



The Political Impact of the EU's International Trade:

EU Trade Power, Policy and Influence

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Abstract

The aim of the PhD Thesis is to ascertain whether the EU is able to exert a political influence through its international trade agreements. Since the Union has always been considered as an economic giant and a political dwarf at the global level, the objective is to evaluate whether the EU external trade may be considered as a useful tool to address the gap between its economic and political relevance. If the EU is effectively able to wield a political influence through trade also beyond the neighbourhood area, where it uses the membership card chip, the EU might have a greater global role.

The conceptual analysis of the Thesis is based on the distinction between the EU trade Power (i.e. Resources, Institutions and Values), EU trade Policy activity and its final Influence in order to disentangle the 'levers' from the 'leverage' exercised by the EU through its external trade policy. The potential for political influence of the EU ultimately relies on the ability to change the norms, beliefs, rules and regulations in EU partner countries, during and after the trade negotiations.

The empirical side of the research focuses on two bilateral agreements: the EU-Mexico Partnership Agreement (2000), and the Free Trade Agreement (FTA) between the EU and South Korea (2009). Despite the strong differences between the case studies (in terms of their geographic location, production and export patterns, timing of the negotiations, etc.), Mexico and South Korea share four basic similarities: i) neither is an EU neighbouring country (i.e. the EU cannot use the membership card); ii) both are strongly dependant and receive their primary influence in economic, political and security terms from the United States; iii) both have strongly endorsed neoliberal and free market principles; and finally iv) each of them might be a potential gateway for the EU in its macro-region. Furthermore, Mexico and South Korea share also a more specific strategic value for the EU in three main respects. First, in both cases the *rationale* for EU to conclude the agreements was the same: economic and defensive vis-à-vis US previous trade agreements (the NAFTA and the US-South-Korea FTA). Second, the basic *objectives* of the EU in both countries tend to correspond to a great extent: the achievement of the commercial parity treatment of EU for its exporters vis-à-vis US' exporters. Third, the overall *political influence* of the EU in the countries might thus be not only limited, but also fairly comparable.

The theoretical structure and the empirical work highlight interesting indications. First, in terms of Power, neither the EU trade power, nor the conclusion of trade agreements is sufficient for the EU to exert, by default, a political influence in the countries considered. Second, in terms of Policy, during Peter Mandelson's tenure as EC Trade Commissioner, the Union downsized the normative and political ambition of its external trade action in respect to the past, focusing on the achievement of commercial-parity objectives vis-à-vis other major global actors (i.e. a defensive trade strategy in relation to that of the US). Finally, in terms of Influence, both cases indicate that the EU has still a limited capacity to exert a political influence via its trade policy in non-neighbouring countries. Four main reasons help to explain this: 1) Internal institutional constraints within the EU; 2) The bilateral level of trade negotiation; 3) The weakness of EU's Common

Foreign and Security Policy and of its Common Security and Defence Policy; 4) The defensive rather than proactive global projection of the EU.

The Thesis concludes that although the EU foreign economic policy can be a means to address the *capability-expectations gap* that affects the EU as an international actor, there is still ample scope to improve the EU political influence through trade in countries beyond the neighbourhood area in economic, political and/or normative terms.



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Irene Caratelli holds a PhD from the European University Institute, Department of Social and Political Science (EUI/Florence, Italy). She holds also a Master of Research (M.Res.) from the European University Institute, Department of Social and Political Science (EUI/Florence, Italy); a Specialisation Course, World Trade Institute, Bern (Switzerland); a Laurea in Political Sciences (= BA+MA) at the University of Rome, 'La Sapienza'. Before enrolling at the EUI she worked several years at the Istituto Affari Internazionali (IAI - Rome, Italy), where she was Research Fellow and then Coordinator of the 'WTO and Trade Policies Area'. Her research interests include: International Relations, International Political Economy, EU studies, WTO and Regionalism. The focus of her research is the EU as a global actor. The EU promotes a multi-level trade strategy combining bilateral, regional and multilateral trade initiatives within the WTO. Each venue of trade negotiation offers the EU different possibilities to exercise its influence, due to a number of reasons and constraints. What is relevant however is that through trade the EU can exercise a political influence advancing at the same time: economic interests; political objectives; and governance goals which altogether help the EU to increase its global role.

Irene Caratelli has written book chapters, policy briefs and reports. Among her articles: "EU's Regional Strategy, the Challenges Ahead" (2006), *The International Trade Journal*, Vol. 20, No. 2, pp. 139-184 (with P. Guerrieri).