

Competing for Economic Power:

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

Katharina Meissner

Katharina.Meissner@EUI.eu

The European Union (EU) is at the forefront of engaging in external economic relations with economic powerhouses and entire regions. Much of this happens outside of the World Trade Organization (WTO). Yet, current negotiations with Canada (CETA) and the United States (TTIP) face strong opposition from civil society groups and the election of Donald Trump deals a de facto deathblow to TTIP, reinvigorating economic nationalism. By pursuing bilateral economic relations, has the EU already in the past developed a strategy of ‘commercial realism’ that can endure during an age of protectionism?

Over the last decade, the EU has made more and more frequent use of bilateralism in its external relations towards Asia and the Americas. Thereby, it has increasingly turned away from multilateral negotiations through the WTO or with regional organizations. The reason for this turn to bilateralism can be found in the EU’s motivation to secure its economic and regulatory power in these world regions. Factors explaining this turn are thus external to Europe, located in the international system, rather than within the EU. This puts into question conventional explanations that focus heavily on Europe’s identity, interest groups or EU member states.

Grasping the influence of factors located at the international level on EU external relations, Katharina Meissner puts forward a theory of ‘commercial realism’. ‘Commercial’ describes the fact that the EU’s power in trade is longstanding and it therefore strives to enhance its global *economic* position. ‘Realism’ describes the EU’s attempt to strive for relative economic gains and to be *better off* than other big players like China or the United States in the global economy. These two components help us understand why the EU actively negotiates more and more agreements outside of the WTO and why it adds important new issues to these negotiations: investments, services and regulatory standards.

Relying on rich empirical data from 90 interviews with officials and stakeholders from Asia, Europe and Latin America, Katharina Meissner studies these dynamics in two regions: South America, especially Brazil, and Southeast Asia, especially Singapore. In both cases, the European Commission, representing the EU, was in the driver’s seat of international negotiations. It designed external relations in reaction to China and the United States and sometimes even pursued negotiations in opposition to European interest groups or EU member states. Commercial realism helps us understand these dynamics as well as the European Commission’s proactive and central role in the EU’s external economic relations.