 2013, the Council included investment protection in addition to liberalization (Commission 2013b), the agreement on which will eventually replace EU MS' bilateral investment treaties. The EU's mandate for negotiating an FTA was interregional and comprehensive in substance (table 31). The mandate asked the Commission to negotiate with ASEAN as a group,³⁹ but, in contrast to the negotiations with MERCOSUR, it explicitly anticipated the possibility of amending the mandate to bilateral negotiations by including a footnote in the negotiation directives. The directives included not only trade in goods and trade in agriculture, but also investment liberalization, services, and non-tariff trade barriers. In including traditional and non-traditional features in the mandate, the EU chose a comprehensive design. The outcome of the dependent variable in the EU-ASEAN negotiations (case study IV) is thus comprehensive interregionalism.

³⁹ Technically speaking, the mandate's design was plurilateral because it excluded Cambodia, Myanmar, and Laos from the negotiations as Cambodia and Laos were treated under the non-reciprocal generalized system of preferences, and because the EU had a political embargo against Myanmar at that time. These countries were given the option to join the negotiations at a later stage, however.

Table 31: Dependent variable of EU-ASEAN negotiations

	High number of issues (Comprehensive)	Low number of issues (Selective)
High number of addressees (Interregionalism)	EU-ASEAN interregional negotiations on a comprehensive FTA	
Low number of addressees (Bilateralism)		

Reference: Own illustration

7.1.1 Rival actors

Commercial realism argues that the EU competes with rival actors for power and influence in third regions, among them Southeast Asia. In competing for economic influence, the EU strives to have equally or more privileged trade relations with this region compared to rival actors. Rival actors in 2007 (as outlined in chapter 4.2.2) were, by definition, the U.S., Japan, and China. By 2007, China had overtaken the EU and Japan as an economic power, and had set up a network of trade relations with third actors. With respect to Southeast Asia, all of these actors have recently negotiated more or less ambitious FTAs, with which the EU currently competes. The EU is ASEAN's largest investor, and ASEAN is the third largest market for the EU behind the U.S. and China (Commission 2013a). In 2006, before negotiations started, the EU had been ASEAN's second largest export partner (UNComtrade 2012; figure 45). In 2009, China overtook the U.S. and the EU, and became ASEAN's largest export partner, to whom members directed more than 16 percent of their exports. ASEAN is therefore a highly dynamic region, and economically extremely attractive to the U.S., China, and the EU. Given the EU's

comprehensive design of negotiations with ASEAN, broad trade relations of the U.S., Japan, and China with Southeast Asia are expected.

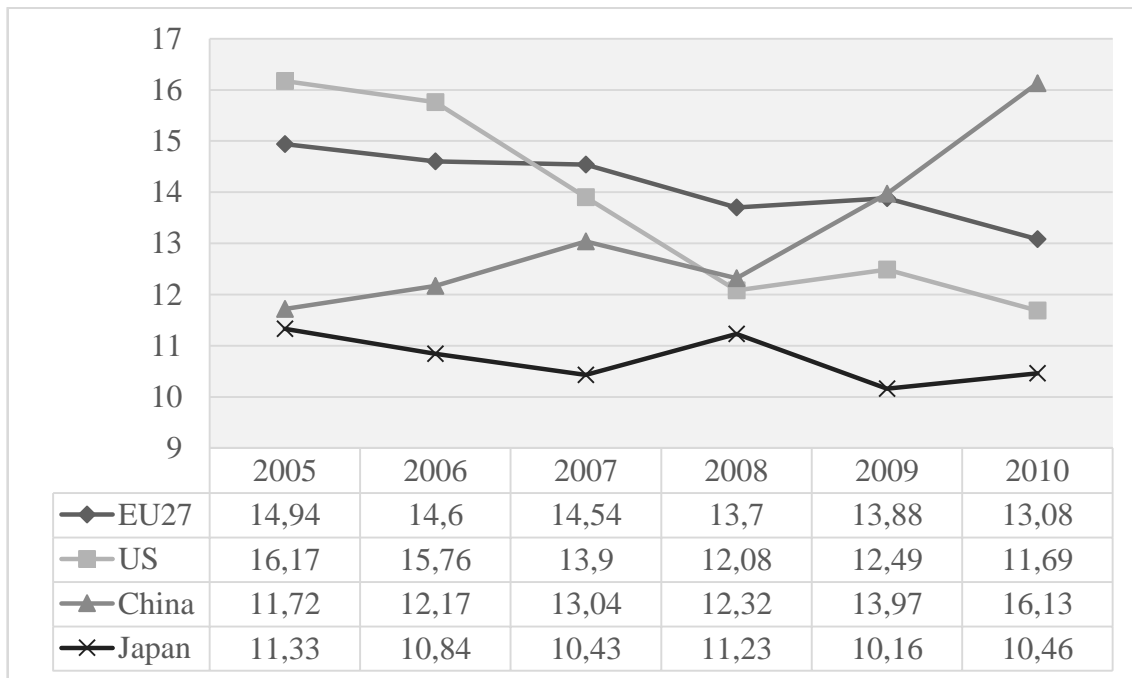


Figure 45: ASEAN's exports to EU27, U.S., China, and Japan as percentage of total exports, 2005-2010

Reference: Own illustration based on UN Comtrade database

Value of the independent variable

Strikingly, in 2002, just when the EU first considered an FTA with ASEAN, ASEAN's members started signing their first trade deals with third actors. Among these agreements were the New-Age Economic Partnership Agreement between Japan and Singapore (Astuto 2010: 1), agreements between ASEAN and China (2002), Japan (2008), India (2009), South Korea (2009), Australia and New Zealand (2009), and the U.S.'s *Enterprise for ASEAN Initiative* (EAI) (2002). The U.S. concluded its first bilateral agreement with Singapore in 2004, and other negotiations followed with Thailand, the Philippines, Indonesia, and Malaysia. ASEAN's members obviously had a broad and dense network of trade agreements not only with the U.S., China, and Japan, but also with other Asian-Pacific countries such as India, South Korea, Australia, and New Zealand.

Under the U.S.'s Enterprise for ASEAN Initiative (EAI), willing ASEAN members could negotiate bilateral FTAs with the U.S. as long as they were WTO members, and if they had signed a trade and investment facilitation agreement (TIFA) (US 2015b). For the TIFA to be signed, the U.S. demanded the discussion and elimination of non-tariff barriers to investments and trade (DeRosa 2004) thus rendering TIFAs broad in substance. Such a TIFA was signed between the U.S. and ASEAN in 2006 (ASEAN 2006), and then the U.S. concluded additional bilateral TIFAs with Brunei, Myanmar, Cambodia, Indonesia, Malaysia, and the Philippines, also signing a customs and trade facilitation protocol with Thailand and Vietnam (US 2015c). A TIFA, under the EAI, prepared bilateral and comprehensive agreements between the U.S. and ASEAN's member states. With one member of ASEAN (Singapore), the U.S. negotiated a bilateral FTA outside of the EAI. This trade deal was the first comprehensive agreement of the U.S. with an Asian country, and it was perceived as a potential prototype for other trade talks in the region (DeRosa 2004). Negotiations started under the Clinton administration in 2000, and the agreement entered into force in January 2004, covering investment issues, services, trade in goods, and non-tariff trade barriers such as IPR and public procurement (Nanto 2008).

In 2008, Japan also signed a comprehensive agreement with Singapore and a comprehensive Economic Partnership Agreement with ASEAN. The idea for the deal with Singapore was first aired in 1999, and negotiations started one year later, being already concluded by 2002. This still valid agreement is comprehensive in substance, covering trade in goods, investments, and services (Ministry of Foreign Affairs of Japan 2008). Japan's agreement with ASEAN, signed in 2008, is also comprehensive, covering trade in goods, services, investments, and regulatory issues such as rules of origin, dispute settlement, sanitary and phyto-sanitary regulations, technical barriers, and IPR (Bilaterals 2012). For Japan, interestingly, the FTA was a strategy for gaining a better economic and political position in Southeast Asia compared to that of the U.S., South Korea, or China.

China proposed an FTA to ASEAN's member states immediately after they had suffered the onset of the Asian financial crisis, and when they were experiencing a lack of international support (Ba 2003). In this, Sino-ASEAN relations "emerged strengthened" (Ba 2003: 635) from the financial turmoil. Indeed, when ASEAN's countries were in economic trouble, China established an entire free trade area with them, which covered trade in goods (after 2004), services (after 2007), and investments (after 2009) (China FTA Network 2014). To facilitate ASEAN's signature to these agreements, China alleviated its members' most important

concerns (Ba 2003: 639), and offered incentives such as an early harvest provision. Political considerations in signing these agreements were even more relevant to Chinese than to American, Japanese, or European strategic interests in Southeast Asia (Ba 2003; Lijun 2003).

Causal mechanism

The EU's decision to launch trade negotiations with ASEAN was embedded in this international context of rival actors seeking political and economic influence in Southeast Asia. Europe based its decision in a broader strategy, which the Commission released in 2006 with its Global Europe strategy paper. In this document, the Commission communicated its target of securing market access and of improving competitiveness, for which it explicitly combines a mix of policy instruments. One feature of this mix was interregional negotiations with ASEAN to strive for better market access in the world. One reason for these interregional negotiations was the disappointing performance, and eventual breakdown in 2008, of the Doha Round talks in the WTO. In the Global Europe paper, the Commission explicitly expressed the wish to search for alternatives to multilateral negotiations in order to access foreign markets. Such initiatives should, in any case, go beyond the traditional framework of FTAs by also covering non-traditional features: services, investments, public procurement, IPR, regulations of technical barriers to trade, sanitary and phyto-sanitary measures, and rules of origin (Astuto 2010: 1 f.). In brief, these were all issues that rival actors had also negotiated. With the breakdown of the Doha Round and the increasing net of ASEAN's FTAs, the EU feared losing competitiveness in Southeast Asia (Lindberg and Alvstam 2007: 268). It was the suspension of the Doha Round in connection with Japan's conclusion of an FTA with ASEAN which finally triggered the EU's decision to consider interregional negotiations with ASEAN (Robles 2008: 542). When the Council authorized the Commission's negotiation mandate with ASEAN, it confirmed that the EU should aim at WTO-compatible FTAs in order to improve Europe's competitiveness. Special attention should be given to services, investments, and non-tariff trade barriers, and the EU should take into account FTAs of its competitors. The Commission and the Council left "no doubt that the EU-ASEAN FTA negotiations were closely linked to increasing EU concerns about economic interests in South-East Asia being jeopardized by the negotiations of the US, China and Japan of their bilateral FTAs with ASEAN countries" (Cuyvers 2007: 4).

Facing this competitive atmosphere, the EU, similar to its engagement with South America, spends lot of time and resources on observing and on monitoring rival actors and their relations with Southeast Asia. The EU looks and wants to know what the relations are like (Interview #3), and the EU spends considerable time gathering information and understanding what happens between ASEAN and third actors (Interview #7). This information gathering, which eventually fed into the process of negotiating an FTA with ASEAN, was spread across different DGs and units at that time. The DG Agriculture and the DG Trade were involved, and also different units within these DGs such as the country desks and units focusing on trade analysis and investments (Interview #17). The observation that was carried out thus discriminates between countries within ASEAN and between issues (e.g. investments versus agricultural goods).

The trade analysis units of the DG Agriculture and the DG Trade were responsible for carrying out research into ASEAN's interests in and within negotiations, and to calculate and analyze scenarios of what type of FTA with ASEAN would be most beneficial to the EU. In calculating these scenarios, the staff takes into account the presence of rival actors, and runs the analyses based on none, one, or more rival actors being present (Interview #11; Interview #15). At the request of country-specific desks or issue specific units, the staff also carried out analyses on particular issues relevant to the EU-ASEAN negotiations (Interview #11). Various interviewees from the Commission pointed out that the EU spent a lot of energy monitoring ASEAN's FTAs with rival actors (e.g. Interview #12). The DG Trade and its country- and issue-desks monitored and analyzed those FTAs and monitored relations between ASEAN and third actors (Interview #1). The DG Trade and the DG Agriculture even explained that they compared ASEAN's FTAs line by line to understand what concessions ASEAN's members gave to rival actors. In this way, the EU could gain at least the same number of concessions in the negotiations (Interview #3). In this sense, one interviewee made it clear that FTAs never occur in isolation from one another, but the number of concessions given to other partners has an impact on future or ongoing negotiations (Interview #7).

Rival actors, their trade relations, and their concessions received in existing or ongoing FTAs could have an impact on the EU's negotiations with ASEAN because they imply positive and negative externalities. In cases where the U.S. and the EU shared interests regarding specific negotiation issues, the externalities were positive (Interview #12). If the U.S., for instance, was able to negotiate with an ASEAN country and if it also managed to reach a number of concessions, this would also be less difficult for Europe (Interview #12). In cases where the

U.S. and the EU had different approaches, however, externalities were negative.⁴⁰ This happened mostly in the realm of non-tariff trade barriers such as IPR or rules of origin (Interview #3; Interview #12). If ASEAN had negotiated an agreement with the U.S. or Australia on IPR, this would have jeopardized any agreement with the EU (Interview #3). Similarly, if ASEAN had negotiated rules of origin with the U.S., and if it had adopted the American regulatory standard (i.e. trade marks) this would have prevented adoption of the European regulatory standard (i.e. geographical indications) (Interview #12). Negative externalities and the negative impact of rival actors' trade relations thus occurred, in terms of substance, when the U.S. and the EU had divergent regulatory standards (Interview #17). Therefore, the EU was clearly competing with the U.S. over ASEAN's adoption of regulatory standards, and with the U.S., Japan, and China for privileged relations with ASEAN (Interview #23).

The European motivation for negotiating an FTA with ASEAN was therefore not only trade related but also had a strategic component: the EU pursued the strategic objective of defending European economic and political interests in Southeast Asia "where European competitors were creating alliances and partnerships" (Astuto 2010: 6 f.). The region is critical to European competitiveness, and it has been vital for Europe to have a presence there, given that it is a disputed region in which there are strong tensions between the U.S., Japan, and a rising China (Interview #1; Interview #12). Because all these rival actors had been engaging in Southeast Asia, it was also important for the EU to engage (Interview #12) and to establish a "camp" there (Interview #17). Europe's motivation for more intense relations with ASEAN were thus both economic and political in substance (Interview #7). It was economic because

⁴⁰ The impact of rival actors' trade relations with the counterpart region on the EU FTP is issue-dependent. When rival actors' trade relations cause positive externalities, this implies the assumption of a positive-sum-game of negotiations between the rival actor and the counterpart region, on the one hand, and between the EU and the counterpart region, on the other hand. Empirically, trade in goods seem to be an issue where the logic of positive-sum-games apply. When rival actors' trade relations cause negative externalities, this implies the assumption of a zero-sum-game of negotiations between the rival actor and the counterpart region, on the one hand, and between the EU and the counterpart region, on the other. Empirically, regulatory standards, especially IPR and rules of origin, seem to be an issue where the logic of zero-sum-games apply.

the EU competes with the U.S. over ASEAN's adoption of regulatory standards, and with all rival actors for having privileged trade relations with ASEAN's members. It was political because the EU felt the need to show presence in Southeast Asia, and it was also interested in regional security (Interview #1). The EU believed that it was necessary for ASEAN to be confident and strong in order to ensure peace and stability. This would eventually stabilize European economic relations with Asia, i.e. ASEAN, China and Japan (Interview #1). This demonstrates how much economic and political objectives are interrelated in foreign policy; not only in states' foreign policies but also in the EU context.

Results

Summing up the results, the congruence test was positive: broad bilateral and regional trade relations of the U.S., Japan and China with ASEAN's members (independent variable) led to a comprehensive design of issues regarding EU FTP (dependent variable). The empirical evidence demonstrated that the EU had staff in the DG Trade and the DG Agriculture, on country- and issue-specific desks, to observe, monitor, and analyse American, Japanese, and Chinese trade relations and FTAs with ASEAN and its members. Interviewees explained how these trade relations affected the EU's negotiations with ASEAN: FTAs had limited positive externalities, and many negative externalities, especially in non-tariff trade barriers. For this reason, and in order to establish privileged trade relations with ASEAN's members, the EU competed with these rival actors for Southeast Asia. The European motivation for negotiating with ASEAN was thus both trade related, and politically and economically strategic. The empirical evidence therefore confirms the expected empirical evidence of hypothesis 1's (rival actors) causal mechanism (table 32).

Table 32: Empirical evidence on rival actors in case study IV

Causal mechanism	Empirical evidence	(Dis-)Confirmation
Rival actors have trade relations with the counterpart region	Broad trade relations of the U.S., Japan, and China with ASEAN	
EU observes rival actors	DG Trade and DG Agriculture observed relations	+
EU monitors their activities	Tools to monitor and analyze those relations	+
EU believes that it competes with their activities	Negative externalities and competition with rival actors	+
EU adjusts its design of FTP	Comprehensive design of EU's FTP	+

Reference: Own illustration

7.1.2 Counterpart region cohesion

When EU-ASEAN relations started in 1972, it was Southeast Asia, interestingly, that pushed for an interregional format (Rüland 2001; Gilson 2005). ASEAN's member states managed to appear as a group, and made countries such as the U.S., Japan, or China deal with ASEAN according to their own original mode of interaction (Hwee 2007). By 2014, for instance, 31 countries had signed the Treaty of Amity and Cooperation in Southeast Asia, which defines the principles of interaction between ASEAN and its partners. In that spirit, membership of ASEAN was advantageous on the international stage, assuming that collective appearance achieves more than bilateral talks (Rüland 2001). It was therefore ASEAN which strengthened regional cohesion, and which used its organization to improve its bargaining position vis-à-vis other actors. Nevertheless, the EU-ASEAN relationship has been institutionally asymmetric.

The EU is a CU (represented by the Commission) requiring the EU MS to negotiate tariff reductions together. ASEAN, by contrast, can divide and negotiate region-to-country agreements.

Value of the independent variable

For institutional reasons, and owing to the lack of a regional power in Southeast Asia, ASEAN's degree of cohesion was lower than MERCOSUR's. In ASEAN, there is no clear regional core state, which could or would provide leadership. Neither is ASEAN a CU, which allows its members to negotiate bilateral trade deals without asking for prior permission by its fellow members. Nevertheless, cohesion in ASEAN was higher between 2005 and 2008 (i.e. in the timeframe of the interregional negotiations with the EU) than after 2009. Between 2005 and 2008, ASEAN scored seven out of fifteen indicators (figure 46), which gives the region a modestly high degree of cohesion.

Cohesion	Indicator	Score
Political intra-regional	Number of trade disputes (1)	
	Intensity of trade disputes (2)	X
	Settlement of trade disputes (3)	
	Supranational institutions (4)	
	Deepening of institutions (5)	X
	Enlargement of institutions (6)	
Political extra-regional	Unity in international institutions (7)	X
	Unity in non-regulated areas (8)	
	Unity in presidential summits (9)	X
Economic	Priority negotiation partner (10)	X
	Priority negotiation issue (11)	(X)
	Convergence of trade (12)	X
	Investment by partner (13)	
	Type of trade (14)	
	Type of investment (15)	
Sum		7

Figure 46: Degree of ASEAN's cohesion 2005-2008

Reference: Own Illustration

ASEAN's degree of cohesion partly materializes in disputes and their settlements. Unfortunately, there is no data available on trade disputes, their intensity, or settlement in Southeast Asia.⁴¹ Although trade disputes are dissimilar to security conflicts, chapter 7.1 on ASEAN's cohesion therefore relies on the CONIS' yearbooks (2005 to 2008). These trace different kinds of conflicts and their intensity and reveal that Southeast Asia has had to face disputes of varying intensities, and that have been ongoing since the 1940s. Those that were pertinent between 2005 and 2008 were five inter-state conflicts: between Singapore and Malaysia, between Malaysia and Indonesia and the Philippines, between Vietnam and Cambodia, between Thailand and Myanmar, and between Thailand and Cambodia. Given that

⁴¹ The IDATD (2011) database, which chapter 5 relied on for disputes in MERCOSUR, is restricted to trade disputes in the Americas.

some of these have continued for more than 50 years, ASEAN is considered non-cohesive regarding the number of disputes. Their intensity, though, was rather low between 2005 and 2008 with four of these conflicts being ascribed the lowest level of intensity (i.e. dispute) and just one conflict being considered to be second on the scale of intensity: a non-violent crisis (as coded by CONIS). Although ASEAN's member states established a diplomatic dispute settlement mechanism in 2004, they never used it (Koesnaldi et al. 2014). Therefore, all disputes were resolved on a bilateral basis, or were taken to an international court. In 2008, the Philippines took one trade dispute to the WTO against Thailand over customs and fiscal measures on cigarettes. This was resolved by the WTO dispute settlement mechanism in 2010 (WTO 2010). None of the other conflicts, however, could be solved between 2005 and 2008.

In the period between 2005 and 2008, ASEAN's members made no effort to set up supranational institutions or to enlarge their organization. However, ASEAN was very active in deepening intergovernmental institutions by negotiating a high number of new agreements, protocols, or memorandums of understanding: twenty in total. Among these agreements were the Charter of the Association of Southeast Asian Nations, which ascribed ASEAN legal personality (2007), an agreement on visa exemption (2006), an agreement on a nuclear weapon-free zone (2005), the establishment of an ASEAN Development Fund (2005), and further agreements on economic integration and integration on energy.

On an international level, ASEAN appeared to be united but to a limited degree. At the eleventh ASEAN summit (ASEAN 2005), the member states declared their joint position and common preferences during the Doha Round negotiations. They pointed out that they favored a comprehensive package in agriculture, a market access agreement for all products, and the elimination of all forms of export subsidies of developed economies by 2010; preferences that the members reiterated in 2007 (ASEAN 2007a). Between 2005 and 2008, the ASEAN member states held three substantial summits on the organization's development (one in 2005, and two in 2007). At each of these summits, the member states agreed on several documents as an outcome, e.g. ten documents at the eleventh ASEAN summit (ASEAN 2005), and several agreements at the summits in 2007 (ASEAN 2007a; ASEAN 2007b).

ASEAN had a common position on the EU as a negotiation partner, and was partly united on negotiation issues, too. Regarding the EU as a negotiation partner, there was no polarization among ASEAN's member states. Every member was in favor of negotiating an FTA with the EU, and only those that benefitted from the everything-but-arms scheme (Cambodia and Laos) were more passive (Interview #22). The EU was perceived by ASEAN

as a natural choice for negotiations (Interview #30). This was different in negotiations with China and the U.S., on which ASEAN's members had many more divergent positions (Interview #30). Interviewees from Southeast Asia pointed out that a core group from ASEAN had pushed for the interregional format right from the beginning (Interview #22). Thailand, for instance, had an open preference for interregional negotiations through ASEAN (Interview #30). Further, the members always use ASEAN's organizations first as a platform for negotiations, no matter who the partner is (Interview #24 and #25). Thus, before ASEAN's members go into negotiations, they plan and discuss them within ASEAN and come to an internal agreement before moving on with negotiations (Interview #24 and #25). During the actual negotiations, as happened with the EU, ASEAN has one delegated chief negotiator coming from one member state (Interview #24 and #25; Interview #30).

ASEAN's unity on negotiation issues is more difficult to evaluate. ASEAN's members are economically very diverse, which is also evident in their preferences regarding negotiation issues (Interview #24 and #25). Thailand, Indonesia, and Singapore, for example, preferred comprehensive agreements, including the treatment of all issues in a single undertaking (Interview #22; Interview #30). Other countries, instead, had different ambitions as regards issues such as agriculture and especially non-tariff trade barriers (Interview #24 and #25). However, the EU and ASEAN only came to understand the different positions on issues other than market access once the negotiations were underway, so that it was difficult for ASEAN to reach a consensus during the talks (Interview #24 and #25). Finding a consensual position was particularly difficult for ASEAN in the field of non-tariff trade barriers such as public procurement and IPR due to the diverse levels of economic development among the members. On traditional market access regarding trade in goods, however, ASEAN was united, and shared a common position (Interview #24 and #25). Therefore, the index of cohesion deems ASEAN to be cohesive over the negotiation partner and partly cohesive over the negotiation issue.

Regarding trade flows between the EU and Southeast Asia, ASEAN's degree of unity was relatively high. Trade data between ASEAN's members and the EU remained stable between 2005 and 2007. During this time, export and import flows with the EU were even increased by certain countries, namely Indonesia, Malaysia, Singapore, Thailand, and Vietnam (figure 47).

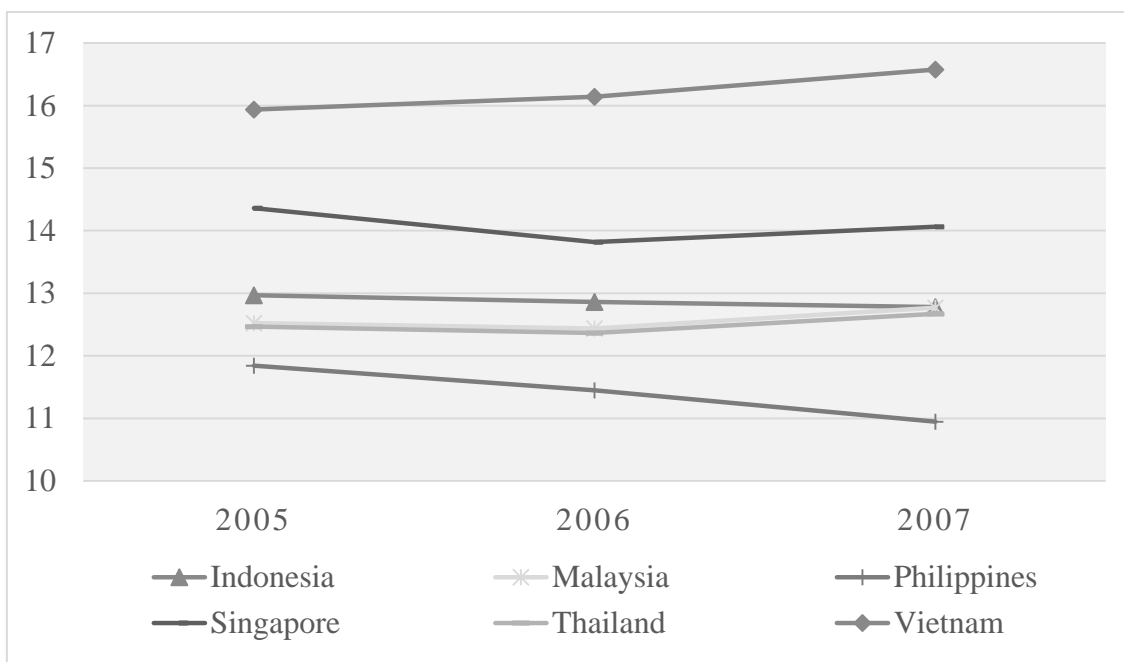


Figure 47: Trade between ASEAN6's members and EU27 2005-2007⁴²

Reference: Own illustration based on UNComtrade data (2012)

Causal mechanism

The EU has the same apparatus for observing and monitoring Southeast Asia as it does for South America. It has developed a complex procedure for observing and monitoring the counterpart region's integration process and the region's political and economic relations with third actors. This was already demonstrated in chapter 6, regarding South America. In the case of Southeast Asia too, the procedure is not systematic, but involves several actors within EU institutions: the EEAS, the EU delegations in the particular region, and the Commission's trade analysis units and country desks in DG Trade and DG Agri. The DG Trade's and DG Agriculture's trade analysis units are responsible for monitoring economic integration in regions, and for analyzing scenarios on possible trade agreements between the EU and these regions. These units conduct such studies before the EU launches negotiations, while negotiations are ongoing, and after negotiations are concluded (Interview #11). In conducting such examinations, the units also take into account already concluded or possible FTAs between

⁴² Figure 45 illustrates the trade data of six ASEAN member states. It excludes Brunei because that country's proportion of trade with the EU is under three percent. It also excludes the least developed countries of Cambodia, Laos, and Myanmar.

Southeast Asia and rival actors, and how these could affect European economic interests in the region (Interview #11). Furthermore, the units, if asked, carry out studies on specific negotiation issues or sectors that could be relevant to the EU's negotiations with Southeast Asia (Interview #11). It is the trade analysis units' responsibility to provide internal support to country desks and negotiators, to provide analytical input, and to run economic analysis at different stages and on different negotiation issues (Interview #15). Of use to these studies is the fact that DG Trade monitors and analyzes FTAs concluded between ASEAN and other states, the information on which it shares with other EU institutions such as the EEAS (Interview #1). These FTAs can be compared line by line, so that the EU has readily available a concrete and systematic comparison of concessions made to rival actors (Interview #3). Being the main institution involved in negotiations, the DG Trade's country desks invest considerable time in monitoring regional integration in Southeast Asia by focusing on milestones and issues that are needed by the EU (Interview #23). The EU delegations complement this procedure by monitoring integration in Southeast Asia on-site, and then documenting and sharing their findings with the Commission and the EEAS (Interview #1). Nevertheless, one interviewee from the Commission concluded that the EU still does not do enough in observing the integration process because these monitoring activities focus on benchmarks and are not systematic (Interview #23).

A specific procedure for analyzing the economic benefits of an EU-ASEAN FTA was established through the Vision Group on ASEAN-EU Economic Partnership. This Vision Group took up its work in 2005, and explored the possibility of an FTA between the two regions (Astuto 2010: 1), which subsequently led into the preparatory talks of 2007. In order to examine the feasibility and the economic gains of an FTA, representatives of the EU and ASEAN held several meetings in which they exchanged information. This information encompassed former approaches by ASEAN towards trade and FTAs with third actors. The Vision Group also launched a quantitative and qualitative study on the gains of an FTA, highlighting the need to liberalize services in Southeast Asia, the reduction of non-tariff trade barriers, and the technical standards that acted as impediments to trade (Vision Group 2006).

Empirical evidence on whether the interregional format was a general preference of the EU or whether it was a case-specific decision is mixed. Two interviewees reasoned that the EU had a preference for interregionalism by naming different kinds of motivation; other interviewees reported that the interregional design was situation-specific given ASEAN's perceived features; one interviewee pointed out that a region-to-region agreement was never the EU's top priority. However, none of the interviewees reported that the EU would have a

general preference for interregionalism for normative reasons. Rather, those reporting a European preference for an interregional design based this on the assumption that the EU has changed interests from multi- or interregional to a more pragmatic approach (Interview #12; Interview #13; Interview #29). One interviewee from the Commission, for instance, made it clear that the EU intended to support regions in the 1990s through the use of interregionalism, which has changed over time (Interview #13). One other interviewee of the Commission argued from a different perspective by stating that the EU tried to negotiate multilaterally or interregionally because this would comply with pure trade theory (Interview #17). Judging interregionalism by trade theory, this interviewee perceived an interregional design as the most cost efficient instrument to increase economic benefits in negotiations. Although the EU made an effort to support regional integration in Southeast Asia by transferring knowledge and by carrying out transnational projects, the interviewees made it clear that the EU had not had any intention of selling its regional integration model to the region (Interview #1). Further, interviewees pointed out that interregionalism is not something that lies in the DNA of the Commission or the EU (Interview #7), and that the EU's policy needs to adapt to the counterpart region's features (Interview #7; Interview #13; Interview #23). This adjustment has led to a tendency towards bilateralism in the Asia Pacific, and, in the case of ASEAN, to interregionalism being a case-specific decision rather than a general preference (Interview #7). In adapting to the counterpart region's features, the EU takes into account the level of integration (Interview #13), the anticipated success of a particular design (Interview #17), the interests of partners, and the most cost-efficient and reasonable option (Interview #23). In looking at what is logical to the EU (Interview #23), it tries to conclude as many agreements as possible to generate economic growth (Interview #17).

The EU's initial decision to choose an interregional design was based on the assumption that it would be easier and more efficient to negotiate one regional FTA than several bilateral FTAs (Astuto 2010: 6 f.), and also because the EU does not want to waste negotiation capacities (Interview #23). Three factors motivated the EU to pursue interregional negotiations with Southeast Asia, these being economic, political, and strategic interests. Strategically, the EU has an interest in security in the region, and, therefore in a strong and confident ASEAN (Interview #1). This should ensure security and stability in Southeast Asia in order to stabilize economic relations with China (Interview #1). Politically, the EU wants to have a presence in Asia, and it does not want to leave the region completely to Chinese interests (Interview #13). Economically, the EU seeks to gain access to an expansive, dynamic, and prosperous market

with a large, young population of potential consumers (Interview #13; Interview #29). A clearly competitive character emerged when interviewees reaffirmed the EU's need to find a foothold in Southeast Asia, seeing that this is a much disputed region for China, Japan, and the U.S. yet without any of these actors being obviously dominant (Interview #13). For the EU, it was critical to establish a "camp" (Interview #17) in Southeast Asia to ensure European competitiveness. The main motivation, therefore, was economic, and, to achieve the goal of increasing European competitiveness, the EU thought that a bi-regional FTA would be more efficient and easier to achieve (Interview #7).

Results

Summing up the results, the congruence test was positive: Southeast Asia's relatively high degree of cohesion led to an interregional design of EU FTP. When the EU faced competition with the U.S., Japan, and China, it aimed to reach a deal with Southeast Asia in order to show European presence and gain a foothold in the regional market. The EU perceived ASEAN as a relatively united bloc through which member states act. The empirical results also concur with the expected evidence of the causal mechanism (table 33). The Commission had separate units to conduct analyses based on features of Southeast Asia, and it monitored ASEAN's relations with third actors. Based on this, the Commission's staff analyzed scenarios in order to shape EU FTP. The EU's decision to apply an *interregional* design was case-specific rather than a generally fixed preference. Interregionalism was motivated by the expected success of negotiations based on the assumption that a bi-regional agreement would be more cost-efficient than several bilateral agreements.

Table 33: Empirical evidence on Southeast Asia's cohesion in case study IV

Causal mechanism	Empirical evidence	(Dis-)Confirmation
Index of cohesion	High degree of cohesion	
Staff to observe and monitor counterpart region	Commission's observation of features of Southeast Asia	+
Case-by-case decision on design of FTP	Case-specific decision for Interregional design	+
Statements regarding the expected success of a particular design	Belief that interregionalism would be most efficient	+
Interregional versus bilateral design	Interregional design of FTP	+

Reference: Own illustration

7.1.3 EU member states

The empirical analysis controls the results of *commercial realism* for a set of intra-regional independent variables: EU MS and IGs. The liberal-institutional model argues that EU MS determine the Commission's negotiation mandate and its design. Assuming that the Commission has the same degree of autonomy, no matter whether it negotiates bilaterally or interregionally, EU MS should mostly influence the design of issues. The design of issues, when the EU started negotiations with ASENSA, was comprehensive because the mandate included trade in goods, trade in agriculture, investments, services, and non-tariff trade barriers. The liberal-institutional model's hypothesis was that the Commission employs a comprehensive design in cases where EU MS have heterogeneous preferences. Given the EU's comprehensive

mandate for negotiations with ASEAN, case study IV expects to see high heterogeneity of EU MS' preferences over negotiations with ASEAN.

Value of the independent variable

The EU has not yet developed a coherent Asia strategy, and on the development of such a policy, with its various features, whether they are economic, security, or development-related, EU MS have divergent positions. As De Prado (2013: 2) pointed out, distinct approaches by EU MS towards European external policies have made a specific EU Asia strategy even weaker. Spain, for instance, focused on bureaucratic and cultural exchanges; Sweden on development and security dialogues; the United Kingdom (UK) highlighted security; and France and Germany emphasized European being a trade power (De Prado 2013: 2). These different approaches towards the EU's external policy have rendered joint strategies towards Asia vulnerable to fragmentation and to a lack of funding. The EU has therefore not yet developed a consistent and comprehensive strategy towards Asia.

However, with respect to trade relations and to Southeast Asia, the Council at that time was quite homogeneous on the question of whether the Commission should open FTA negotiations with ASEAN or not. Interviewees from the EEAS and the Commission pointed out that there were hardly any EU MS that had rejected the idea of negotiating a (comprehensive) FTA with ASEAN (Interview #1). In contrast to the South American case, where some EU MS were strongly opposed to negotiations with MERCOSUR, there was practically no conflict between EU MS and the Commission regarding trade talks with Southeast Asia (Interview #1; Interview #3). Some EU MS were neutral to the negotiations, e.g. the Scandinavian countries (Interview #3), while and other EU MS were rather more favorable, e.g. the UK and Germany (Interview #1). States with strong agricultural interests such as France, Spain, and Italy were concerned about concessions on agribusiness but were not particularly against negotiations with ASEAN (Interview #3). In expressing these concerns, France and Italy, specifically, became active in the negotiation rounds by, for instance, communicating their sensitivities with respect to geographical indication. On the negotiation mandate, it was the Commission, however, which set the design (Interview #33 and #34), and this was not disputed to any great extent in the Council. EU MS had, therefore, homogeneous preferences rather than heterogeneous positions.

Results

Interview and secondary data unfortunately does not allow a more careful tracing of any potential impact by EU MS on the Commission's mandate. The congruence test, however, was negative: EU MS had homogeneous rather than heterogeneous preferences, and they were not divergent on the question of whether and what type of FTA negotiations to open with ASEAN (independent variable). The Commission therefore designed a comprehensive negotiation mandate (dependent variable). The liberal-institutional model's hypothesis, derived from the principal-agent framework, expected the opposite result, in that that if we find a comprehensive mandate, we should also find heterogeneous preferences by EU MS (unless EU MS have homogeneous, offensive interests). In sum, the empirical results disconfirm hypothesis 3 (EU MS) (table 34).

Table 34: Empirical evidence on EU member states in case study IV

Expected outcomes of variables	Empirical evidence	(Dis-)Confirmation
Heterogeneity of interests	Homogeneity of preferences	
Comprehensive design of EU's FTP	Comprehensive design of EU's FTP	-

Reference: Own illustration

7.1.4 Interest groups

Commercial liberalism focuses on IGs as an independent variable for EU FTP towards Southeast Asia. Studying the impact of IGs, case study IV relies on a dataset of N=44 standardized interviews with stakeholders, the minutes of CDS meetings between the Commission and stakeholders, and a dataset based on the Commission's consultation of IGs on the EU future trade policy. Of the N=44 questionnaires with stakeholders, 24 are relevant to the

analysis of IGs' influence on the EU's FTA towards Southeast Asia between 2007 and 2009. These 24 IGs have observed EU FTP since at least 2007, and have considered the EU-ASEAN negotiations "very important" or "important". Assuming that those stakeholders, who considered the negotiations "hardly important" or "not at all important", were not sufficiently engaged in lobbying activities, they are not relevant to case study IV. EU FTP towards Southeast Asia in 2007 was interregional and comprehensive in substance. From a commercial liberalism perspective, the hypothesis was that the Commission is more likely to use an interregional design, if less export-oriented actors (compared to other sectors) lobby EU decision-makers. Given the interregional outcome of the dependent variable, the empirical analysis should find fewer lobbying activities within the export-oriented sector compared to other sectors such as agriculture, services, or NGOs.

Value of the independent variable

The total number of IGs lobbying the Commission through the CSD on EU FTP towards Southeast Asia was 24, of which exactly 50 percent (12) were export-oriented actors. Accounting for 50 percent of all IGs, export-oriented actors were the largest group in the CSD compared to other sectors. Four actors belonged to agriculture, three to trade unions, two to NGOs, and three to services (figure 48). Distinguishing stakeholders between those with offensive and defensive interests, the majority, at nearly 63 percent (15), had offensive interests as opposed to representatives of agriculture, trade unions, and NGOs, who had defensive interests.

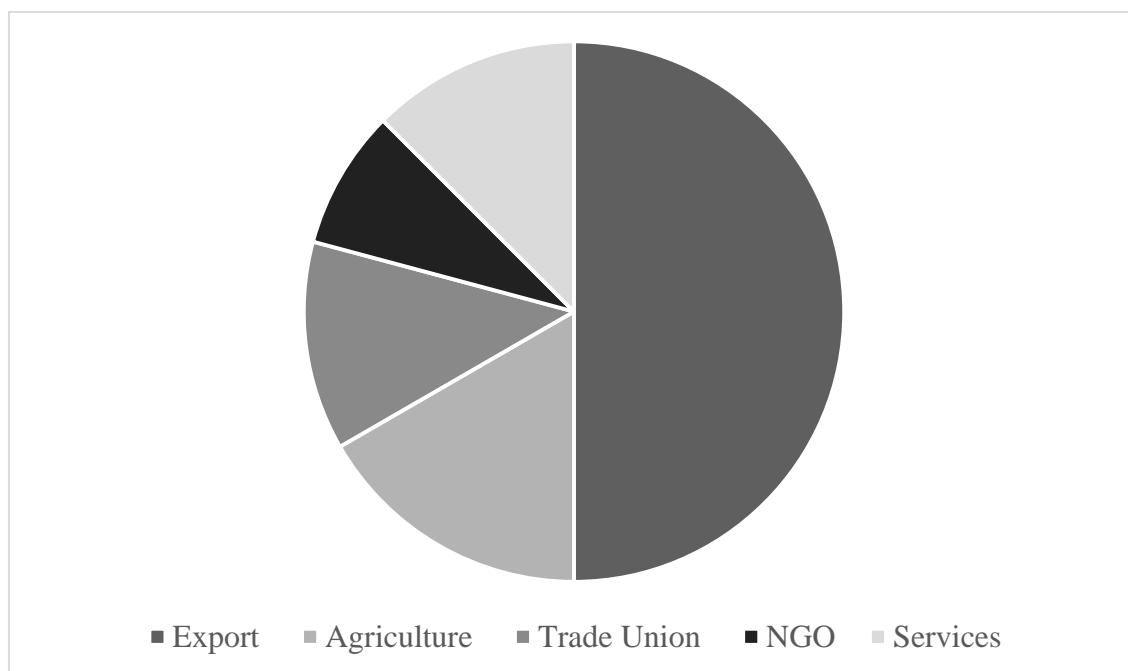


Figure 48: Share of Interest groups lobbying at EU-ASEAN negotiations 2006-2009

Reference: Own illustration

Nearly 67 percent (16) IGs attended the CSD meetings regularly. Between 2006 and 2009, 67 percent of export-oriented actors (8) consulted the Commission regularly. Business groups were the largest group to attend the CSD meetings regularly, followed by agricultural stakeholders. All agricultural representatives (4) consulted the Commission on a regular basis. Two thirds of all trade unions (2) and two thirds of all services (2) also contacted the Commission frequently on the EU-ASEAN negotiations (figure 49). The active NGOs (two in total) did not engage regularly in the CSD meetings in 2006, but lobbied regularly between 2007 and 2009. In their regular lobbying, these groups consulted the Commission “very often”, “often”, or “sometimes”.

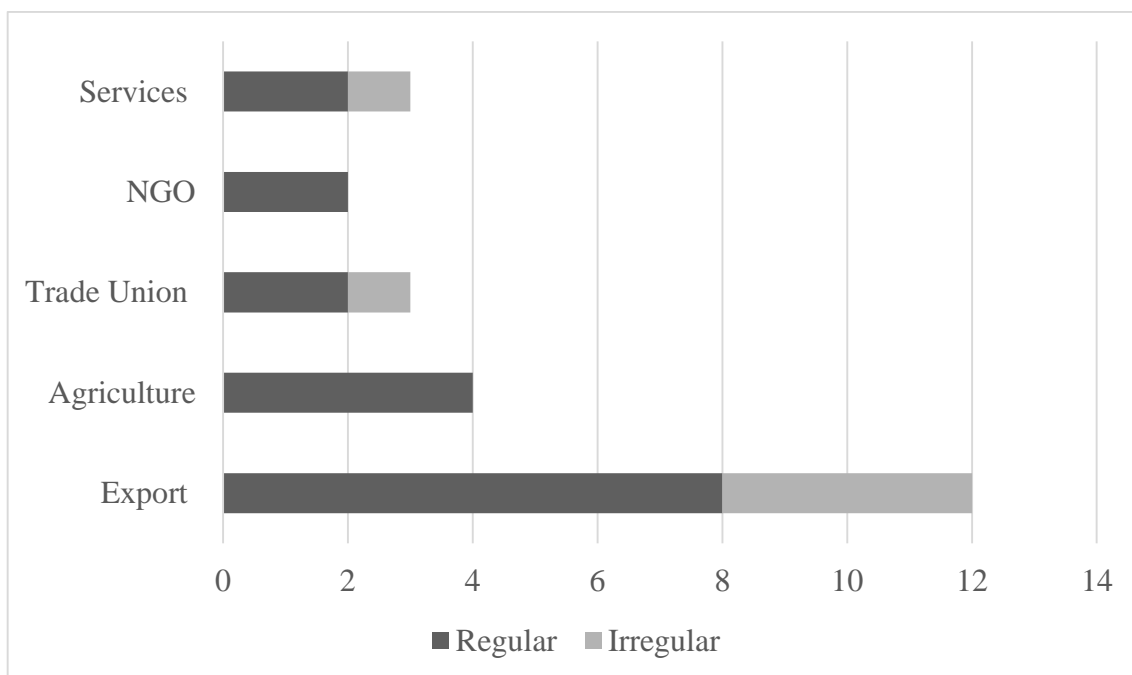


Figure 49: Interest groups' frequency of consultation at EU-ASEAN negotiations 2007-2009

Reference: Own illustration

Similar to the IGs' self-assessment of influence in the EU-South America relations, the large majority of stakeholders considered themselves to have influenced EU FTP towards Southeast Asia "to some extent". More than 83 percent (20) believed that they had an impact on the Commission "to some extent", and this does not vary greatly between sectors. One actor considered that it influenced the Commission "not at all", and three actors believe that it "hardly" influenced the Commission. The vast majority of export-oriented actors, at 83 percent (10), judged that the Commission took their position into account "to some extent". Only two assumed that they "hardly" influenced EU FTP. All agricultural groups (4) and all services groups (3) assessed that they had some impact on the Commission in exercising trade policy. Trade unions and NGOs were slightly more skeptical, with two thirds of trade unions (2) believing that they influenced the Commission "to some extent", and one that they were "hardly" influential. Similarly, one NGO agreed "to some extent" while another believed that it had no impact at all (figure 50).

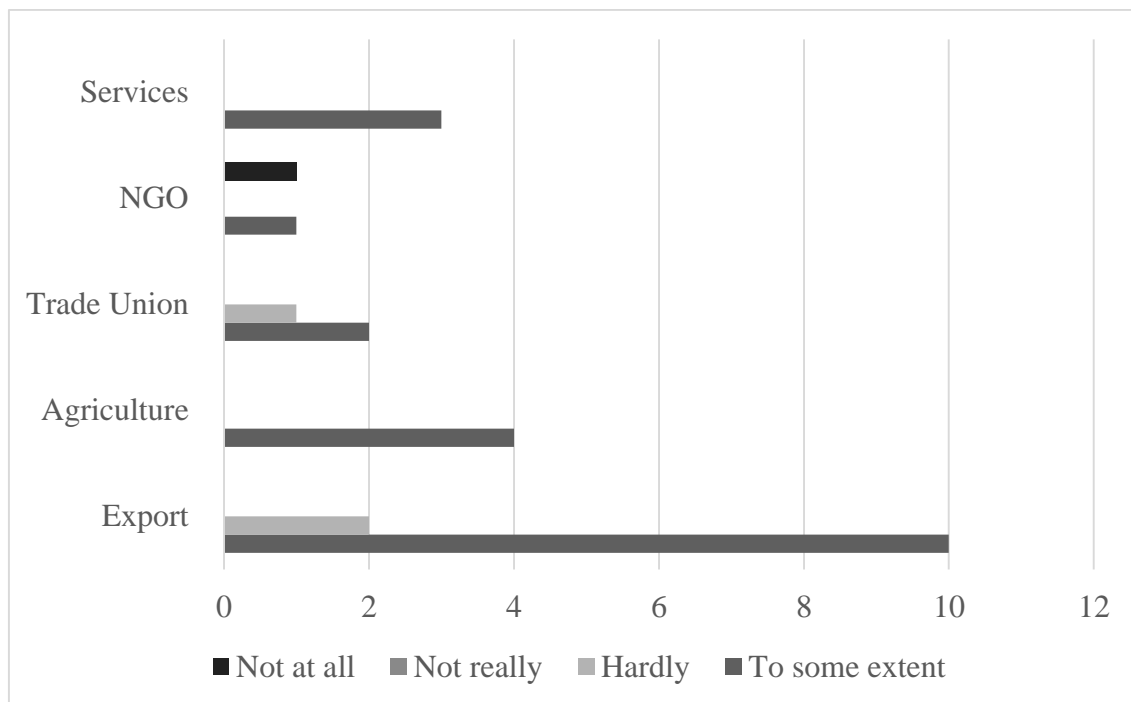


Figure 50: Interest groups' self-assessment of influence on EU-ASEAN negotiations 2007-2009

Reference: Own illustration

With respect to the indicators of IGs' influence on EU FTP towards Southeast Asia, the empirical results are clear that export-oriented actors lobbied the Commission intensively. Business groups constituted 50 percent of all actors lobbying the Commission at the EU-ASEAN negotiations, and offensive interests were in the clear majority, at 63 percent, compared to defensive interests. Similarly, export-oriented actors were the largest group which consulted the Commission frequently, numbering eight actors (67 percent of business groups), followed by four agricultural representatives. The vast majority of export-oriented actors, at 83 percent (10), also believed that they influenced EU FTP "to some extent", and only two of these groups assessed that they "hardly" made an impact on the Commission. These results allow us to conclude that export-oriented actors lobbied the Commission most intensively compared to other sectors such as agricultural groups, trade unions, NGOs, or services representatives. In this way, the empirical results falsify the hypothesis deduced from commercial liberalism, which expected that intense lobby efforts by business groups would lead to a bilateral design instead of an interregional design.

Causal mechanism

The EU has developed a set of formal and informal procedures to make contact with and listen to IGs in the field of FTP. EU institutions, which engaged in these procedures on the EU-ASEAN negotiations, were the EEAS and the Commission's DG Trade and DG Agriculture. DG Agriculture maintains consultative groups on different issues, in which stakeholders communicate their positions on certain policies, the DG gives them the opportunity to submit their comments on specific issues, stakeholders and the DG Agriculture meet regularly, and there is a broad range of official and informal contacts with stakeholders (Interview #3). DG Trade, too, contacts IGs, maintains discussion groups with them, organizes meetings (Interview #3), launches public consultations, exchanges information with stakeholders in the CSD (Interview #13), asks for input from IGs on specific issues (Interview #17), consults stakeholders in advisory groups, and receives position papers from them (Interview #15). Interviewees from the DG Trade affirmed that it would be in their interest to have contact with stakeholders, and that it would be beneficial for the Commission to contact IGs with specific questions (Interview #12). In the particular case of EU-ASEAN relations, when the negotiations with Southeast Asia were launched in 2007, the DG Trade launched a public consultation in the form of an online survey with business representatives (Interview #7; Interview #13).⁴³ The EEAS, despite having been interested in contacts with stakeholders, was not lobbied regarding the EU's negotiations with ASEAN. One interviewee of the EEAS was even disappointed about the business sector's lack of "enthusiasm" (Interview #1) for the Southeast Asian market.

The empirical results falsify the empirical evidence regarding IGs' preferred venue of FTP. Instead of preferring bilateral or interregional negotiations to any other type, IGs either preferred multilateralism or were completely indifferent to the issue of what venue to choose. One interviewee, for example, reported that stakeholders lobbied the Commission on the volume of trade and what concessions to demand from ASEAN, whereas the venue, whether bilateral or interregional, was not a major concern (Interview #3). The majority of IGs, at nearly 71 percent (17), appreciated the EU's launch of interregional negotiations with Southeast Asia (figure 51). Except for NGOs and trade unions, this corresponds to the disaggregated results:

⁴³ The questionnaire and results of this public consultation were, unfortunately, not available to individuals or the public at large.

the majority of export-oriented actors at 92 percent (11), 50 percent of agricultural groups (2), and 100 percent of services groups (3) appreciated the launch of negotiations (figure 52).

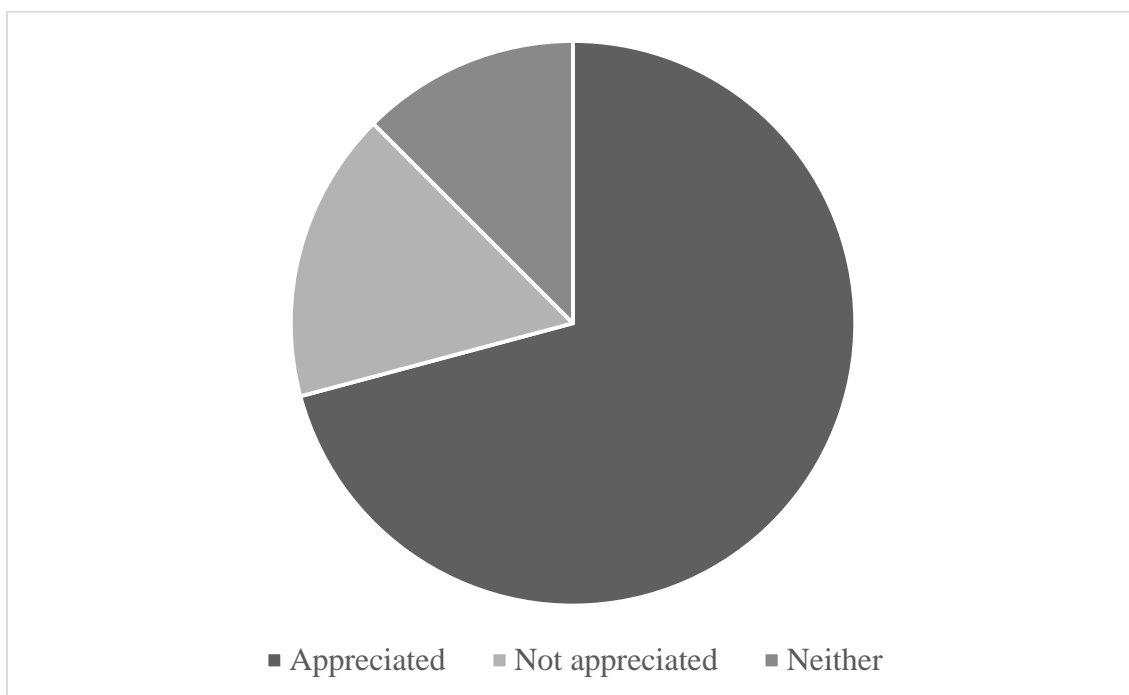


Figure 51: Interest groups' appreciation (sectors aggregated) of EU-ASEAN negotiations 2007-2009

Reference: Own illustration

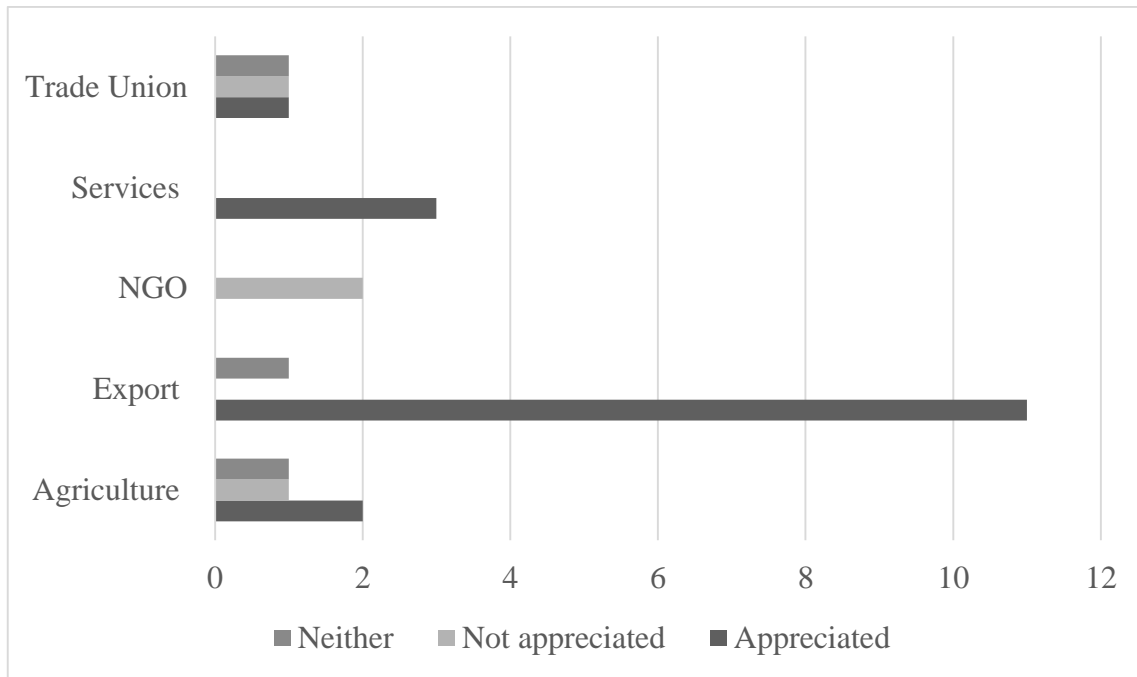


Figure 52: Interest groups' appreciation (sectors disaggregated) of EU-ASEAN negotiations 2007-2009

Reference Own illustration

Even though the majority of IGs appreciated the EU's policy to launch interregional negotiations with Southeast Asia, a large proportion either preferred a multilateral venue, an entirely different format, or were indifferent to the FTP's venue. Among these stakeholders, 50 percent (12) preferred a completely different venue such as country-to-country negotiations or were neutral about the negotiation venue, and 42 percent (10) wanted to negotiate multilaterally. Just four percent (1), respectively, preferred either interregionalism or bilateralism (figure 53). The results have the same distribution among export-oriented actors, who either aimed for multilateral negotiations (42 percent, or 5) or were indifferent (42 percent, or 5); the trade union, agricultural, and services groups were each also divided between favoring multilateralism or being indifferent (figure 54).

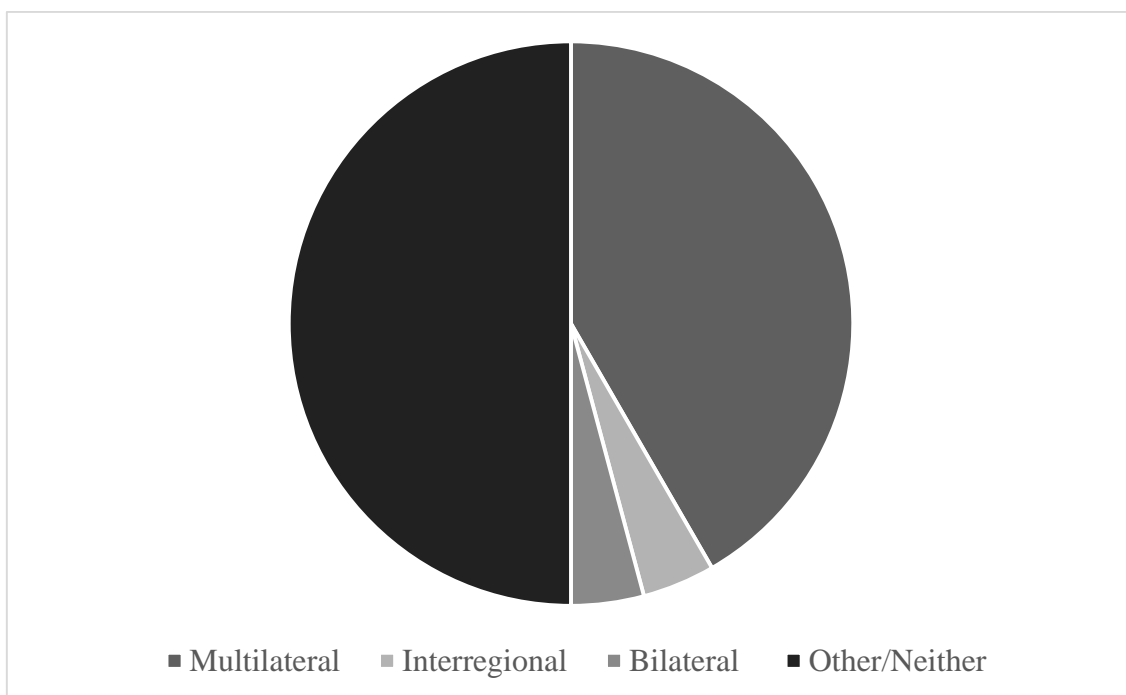


Figure 53: Interest groups' preferred venue (sectors disaggregated) EU-ASEAN negotiations 2007-2009

Reference: Own illustration

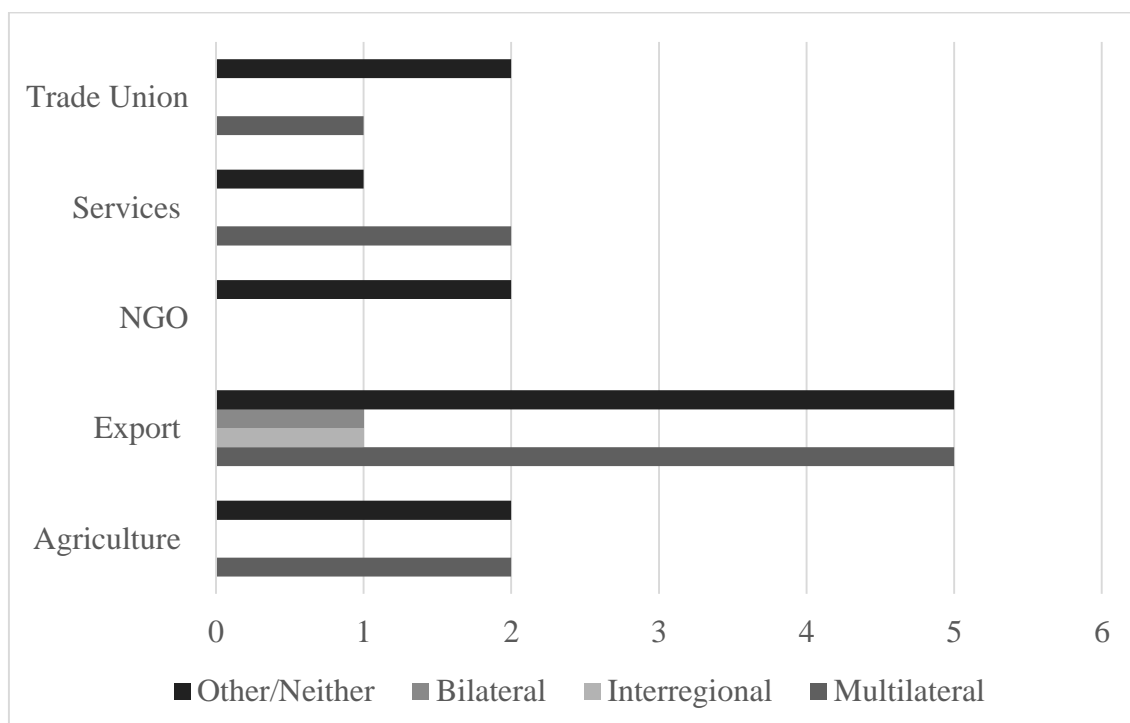


Figure 54: Interest groups' preferred venue (sectors disaggregated) EU-ASEAN negotiations 2007-2009

Reference: Own illustration

The relative low degree of lobbying activities by IGs, as reported on by interviewees regarding the EU-ASEAN negotiations, corresponds to those interviewees' statements about the adoption of stakeholders' positions. The Commission judged that having contact with IGs is "not not useful" (Interview #3), and that the DGs appreciate information provided by these groups because it sometimes needs input by IGs on specific questions. However, they did not influence the EU's policy (Interview #3) during the EU-ASEAN negotiations. The DG Trade reported that it always takes IGs' input into a wide perspective and that it tries to balance the sectors' positions so that the final agreement can be positive for all actors (Interview #12). These statements reinforce the evaluation of IGs' influence on EU FTP of chapter 6, which demonstrated that the EU partly takes stakeholders' positions into account, and mostly considers them on specific issues such as tariff lines and concessions once the negotiations have already been launched.

Results

Summing up the empirical results, the congruence test was negative: export-oriented actors lobbied the Commission most intensively compared to other sectors (independent variable). Commercial liberalism would have expected a bilateral design, but instead the EU launched interregional negotiations with ASEAN (dependent variable) on an FTA. The empirical evidence confirms what chapter 6 summarized regarding the IGs' impact on EU FTP. Although the EU has a set of formal and informal procedures for making contact with stakeholders on the issue of its FTP, these stakeholders did not engage in much lobbying activity on the EU-ASEAN negotiations. If they ever did become active, they preferred multilateral negotiations or were indifferent to the venue rather than lobbying for either bilateral or interregional trade talks. Interviewees from the Commission reported that, in the case of ASEAN, IGs did not influence EU FTP towards this region. The process-tracing test and the congruence test therefore disconfirm hypothesis 4 (IGs) (table 35).

Table 35: Empirical evidence on interest groups' influence in case study IV

Causal mechanism	Empirical evidence	(Dis-)Confirmation
Number and frequency of consultations	Intense lobbying activities by export-oriented actors	
Formal or informal procedure to listen to interest groups	Formal and informal procedures by Commission	+
Voicing of a preferred design of FTP	Interest groups either indifferent or preferring multilateralism	-
Statements on the adoption of these positions	No particular adoption of interest groups' views	-
Interregional versus bilateral design	Interregional EU FTP design	-

Reference: Own illustration

7.2 EU-Singapore negotiations 2010-2013

It was in its negotiations with ASEAN that the EU realized that it was not going to be able to reach a comprehensive and ambitious agreement with the entire ASEAN group. If it wanted to conclude a meaningful and substantially ambitious agreement with Southeast Asia, it would need to change strategy. The rationale for changing the design of venues, was built during the interregional negotiations with Southeast Asia, which, in reality, never went beyond preparatory talks and the exchange of technical information. Only two years after the EU had started FTA talks with ASEAN, did it point out that it was considering alternatives to interregionalism in order to maintain a comprehensive approach. In 2009, it communicated to IGs that it was exploring alternative ways of approaching Southeast Asia, and in 2010 the Commission asked the Council to amend the negotiation mandate in favor of bilateral venues.

Since then, the Commission has negotiated several bilateral FTAs, starting with Singapore in 2010. Because Singapore does not produce agricultural products, the mandate included everything but agribusiness. Investment protection was added in 2013 after the Council had amended the directives given the rules issued following the enforcement of the Lisbon Treaty. Descriptively, the FTA talks with Singapore were bilateral but comprehensive (table 36). The EU singled out Singapore as a bilateral negotiation partner, including everything but agriculture in the FTA talks.

Table 36: Dependent variable of EU-Singapore negotiations

	High number of issues (Comprehensive)	Low number of issues (Selective)
High number of addressees (Interregionalism)		
Low number of addressees (Bilateralism)	Comprehensive, bilateral EU-Singapore FTA negotiations	

Reference: Own illustration

7.2.1 Rival actors

Chapter 7.1.1 demonstrated how, since the turn of the millennium ASEAN, has started to build a dense network of trade relations with the U.S., Japan, and China. All of these trade relations were comprehensive in substance, encompassing trade in goods and trade in agriculture, services, investments, and non-tariff trade barriers. Since 2007, China has become economically increasingly important, overtaking Europe and Japan as a global commercial power. In 2009, China overtook the U.S. and the EU and became the largest exporter to ASEAN (see chapter 7.1.1). In Singapore's case, between 2007 and 2010, Europe was its largest trade partner, followed by the U.S. and Japan. When the EU started trade talks with Singapore in

2009, Europe accounted for 14 percent of Singapore's trade, the U.S. and China eleven percent, and Japan six percent (figure 55). With the EU, Singapore is ASEAN's largest trade partner, accounting for one third of its imports and exports. The country also accounts for 60 percent of investment exchanges between the EU and ASEAN and can number more than nine thousand European companies active in its manufacturing and services sector (Commission 2013c: 16).

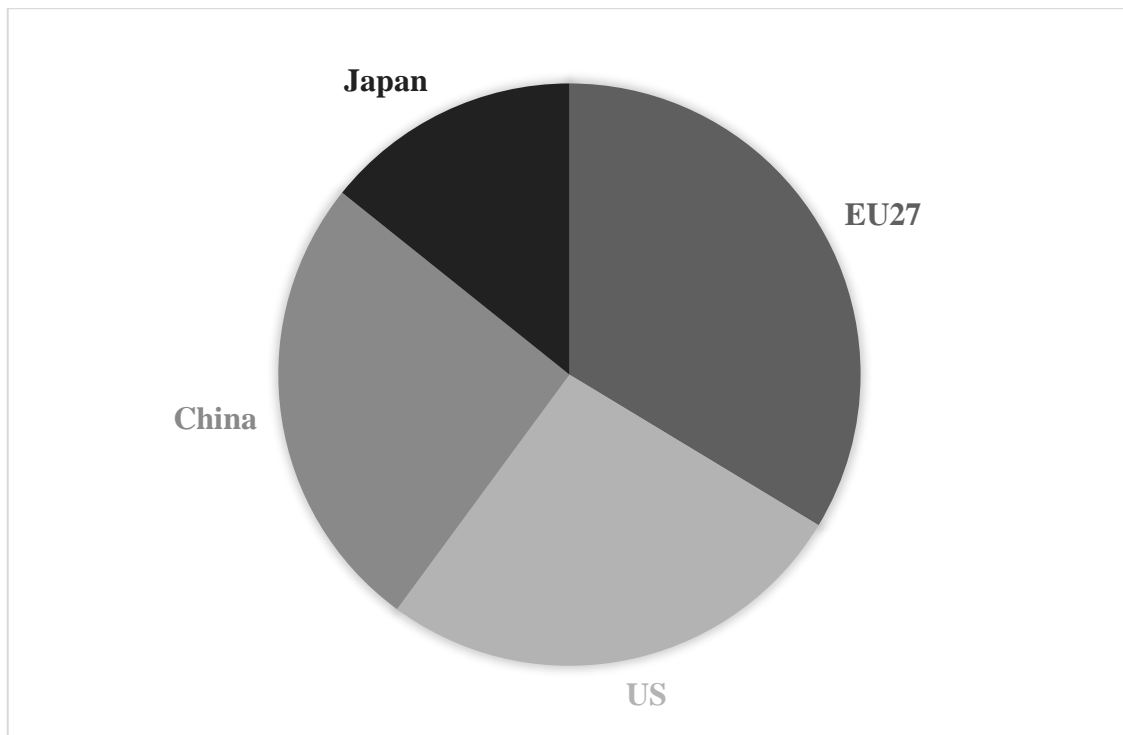


Figure 55: Singapore's trade with the EU27, the U.S., China, and Japan in 2009

Reference: Own illustration based on UNComtrade 2012

On account of its economic importance to Europe, Singapore was a natural first choice for starting bilateral FTA negotiations. The bilateral FTA would bring the greatest economic potential, and an agreement was supposed to set a benchmark, or at least a point of reference, for other FTAs with ASEAN members (Interview #7; Interview #22). For entering ASEAN, and Southeast Asia more generally, the EU-Singapore FTA was meant as an initial building block (Commission 2013d: 12). The EU believed that this FTA would trigger more bilateral FTAs in the region, and thus increase Europe's presence there (Interview #22).

Value of the independent variable

The EU's rationale for starting bilateral but comprehensive negotiations with Singapore in 2009 was heavily influenced by the international context. As chapter 7.1.1 explained, ASEAN and Singapore, in particular, had built a diversified net of trade relations and more or less comprehensive FTAs with third actors, among them the U.S., Japan, and China. All of these partners had parallel trade deals or initiatives with Singapore bilaterally, and with ASEAN interregionally. All three also had comprehensive approaches towards Southeast Asia. Of particular note was the U.S.'s signing of a prototypical agreement with Singapore; the first of its kind between America and Asia. This deal was extremely ambitious, encompassing trade in goods, services, investments, and non-tariff trade barriers.

Rival actors intensified their trade relations with ASEAN and with Singapore, as acknowledged by the EU itself. In its study released in 2013, the Commission points out three reasons for the EU to initiate negotiations with Singapore (Commission 2013d: 14): firstly, ASEAN's ability to negotiate the *ASEAN plus 1 FTAs*; secondly, the group's announcement of the consolidation of these *ASEAN plus 1 FTAs* in one Regional Economic Comprehensive Partnership; thirdly, the U.S.'s commencement of TPP negotiations. America announced the TTP in 2009, which had been planned as an "ambitious, next-generation, Asia-Pacific trade agreement that reflect[s][ed] U.S. economic priorities and values" (US 2015d). This trade agreement targeted eleven like-minded Asian-Pacific states, among them four ASEAN members: Brunei, Malaysia, Singapore, and Vietnam.⁴⁴ With these countries, the U.S. negotiated manufactured and agricultural goods, services, investments, and other barriers to trade as a single undertaking. In attempting to expand and deepen this agreement, once it entered into force, negotiations become extremely ambitious, both geographically and economically.

Causal mechanism

Since the entry into force of the Lisbon Treaty and the establishment of EU delegations to third countries, the EU has expanded its staff and tools to observe rival actors and to monitor

⁴⁴ The TPP negotiations also include Australia, Canada, Chile, Japan, Mexico, New Zealand, and Peru.

their relations. Chapter 7.1.1 pointed out that both the DG Trade and the DG Agriculture included country- and issue-specific units to observe specific features of ASEAN's members, and both DGs had trade analysis units for carrying out research on existing and ongoing trade deals between ASEAN's members and third actors. In this way, the EU spent time and resources on information gathering, which fed into international negotiations (Interview #3; Interview #7). In gathering information, also the EEAS and the EU's missions to the respective countries are responsible for keeping track of relations between Southeast Asia and other countries. To do this, missions monitor those relations, write reports, and send these comments to the Commission's DGs and the EEAS (Interview #1). In the case of Singapore, the EU used this usual procedure and kept track of Singapore's practice of signing FTAs. In its 2013 study, the Commission gives detailed information on what FTAs Singapore had already signed, with what actors, and what regional FTAs had resulted.

Against the background of these trade deals between Singapore and third actors, the EU was in a very pragmatic position to sign as many agreements as possible. However, these still needed to be ambitious and meaningful (Interview #17). The EU had a preference for such an ambitious trade deal because it was competing with rival actors, especially the U.S., for having privileged trade relations with Singapore and for setting regulatory standards (Interview #3). What chapter 7.1.1 already pointed out, was also true in the Singapore case, in that the EU competed with the U.S. for defining non-tariff trade barriers in IPR and in rules of origin (Interview #3). In other areas, too, the EU demanded to be treated equally or to gain more from Singapore than the U.S. did. One example of this demand is foreigner buyers' stamp duty, which Singapore granted to the U.S. but not to the EU, although Europe had pushed hard for the inclusion of this issue (Interview #22). In other areas Singapore granted more to the EU than to the U.S., e.g. in the automobile sector (Interview #22). The Commission reiterated the EU's observation and monitoring of Singapore's relations with third actors by stating that preferences granted to third countries were a key objective for the EU in its negotiations with Singapore (Commission 2013c: 14). While saying this, the Commission made it clear that competition for preferential access to Southeast Asia's market had intensified, making the EU's negotiations with Singapore more important than ever before (Commission 2013c: 14).⁴⁵

⁴⁵ The Commission also pointed out positive externalities of Singapore's comprehensive FTAs with rival actors. This demonstrates that Singapore is able and willing to implement

Competition for reaching agreements with negotiation partners and for regulatory standards was always present in the EU's foreign policy (Interview #23). In that sense, the EU's preference for ambitious agreements has systemic reasons since they increase Europe's global competitiveness (Interview #23). In the same vein, one interviewee pointed out that traditional FTAs, which are restricted to market access rules, were a 20th century concept that no longer generated enough economic growth (Interview #29).

Apart from competition with rival actors for economically privileged trade relations with Singapore, the FTA also had three other motivating factors. Firstly, the increasing American and Chinese engagement with Southeast Asia made collaboration between the EU and like-minded partners (e.g. Singapore) more intuitive to Europe (Khandekar 2014: 51). Secondly, a major motivation for the EU was the European financial crisis, which triggered a need to find large, foreign markets in order to stimulate economic growth and unlock economic potential (Interview #22). Thirdly, reaching an FTA with Singapore also promised to enhance the EU's credibility of being a global actor and of implementing a successful trade agenda in Asia when faced with the increasing engagement of the "EU's global competitors" (Commission 2013c: 12).

Results

Summing up the results, the congruence test was positive: ASEAN intensified trade relations with its external partners, and the U.S. launched comprehensive and territorially far-reaching TPP negotiations, which included Singapore and three other ASEAN members (independent variable). At the same time, the EU continued its comprehensive design while switching to bilateral negotiations with Singapore (dependent variable). The empirical evidence demonstrated that the EU expanded its staff and tools to observe, monitor, and analyse ASEAN's relations with the U.S., Japan, and China. The American intensification of relations with Singapore coupled with Europe's financial crisis triggered a perceived need by the EU to reach a trade deal with Singapore as ASEAN's most important member state. Even during these negotiations, the EU tried to be treated equally to the U.S. or to achieve even better results. In competing with the U.S., the EU had a preference for comprehensive agreements for systemic

comprehensive FTAs, which means credible commitment to negotiated deals with the EU (Commission 2013c: 18).

reasons also, in the sense that implementing European, regulatory standards would boost the EU's economic presence in external regions. The empirical evidence therefore confirms hypothesis 1's (rival actors) expected causal mechanism (table 37).

Table 37: Empirical evidence on rival actors in case study V

Causal mechanism	Empirical evidence	(Dis-)Confirmation
Rival actors have trade relations with the counterpart region	Comprehensive TPP negotiations by the U.S. including Singapore	
EU observes rival actors	Observation of trade relations by DG Trade, EEAS, and EU delegations	+
EU monitors their activities	Tools to monitor and analyze those relations	+
EU believes that it competes with their activities	Competition with rival actors coupled with financial crisis	+
EU adjusts its FTP design	Comprehensive EU FTP design	+

Reference: Own illustration

7.2.2 Counterpart region cohesion

However, a sense of dissatisfaction with the interregional negotiations, has been present from the very beginning. Only one year after the launch of negotiations, trade Commissioner Mandelson said that a “flexible approach” would be helpful in order to conclude agreements faster. In 2008, the Commission discussed the region-to-region talks within the Civil Society Dialogue, and emphasized that the interregional framework was more for modalities, while it would prefer to proceed with bilateral negotiations. In 2009, the Commission asked the Council

for a mandate for bloc-to-country talks (Civil Society Dialogue 2009). This was approved by the Council, with the result that in 2010 the EU started its first talks with Singapore. In reality, the interregional negotiations had never passed the stage of a scoping exercise. Indeed, the two blocs had never entered the phase of exchanging market offers. Rather, the EU reckoned that it had to find an alternative to the bloc-to-bloc talks if it wanted a satisfactory deal. In addition, the EU had entered an economic crisis, which made deals with foreign markets even more pressing. Thus, the heterogeneity of ASEAN during the bloc-to-bloc negotiations made the EU consider bilateralism as an appropriate strategy.

Value of the independent variable

A sense of dissatisfaction with the bloc-to-bloc talks finally triggered the shift to bilateral talks, beginning with Singapore and Malaysia. The dissatisfaction emerged due to a growing divergence among ASEAN's member states over foreign trade. On the index of cohesion, ASEAN scores three out of fifteen indicators (figure 56), which reveals a relatively low degree of unity between 2009 and 2011.

In terms of conflicts and their settlement, the situation did not change between 2005 and 2011. ASEAN witnessed five inter-state conflicts, which had been ongoing to a certain extent since the 1940s. Although ASEAN formalized the organization's dispute settlement mechanism in 2010, its members never used it.⁴⁶ None of the five conflicts mentioned in chapter 7.1.2 were resolved between 2009 and 2011. One conflict between Thailand and Cambodia over the Temple of Preah Vihear was brought to the ICJ (ICJ 2011). Instead of these conflicts being resolved, their intensity increased. Between 2005 and 2008, four conflicts were low-scale disputes, and one was a non-violent crisis. This changed in 2009, when the border conflict between Thailand and Cambodia reached the status of a violent crisis, and in 2011 even being categorized as a limited war, rating four out of five on a scale of intensity (CONIS yearbooks

⁴⁶ The discrepancy between the existence of formal institutions and their actual use is under-researched in the field of regionalism. Scholarship has only started examining why, for instance, ASEAN member states have not used the dispute settlement mechanism. Work in progress is being carried out by Ewing-Chow and Yusran (forthcoming in 2016), who argue that ASEAN member states have been hesitant in using the dispute settlement mechanism for cultural reasons and because of the organization's lack of resources.

2009, 2010, and 2011). The territorial dispute between Thailand and Myanmar also escalated in 2010 into a violent crisis, but then settled down to a non-violent crisis in 2011.

Regarding the institutional dimension of cohesion, ASEAN was more cohesive between 2009 and 2011 than between 2005 and 2008. In 2010, ASEAN formalized its dispute settlement mechanism as the first quasi supranational institution with the ASEAN Charter on Dispute Settlement Mechanisms. Further to this, ASEAN's members deepened their institution by agreeing on nineteen protocols, agreements, and memorandums of understanding, covering ASEAN's security, economic, and socio-cultural integration. In contrast to these endeavors to deepen ASEAN, the same degree of effort did not apply to enlarging the regional organization. Instead of enlarging ASEAN, the members merely agreed on the eighteenth ASEAN summit's (ASEAN 2011) decision that Timor Leste's request to become a member of the organization required further consideration.

In international institutions, ASEAN no longer enjoyed the same degree of cohesion as it had between 2005 and 2008. Although ASEAN's member states committed themselves jointly to proceeding with the WTO negotiations in the Doha Round, they did not reiterate and release new substantial positions. Interviewees made it clear that although ASEAN member states were eager to keep ASEAN unity in the WTO, they were not able to come to agreements on detailed questions. Thus, ASEAN's members still today have regular meetings and a spokesperson for ASEAN in the WTO, but its members assign themselves to different working groups. For example, in agriculture, where Singapore has no interest, Indonesia favors protectionism, and Thailand would be ready for concessions (Interview #30). Between 2009 and 2011, ASEAN's members had six presidential summits but with substantial outcomes. At the fifth of these (the eighteenth since summits had been initiated), for instance, ASEAN member states agreed on the formalization of the dispute settlement mechanism. Therefore, ASEAN is ascribed cohesion on unity in presidential summits.

The EU's dissatisfaction with the interregional negotiations emerged most of all due to the growing divergence among ASEAN's member states over foreign trade. While some states decreased the number of commercial exchanges with European countries, others even increased their economic ties. Thus, the composition of trade concentrated on a few member states, rather than diffusing across the whole region. In consequence, some member states were more interested than others in an FTA (Lindberg 2007). This divergence led to very different priorities among the ASEAN member states regarding negotiation issues (Camroux 2010). The Singaporean negotiator, for instance, reported that Singapore tried to build a supportive

coalition in ASEAN, but this proved too difficult (Interview #22). Although all ASEAN countries were interested in negotiating through the regional organization, it was no longer an option in the talks with the EU due to the divergent trade preferences (Interview #30). These different positions became very clear during the negotiations with the EU, when the actors realized that ASEAN had no common positions on issues that were crucial to the EU such as non-tariff trade barriers (Interview #30). While Singapore was very liberal on all issue areas, other countries were not ready to the same degree (Interview #30). ASEAN's common position would have led to the lowest common denominator regarding negotiation issue, and thus not a very ambitious agreement (Interview #31 and #32).

Cohesion	Indicator	Score
Political intra-regional	Number of trade disputes (1)	
	Intensity of trade disputes (2)	
	Settlement of trade disputes (3)	
	Supranational institutions (4)	X
	Deepening of institutions (5)	X
	Enlargement of institutions (6)	
Political extra-regional	Unity in international institutions (7)	
	Unity in non-regulated areas (8)	
	Unity in presidential summits (9)	(X)
Economic	Priority negotiation partner (10)	
	Priority negotiation issue (11)	
	Convergence of trade (12)	
	Investment by partner (13)	
	Type of trade (14)	
	Type of investment (15)	
Sum		3

Figure 56: Degree of ASEAN's cohesion 2009-2011

Reference: Own Illustration

Trade data reveal this lack of cohesion. Whereas trade between ASEAN and the EU was stable or, in some cases, even rising between 2005 and 2007, this situation changed after 2008 (figure 57). Some countries, such as Singapore, Thailand, and Vietnam, increased trade slightly

between 2008 and 2009. For other members, the Philippines and Malaysia, trade decreased as of 2008. Overall, the trade exchanges between ASEAN's member states and the EU were less stable between 2007 and 2010 than before 2007. This was different, however, with respect to ASEAN's trade with China and the U.S. (figures 58 and 59). Except for the Philippines, exports and imports with these two countries remained relatively stable after 2007. The instability of the trade figures of some ASEAN countries with the EU since 2007 has led to different prioritizations of an FTA.

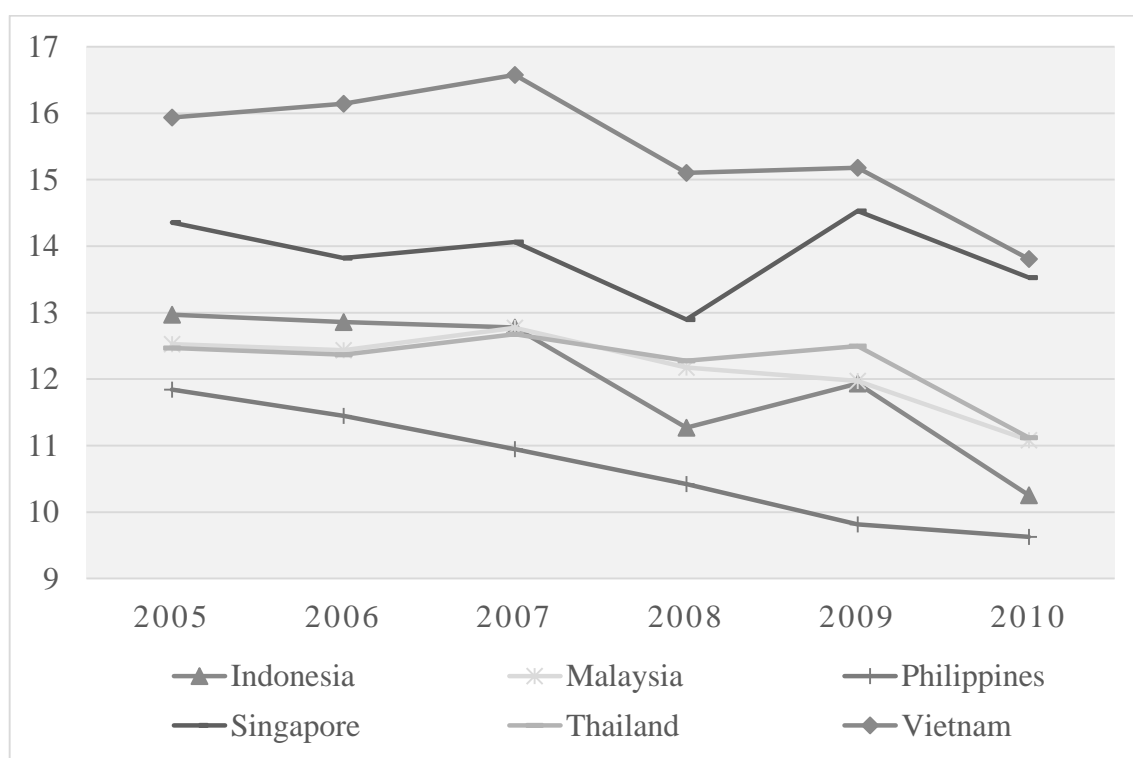


Figure 57: Trade between ASEAN6 and EU27 2005-2010

Reference: Own illustration based on UNComtrade data (2012)

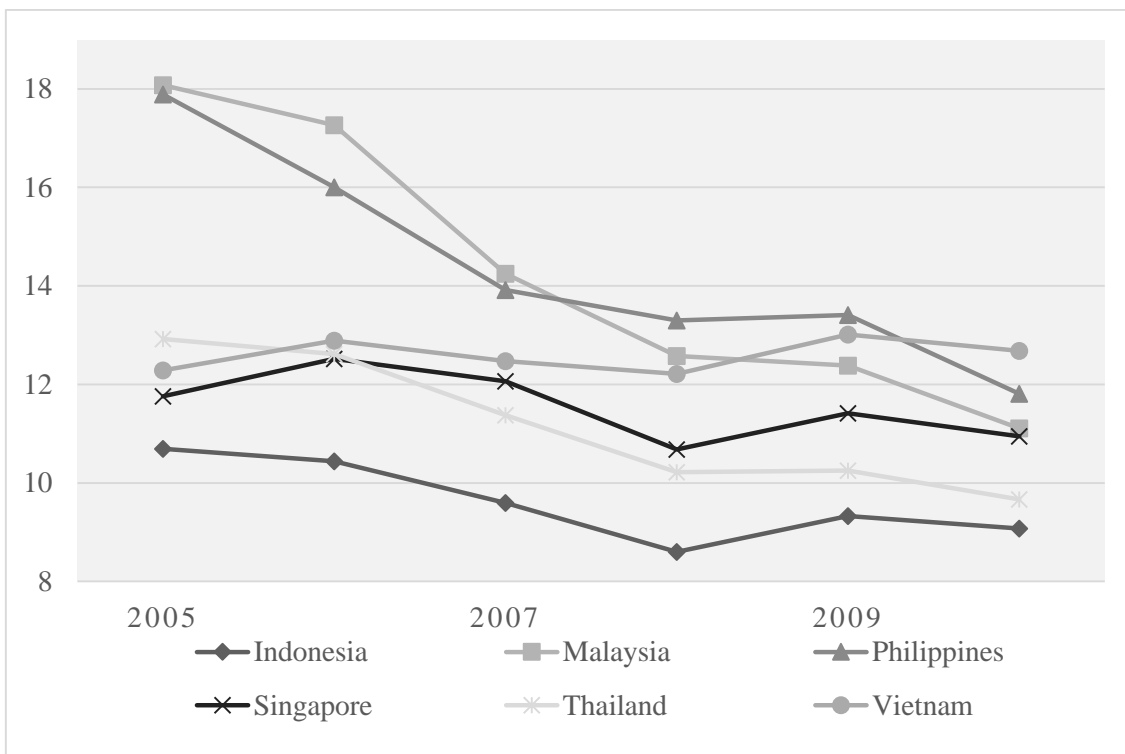


Figure 58: Trade between ASEAN6 and the US 2005 to 2010

Reference: Own illustration based on UNComtrade data (2012)

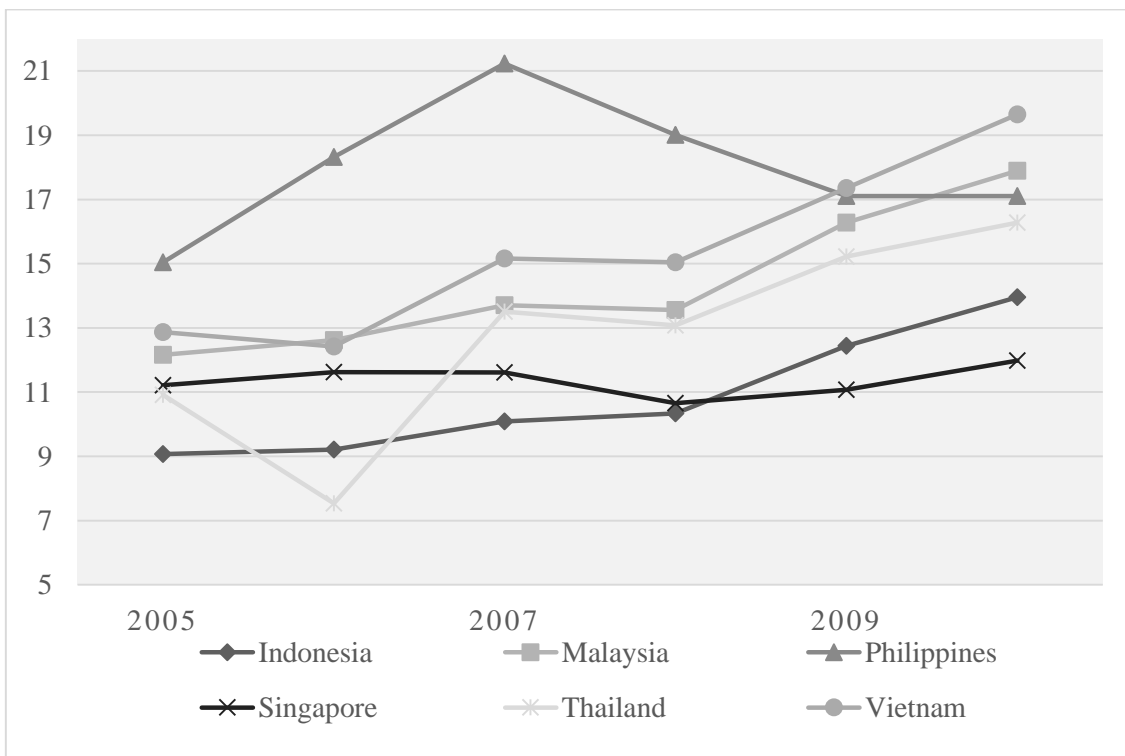


Figure 59: Trade between ASEAN6 and China 2005-2010

Reference: Own illustration based on UNComtrade data (2012)

Causal mechanism

Having provided evidence in chapter 7.1.2, the EU has set up a dense procedure for observing and monitoring integration in counterpart regions and their trade relations with third actors. This procedure involves several actors in EU institutions: the EEAS, the EU delegations in the respective countries, and the Commission's trade analysis units and country desks in DG Trade and DG Agri. In the case of ASEAN, the EU also established an ad-hoc procedure for gathering information on the region and its trade approaches, which was carried out by the Vision Group on ASEAN-EU Economic Partnership. The Vision Group was responsible for acquiring and exchanging information on the approaches to trade and on the potential benefits of an FTA. Feeding into the process of negotiating with Southeast Asia, this information was used by the EU for the EU-ASEAN and the EU-Singapore trade talks. Given the strong linkage between the interregional and bilateral negotiations, also from a temporal perspective (the EU immediately started negotiations with Singapore only after the failure of interregional talks), it was not necessary for the EU to gather new information on Singapore in particular.

A sense of dissatisfaction (Forster 1999), which has been present almost from the very commencement of EU-ASEAN FTA negotiations, triggered the EU's shift to bilateral talks, beginning with Singapore. This dissatisfaction emerged due to a growing divergence in approaches among ASEAN's member states on foreign trade. While some states decreased commercial exchanges with Europe, others intensified economic ties. Thus, the composition of trade concentrated on a few ASEAN members rather than diffusing across the region. In consequence, some member states were more interested than others in an FTA (Lindberg 2007). This divergence led to very different priorities and ambitions among ASEAN's members (Camroux 2010), which would have resulted in any agreement being on the lowest common denominator. In addition to ASEAN's declining unity, the EU faced the ongoing problem with Myanmar, but this was not the reason for the failure of interregionalism. At the time of negotiating, the EU still had an embargo on Myanmar due to human rights infringements. Already in 2006, one month before agreeing to the interregional approach, the EU prolonged its sanctions on Myanmar for another two years (Robles 2008: 553). Thus, the EU was already aware of Myanmar's situation when it decided to go down the interregional route. Although the situation in Myanmar worsened in 2007, the EP was the only institution that demanded the exclusion of Myanmar from the interregional FTA (Robles 2008: 557). In fact, one of the

interviewees revealed that the Myanmar problem was also not the main reason why the EU did not conclude the interregional FTA (Interview #9).

Having had a “pragmatic” (Interview #17) or “realistic” (Interview #33 and #34) approach towards Southeast Asia, the shift to bilateralism was a “tactic” (Interview #1) to reach an ambitious and comprehensive agreement. The EU had a strong preference for a comprehensive and meaningful agreement⁴⁷ covering liberalization in services, investments, and non-tariff trade barriers such as public procurement. Such an agreement would be easier to reach through a bilateral approach (Interview #1). The EU understood only during the negotiations with ASEAN that an interregional *and* comprehensive FTA would be too ambitious (Interview #1; Interview #3; Interview #12; Interview #30). Having had difficulties understanding ASEAN’s working methods, the real problem of the interregional negotiations lay in the fact that it was discovered only after two years of talks with Southeast Asia that there was no common position on issues that were crucial to the EU (Interview #30). The EU in turn accused ASEAN of a lack of understanding of the FTA label, which necessarily needed to be comprehensive, from a European perspective (Interview #1).

For the EU, neither interregionalism nor bilateralism was a general preference in its policy towards Southeast Asia. Rather, as soon as the EU realized that it would not achieve a comprehensive agreement with ASEAN, it shifted to a bilateral FTP. Interviewees affirmed that behind the shift lay the ASEAN’s lack of ambition, which meant that the EU could not move far substantially in trade talks (Interview #12). With regard to striving for a comprehensive agreement, interviewees were clear about the fact that if interregional negotiations do not achieve this goal, the EU will always pursue alternative FTPs, such as bilateralism in the case of Southeast Asia (Interview #33 and #34). The main difficulties in the interregional talks were, therefore, ASEAN’s different levels of ambitions, which were slowing down the bargaining progress (Interview #17). Nevertheless, the EU still today claims to have as its objective an eventual interregional agreement, which will supposedly be the result of consolidating all bilateral FTAs into a single regional one (Interview #3). This seems to be very unlikely though given ASEAN’s heterogeneity, which will result in very diverse FTAs (Interview #23). Currently (at the time of writing in 2015), the EU employs a wait-and-see approach towards the consolidation of ASEAN’s economic community (Interview #29).

⁴⁷ One interviewee of the Commission said that tariff reduction was a 20th century concept of the, and therefore no longer meaningful.

The shift from interregionalism to bilateralism implied that the EU anticipated a quicker and better agreement with one or several Southeast Asian partners. Indeed, interviewees pointed out that they believe in the success of bilateral negotiations in producing “something ambitious” (Interview #12). Bilateralism was the only option for the EU to reach an ambitious agreement on issues crucial to the EU (e.g. public procurement) because an interregional deal would have only been on the lowest common denominator (Interview #13). The motivation behind the shift was clearly economic: the EU believed that a bilateral FTA could be a door-opener to Southeast Asia’s growing regional market and to further negotiations (Interview #7); the EU’s interest in the region was to unlock the economic potential of these dynamic markets (Interview #22), and Europe’s economic crisis intensified the pressure on the EU to open third markets (Interview #22).

Results

Summing up the findings, the congruence test was positive: a decreasing degree of cohesion within Southeast Asia (independent variable) led to a bilateral EU FTP design (dependent variable). This was in contrast to an earlier interregional design, which was accompanied by a higher degree of cohesion within Southeast Asia. The process-tracing evidence confirms the causal mechanism of hypothesis 2 (cohesion). As chapter 7.1.2 demonstrated, the EU invested staff and resources in the monitoring and understanding of ASEAN and its trade relations with third actors. An ad-hoc Vision Group on ASEAN-EU Economic Partnership complemented this procedure, and provided analytical input on ASEAN and a potential FTA with the region. The bilateral FTP was case-specific and was a result of the EU’s realization that an interregional FTA would lead to a non-ambitious agreement. The EU found out only after two years that ASEAN was too heterogeneous in non-traditional negotiation issues. Motivated by economic factors, the EU anticipated a quicker and better agreement if negotiating bilaterally. The empirical evidence therefore confirms the causal mechanism of hypothesis 2 (cohesion) (table 38).

Table 38: Empirical evidence on Southeast Asia's cohesion in case study V

Causal mechanism	Empirical evidence	(Dis-)Confirmation
Index of cohesion	Low degree of cohesion in Southeast Asia	
Staff to observe and monitor counterpart region	EU staff and Vision Group on Southeast Asia	+
Case-by-case decision on design of FTP	Bilateralism was a case-specific, pragmatic decision	+
Statements the expected success of a particular design	EU expected a quick and better agreement	+
Interregional versus bilateral design	Bilateral EU FTP design	+

Reference: Own illustration

7.2.3 EU member states

Controlling the empirical analysis of case V for a set of intra-regional independent variables, chapter 7.2.3 examines the impact of EU MS on the EU's shift from an interregional to a bilateral mandate when starting talks with Singapore. In switching track, the adoption of the new negotiation directives was peculiar because the old mandate included a footnote which left the Commission the possibility to choose bilateralism if appropriate. Using this footnote, the Commission asked the Council to re-authorize the launch of negotiations based on a new design of venues (i.e. bilateralism). The design of issues (i.e. comprehensive versus selective), by contrast, did not change significantly with this re-authorization. In the case of re-authorizing the launch of negotiations with Singapore, the mandate was slightly more selective than the interregional mandate. In contrast to the earlier mandate based on interregionalism, the bilateral

directives with Singapore planned to discuss everything but agriculture because agribusiness was simply not an issue, which Singapore has no interest in due to its economic structure. In this sense, the mandate's design of issues did not change but remained comprehensive. Hypothesis 3 (EU MS) expected a comprehensive design in cases where EU MS have heterogeneous preferences over offensive versus defensive interests in trade talks. Given the comprehensive design of the EU-Singapore negotiations, the empirical analysis should find heterogeneous EU MS preferences along offensive and defensive interests.

Value of independent variable

The Council's position on bilateral negotiations with ASEAN's members has not changed to any great extent compared to the interregional negotiations with ASEAN. As in 2007, there was no strong conflict between or with any EU MS on whether or not to open trade talks with Singapore (Interview #3). On the contrary, interviewees from the Commission instead pointed out that the launch of talks with Singapore were comparatively less controversial and there were fewer concerns among EU MS than in other negotiations (Interview #7). Interviewees from the Commission's country desks working on Southeast Asia mentioned that, actually, none of the negotiations with ASEAN's members were in any way controversial; instead, EU MS appreciated the EU's decision to move on with ASEAN countries (Interview #29), and thus re-authorized the mandate without any second thoughts. On the question of the mandate on negotiations with Singapore, EU MS therefore did not express any heterogeneous preferences.

In the negotiation rounds with Singapore, the Commission collaborated closely with the Council. Through direct contact between the Commission and EU MS, through formalized contact in the TPC or at higher political levels, and through technical meetings between the Commission and EU MS, the DG Trade reported to the Council on every round of talks and listened to EU MS' sensitivities (Interview #3; Interview #7). Although the Commission was in a position to judge whether the chief negotiator could consider the concerns of any EU MS, depending on the country's weight and the interest expressed (Interview #12), the Commission aimed at cooperating neatly with the Council to find consensus on an eventual agreement (Interview #17). Commission interviewees even reported that it was the Commission's job to build a consensus in the Council on negotiations (Interview #17), and to balance EU MS'

interests (Interview #3). Overall, there was great interest in reaching an agreement with Singapore from all EU MS (Interview #12).

Results

Interview and secondary data unfortunately do not allow the more carefully tracing of a potential impact by EU MS on the Commission's mandate. The congruence test, however, was negative: EU MS had homogeneous rather than heterogeneous preferences, and they were not divergent on the question of whether and what type of FTA negotiations to open with Singapore (independent variable), although the Commission did design a comprehensive negotiation mandate (dependent variable). The liberal-institutional model's hypothesis, derived from the principal-agent framework, expected the opposite outcome in that if we find a comprehensive mandate, we should also find heterogeneous preferences from EU MS. In sum, the empirical results disconfirm hypothesis 3 (EU MS) (table 39).

Table 39: Empirical evidence on EU member states in case study V

Expected outcomes of variables	Empirical evidence	(Dis-)Confirmation
Heterogeneity of interests	Homogeneity of preferences	
Comprehensive design of EU's FTP	Comprehensive EU FTP design	-

Reference: Own illustration

7.2.4 Interest groups

Testing the set of extra-regional variable against a set of intra-regional variables, commercial liberalism focuses on the impact of IGs on EU FTP towards Southeast Asia. In this respect, case study V relies on a dataset of N=44 standardized interviews with IGs, a dataset based on the Commission's consultation of IGs on the EU future trade policy, and on the

minutes of CSD meetings between the Commission and stakeholders. Of the N=44 standardized interviews, 21 are relevant to the analysis of stakeholders' influence on the EU's switch from interregional negotiations with ASEAN to bilateral negotiations with Singapore. These 21 IGs have observed EU FTP since at least 2010, and they have found the EU-Singapore negotiations "very important" or "important". Assuming that those IGs considering the EU-Singapore talks "hardly important" or "not at all important" were not sufficiently engaged in lobbying activities regarding this country, the empirical analysis does not consider these IGs relevant to case study V. Descriptively, the EU shifted from an interregional design to a bilateral design in 2010, when it singled out Singapore as a negotiation partner. Explaining this shift, from a commercial liberalism perspective, IGs should have been decisive in promoting this change. The hypothesis that was deduced from this theoretical argument was that the Commission is more likely to use a bilateral design if export-oriented actors lobby intensively. Given the bilateral outcome of the dependent variable, the empirical analysis should find more intensive lobbying activities by export-oriented actors compared to both other sectors and to the activities in 2007 when the EU defined the interregional design for talks with Southeast Asia (case study IV).

Value of the independent variable

Since 2006, the total number of stakeholders lobbying the Commission through the CSD on the EU-Singapore FTA talks has decreased from 24 to 21. The majority of these 21 IGs were export-oriented actors, which accounted for 52 percent (eleven) compared to lower proportions in other sectors. The relative number of business groups increased slightly by two percentage points. Other IGs were three agricultural representatives, three trade unions, and four services groups (figure 60). Comparing the percentage of actors with offensive interests to those with defensive interests, offensive groups were in the clear majority at 71 percent (fifteen). Interestingly, there were no NGOs engaged in lobbying activities on the trade talks with Singapore, which is puzzling given the country's questionable record on democratic standards.

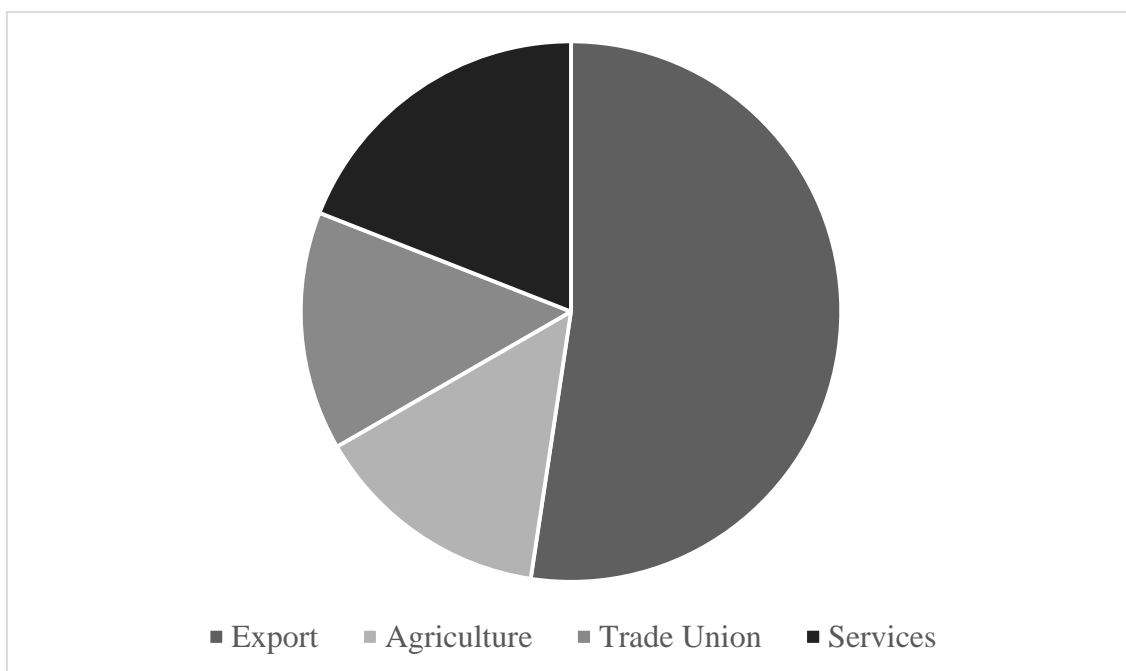


Figure 60: Interest groups' lobbying on EU-Singapore negotiations 2010-2012

Reference: Own illustration

Frequent attendance at the CSD meetings by IGs stayed the same in relative numbers, compared to the period 2007 to 2009, at 67 percent (14) consulting the Commission regularly throughout this forum. The relative and absolute proportion of export-oriented actors who consulted the Commission frequently decreased, however, from 67 percent (8) to 63 percent (7), though business groups were still the largest group lobbying the Commission in the CSD on a regular basis. Seven export-oriented actors (63 percent) attended the CSD meetings regularly, along with three agricultural groups (100 percent), two trade unions (67 percent), and four services groups (100 percent) (figure 61). These groups consulted the Commission “very often”, “often”, or “sometimes”.

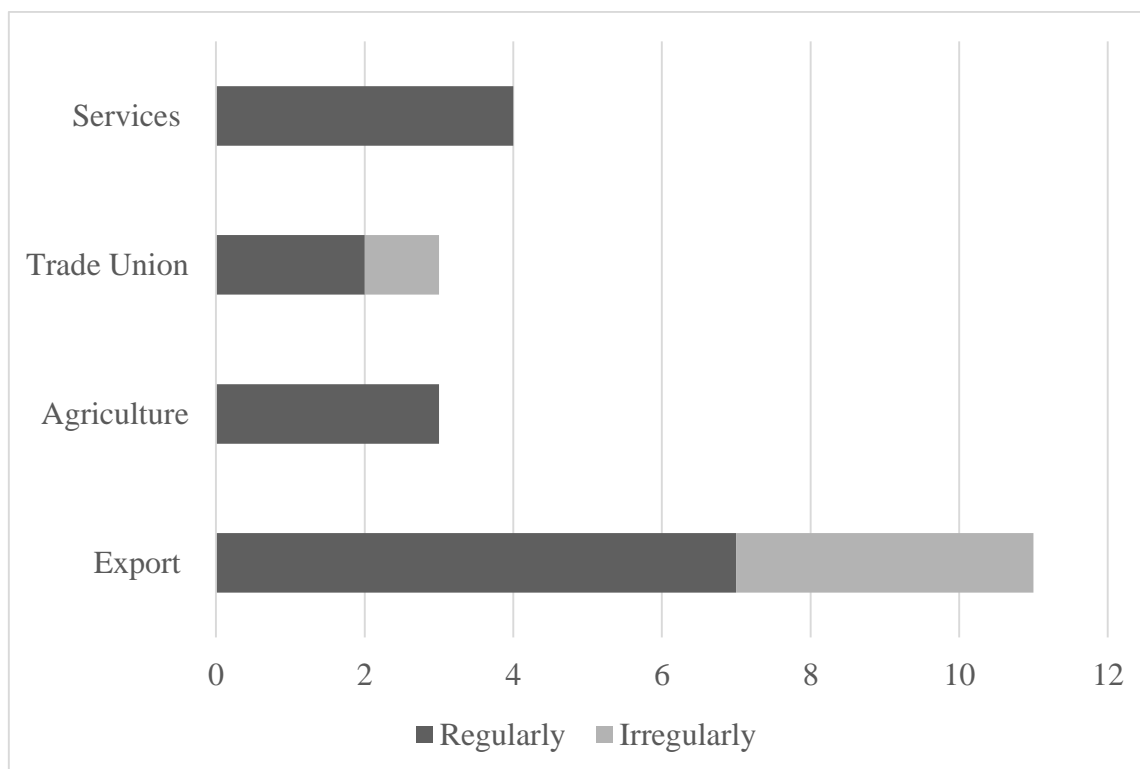


Figure 61: Interest groups' frequency of consultation on EU-Singapore negotiations 2010-2012

Reference: Own illustration

As in case study IV, the overwhelming majority of IGs, at more than 90 percent (19), consider themselves to have influenced EU FTP “to some extent”. Only two stakeholders believe that they “hardly” had an impact on the Commission’s policy towards Southeast Asia. Similarly, the overwhelming majority of export-oriented actors, at more than 90 percent (10), assess that they have influenced EU FTP “to some extent”. All agricultural (3) and all services (4) representatives consider themselves to have had some impact, and just one of the two trade unions and one business group have, according to their self-assessment, “hardly” influenced the Commission (figure 62). This is different from case study IV, where three groups, among them two export-oriented actors, believed that they have only “hardly” influenced EU FTP, and one actor even assessed their impact as “not at all”. IGs have thus become more optimistic about their impact on the Commission.

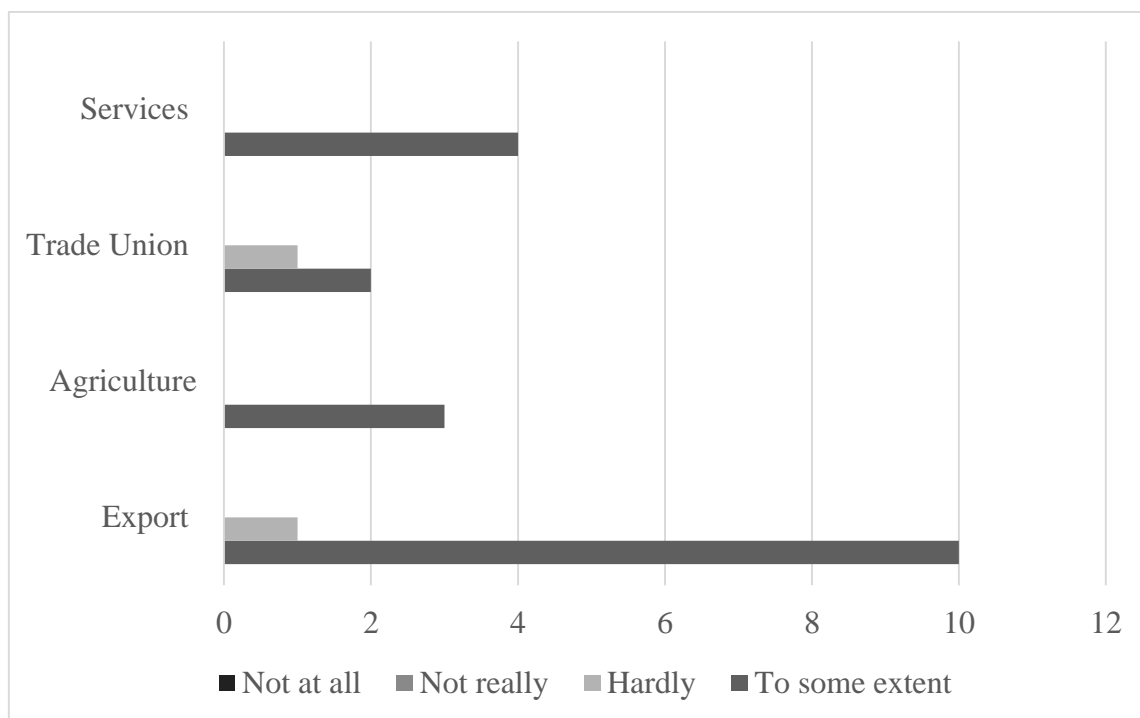


Figure 62: Interest groups' self-assessment of influence on EU-Singapore negotiations 2010-2012

Reference: Own illustration

Considering the indicators of IGs' influence on EU FTP towards Southeast Asia, the empirical analysis demonstrates intense lobbying activities by export-oriented actors. Business groups were the largest group lobbying the Commission through the CSD accounting for 52 percent (11) compared to other sectors. They were also the largest group consulting the Commission regularly on the EU-Singapore negotiations with a relative amount of 63 percent (7), followed by three active agricultural groups, four active services representatives, and two active trade unions. The overwhelming majority of export-oriented actors, at more than 90 percent (10 out of 11), assess that they have influenced the Commission's FTP "to some extent". Lobbying activities by business groups were clearly intensive, which confirms the hypothesis deduced from commercial liberalism. This model expected a bilateral FTP design if export-oriented actors' lobby engagement is intense.

Causal mechanism

As chapter 7.1.4 laid out, the EU has developed a network of formal and informal methods of maintaining contact with IGs, which include regular meetings, consultations, the

submission of position papers, and a regular exchange of information in the CSD. When negotiations with ASEAN, and later with Singapore, were launched, the Commission had frequent contact with IGs and regular consultations on their offensive and defensive interests. Stakeholders also contacted the Commission informally by postal mail or direct calls (Interview #29). Furthermore, in the CSD, the Commission gave IGs the opportunity to raise their concerns and interests about the EU's negotiations with Singapore (Interview #13). In addition, a public, online consultation, which the DG Trade carried out in 2007 when interregional trade talks started with ASEAN, fed into these negotiations with Singapore (Interview #7). Despite this dense network of contact between the Commission and IGs, there was not the same extent of lobbying regarding the EU-Singapore FTA as in other negotiations (Interview #7). There was no particular sector, not even business groups, which lobbied the Commission strongly (Interview #7).

None of the interviewees reported that IGs wanted to lobby for a change from interregional to bilateral negotiations. Just one Commission interviewee confirmed that IGs feared being left out the Southeast Asian region after some interregional negotiation rounds had not brought progress (Interview #13). Consistent with this statement is the result that the large majority of stakeholders, at 76 percent (16), appreciated the EU's launch of bilateral negotiations with Singapore (figure 63). The appreciation by export-oriented actors for the bilateral talks was overwhelming with 91 percent (10) appreciating the EU's new FTP towards Southeast Asia while just one export-oriented actor was indifferent to the negotiations. Other sectors also appreciated the bilateral talks. One trade union, 75 percent (3) of services representatives, and 67 percent (2) of agricultural groups approved of the negotiations (figure 64).

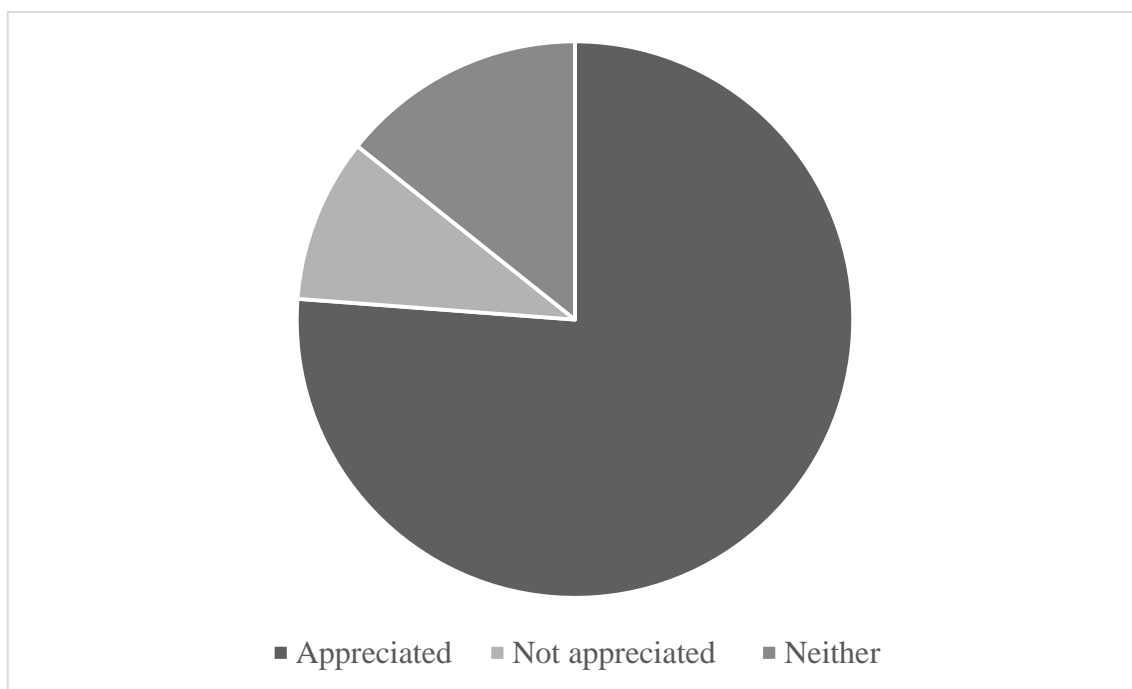


Figure 63: Interest groups' appreciation (sectors aggregated) of EU-Singapore negotiations 2010-2012

Reference: Own illustration

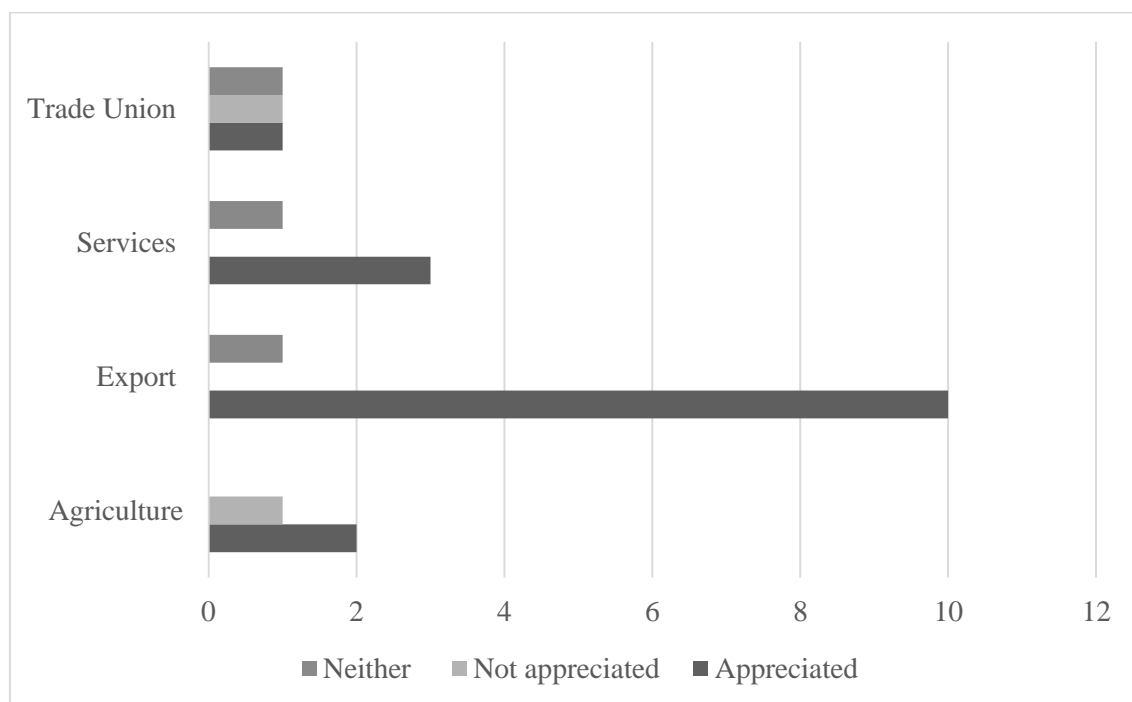


Figure 64: Interest groups' appreciation (sectors disaggregated) of EU-Singapore negotiations 2010-2012

Reference: Own illustration

Despite this support of the EU's bilateral negotiation design, a majority of stakeholders preferred either a multilateral design or were indifferent. Of these stakeholders, 48 percent (10) favored multilateral trade talks, and 38 percent (8) ticked the box "other" (i.e. negotiations that were not multilateral, interregional, bilateral, or plurilateral), or "neither", meaning that they were indifferent to the design (figure 65). This is also true for export-oriented actors, of whom 45 percent (5) targeted multilateral negotiations, and 36 percent (4) were neutral about the FTP's design (figure 66). The majority of trade unions, services, and agricultural groups also either favored multilateral talks or were indifferent to the venue.

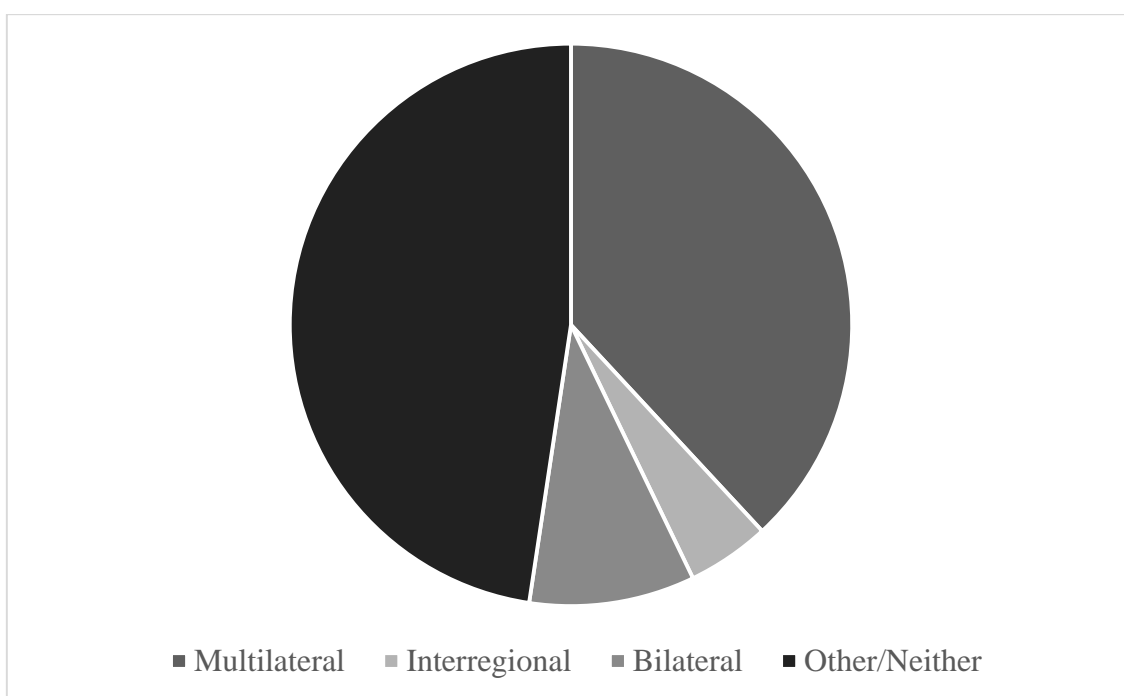


Figure 65: Interest groups' preferred venue (sectors aggregated) EU-Singapore negotiations 2010-2012

Reference: Own illustration

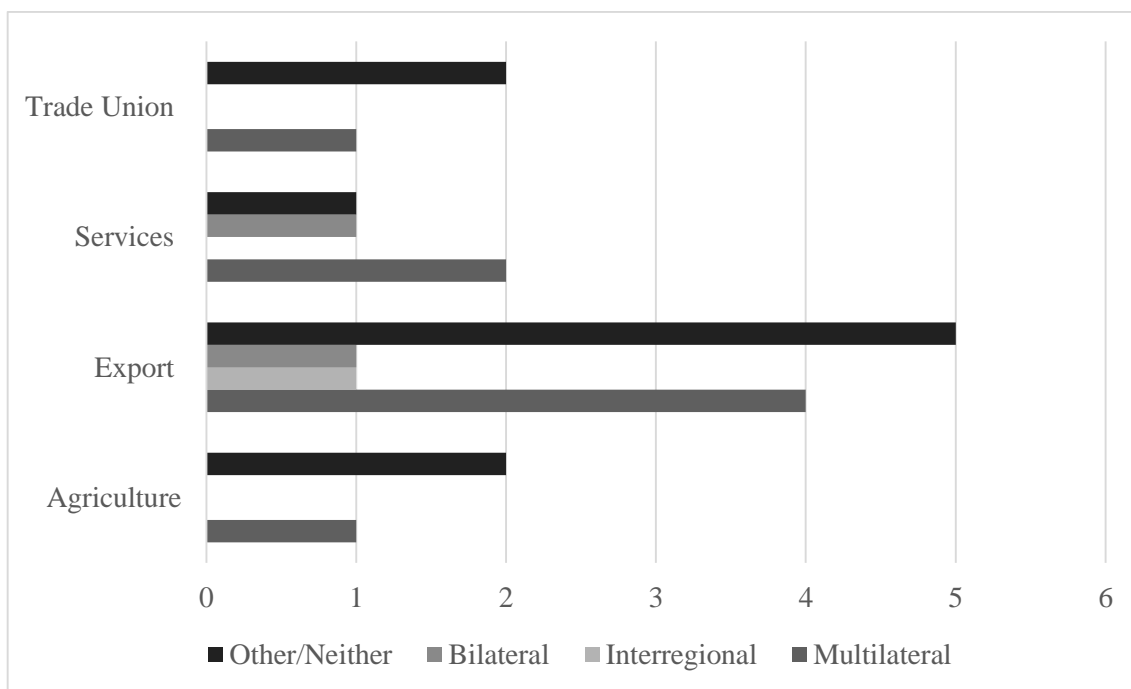


Figure 66: Interest groups' preferred venue (sectors disaggregated) EU-Singapore negotiations 2010-2012

Reference: Own illustration

As part of the Commission's contact with IGs, the DG Trade ran a public consultation on the EU's future trade policy in 2010, based on which a dataset of N=238 was created. In this consultation, IGs commented on what issues and what partners the EU should focus its economic relations, and on what venues it was best to discuss FTAs in the near future. The consultation comprised 75 export-oriented actors, 80 agricultural groups, 29 services representatives, six trade unions, 35 NGOs, and 13 foreign actors. To the question "Do our current FTA negotiations provide the right geographic and substantive focus for our bilateral trade relationships in the context of the Europe 2020 strategy?", only 15 percent (11) of export-oriented actors replied that the EU should focus on selected ASEAN member states, and only two business groups mentioned ASEAN as a whole. Among agricultural groups, the services sector and trade unions, the percentage mentioning selected ASEAN member states was even lower.

Chapter 7.1.4 demonstrated that IGs were not crucial to the EU in deciding about the negotiation mandate, but they entered the process only when the Commission asked for their input on specific questions about the substance of a possible. This also seems to apply to the EU-Singapore negotiations. None of the interviewees reported any influence of stakeholders on the EU's decisions to shift from an interregional to a bilateral venue in the case of Southeast

Asia. In fact, one interviewee mentioned that stakeholders sometimes assist in providing technical information (Interview #7). In other situations, the EU only explains to IGs why they chose a particular policy and not another, so that the debates in the CSD are mere “dialogues” (Interview #7). This reinforces the evaluation made in chapter 5, which led to the conclusion that IGs influence the substance of the agreement by lobbying for specific tariff lines or by demanding particular concessions. They do not, however, have a considerable impact on the EU’s design of trade negotiations.

Results

Reflecting on and summing up the empirical results, the congruence test was positive: export-oriented actors were the largest groups in the CSD lobbying the Commission most intensively (independent variable) compared to other sectors. As commercial liberalism expected, the EU conducted a bilateral FTP towards Southeast Asia (dependent variable). The empirical evidence confirms that the EU has a set of formal and informal procedures for listening to IGs, among them the CSD and public consultations. Although stakeholders appreciated the EU’s bilateral negotiations with Singapore, they preferred not bilateral but multilateral negotiation venues, or else they were neutral over the question of what venue to choose. The results also demonstrated that in the Commission’s public consultation only a small percentage mentioned selected ASEAN member states as partners the EU should focus on. None of the EU’s interviewees reported that IGs had an impact on its decision to switch from an interregional to a bilateral design. Rather, their statements confirm the evaluation made in chapters 6 and 7.1.4 that IGs are considered during the negotiation rounds, when the EU bargains the agreement’s substance and not the design of trade talks. These results disconfirm two pieces of evidence of the process-tracing test and thus disconfirms hypothesis 4 (IGs) (table 40).

Table 40: Empirical evidence on interest groups' influence in case study V

Causal mechanism	Empirical evidence	(Dis-)Confirmation
Number and frequency of consultation	Intense lobbying activities by export-oriented actors	
Formal or informal procedure to listen to interest groups	Formal and informal procedures by Commission	+
Voicing of a preferred design of FTP	Interest groups either indifferent or preferring multilateralism	-
Statements on the adoption of these positions	No particular adoption of interest groups' views	-
Interregional versus bilateral design	Bilateral EU FTP design	+-

Reference: Own illustration

Summing up the empirical results of case study V, the extra-regional set of independent variables (rival actors and the counterpart region's cohesion) influenced the FTP design as theoretically expected. The intra-regional set of independent variables (EU MS and IGs) was partly disconfirmed. The congruence test was fully positive for hypothesis 1 (rival actors) and hypothesis 2 (cohesion). The congruence test was negative for hypothesis 3 (EU MS), but it was positive for hypothesis 4 (IGs) (table 41). The process-tracing evidence, however, was disconfirming for the causal mechanism of hypothesis 4 (IGs). The empirical analysis thus provided confirmatory evidence for commercial realism, and disconfirming evidence for the liberal-institutional model and for commercial liberalism.

Table 41: Impact of independent variables at EU-Singapore negotiations 2010-2012

Independent variable	Congruence	Causal mechanism
Rival actors	Confirmed	Confirmed
Cohesion of counterpart region	Confirmed	Confirmed
EU member states	Disconfirmed	N/A
Interest groups	Confirmed	Partly disconfirmed

Reference: Own illustration

7.3 Results

The empirical analysis in chapter 7 tested two sets of independent variables against EU FTP towards Southeast Asia in two in-depth cases: the EU-ASEAN negotiations on an FTA (2007-2010) (case study IV), and the EU-Singapore negotiations on an FTA (2010-2012) (case study V). Analyzing these cases, the examination tested four hypotheses derived from three theoretical models: *commercial realism*, the principal-agent framework, and commercial liberalism. The extra-regional set of independent variables relies on *commercial realism*, and includes rival actors and the counterpart region's cohesion as explanatory factors. The intra-regional set of variables relies on a liberal-institutional model derived from the principal-agent framework and commercial liberalism. These include EU MS' preferences and IGs' lobbying pressure as explanatory factors. The empirical results of the EU's trade relations with Southeast Asia confirmed the impact of rival actors on the EU's design of FTP regarding issues in that a) they confirmed the impact of Southeast Asia's cohesion on the EU's design of FTP regarding negotiation venues; b) they disconfirmed the impact of EU MS' preferences on FTP design regarding issues; and c) they partly disconfirmed the impact of IGs on the EU's design of FTP regarding negotiation venues (figure 67).

Case studies IV and V confirmed the influence of rival actors' trade relations with Southeast Asia on the EU's design of FTP regarding negotiation issues (comprehensive versus selective). Hypothesis 1 (rival actors) expected a comprehensive design where rival actors have broad trade relations with the counterpart region. In both case studies, the design of issues was comprehensive, which coincided with rival actors' broad trade relations both with ASEAN as

a group and also with ASEAN's member states. Rival actors were the U.S., Japan, and China, and all three were broadly engaged in trade relations with Southeast Asia. The empirical evidence fully confirmed the congruence between rival actors as an independent variable and a comprehensive design as the dependent variable. Further, the empirical evidence fully confirmed the expected causal mechanism of hypothesis 1 (rival actors), while the process-tracing tests in case studies IV and V passed both a hoop test⁴⁸ and a smoking gun test⁴⁹. Combining these two tests, the empirical evidence is necessary (in case of the hoop test) and sufficient (in case of the smoking gun test) for causal inference. Passing the hoop test and the smoking gun test means that the provided empirical evidence strongly confirms hypothesis 1 (rival actors) and substantially weakens the competing hypothesis 3 of EU MS.

⁴⁸ Hoop tests establish necessary criteria for an explanation, relying on the logic of necessary conditions. This means that passing a hoop test does not necessarily affirm a hypothesis, but failing a hoop test practically eliminates the hypothesis (Collier 2011).

⁴⁹ Smoking gun tests establish sufficient but not necessary criteria for an explanation, relying on the logic of sufficient conditions. Passing a smoking gun test thus strongly confirms a hypothesis, but failing a smoking gun test does not reject a hypothesis (Collier 2011).

Independent variable	Congruence	Causal mechanism
CASE STUDY IV		
Rival actors	Confirmed	Confirmed
Cohesion of counterpart region	Partly confirmed	Confirmed
EU member states	Disconfirmed	N/A
Interest groups	Disconfirmed	Disconfirmed
CASE STUDY V		
Rival actors	Confirmed	Confirmed
Cohesion of counterpart region	Confirmed	Confirmed
EU member states	Disconfirmed	N/A
Interest groups	Confirmed	Partly disconfirmed

Figure 67: Empirical results EU's foreign trade policy towards Southeast Asia 2007-2012

Reference: Own illustration

Case studies IV and V also found strong confirming evidence for the impact of Southeast Asia's cohesion on the EU's design of FTP regarding negotiation venues (interregional versus bilateral). The outcome of the independent variable (i.e. cohesion) varied congruently to the outcome of the dependent variable from (perceived) high cohesion to low cohesion, in accordance to the EU's shift from interregional to bilateral negotiations. When Southeast Asia was (perceived as) cohesive, the EU employed an interregional FTP design (case study IV); and when Southeast Asia was non-cohesive, the EU employed a bilateral design of FTP (case study V). The empirical evidence also confirmed the expected process tracing evidence: the EU observed features of Southeast Asia; it judged what design is most appropriate for negotiations based on these observations, and the EU believed that this chosen design would lead to a successful and effective conclusion of trade talks. These results confirm the causal mechanism of hypothesis 2 (cohesion) in case studies IV and V, and, in both cases, the results passed both a straw-in-the-wind test and a hoop test. These tests rely on the necessary empirical evidence

for causal inference, which means that passing the tests confirms the relevance of hypothesis 2 (cohesion). Confirming hypothesis 2 of cohesion using a straw-in-the-wind test⁵⁰ and a hoop test also implies that these results weaken the competing hypothesis 4 of IGs.

The empirical analysis controlled this extra-regional set of independent variables for an intra-regional set of independent variables. This intra-regional set included EU MS' preferences and IGs. Hypothesis 3 (EU MS) expected a comprehensive design of issues in cases where EU MS have heterogeneous preferences. The empirical results show that there was no congruence between EU MS' preferences and the EU FTP regarding negotiation issues. In case studies IV and V, the EU chose a comprehensive design of issues, while EU MS had homogeneous preferences. Given that the empirical results failed the congruence test, it was not necessary to search for further process-tracing evidence. The liberal-institutional model derived from the principal-agent framework is thus not able to explain the EU's comprehensive FTP design towards Southeast Asia.

The second independent variable of the intra-regional set was the pressure exerted by IGs on the Commission. Hypothesis 4 (IGs), derived from commercial liberalism, expected a bilateral FTP design in cases where export-oriented actors lobby the Commission intensively. The congruence test had different outcomes for case studies IV and V since in case study IV the congruence test was negative, and in case study V the congruence test was positive. When the EU followed an interregional design of FTP, export-oriented actors' lobbying efforts were high, which does not concur with the expected link between the independent and the dependent variable. When the EU followed a bilateral design of FTP, export-oriented actors' lobbying efforts were also high, which in case V complies with the expected link between the independent and the dependent variable. The empirical results, however, disconfirmed the expected process-tracing pieces of evidence in case studies IV and V. In case study IV, where the congruence test was negative, it also failed both a hoop test and a smoking gun test. Although the Commission had procedures for listening to IGs, these did not lobby for a particular venue, and nor did the Commission adopt their views in that regard. In case study V, where the congruence test was positive, the same is true. That is, the results failed both a hoop test and a smoking gun test according to the same pattern. Given that IGs' influence on EU FTP

⁵⁰ Straw-in-the-wind tests are the weakest kind of process-tracing tests. Passing a straw-in-the-wind test increases the plausibility of a hypothesis, while failing raises doubts about that hypothesis (Collier 2011).

failed a hoop test, which relies on necessary evidence for causal inference, these results practically eliminate hypothesis 4 (IGs), and strengthen the competing hypothesis 2 of the counterpart region's cohesion. Therefore, the empirical results disconfirm hypothesis 4 (IGs) (figure 68).

Independent variable	Process tracing test
CASE STUDY IV	
Rival actors	Hoop test and smoking gun test passed
Cohesion of counterpart region	Straw in the wind and hoop test passed
EU member states	Congruence negative
Interest groups	Congruence negative
CASE STUDY V	
Rival actors	Hoop test and smoking gun test passed
Cohesion of counterpart region	Straw in the wind and hoop test passed
EU member states	Congruence negative
Interest groups	Hoop test and smoking gun test failed

Figure 68: Process-tracing tests on EU's foreign trade policy towards Southeast Asia 2007-2012

Reference: Own illustration

In triangulating rigorous process-tracing, congruence testing, and hypothesis testing, this last section of chapter 7.4 checks the empirical results of case studies IV and V for explanatory factors that were controlled for. As chapter 3 outlined, the aim of the research design was to control *commercial realism* for EU-internal factors (i.e. EU MS and IGs). Figure 69 sums up the empirical results of the independent variables in case studies IV and V, where high and low refer to the outcomes of the following explanatory factors: high for broad trade relations of rival actors, high for a high degree of cohesion of the counterpart region, high for

heterogeneity of EU MS' preferences, and high for intensive lobbying efforts from export-oriented actors. Low consequently refers to the reverse outcome of each independent variable: low for limited trade relations of rival actors, low for a low degree of cohesion of the counterpart region, low for homogeneity of EU MS' preferences, and low for less intensive lobbying efforts from export-oriented actors.

	Rival actors	Cohesion	EU member states	Interest groups
CASE STUDY IV	High	High	Low	High
CASE STUDY V	High	Low	Low	High

Figure 69: Hypothesis testing on EU's foreign trade policy towards Southeast Asia 2007-2012

Reference: Own illustration

Reflecting on the outcomes of the independent variables in case studies IV and V in figure 69, the empirical analysis was able to hold IGs as constant. Export-oriented actors' lobbying efforts on the Commission were consistently strong over the course of the EU's economic relations with Southeast Asia. Lobbying efforts were strong when the EU launched the interregional negotiations with ASEAN, and they were also strong when the EU switched to bilateral negotiations with Singapore. Given that there was variation on the dependent variable (an interregional versus a bilateral FTP design) but no variation on the independent variable (export-oriented actors' lobby efforts), IGs are unable to explain the EU's shift of design regarding negotiation venues. The competing independent variable for IGs was the counterpart region's cohesion. Southeast Asia's cohesion did, in fact, vary over time from high to low. This variation was congruent to the variation of the outcome of the dependent variable's (shift from an interregional to a bilateral design). The combining of the results based on hypothesis testing, congruence testing, and process-tracing tests substantially weakens hypothesis 4 of IGs and strongly confirms hypothesis 2 of the counterpart region's cohesion.

Explaining the EU's FTP design regarding negotiation issues, chapter 3 derived two competing hypotheses from *commercial realism* and from the principal-agent framework.

These were rival actors' trade relations and EU MS' preferences. In case studies IV and V, the outcome of the dependent variable was consistently a comprehensive design of negotiation issues. This is why the theoretical models also expect consistent outcomes of the independent variables. In both case studies IV and V, the outcomes of both independent variables were indeed consistent: rival actors had broad trade relations, and EU MS' had homogeneous preferences. However, as the section above explained, hypothesis 3 (EU MS) would have expected heterogeneous preferences where the EU applies a comprehensive design of negotiation issues. In case studies IV and V, hypothesis 3 (EU MS) therefore failed the congruence test, and is thus disconfirmed. In contrast to EU MS, the analysis was able to find congruent empirical results on rival actors and their influence on the EU FTP design regarding negotiation issues, and it was able to find strong confirmatory process-tracing evidence. Because hypothesis 3 (EU MS) failed the congruence test, these results substantially strengthen hypothesis 1 of rival actors.

Controlling *commercial realism* for both a liberal-institutional model derived from the principal-agent framework and also for commercial liberalism, the empirical results provide substantial confirming evidence for hypothesis 1 (rival actors) and hypothesis 2 (counterpart region cohesion) as derived from realist theorizing. Hypothesis 3 of EU MS, derived from the liberal-institutional model, failed the congruence test in case studies IV and V. Hypothesis 4 of IGs, derived from commercial liberalism, failed both the congruence test in case study IV and the process-tracing test in case study V. Furthermore, hypothesis 4 (IGs) failed the hypothesis test because the independent variable's outcome remained constant where the dependent variable's outcome varied. These empirical results substantially weaken or even eliminate the impact of IGs or EU MS on the EU FTP's design towards Southeast Asia between 2007 and 2012.

8 Conclusion

This thesis has set out to explain why the EU has increasingly made use of bilateral trade relations, and how, in doing so, deviated from its commitment to interregionalism and multilateralism. A normative commitment to support regional integration beyond Europe and to support multilateral institutions can in itself not explain this variation between bilateral, interregional, and multilateral trade designs. The EU's use of bilateralism as opposed to interregionalism is particularly puzzling in cases where effective regional organizations already exist. Two of these cases are MERCOSUR and ASEAN, with which the EU started to negotiate interregional agreements, and then respectively switched to bilateral relations with Brazil and Singapore. This switch is remarkable because of (a) the EU's long-lasting relationship with these regional organizations, (b) the EU's financial and technical support for their regional integration, and because of (c) the immense transaction costs of adding yet another bilateral layer to the already complex interregional and multilateral trade relations with these partners. In trying to explain this switch, the diffusion approach usually employed by scholarship to analyze the EU's interregionalism (e.g. Börzel and Risse 2009), which argues that this approach is part of capacity-building of regional organizations, is obviously limited. In the face of these limitations, this thesis has explored material factors for explaining the EU's use of bilateralism. Scrutinizing International Relations theories, it has developed and tested *commercial realism*, rooted as it is in realist theorizing, as an alternative to the principal-agent framework and commercial liberalism for explaining EU foreign trade policy-making. Reinforcing the validity of *commercial realism*, the results have shown that factors rooted in the international system rather than inner-institutional characteristics have shaped the EU's external economic policy, thereby calling into question the dominance of liberal explanations on EU foreign policy (Jørgensen 2015: 24 f.).

By scrutinizing International Relations theories and developing *commercial realism*, this thesis's theoretical framework is in the tradition of Edward H. Carr (1939), Albert O. Hirschmann (1969), Robert Gilpin (1981; 1987) and Rawi Abdelal (2001). *Commercial realism* shares with their work on foreign economic policy two fundamental characteristics. Firstly, power is multi-faceted and one crucial feature of it is economics. Therefore, economics is more than just commerce but economics and politics intertwine. Secondly, the common interests of state-like entities regarding foreign economic policy are more than the pure aggregation of domestic preferences (e.g. Abdelal 2001: 39). 'Economic nationalism' as this perspective was

coined by Gilpin (1987) and further developed by Abdelal (2001) assumes that foreign economic policy is run by state-like entities in the service of common (i.e. national) purposes (Abdelal 2001: 33). *Commercial realism* is in the tradition of this perspective as it assumes the EU as a unitary actor with a common interest in exercising FTP.

Being in the tradition of the work of Carr (1939), Gilpin (1981) and Hirschmann (1969), the major contribution of *commercial realism* lies in the reformulation of such a realist perspective on external economic relations into positive explanations and falsifiable hypotheses tested on EU FTP. *Commercial realism* is parsimonious, coherent, accurate and specific about multi-casual consistency, and as such it provides the necessary analytical rigor to be a theoretical alternative to the liberal school. Applying this new theoretical model to EU foreign policy, this thesis contributes to International Relations and European affairs alike. Knud E. Jørgensen (2015: 24 f.) has recently identified three major shortcomings in the literature on EU foreign policy: the rarity of theory-informed and methodologically rigorous studies (this is admittedly less the case on EU FTP); the overrepresentation of liberal theorizing focusing on the EU's subsystem, and the lack of knowledge on how the international system shapes EU foreign policy. In filling these gaps in research, this thesis has provided a theoretically informed, methodologically sophisticated study on EU FTP. This study, by developing *commercial realism*, has demonstrated both theoretically and empirically the importance of the international system and external factors in shaping EU foreign policy.

In summing up the results of this thesis's analysis, chapter 8.1 systematically compares the findings of the primary case studies on South America and Southeast Asia to those of the secondary case studies on Latin America, Southern Africa, and the Gulf region. Based on this comparison, chapter 8.2 sets out the scope conditions of realist theorizing (i.e. *commercial realism*) for explaining EU FTP by bringing to light its analytical leverage and its limitations. Avenues for further research are laid out thereafter. Chapter 8.3 discusses the impact of different trade decisions (bilateralism versus interregionalism) on the agreements' outcomes. Finally, the chapter reflects on what the empirical findings tell us about Europe as an international powerhouse, returning to the initial question of what kind of power – normative, civilian, ethical, or market-oriented – the EU is. The thesis concludes by raising insights into how the EU acts as a trade power.

“[C]hanges in the way the world economy works imply a different way of designing trade policy” (Commission 2015: 7)

8.1 Comparison of case studies

Comparing the outcomes of primary (chapters 6 and 7) and secondary cases (chapter 5) descriptively, the EU FTP fills each field of the two-by-two matrix configuration in two dimensions: negotiation venues (bilateralism versus interregionalism) and negotiation issues (selective versus comprehensive) (figure 70). Shifts were made by the EU from comprehensive interregionalism to comprehensive and selective bilateralism, and from comprehensive bilateralism to comprehensive interregionalism. Changing from interregionalism to bilateralism, the EU started interregional negotiations with MERCOSUR, ASEAN, and with CAN, and shortly afterwards switched to bilateralism with Brazil, Singapore, and Colombia, Ecuador, and Peru. While in the cases of Singapore, Colombia, Ecuador and Peru, the EU maintained a comprehensive design, in the case of Brazil it complemented the change by switching to a selective design. The EU also shifted in reverse, from bilateralism to interregionalism, in the case of Southern Africa when it first negotiated a TDCA with South Africa and afterwards engaged in EPA talks with the whole SADC group. The only regional body with which the EU carried out no change in FTP designs is the GCC. With that organization, the Commission maintained selective interregionalism despite the particular difficulty of these negotiations.

	Comprehensive	Selective
Interregionalism	EU-MERCOSUR I EU-MERCOSUR II EU-ASEAN EU-CAN EU-SADC	EU-GCC
Bilateralism	EU-Singapore EU-Colombia-(Ecuador)- Peru EU-South Africa	EU-Brazil

Figure 70: Descriptive results of the dependent variable in primary and secondary cases

Reference: Own illustration

Analytically, *commercial realism* has explanatory power in the primary cases (EU-South America and EU-Southeast Asia) and in the EU-Latin America relations (EU-CAN and EU-Colombia-Ecuador-Peru negotiations) as one of the secondary cases (figure 71). Responding to extra-regional factors, this demonstrates that independent variables external to the EU (rooted in the international system) have a profound impact on EU foreign trade policy-making. In all three cases, the EU shifted from interregionalism to bilateralism, and it kept a comprehensive format in its trade talks with Singapore as well as Colombia, (Ecuador), and Peru, but switched to a selective design with Brazil. The switch to bilateralism was a result of the EU's need to secure its economic and regulatory power in these regions, and of the increasing heterogeneity among the members of the European's counterpart regions. Competition with rival actors and cohesion of the counterpart region explains the EU's design of FTP in these cases. The same explanation does not hold, however, in the EU's FTA negotiations with the GCC, which is a deviant case. Although rival actors had broad trade

relations with the GCC and despite the region's lack of cohesion, the EU maintained selective interregionalism.

As figure 71 illustrates, rival actors (i.e. China, Japan, and the U.S.) had broad trade relations with the Gulf region, Southeast Asia, and Latin and South America in the first and second phase of the EU-MERCOSUR negotiations. The expected impact of their broad trade relations on the EU FTP in the form of a comprehensive design was confirmed by the results in all cases except that of the GCC. Detailed process-tracing evidence confirmed the influence of rival actors on EU FTP in the primary cases: the EU has developed a dense network and the tools to observe rival actors and monitor their activities in their relations with counterpart regions; interviewees pointed out negative externalities of those relations and there was competition with the U.S. and China for economic relations with South America and Southeast Asia. Over time, the EU has become increasingly professional in observing rival actors because it now collaborates with its delegations in these regions and with the EEAS. These institutions consequently add staff to the EU's resources. The quality of such competition differs between rival actors. With the U.S., this competition is more encompassing because the EU competes for having privileged economic relations, for showing presence in third regions, and for setting regulatory standards. With China, the competition is less encompassing because it focuses on privileged economic relations in the form of investments, trade in goods, and raw materials.

The primary cases of South America and Southeast Asia and the secondary case of Latin America demonstrate the impact of counterpart region's features on the EU's trade decisions. In these cases, cohesion among the regions' members coincided with the EU's change between bilateralism and interregionalism. As long as South America, Southeast Asia, and Latin America seemed to be cohesive, the EU employed an interregional design, and, as soon as it became aware of increasing heterogeneity within these regions, it shifted to a bilateral design. Detailed empirical evidence on the causal mechanism supported this expected congruence: the EU observed features of the counterpart region by using the Commission's staff and its country desks, the EEAS, and the delegations in these regions. Based on these observations, the EU judged what design (bilateralism or interregionalism) would be more appropriate for the particular region, and it expected a successful agreement after using the chosen format.

Case	Rival actors	Cohesion	EU MS	IGs	Outcome
Primary cases					
MERCOSUR I	High	High	High	High	Interregional comprehensive
Brazil	Low	Low	Low	High	Bilateral selective
MERCOSUR II	High	High	High	High	Interregional comprehensive
ASEAN	High	High	Low	High	Interregional comprehensive
Singapore	High	Low	Low	High	Bilateral comprehensive
Secondary Cases					
CAN	High	(High)	N/A	N/A	Interregional comprehensive
Colombia and Peru	High	Low	N/A	N/A	Bilateral comprehensive
South Africa	N/A	N/A	High	N/A	Bilateral comprehensive
GCC	High	Low	Low	Low	Interregional selective

Grey fields: Congruence testing and process-tracing testing positive

Grey diagonal stripe fields: Congruence testing positive but process-tracing test negative

White fields: Congruence testing negative

N/A fields: No information on the outcome of the independent variable available

Figure 71: Analytical results of primary and secondary cases

Reference: Own illustration

How weakening cohesion and the causal mechanism played out in South America was slightly different to the situation in Southeast Asia. With South America, the EU employed comprehensive interregionalism under the impression that MERCOSUR was geopolitically crucial to Brazil. That is, it knew that without the regional organization, the EU would not be able to reach a deal with Brazil. Once the EU had become increasingly more dissatisfied with MERCOSUR's performance because of the region's growing fragmentation, it chose the bilateral SP with Brazil as an alternative forum to that of interregionalism. With Southeast Asia, the EU initially believed that interregionalism would lower transaction costs and lead to a successful agreement. Only during the ongoing negotiations, did it become aware of ASEAN's actual heterogeneity on issues that were crucial to the EU: services and non-tariff trade barriers. To avoid leading the process towards lowest common denominator agreements regarding negotiation issues, the EU sacrificed interregionalism and changed to bilateralism, starting with Singapore. In the case of EU-Southeast Asia relations, the logic behind the shift from interregionalism to bilateralism seemed to be the same as that of the trade talks with CAN. After a process of observing Latin America, the EU expected interregionalism to be successful. It learned during the negotiations that not all CAN member states were prepared for a comprehensive agreement, so it prioritized a comprehensive deal over interregionalism.

Commercial realism was tested against EU-internal factors (EU MS and IGs) for explanatory power on EU FTP. A liberal-institutional model derived from the principal-agent framework supposed struggles for institutional power between the Commission and EU MS, and therefore it expected a comprehensive design where EU MS express heterogeneous preferences. A congruence test disconfirmed this theoretical expectation in the Southeast Asian case. Here, EU MS had homogeneous preferences and aligned with the Commission in launching comprehensive negotiations. In the cases of the EU-MERCOSUR, the EU-South Africa TDCA, and the GCC FTA negotiations, however, empirical results confirm the congruence. However, none of these congruencies was supported by process-tracing evidence. In the EU-MERCOSUR and EU-South Africa negotiations, there was no indication that the Commission could push through its comprehensive draft mandate owing to the Council's impossibility of reaching a consensus, due to heterogeneous preferences. Instead, the Commission and the Council together tried to find a consensual mandate based on long discussions and collaboration. This collaboration also occurred in the EU-GCC FTA negotiations, in which the Council and the Commission aligned themselves in the wish for a selective design. Although this does not rule out an impact of EU MS on FTP, it sheds doubt

on the assumed institutional struggles between the Commission and the Council in the phase of designing the negotiation directives.

Having tested *commercial realism* against EU-internal factors, the influence of IGs on European FTP was derived from commercial liberalism. Commercial liberalism expected that export-oriented actors would align with the Commission on a preference for comprehensive agreements, but would prefer bilateralism to interregionalism. Therefore, the model foresaw high lobbying pressure from export-oriented IGs leading to a bilateral FTP design, while low lobbying pressures would result in an interregional design. Unfortunately, there is a paucity of information on the EU-Latin America and the EU-South Africa relations as secondary cases. Congruence was found in the case of the EU-Brazil SP, in the case of the EU-Singapore FTA negotiations, and in the EU-GCC trade talks as one of the secondary cases. In the EU-Brazil SP and the EU-Singapore FTA, export-oriented actors lobbied the Commission intensively, and congruently the EU employed bilateral designs. In the EU-GCC FTA negotiations, there was low lobby pressure by business groups, and the Commission indeed employed an interregional design. However, this congruence was not confirmed by process-tracing evidence. In the primary cases, where original data on IGs was collected, export-oriented actors reportedly lobbied the Commission, but they did not communicate bilateralism or interregionalism as a preferred negotiation venue, and neither did the Commission adopt the IGs' positions on FTP. Secondary literature on the EU-GCC negotiations as a secondary case confirmed this observation. Further to the disconfirming process-tracing evidence, IGs' lobbying pressure lacks an explanation for the EU's change between bilateralism and interregionalism. Lobbying activities of export-oriented actors were consistently high in the EU-South America and the EU-Southeast Asia relations, which cannot explain the variation of negotiation venues.

8.2 Limitations of *commercial realism* and avenues for further research

Relying on a combination of primary cases and an overview of secondary cases, data and methods triangulation, and a combination of research strategies including rigorous process-tracing, this thesis has tested *commercial realism* against both the principal-agent framework and also commercial liberalism as explanatory models for EU FTP. Having maximized the research design's external and internal validity, the thesis has shown that realist theorizing (i.e. *commercial realism*) has analytical leverage in explaining EU foreign trade policy-making. In its FTP towards South America and Southeast Asia, the EU's turn to bilateralism can best be

explained by its motivation for securing economic and regulatory power in these regions, as well as the regions' varying degrees of cohesion. This explanation was supported by the EU's change from interregionalism to bilateralism in its relations with CAN in Latin America as a secondary case. *Commercial realism's* leverage in these cases shows that realist theorizing on EU foreign (trade) policy and on international trade makes sense, and should be acknowledged as an alternative explanation to that offered by the principal-agent framework and commercial liberalism.

Having successfully tested *commercial realism*, the analysis's results reveal two dynamics of the EU's trade relations with third regions. Firstly, the empirical results demonstrate that the EU had good material reasons to further interregionalism where it appeared appropriate, and that the EU sacrificed interregionalism where it was in tension with economic interests. This tension became most obvious in the cases of Southeast Asia (chapter 7) and Latin America (chapter 5), when the EU explicitly prioritized a comprehensive agreement over an interregional agreement, and thus shifted to bilateralism. Secondly, the EU is much more reactive to the international system than scholarship on EU FTP (see chapter 2) has implicitly assumed. The majority of scholars examining European foreign trade policy-making has focused on EU MS and IGs as explanatory factors internal to the EU (Poletti and de Bièvre 2013). This has led to a lack of knowledge on how factors external to the EU (rooted in the international system) influence trade decisions. The thesis shows how important these factors are, and that political science scholarship has to catch up with these developments by examining how "changes in the way the world economy works imply a different way of designing trade policy" (Commission 2015: 7).

Next to revealing these two dynamics, the thesis has provided process-tracing evidence on how the EU incorporates these external factors in its trade decisions. First, in considering rival actors, the Commission's staff actually observes, monitors and runs scenarios on American, Chinese and Japanese activities in third regions. The most interesting outcome on these exercises is that it is not IGs or EU MS which ask for such input but the responsible actor is the Commission. Interviewees very clearly indicated competition with these rival actors and negative externalities of their activities which are crucial for EU trade decisions. Second, in considering features of the counterpart regions, the EU has become increasingly professional in observing and monitoring their economic integration. By now, the Commission's DG Trade and Agriculture, including different desks and units, the EEAS and the EU delegations all gather information on these regions. In the case of MERCOSUR, for example, the EU delegation did

‘fieldwork’ (see chapter 6.3.2) to understand its internal dynamics. The EU institutions exchange this information and it feeds into trade decisions in a decisive way. Chapters 6 and 7 showed that, based on this information, the Commission made decisions about whether to launch interregional or bilateral negotiations and whether these formats could lead to a commercially beneficial agreement. These decisions were taken on a case-by-case basis which very clearly demonstrates that interregionalism, for the EU, is no fixed preference.

The important role of factors external to the EU reinforces the added value of *commercial realism* as a theoretical alternative to the principal-agent approach and commercial liberalism. By restricting the analyses on EU trade policy to inner-institutional independent variables (EU MS and IGs), these latter two perspectives have been blind to the impact of international aspects and thus, to a certain extent, overemphasized EU characteristics. In other words, the principal-agent approach and commercial liberalism would have not revealed the indeed very influential role of rival actors and of the counterpart region as well as the activities regarding observing and monitoring by simply not taking these factors into account. The overstatement of the impact of the EU and its characteristics becomes obvious with the literature’s treatment of interregionalism. This literature is closely related to the EU’s normative agenda arguing that through this agenda the EU promotes values such as regional integration (Söderbaum 2015: 174). By taking into account the counterpart region’s cohesion, however, this thesis has shown that interregionalism in the EU’s trade policy is not a normative agenda and that regional integration within ASEAN and MERCOSUR have had an impact on EU foreign policy decisions rather than the other way round. *Commercial realism* therefore reduces the bias in the literature on EU trade policy toward the impact of inner-institutional features.

Despite having demonstrated the validity of *commercial realism* in explaining the design of EU FTP, there are obviously limitations to realist theorizing on foreign trade policy-making. Chapter 8.2 aims to point out three of these limitations: the restriction to the negotiation mandate, the ambiguous relationship between the EU and rival actors, and the complexity of EU institutions and their individual interests.

Firstly, at a level of analysis, this thesis was restricted to the EU’s negotiation mandate, and did not investigate the bargaining rounds or the ratification of agreements. The results revealed the analytical leverage of *commercial realism* in the EU’s design of negotiation directives, while also indicating that EU MS and IGs become much more relevant during the bargaining rounds and in the substance of international agreements. The examination hints at a close collaboration between the Commission, as negotiator, and EU MS and IGs during the

negotiation rounds. With EU MS, the Commission intends to find a consensus before going into each bargaining round, and conducts trade talks in neat cooperation with the Council's TPC and its technical working groups. With IGs, the Commission communicates formally and informally, and requests expertise regarding negotiation issues. IGs' positions on negotiation issues, volumes of liberalization, and tariff lines feed neatly into the EU's position during bargaining rounds. While factors external to the EU have leverage in explaining the negotiation mandate's design, factors internal to the EU seem to have leverage in explaining bargaining rounds and the substance of eventual agreements.

Secondly, *commercial realism* accurately expected competition between the EU and rival actors (China, Japan, and, more specifically, the U.S.). The complementary causal mechanism supposed negative externalities on EU FTP of these actors' trade relations with third regions, which empirical results did indeed find. The empirical analysis, however, also found positive externalities, where simultaneous or subsequent negotiations on the parts of both the EU and rival actors with the counterpart region were not zero-sum-games but positive-sum-games. Empirically, this depended on the negotiation issue in that the negotiation of IPR and rules of origin were zero-sum-games while concession in the negotiation of tariff lines, for instance, was a positive-sum-game. These positive externalities cannot be explained in a straightforward way by *commercial realism*, indicating that there are two simultaneous logics within international negotiations: zero-sum-games and positive-sum-games. Such ambiguity in the relationship between the EU and rival actors therefore requires further research.

Thirdly, *commercial realism* validly assumed the EU to be a unitary actor in international trade negotiations, represented by the Commission as negotiator. This assumption was reinforced by the empirical results, and the Commission was indeed in charge of defining the mandate and conducting the negotiation rounds with third partners. Regarding the EU's preferences for a particular design of trade policy, for bilateralism or interregionalism in particular, the empirical analysis found no clear, unitary position. Rather, within the EU, each institution (and sometimes even within each EU institution, each actor) had an individual agenda regarding interregionalism. Very few interviewees identified interregionalism as a clear cut, normative choice for the EU. Interviewees indicated diverse EU preferences, and gave different motives for these preferences. The DG Trade was found to be very pragmatic about interregionalism, most interviewees from that directorate pointing out that the negotiation venue must respond to features of the counterpart region. Interviewees from the EEAS and the delegations varied more in indicating the EU's position on interregionalism, and in general they

pointed out diverse activities, agendas, and priorities of their institutions. This complexity of different agendas within the EU is a blind spot for *commercial realism*, and begs for further research by scholarship.

Having identified these limitations of the theoretical model rooted in realism, one secondary case clearly deviates from *commercial realism* neither complying with the liberal-institutional model nor with commercial liberalism: the EU-GCC FTA negotiations. Although rival actors engaged in broad trade relations with the Gulf region, and despite the GCC being evidently non-cohesive, the EU has employed selective interregionalism, which is the exact opposite outcome to what *commercial realism* would expect. A study on the EU-GCC FTA negotiations conducted by Antkiewicz and Momani (2009), however, also concludes that EU MS and IGs cannot explain European interest in these talks and their design. Secondary literature on this case (Antkiewicz and Momani 2009; Colombo and Committieri 2013; Echagüe 2007; Momani 2009) indicates that political interests (i.e. human rights and traditional security issues) are crucial in the EU's relations with the GCC. This focus on political interests, contrary to the EU's focus on economic interests in the primary cases and the other secondary cases, might explain the adverse outcome of selective interregionalism. A more detailed examination of this case would be extremely interesting to scholarship on interregionalism and EU foreign policy.

One empirical result, which is particularly puzzling to liberal theorists on international trade, is the IGs' preference for multilateralism as opposed to bilateralism or interregionalism. In light of the Doha Round's failure and the WTO's low performance on liberalizing trade, this preference is surprising. There seems to be a mismatch between assumptions made by scholarship on IGs in connection to trade decisions (Aggarwal and Fogarty 2004; Davis 2009) and the groups' actual preferences. One reason for the IGs' preference for multilateralism might be the anticipated degree of uncertainty. The degree of uncertainty anticipated by IGs is lower in the case of a multilateral agreement settled within the WTO because of the WTO's dispute settlement mechanism, which increases the likelihood of enforcement. The degree of uncertainty anticipated by IGs is higher in cases of bilateral or interregional agreements outside the WTO because there is no pre-existent formalized dispute settlement mechanism to which IGs could turn in case of non-implementation. A more detailed analysis of why and the extent to which IGs have a preference for multilateralism is required by political science scholarship.

In addition to these limitations, on which further research would be beneficial to the political science community, chapter 8.2 concludes with an avenue for research departing from

the thesis's results. This thesis has set out to explain EU FTP with a competing theory test, pitting extra-regional and intra-regional off against each other. A straightforward way ahead would be to change the research design in favor of a complementary set of theories, and to analyze how rival actors, the counterpart region, EU MS, and IGs operate together in explaining trade decisions. Having identified rival actors and the counterpart region as explanatory factors for the negotiation mandate, and having indicated EU MS and IGs as relevant actors in the bargaining rounds, a research design with three analytical steps is recommendable. This would distinguish between (a) the phase for designing the negotiation directives, (b) the bargaining rounds phase, and (c) the ratification of the agreement and its content. To enhance the external validity of such a design, the universe of cases could be extended to actors beyond the EU, e.g. the U.S. or Japan, and to issues beyond trade, e.g. energy.

8.3 Reflection on the EU as an international powerhouse

Designing trade policy is not trivial, and it can seriously affect the international system of trade. Before reflecting on the EU as a powerhouse in the final paragraph, chapter 8.3 elaborates three effects the EU's use of bilateralism may have on the global economy: the undermining of confidence in the WTO; adverse effects on regional integration beyond Europe, and the negotiation of asymmetric agreements in favor of the EU. The first effect refers to how, having pushed for bilateral or mega-regional trade negotiations outside the Doha Round, the EU along with other powerful actors (China, Japan, and the U.S.) has implicitly contributed to undermining the WTO (Aggarwal and Evenett 2013). By 2015, 413 trade agreements outside of the WTO had been in force (WTO Secretariat 2015). These bilateral, regional, and interregional agreements, conducted in parallel with the WTO, vary considerably in scope and depth (Horn et al. 2009). Having settled such diverse deals, the EU and other states have accelerated the process of fragmentation of both international trade rules and of the global economy (Aggarwal and Evenett 2013).

Secondly, resorting to bilateralism may have adverse effects on regional integration beyond Europe. Negotiating separate bilateral FTAs in cases where effective regional organizations exist can seriously disturb their regional preferential trade agreements (Renard 2015). This effect is clearly in tension with the EU's interest in regional integration beyond Europe, as the resort to bilateralism "is not necessarily compatible with other 'lateralisms', as it can at times undermine regional integration processes or the building of an effective

multilateral order” (Renard 2015: 1). It is problematic to engage with a regional organization such as ASEAN (which had the implication of a free trade area and became the ASEAN Economic Community (AEC) in 2015) by settling separate and substantially different FTAs with separate ASEAN member states. Having conducted substantially diverse FTAs with the same region due to the members’ heterogeneity, it is hard to imagine how ASEAN and the EU will regionalize these agreements to make them compatible with the AEC.

Thirdly, trade policy design may have direct effects on the agreements’ contents. Regional integration serves developing countries in enhancing interdependence, attracting foreign investments, and boosting trade with external actors (Krapohl et al. 2014). At the same time, regional integration helps these countries to increase their bargaining power in international negotiations (chapter 3.2.3), in which single states as small as Paraguay would otherwise be in a completely asymmetric position faced with actors like the U.S. or the EU. Leveraging its asymmetric bargaining power in international negotiations, the EU is able to settle agreements in its favor when employing a bilateral design. Only in interregional negotiations, have small, developing countries a chance to somewhat balance the EU’s asymmetric power, and to reach more preferential agreements for themselves. This underscores a major dilemma between European trade interests and its intentions to support developing countries in their economic development.

Reflecting on these three potential effects of bilateralism, this thesis highlights the dilemma in EU foreign trade policy-making between economic concerns, on the one hand, and an interest in interregionalism and multilateralism, on the other. As this thesis shows, the EU’s commitment to supporting regional integration and to a multilateral world order has been in tension with its interests in an economically beneficial agreement. In such situations where interregionalism interfered with the EU’s ambition for a comprehensive agreement, it chose bilateralism from its toolbox of foreign policy instruments. Such a rational choice, in combination with the potentially adverse effects of bilateralism, has put into question the EU’s pro-interregional and pro-multilateral rhetoric. This must be reflected in the debate on what kind of power, whether civilian, ethical, normative, or market-oriented, the EU is (see Allison 2015 for an overview of this debate). In its foreign trade policy-making towards South America and Southeast Asia, the EU has at least not prioritized its civilian, ethical, or normative interest in interregionalism and multilateralism, and has therefore not acted as a normative power.

In adding to the debate on what kind of power the EU is, this thesis generates insights into how the EU acts as a market or trade power on the international stage. Being ‘market power

Europe' (Damro 2012), the EU indeed leverages its single market as a power resource in international negotiations. Its regulatory capacity is particularly relevant as the EU competes with the U.S. for setting such standards in third regions, thereby reinforcing Damro's (2012) expectations about Europe's market power. In dealing with the wider world, the EU certainly acts as a power *in* trade and as a power *through* trade (Meunier and Nicolaïdis 2006). The EU is and seeks to maintain to be a power in trade as its intense competition with China, Japan and the U.S. for reaching trade agreements with MERCOSUR/Brazil and ASEAN/Singapore show. It also acts as a power through trade because in its negotiations with these actors the EU leverages its bargaining power, based on its economic potential, and thereby tries to reach as many concessions from them as possible.

In acting as a trade power, the EU appears as a unitary actor with a common interest that goes beyond the mere aggregation of EU MS' or IGs' preferences. The Commission acting on behalf of the EU has been a central actor in FTP and it has pushed Europe's trade agenda towards developing and emerging economies. Having deduced a rational, self-interested preference of the EU from *commercial realism* in explaining FTP, this thesis has set out to explain how the EU *acts* as a trade power (and not its preferences). Speaking in the words of "economic nationalism" (Abdelal 2001; Gilpin 1987), it could well be, however, that there is something deeper to these preferences. These preferences could root in the EU's self-understanding of having a common, European-ism identity in trade policy slowly emerging and replacing 'economic nationalism'.

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Annex I

Survey (starting on the next page)

[Please proceed to the next page]

EU FOREIGN TRADE POLICY – SURVEY

YOUR RESPONSES WILL BE TREATED FULLY CONFIDENTIALLY;
RESULTS WILL BE USED FOR ACADEMIC RESEARCH ONLY

Please complete and submit online

Estimated time to complete survey: 15 minutes

*For inquiries please send an email to **Katharina.Meissner@EUI.eu***

Katharina L. Meissner

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(1) Please insert the name of your organization here

Klicken Sie hier, um Text einzugeben.

(2) Since when (year) has your organization been observing and following EU foreign trade policy?

Klicken Sie hier, um Text einzugeben.

[Please proceed to the next page]

(3) To what extent do you agree or disagree with the following statements about EU foreign trade policy?

	Strongly agree	Agree	Neither	Disagree	Strongly disagree
The EU should support and encourage global free trade	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The EU should make sure that European producers are not disadvantaged.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The EU should make sure that European workers do not suffer.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The EU should secure market access to other countries.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

(4) What goals should the EU pursue in trade negotiations?

Klicken Sie hier, um Text einzugeben.

(5) How important are or were the following negotiations for your organization?

	Very important	Important	Hardly important	Not at all important
EU-MERCOSUR 1999-2005	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
EU-MERCOSUR 2010-	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
EU-Brazil Strategic Partnership	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
EU-ASEAN 2007-2009	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
EU-Singapore 2010-2012	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
EU-Malaysia 2010-	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

(6) How often do you engage in the following activities to express your opinion?

	Very often	Often	Sometimes	Rarely	Never
Participate in the Civil Society Dialogue activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Contact DG Trade officials	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Submit position papers to the DG Trade	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

(7) Do you engage in any other activity with the DG Trade that was not listed in the previous question?

Klicken Sie hier, um Text einzugeben.

(8) How often have you attended the Civil Society Dialogue meetings?

[Please proceed to the next page]

	Very often	Often	Sometimes	Rarely	Never
1998-2000	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2001-2004	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2005-2006	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2007-2009	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2010-2012	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

(9) How much have you appreciated the strategy paper “Global Europe: Competing in the World” in 2006?

In the Global Europe strategy paper, the European Commission emphasizes bilateral negotiations as one opportunity to strengthen the European Union.

- Very much appreciated
- Appreciated
- Neither
- Hardly appreciated
- Not at all appreciated

(10) Which trade negotiations serve the interest of your organization best?

- Negotiations with single countries
- Negotiations with groups of countries, e. g. MERCOSUR
- Negotiations in multilateral institutions, e. g. WTO
- Transnational negotiations between non-state actors
- Negotiations between single European countries and other actors
- Neither
- Does not matter

(11) How much have you appreciated the following EU policies?

	Very much appreciated	Appreciated	Neither	Hardly appreciated	Not at all appreciated
The launch of negotiations with MERCOSUR in 1999	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The re-launch of negotiations with MERCOSUR in 2010	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The launch of the Strategic Partnership with Brazil in 2007	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The launch of negotiations with ASEAN in 2007	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The launch of negotiations with Singapore in 2010	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The launch of negotiations with Malaysia in 2010	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

[Please proceed to the next page]

(12) Did you have the feeling that you influenced the aforementioned decisions of the EU? Please explain:

Klicken Sie hier, um Text einzugeben.

(13) Who do you contact to voice your opinion?

	Very often	Often	Sometimes	Rarely	Never
DG Trade	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
DG Agriculture	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
DG Competition	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
DG Development	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
External Action Service	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Permanent representation of EU member states	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Members of Trade Policy Committee (former Art. 133 Committee)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Members of national government	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

(14) Do you contact any other institutions that were not listed in the previous question?

Klicken Sie hier, um Text einzugeben.

[Please proceed to the next page]

(15) On which issues do you contact the European Commission regarding EU foreign trade policy?

- European agricultural production
- Investing in foreign countries
- Services
- Other: Klicken Sie hier, um Text einzugeben.

(16) To what extent do you think your activities influence EU policy?

- To a large extent
- To some extent
- Not really
- Not at all

(17) To what extent, if at all, does the DG Trade take into account the interests of your organization? Please describe:

Klicken Sie hier, um Text einzugeben.

(18) With how many groups in the Civil Society Dialogue meetings do you cooperate on issues that are important for your organization?

Many

Some

Few

Hardly any

None

(19) Overall, how satisfied are you with the Civil Society Dialogue as a forum to voice your interests?

Klicken Sie hier, um Text einzugeben.

(20) Please mention here if there is anything you would like to add that has not been asked:

Klicken Sie hier, um Text einzugeben.

(21) Would you be open for further contact and inquiries beyond this survey for academic research purposes only?

Klicken Sie hier, um Text einzugeben.

THANK YOU VERY MUCH FOR YOUR PARTICIPATION.

Annex II

Interview questions for semi-structured interviews with the European Commission's DG Trade:⁵¹

- 1) In its relations with Southeast Asia, does the DG Trade favor trade negotiations with groups of countries or single countries?
 - a) If, why?
- 2) How does the DG Trade coordinate such negotiations with the other DGs such as Development or Agriculture?
 - a) Do these DGs favor other trade strategies?
 - b) If yes, which?
 - c) How do you cooperate in case of conflict?
- 3) Whose representatives were present or involved during the negotiations with ASEAN (2007-2009) on the Asian side?
 - a) Of each member state? Were some member states absent?
 - b) Secretariat of ASEAN?
 - c) Other actors?
- 4) Whose representatives were present or involved on the European side?
 - a) Member states?
 - b) European Commission?
 - c) External Action Service?
 - d) Business groups?
- 5) Did the ASEAN member states have a similar or common position on the issues that were negotiated?
 - a) Such as agriculture
 - b) Industrial goods
 - c) Investments
- 6) Were there conflicts or disputes between the ASEAN member states during the period of negotiation (2007-2009)?

⁵¹ Interview questions were amended for interviews with officials from the Council, the EEAS, the EP, the embassies, other Commission's DGs, and further interviewees.

- 7) What actor on the ASEAN side, if any, was the driving force behind the interregional negotiations?
- 8) Does the DG Trade collect information and observe negotiations between ASEAN and other partners such as China?
 - a) How?
 - b) Does it react?
- 9) What was the reason for the shift from the interregional negotiations to bilateral ones such as with Singapore?
- 10) Who were the key actors in the bilateral negotiations with Singapore?
 - a) Other ASEAN member states?
 - b) ASEAN secretariat?
 - c) EU?
- 11) What is your assessment on the impact of the bilateral negotiations with selected countries such as Singapore on the ASEAN group?
- 12) Did particular interest groups lobby the DG Trade for bilateral negotiations in the region?
 - a) Who?
 - b) How?
 - c) How intense?
 - d) How did the DG Trade react?
 - e) In contrast to interregional negotiations?
- 13) How does the DG Trade process opinions of the interest groups in trade negotiations?
- 14) Who of the interest groups were particularly engaged in the Civil Society Dialogue during the negotiations with ASEAN?
 - a) Present?
 - b) Position papers?
 - c) In contrast to bilateral negotiations?
- 15) Were there member states who did not want to negotiate with the entire region?
 - a) Who?
 - b) Why?
 - c) How did the DG Trade proceed?
 - d) In contrast to the bilateral ones?

- 1) In its relations with South America, does the DG Trade favor trade negotiations with groups of countries or single countries?
- 2) How does the DG Trade coordinate such negotiations with the other DGs such as Development or Agriculture?
 - d) Do these DGs favor other trade strategies?
 - e) How do you cooperate in case of conflict?
- 3) Whose representatives were present during the negotiations with Mercosur on the South American side (1999-2004)?
 - d) Of each member state? Were some member states absent?
 - e) Secretariat of MERCOSUR?
- 4) Which actors were involved on the European side?
 - a) European Commission?
 - b) External Action Service?
 - c) Member states?
 - d) Interest groups?
- 5) Did the MERCOSUR member states have a similar position on the issues that were negotiated?
 - a) Agriculture
 - b) Industrial goods
 - c) Investments
- 6) Were there disputes between the MERCOSUR member states during the period of negotiation (1999-2004)?
- 7) What is your assessment of the impact of the FTAA negotiations between MERCOSUR and the US on the aforementioned negotiations between MERCOSUR and the EU?
- 8) Did the DG Trade collection information about and follow the FTAA negotiations between MERCOSUR and the United States?
 - c) How?
 - d) Does it react?
- 9) What was the main reason for the initial failure of the interregional negotiations in 2004?
- 10) In contrast, to the talks with MERCOSUR, who conducts and is present during the summits of the Strategic Partnership with Brazil?
 - d) Other MERCOSUR member states?
 - e) MERCOSUR secretariat?
 - f) EU?

- 11) How would you assess the impact of the Strategic Partnership on the MERCOSUR group?
 - a) Regional integration?
 - b) Current EU-MERCOSUR negotiations?
- 12) What was the reason for the launch of the Strategic Partnership?
- 13) How was the DG Trade involved in the launch?
 - a) With External Action Service?
 - b) Who proposed?
- 14) Do or did particular interest groups lobby the DG Trade for bilateral negotiations in the region?
 - f) Who?
 - g) How?
 - h) How intense?
 - i) How did the DG Trade react?
 - j) In contrast to interregional negotiations?
- 15) How does the DG Trade process opinions of the interest groups in trade negotiations?
- 16) Which of the interest groups were and are particularly engaged in the Civil Society Dialogue during the negotiations with MERCOSUR?
 - d) Present?
 - e) Position papers?
 - f) In contrast to bilateral negotiations?
 - g) Who favors interregional negotiations?
- 17) Were there member states that were skeptic towards negotiations with MERCOSUR in 1999?
 - a) Who? (e. g. France?)
 - b) Why?
 - c) How did the DG Trade proceed?
 - d) In contrast to the bilateral ones?
- 18) Given the failure of the interregional negotiations in 2004. Why did the Commission decide to re-launch negotiations with MERCOSUR?
- 19) If these should fail as well, what would be an alternative to an interregional agreement?

Annex III

Sector	To what extent, if at all, does the DG Trade take into account the interests of your organization? Please describe:
Agriculture	To the extent that officials of the Ministry for Trade take into account our opinion and voice it within the Trade Policy Committee
Agriculture	I believe they listen to us. Now, let's be realistic: DG Agri is in a better position to defend our agrifood interest. DG Trade must take into account the interests of ALL sectors.
Agriculture	Agriculture is an important sector in Europe which means the European Commission is very aware of our voice
Agriculture	DAFC often put forward our views on trade negotiations through European umbrella organizations such as Copa-Cogeca, EDA, UECEBV and AVEC, where we have membership. DG Trade and DG Agri takes to some extent into account the views put forward by European agricultural sectors.

Agriculture	<p>Sometimes in better results, sometimes with less results. For example we have tried to solve export bans to Russia.</p> <ul style="list-style-type: none"> • Egg ban has not been solved. • No potato export is starting at least on the level of seed potatoes. • Alive animals, milk and meat products are once again on threat of Russian actions <p>These issues are typically a co-project with dg Sanco and dg Agri.</p> <p>Sometimes in better results, sometimes with less results. For example we have tried to solve export bans to Russia.</p> <ul style="list-style-type: none"> • Egg ban has not been solved. • No potato export is starting at least on the level of seed potatoes. • Alive animals, milk and meat products are once again on threat of Russian actions <p>These issues are typically a co-project with dg Sanco and dg Agri.</p>
Export	We support further trade and investment liberalization, so does the Commission. This congruence of opinion must have a certain influence.
Export	cannot be controlled
Export	to some extent
Export	Occasionally
Export	Provision of expertise with respect to the specific issues encountered by the rail sector, especially with countries like Japan.
Export	We have positive experiences with Indian FTA negotiations and HS2017 nomenclature changes were our proposals were 99% taken into account.
Export	rather well
Export	somewhat integrating social aspects into the agreements (far from being sufficient from our point of view)
Export	Yes, there is a strong exchange and com often takes up our points.

Export	For the tariff dismantlings negotiated in the FTAs; - With the „sectoral annexes“ that are now a new practice of the EC since the FTA between EU and South Korea.
Export	DG Trade is very responsive and listens well. I am skeptical about whether it gets negotiating points concerning our industry past the Council though
Foreign Interest	The business voice like any other interested party is approached by DG trade
NGO	Not unilaterally but the themes of the "Global Europe" document are shared by other DGs with which ANEC has better linkage. The discussions within TTIP are expected to revolve around those same themes. Our concern - voiced to the Commission collectively - is that elements of consumer protection in Europe (e.g. the Precautionary Principle) may be sacrificed in a wish to secure better European access to US markets.
NGO	See previous answer
NGO	We had good connections to DG Trade in 2006. We do not have capacity for EU foreign trade policy now.
NGO	
NGO	not at all, others have more Money / influence / power and impose their interests
NGO	Hardly. the main priority of DG TRADE is not to support Fair Trade.
NGO	My comments & papers are available on the website. Trade negotiators can reflect our comments and positions.
NGO	Hardly, we often experience that we are invited merely to ‘tick the box’ that NGOs were consulted

Services	DG Trade has consulted is on relevant aspects of the EU-Canada and EU-US agreements. They are also keen to ensure that access to thrid country public procurement markets is strictly reciprocal.
Services	DG TRADE listens to and respects the views of our clients. They then balance these against other arguments that they here from different interest representatives within our sector.
Services	They take into account the European audiovisual sector if they have a strong political pressure
Services	Hard to say.
Trade Union	Only partly Problem is agriculture sector
Trade Union	Not sure
-	more information and possibilities to take part in regular activities