

Beyond Rationalist Explanations: Strategic Economic Discourse and the EU's 'Global Europe' Trade Strategy¹

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Abstract

In 2006 the European Commission announced its 'Global Europe' Strategy, which proposed to tackle lagging EU competitiveness in East Asian markets by pursuing a series of ambitious Free Trade Agreements (FTAs). The first of these was initialed with South Korea in October 2009. This paper asks not only *why* the Commission chose to pursue costly trade-offs in the context of this agreement notwithstanding the onset of the Financial Crisis, but also *how* it was able to successfully complete these negotiations in the face of concerted opposition from powerful interest groups, including the automobile industry. It argues that approaches within the dominant rationalist paradigm used to study trade policy are unable to explain this seemingly unlikely situation. They have either treated EU trade policy-making as insulated from societal pressures (rational choice institutionalism) or have argued that the 'losers' from liberalization are most likely to exert effective political pressure (endogenous trade theory in International Political Economy). In contrast, this paper adopts a constructivist political economy approach, borrowing insights from literature on 'globalization discourse' to deconstruct economistic approaches to trade policy. It highlights the constructed nature and power of economic discourses, which not only came to shape the choices of policy-makers, but was then also used as a strategic tool to legitimate these choices. More specifically, by situating 'Global Europe' within the ideational context of the Lisbon Strategy, Commission policy-makers were able to successfully argue that there was no alternative to trade openness in an increasingly 'globalized' world. This discursive strategy – a product of their own views on the desirability of trade openness – helped them overcome opposition to the EU-Korea FTA. In sum, this paper draws attention to the overlooked dimension of ideas in trade policy and underscores the continued purchase that neoclassical understandings of socioeconomic order hold in EU policy-making circles despite the onset of the Financial Crisis.

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I – Introduction

In October 2009, after a series of controversial negotiations, the European Union (EU) and South Korea finally initialed the Free Trade Agreement (FTA) that they had been negotiating for over two years. This agreement is now likely to be ratified in the autumn of 2010 by the European Parliament (EP). It serves as the most visible expression so far of the new ‘Global Europe Strategy’ (henceforth ‘Global Europe’), which was announced in October 2006 by the European Commission’s Directorate-General (DG) for Trade (European Commission, 2006d). The strategy spelled the end of the ‘moratorium’ on new FTA initiatives that had been at the heart of EU trade policy since 1999, with a new emphasis on negotiating bilateral trade agreements with emerging (and largely Asian) economies taking the place of the EU’s previous ‘multilateralism-only’ approach. More importantly, ‘Global Europe’ stressed the need for a ‘rejection of protectionism at home’ – implicitly targeting Europe’s few remaining pockets of protection (European Commission, 2006d, p. 6). In exchange for liberalization in these areas, the European Commission was to seek market access gains where EU firms were competitive, stressing in particular services and overseas investment liberalization. The EU-Korea FTA was to become a case in point, obtaining substantial market access gains for European services industries and investors in Korea in exchange for a significant opening of the European automobile sector (among others). This article asks how the Commission was then able to successfully conclude the EU-Korea FTA negotiations, despite the vocal opposition of a major industry (and allied Commission DGs and Member States) that was in a particularly strong political position following the onset of the 2007 Financial Crisis. It also focuses on why DG Trade chose to pursue a trade strategy premised on such substantial trade-offs.

The theoretical starting point for much of the existing literature on EU trade policy is the so-called ‘collusive delegation’ argument (see, *inter alia*, Meunier and Nicolaïdis, 1999; Nicolaïdis and Meunier, 2002; Meunier, 2005; Woolcock, 2005; Zimmerman, 2007). This rests on the interpretation that the delegation of trade policy-making authority from national governments to the supranational Commission in the Treaty of Rome was intended to ‘insulate the process from protectionist pressures and, as a result, promote trade liberalization’ (Meunier, 2005, p. 8). This underlying view of EU trade policy-making, however, is problematic in light of the highly politicized debate surrounding the negotiation and ratification of the EU-Korea FTA – which witnessed a number of high-profile interventions by particular interest groups and the active involvement, for the first time in trade policy, of the elected European Parliament (EP) (more susceptible to interest group pressure than the Commission) as a result of changes brought in by the Treaty of Lisbon. Rational choice institutionalist approaches thus appear to have neglected an important aspect of EU trade governance. This oversight is particularly surprising given the voluminous International Political Economy (IPE) literature dedicated precisely to this aspect of trade politics.² The school of mainstream IPE focusing on the domestic sources of trade policy is largely based on the US experience, wherein trade policy is determined by the outcome interest group competition (for a review, see Hillman 1989). Some within the school deploy a pure rationalist-pluralist model of political action in which the state is conceived as an ‘empty vessel’, serving simply to aggregate the preferences of domestic interest groups (Grossman and Helpman, 1994; Hiscox, 2002). Other, more nuanced accounts place more emphasis on

² There exists in the field of EU Studies an incipient literature which also seeks to problematize the narrative of depoliticization, pointing to the role that interest groups play within EU trade governance (see, amongst others, DeBièvre, 2002; Dür and DeBièvre, 2005; Dür, 2007, 2008; Woll, 2006, 2008). However, it essentially borrows arguments from the wider IPE literature on trade policy.

the mediating role of political institutions and independent interests of policy-makers (e.g. Haggard, 1995; Woll, 2008). The crucial point, however, is that trade policy is seen as contingent on social and political factors, rather than being institutionally determined.

In this vein, most theorists working within an endogenous trade theory framework have argued that bilateral trade agreements are not prompted by a dysfunctional multilateral trade round, but rather allow for ‘liberalization without political pain’ (Ravenhill, 2003, p. 299). In other words, they are likely to appeal to exporting industries while minimizing the threat import-competing firms and are thus politically more palatable than more comprehensive (multilateral) liberalization (for a formal exposition of this argument, see Krishna, 1998). This is not altogether surprising if one considers that the rationalist-pluralist theory underpinning such accounts has often worked with an implicit acceptance of Mancur Olson’s assumptions regarding the asymmetric nature of interest group mobilization (see Olson, 1965, 1983). His argument that pressure groups would not mobilize until after the emergence of a common economic interest has traditionally been understood to mean that the ‘losers’ from a particular economic policy – such as protectionists in the case of trade liberalization – are more likely to mobilize than the ‘winners’, due to the concentrated and more immediate nature of the losses incurred and the greater diffusion of the benefits (such an understanding also appears to lie at the heart of the institutionalist ‘collusive delegation’ argument).³ However, whereas ‘Global Europe’ and its subsequent FTAs might not have put the European agricultural establishment – usually seen as the protectionist *bête noire* of EU trade politics – under any sort of pressure, a large part of the strategy was premised on trading away ‘pockets of protection’ in several (import-competing) industrial sectors in exchange for market access for exporters (see section III). The agreement signed with South Korea – the first concrete product the new trade strategy – is a case in point, embodying a substantial trade-off: in exchange for agreeing to a substantial liberalization of the automobile as well as other sectors, the EU would receive substantial concessions in terms of market access, with some of the most important concessions going to the services industry (see section IV). This poses a significant conundrum for rationalist explanations for two reasons, which this paper aims to explore.

Firstly, there is the issue of explaining *why* the Commission chose to pursue – what were to important economic interests – costly trade-offs in the context of ‘Global Europe’ and the EU-Korea FTA. There is no room for any degree of state autonomy within the ‘empty vessel’ model of endogenous trade theory, where state actors are just seen to respond to the balance of interest group pressure – with a clear bias towards the better organized groups representing the potential ‘losers’ from liberalization. From within the rationalist IPE framework it is thus difficult to account for the Commission’s preferences for an activist trade policy premised on trading away ‘pockets of protection’. We can, however, also rule out a rational institutionalist explanation based on a bureau-maximizing logic at this juncture because we have shown that trade policy-making is not depoliticized; indeed, the evidence suggests that economic interests of all hues had very good access to policy-makers during both the drafting of the strategy and the negotiation of the FTA with Korea. This paper also focuses on the issue of *how* the Commission was able to overcome the major opposition mounted against the EU-Korea FTA. In spite of the political activism of several important European industries likely to suffer losses from opening the European market to Korean imports – including textiles, electronics, and most notably, motor vehicles – the EU-Korea FTA was initialed, and is likely

³ The consistent narrative of the endogenous trade literature has been that this explained why protectionist interests tended to have the upper hand in trade policy-making when this was in the hands of politically malleable legislators, such as US Congressmen (see, *inter alia*, Baldwin, 1985, Destler, 2005).

to be ratified in 2010 without significant revisions.⁴ The onset of the 2007 Financial Crisis early in the negotiations, with its marked impact on the European motor vehicle industry, certainly also strengthened the opposition to the FTA amongst such struggling economic sectors and their patrons among the Member States (notably France, Germany, and Italy). If protectionist interests were so powerful – as the endogenous trade literature suggests they are – then why did they lose the battle over the Korea FTA? We can again dismiss rational institutionalist explanations because their depoliticized view of trade policy-making rules out the strong mobilization of interest groups that did occur in the European context.

This paper suggests that the problem with both European Studies and mainstream IPE accounts of trade policy is that they attribute a deterministic (or structural) logic to agents. The content of the ‘Global Europe’ agenda and its apparent success in the case of the EU-Korea FTA suggest that there is more than a narrow instrumentality in trade policy, where policy-makers are more than just an ‘empty vessel’ for interest groups to influence or ‘functional’ agents of integration. This article therefore adopts a constructivist approach that stresses the constructed nature and power of economic narratives and thus aims to challenge existing economic understandings of trade policy-making. It focuses on the role played by DG Trade’s discursive strategy in trade, which aimed to construct an ideational imperative for liberalization to legitimate the trade-offs inherent to ‘Global Europe’ and the EU-Korea FTA. This was a reflection of particular neoliberal ideas about the market held by policy-makers, who saw in liberalization market-opening a desirable outcome in itself. By presenting their policy decisions in pursuit of this goal as necessary reactions to an external economic constraint (in the form of globalization-induced competitive pressures), these individuals were ‘rendering the contingent necessary’ (see Watson and Hay, 2003).

In this vein, Section II sets out a constructivist analytical framework based on a growing literature that focuses on the discursive construction of external economic constraints. Section III then considers the insights of this literature in reference to the ‘Global Europe’ Strategy, charting the origins of DG Trade’s discursive strategy. Section IV focuses on the debates surrounding the negotiation and ratification of the EU-Korea FTA, highlighting the power of the economic ideas strategically deployed by the Commission in its ‘Global Europe’ communication which allowed it to overcome the opposition to the agreement. Finally, Section V concludes and offers some thoughts for future research on strategic economic narratives in a post-crisis world.

II – Strategic Economic Narratives and EU Trade Policy

The preceding section has cast a long shadow over rationalist theory’s core assumptions of a narrowly defined, instrumental rationality determining actors’ behavior. This paper therefore adopts a ‘constructivist’ political economy approach stressing the power of economic ideas. In doing so, it follows a literature that places particular emphasis on attributing a specific *causal* role to ideas in political analysis⁵ (Parsons, 2007; see also, *inter alia*, Berman, 1998; Parsons, 2002, 2003; McNamara, 1998, 1999; Blyth, 2002; Hay, 2002, 2004b; Schmidt 2008). The underlying ontological position of this newer brand of ‘constructivism’ is the belief that social and political reality is *constructed by agents* through ideas rather than being

⁴ For more details on this, see section IV.

⁵ In so doing, this literature distances itself from the term ‘constructivism’ as it is generally used in International Relations (IR) to denote Alexander Wendt’s particular brand of ideas-based explanation (see Wendt, 1999), which is based on an acceptance of (IR) neorealist theoretical parameters and an emphasis on so-called ‘constitutive’ (read, ‘structural’) logics of explanation (see, in particular, Parsons, 2007 and Hay, 2004b).

fixed by particular material (or what could be called ‘structural’) constraints, as in rationalist accounts (or Wendtian constructivism for that matter).⁶ The notion of rationality employed by rational choice scholars can, however, still serve as a useful ‘as if’ heuristic to understand the hypothetical consequences purely rational-egoistic behavior (Hay, 2004a). Going one step further, we could argue that in certain contexts, actors have internalized particular ‘rationalities’ so that their behavior does correspond to that of rationalist models. The purchase of neoclassical ideas held about the market – which have often been translated unreflexively by scholars into the rationalist models of trade policy reviewed above – in academic and policy-making circles suggests that a powerful reason why ideas matter in political economy is that they are treated by actors *as though they were material straightjackets*. The key point is, however, that such rationalities are constructed and contingent, rather than given and fixed. A (constructivist) political economy approach, as Charles Meier (1988, pp. 4-6) puts it, aims to explore the constructed nature of such models

[regarding] economic ideas and behavior not as frameworks for analysis, but as beliefs and actions that must themselves be explained. They are contingent and problematic; that is, they might have been different and they must be explained within particular political and social contexts.

This is perhaps best addressed by a burgeoning literature that concerns itself with the discursive construction of external economic constraints. This takes as its point of departure the debate between advocates of the ‘hyperglobalization thesis’ – which argue that increasing global economic integration has robbed national governments of policy autonomy, as increased competition in the international market place has rendered state intervention in the economy ineffective (e.g. Ohmae, 1995; for a Marxist exposition, see Amin, 1997) – and its skeptics (e.g. Hirst and Thompson, 1999; Garrett, 1998). Rather than accepting the parameters of this rationalist argument – that is to say, entering into a debate over whether globalization is an empirically verifiable *material* process that constricts the choices facing political actors – such writers adopt the constructivist view that it is the ideas that agents hold (and invoke) about ‘globalization’ (and other external economic constraints) that are key (see, among others, Rosamond, 1999, 2000; Hay, 1999; Hay and Marsh, 2000; Hay and Rosamond, 2002; Hay and Smith, 2005; Watson and Hay, 2003). In a seminal article, Colin Hay and Ben Rosamond (2002, p. 148, emphasis in the original) quite effectively condense the central argument that

policy-makers acting on the basis of assumptions consistent with the hyperglobalization thesis may well serve, in so doing, to bring about outcomes consistent with that thesis, *irrespective of its veracity* and, indeed, *irrespective of its perceived veracity*.

They draw on the example of international tax competition to emphasize their line of reasoning: irrespective of whether high corporate taxes induce capital flight, as neoclassical

⁶ This is not to say that such constraints do not exist (a deep and wide river cutting off our path will always be a river, *force majeure* excepted, no matter how much we believe it not to be there) but their effects on human behavior will not (necessarily) be as circumscribed, depending on how human beings decide to interpret and act upon them (we can choose whether to circumnavigate or attempt to cross it). In practice, of course, most (‘sane’) people would choose to do the ‘rational’ thing and take a detour, but this does not detract from the underlying ontological argument that it is the *interpretation* of material facts that is the underlying variable to understanding human behavior, rather than the facts themselves. One could always foresee a context in which it was ‘appropriate’ to show some bravado (perhaps in the company of boisterous friends) and attempt to swim across.

economic analysis implies, the outcome will be the same if governments work under the assumption that it does (namely, corporate tax cuts) (see Figure 1, Hay and Rosamond, 2002, p. 149). The perceived ‘material’ rationality of the hyperglobalization thesis thus becomes meaningful in shaping outcomes only because it is internalized by actors, in other words, because it is treated by them as though it were a *real*, material constraint rather than just as a contested economic framework. The key to understanding this process is a study of what this literature terms ‘globalization discourse’, tapping into a very Foucaultian understanding of the role played by knowledge in political organization. In the analysis of discourse it is often defined as

a broader matrix of social practices that gives meaning to the way that people understand themselves and their behavior. A discourse, in this sense, generates the categories of meaning by which reality can be understood and explained. More precisely, a discourse makes ‘real’ that which *it* prescribes as meaningful (emphasis in the original, George, 1994, pp. 29-30).

It is through the ‘construction’ of reality that power is exercised because it defines the boundaries of possible. Analyzing discourse thus becomes the study of the process of social construction, focusing on the nexus between power and knowledge. In reference to the more specific issue of globalization, Jan Aart Scholte (1996, p. 49) notes ‘[k]nowledge is power, and intellectual constructions of globalization help to shape the course of this trend.’ As a result, ‘globalization’ is not simply to be seen as a (material) conditioning structure, but rather as a zone of (political) contestation (Amin and Thrift, 1994), where control of knowledge about globalization becomes an exercise of authority in the international political economy. In sum, such a framework problematizes economic understandings of political economy in the sense implied by Maier (1988) above, and stresses the fact that power is being exercised when such discourses are invoked. In this, it borrows from the critical IPE approach of Robert Cox, whose oft-cited adage that ‘theory is always *for* someone and *for* some purpose’ (see Cox, 1996) highlights the inseparability of social scientific theory from particular interests, which are themselves social constructions.

Despite appealing to postmodernist understandings of discourse, this literature can hardly be classed as poststructuralist. The aim is to redefine discourse in more general terms so that it ‘encompasses not only the substantive content of ideas’, which have so far been the focus of poststructuralist accounts, ‘but also the interactive processes by which ideas are conveyed. Discourse [in this literature] is not just ideas or “texts” (what is said) but also context (where, when, how, and why it was said)’ (Schmidt, 2008, p. 305). However, and perhaps in deference to those who might wish to level this criticism at them, Hay and Rosamond (2002) draw a distinction between ‘globalization as discourse’ (the structural dimension) and ‘globalization as rhetoric’ (the agential dimension). But as agent-centered, causal constructivists, their focus is on this newer dimension to discourse, i.e. its construction through human agency. As a result, they define discourse as ‘a repertoire of discursive resources [...] at the disposal of political actors’, and rhetoric as ‘the strategic and persuasive deployment of such discourses, often in combination, as means to legitimate specific courses of action, policy initiatives, etc.’ (Hay and Rosamond, 2002, p. 152). Moreover, they stress that ‘an analysis which confines itself exclusively to discourses of globalization is overly structural, giving insufficient attention to the active and frequently creative role of agents in the formulation of ideas which may become sedimented as discourse’ (Hay and Rosamond, 2002, p. 151).

In this, they seem to be combining two previous strands of work on economic narratives of globalization. To see this, we turn to Rosamond (2000), who notes a distinction between so-called ‘strategic’ and ‘reflexive’ pathways to the study of globalization discourse. In the former, actors consciously use particular discourses to construct reality in order to serve their interests; in such a case the discourse is separable from actors’ interests or *exogenous*. Work focusing on the ‘reflexive’ dimension to discourse, for its part, ‘invites us to think about how the spread of intersubjective understandings alters both cognitive *and* material reality [...] [T]he social construction of market imperatives contributes to the realization of those market imperatives and to the altered “globalizing” behavior of various actors’ (Rosamond, 2000, p. 11, emphasis in the original). In Hay and Rosamond (2002), although the emphasis of explanation may be on charting the frequently strategic deployment of globalization discourses to serve the interests of particular actors (principally European policy-making elites), there is also an appreciation of how ‘ideational structures become institutionalized and normalized’ (Hay and Rosamond, 2002, p. 147). In this sense they appear to be combining both ‘strategic’ and ‘reflexive’ pathways under the same roof. However, they reject the premise that actors can have interests that are separable from discourse, as Rosamond’s (2000) typology seems to imply. This is ontologically consistent (note the ontological premise of constructivism cited above)⁷ but also means that the explanatory emphasis is not on the interests that actors may have independently of discourse (as the latter is constitutive of the former) but rather on whether particular actors choose to invoke such beliefs to serve interests that are partly constituted by these (or other) beliefs. For instance, a policy-maker may (or may not) choose to appeal to a particular economic narrative to justify a course of action, but this is a product of interests that are in part derived from having internalized a particular discourse, whether of ‘external constraint’ or not.

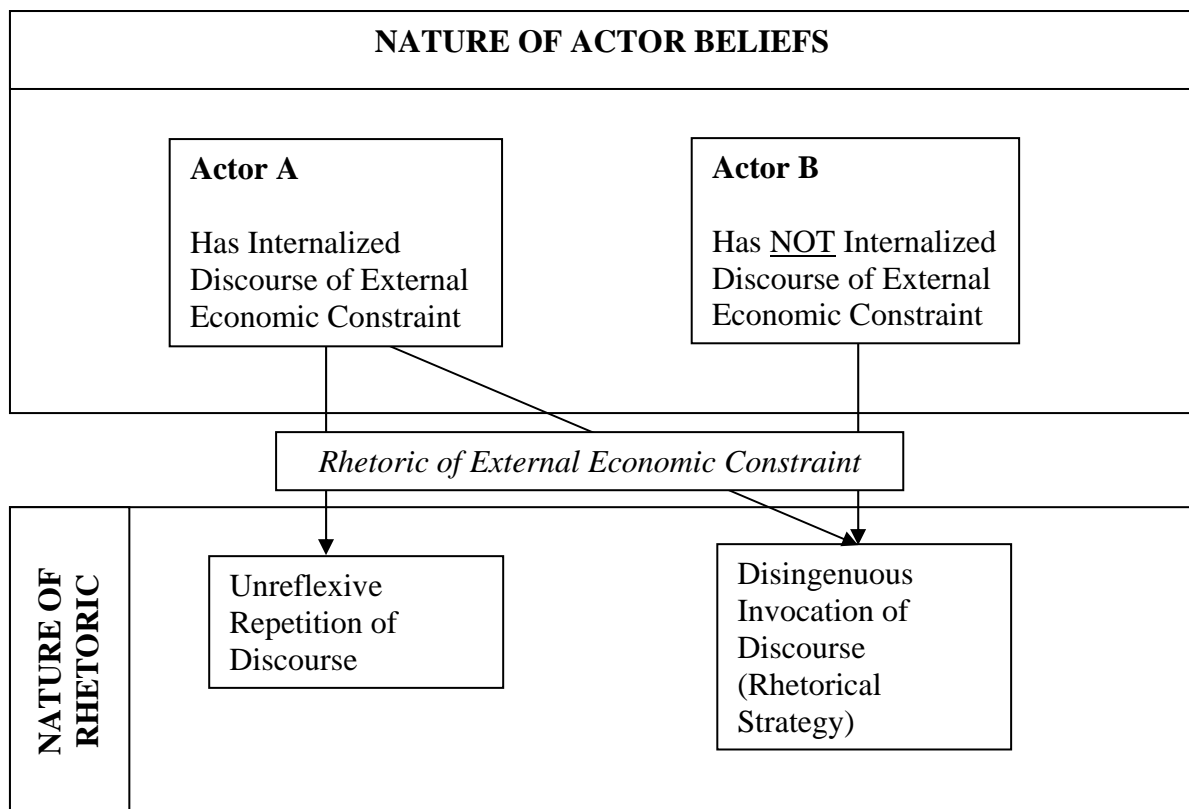
Hay and Rosamond (2002) begin by setting out a typology of discursive constructions of globalization that exist amongst political actors, which is organized along two axes. For one, discourses can be associated with either a positive or a negative view of the outcomes of globalization, or additionally – as in Hay and Smith (2005) who engage in a more sophisticated exercise of discursive mapping – with the view that the outcome of globalization is dependent on political choices. For another, the process of globalization itself can be seen as either politically contingent or inevitable. It is this latter typology which forms the brunt of the literature’s analytical argument. In a nutshell, such theorists stress that policy-makers invoke a view of globalization as inexorable in order to legitimate potentially painful social and economic reforms, ‘[appealing] to globalization as the proximate cause’ (Hay and Rosamond, 2002, p. 163).⁸ Watson and Hay (2003), for their part, focus on the three different views of globalization as inexorable depending on context and audience – the so-called ‘business school globalization thesis’, the ‘structural dependence thesis’, and ‘the need for counter-inflationary credibility’ – which have helped New Labour ‘[render] contingent policy choices “necessary” in the interests of electoral rejuvenation’ (Watson and Hay, 2003, p. 289). The importance attached to determining intentionality in the invocation of globalization as an external economic constraint, i.e. the conscious *use* of ideas about external economic

⁷ In this way, their approach – which is adopted here – also distinguishes itself from studies like those of Frank Schimmelfennig (2001, 2003) who seek to combine rationalist and constructivist explanations by attributing fixed material interests to actors, who then also behave according to ideational logics (in Schimmelfennig’s case, EU Member States interests in enlargement of the EU are given materially, but their eventual acquiescence to expansion was the product of ‘rhetorical entrapment’). This may yield analytically interesting results, but is ontologically inconsistent: actors cannot have fixed, material interests and at the same time behave as though reality were socially constructed.

⁸ Given the European context of this literature (see below), European integration is often cited as an external constraint as well.

imperatives by particular actors, is thus of paramount importance for this theory, as it highlights the contingent and agent-centered nature of the process.

However, the authors have, to an extent, premised their work on theoretical assumptions and skipped the issue of determining this fact empirically. Although they provide ‘plenty of evidence [...] of actors deploying particular rhetorics of globalization in the attempt to justify often unpalatable social and economic reform’ little has been done to clarify whether ‘this should be interpreted as evidence for an unreflexive internalization of a discourse of external economic constraint or as an exercise in responsibility-displacement’ (Hay and Rosamond, 2002, p. 150). To an extent, we can accept their argument that this is a ‘methodological problem which [...] is intractable and inherent in an analysis of public discourses’ (Hay and Rosamond, 2002, p. 165). The problem is that it is impossible to determine from actor’s pronouncements themselves whether a particular rhetoric is a reflection of true beliefs held by the actor or not (i.e. whether it has been ‘internalized’), which in turn, although they do not state as much, makes it difficult to ascertain whether the invocation of external economic constraints is done disingenuously (as part of a discursive strategy) or not. This is because there are two possible explanations for a rhetorical invocation of an economic constraint in the case of an actor who believes that constraint to be *real* (Actor A in Figure 1 below). For one, they may be *choosing* to invoke such ideas strategically to serve particular ends. However, they may also just be ‘unreflexively’ repeating a discourse that they have already internalized, with no *a priori* method for differentiating between both cases. Only where we know that an actor does not believe a constraint to be *real* (Actor B in Figure 1) can we say with any certainty that they are invoking such an economic narrative strategically.



Source: author’s interpretation

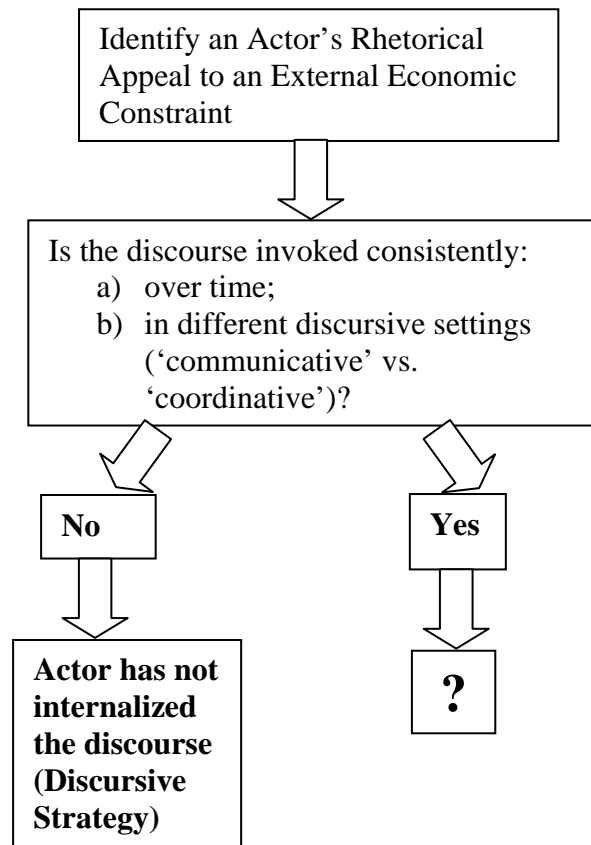
Figure 1 – The Methodological Dilemma of Discourse Analysis

The issue, however, warrants greater exploration, particularly as the authors hint at a potential analytical strategy to overcome this methodological dilemma. They note the then Blair government's 'rather self-contradictory and Janus-faced approach to globalization', which on one hand presented globalization as nonnegotiable in a domestic and European context while seeing as wholly more contingent and desirable when discussing it during international meetings and summits. 'The incommensurability of such rhetorics', they write, 'suggests a highly strategic appeal to globalization' (Hay and Rosamond, 2002, p. 159). Similarly, Hay and Nicola Smith (2005, p. 124) suggest in their survey of discourses of globalization in Britain and Ireland that '[w]hat becomes apparent is the highly strategic ways in which such discourses are used, the articulation of which depends greatly upon the context in which they are deployed and the audience for which they are intended.' What they do not write is that such empirical findings suggests a case of where an actor does not hold globalization to be a genuine *constraint*, as suggested by the invocation of contrasting discourses of 'globalization as constraint' and 'globalization as contingent'. This suggests that the self-professed limitation of this literature can, at least partly, be mitigated by deploying an empirical strategy that aims to differentiate between the two types of actor identified in Figure 1 (see discussion and Figure 2 below).

Ultimately, the insights of this literature are very relevant to the evolution of the EU's trade policy strategy, conveying the power of discourses of external economic constraint, which, as we shall see in subsequent sections, played a key role in EU trade policy-making. The fact that the context of this exercise in discursive mapping is European, whether focusing on the ideas held by policy-makers in the Commission (Rosamond, 1999, 2000), major EU Member States (Hay and Rosamond, 2002) or Britain more specifically (Hay 1999; Watson and Hay, 2003; Hay and Smith, 2005), moreover, suggests not only pertinence of their analytical conclusions to the case at hand, but also the relevance of their exercise in discursive mapping. If one considers the powerful effect that discourses of external economic constraint can have on actor behavior, one can begin to answer the question of *how* the Commission – or more specifically, its Directorate-General (DG) for Trade – was able to overcome opposition to the Korea FTA in the midst of the Financial Crisis, which, on paper at least, seemed to bolster the political armory of those opposed to liberalization. The proposition advanced here is that it did so by presenting liberalization as a necessary outcome given the external competitive pressures posed by globalization. Moreover, this paper seeks to determine whether this was part of a larger strategy aimed at seizing the discursive space in the European political economy and not just an unreflexive repetition of an internalized discourse.

In order to identify DG Trade's rhetoric as part of a discursive strategy, this paper deploys the analytical strategy hinted at in the preceding paragraph (see Figure 2 below). It begins by identifying an actor's rhetorical appeal to a particular external economic constraint, and then proceeds to ask the question of whether this discourse is invoked consistently, both over time in different settings. Comparing and contrasting discourses in the case of the latter is particularly important, given the contrasting role often attributed in political analysis to 'coordinative' and 'communicative' discourses. The former relates to the process of policy construction, while the latter is about a process of engagement with the public (or civil society more widely) in order to legitimate such policies (see Schmidt, 2002, 2005). In a sense, this paper builds upon the insights of Hay and Smith (2005), who stress that the incommensurability of discourses used in different settings suggests a strategic appeal to such ideas. The basis of the argument is that discourses invoked within a 'communicative' setting are likely to be part of a discursive strategy when an actor has not internalized them (i.e. in the case of Actor B from Figure 1 above), because of the nature of the setting; what need

does an actor not believing in a particular constraint have in referring to such a constraint other than to legitimate a particular course of action?⁹ The discourses originating in a ‘coordinative’ setting, in turn, are more likely to correspond to the actual views of policy-makers (again, as a result of their setting), and as such, any discrepancy between discourses invoked in ‘communicative’ and ‘coordinative’ settings may be strong evidence to suggest a strategic appeal to particular economic narratives.



Source: author's interpretation

Figure 2 – Identifying an Actor's Discursive Strategy

In terms of the other puzzle addressed by this paper, DG Trade's *choice* to pursue (to some industries) potentially costly trade-offs, this then has to then be understood not in terms of internalizing a discourse of external economic constraint, but rather in terms of another discourse mapped by the literature: that of a contingent, yet desirable outcome. This is the discourse we are likely to find reflected in a ‘coordinative’ setting. This ‘internalized’ economic narrative, corresponded to a particular reading of neoclassical economic principles, in particular a fear of the ‘political’ sources of protectionism and a faith in the ‘disciplining’ forces of the market unleashed by liberalization (see section III). However, we cannot simply read this off as an externally-given interest, like in rationalist accounts.¹⁰ Rather, it is subject to the ‘dialectic’ process of discursive change – highlighted by Rosamond's (2000) ‘reflexive’ pathway in discourse analysis – as

⁹ In contrast, Actor A from Figure 1 might just be repeating an ‘internalized’ discourse, rather than disingenuously be trying to bring about the outcome associated with such a belief.

¹⁰ Or as in the approach Schimmelfennig (2001, 2003) takes to combining ‘rationalist’ and ‘constructivist’ logics of explanation.

the spread of the discourse itself alters the *a priori* ideas and perceptions which people have of the empirical phenomena which they encounter; in so doing, it engenders strategies and tactics which in turn may restructure the game itself. (Cerny, 1995, p. 620).

In this sense, the Commission's DG for Trade, as we shall see, was susceptible to the discursive construction of others (notably interest groups), both in terms of shaping its 'internalized' beliefs and its more strategic invocation of particular narratives. But before we turn to this issue, the time has come to consider the ideational context of the Commission's discursive strategy and its appeal to a 'logic of no alternative' (Watson and Hay, 2003).

III – DG Trade's 'Global Europe' Strategy: Capturing the Discursive Space for Liberalization

In the context of EU trade policy the narrative of external economic constraint that was to be at the heart of DG Trade's discursive strategy was not globalization *per se*, but the so-called 'Lisbon Agenda' (or Strategy). Launched at the Lisbon Summit in 2000, its stated aim was to turn the EU into 'the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs' by 2010 (Presidency Conclusions, 2000). The context of this was the perceived slowing of market integration in Europe following the completion of the Single Market Program and the increasingly poor economic performance of the EU vis-à-vis its main competitors, particularly the US (Wallace, 2004).

The Lisbon Agenda, however, did not produce a single, homogeneous economic discourse. For one, as Hay and Rosamond (2002, p. 153) themselves note, the first paragraph of the Presidency Conclusions to the Lisbon Summit launching the strategy read that '[t]he European Union is confronted with a quantum shift resulting from globalization and the challenges of a new knowledge-driven economy. These changes are affecting every aspect of people's lives and require a radical transformation of the European economy' (Presidency Conclusions, 2000). At the heart of this emphasis on the external constraints faced by the European economy was a stress on the competitiveness problems faced by EU producers in the new globalized, knowledge-based economy. However, a potentially contradictory discourse stressing the malleable nature of globalization, whose outcome was dependent on political choices, found its way into the very same paragraph: '[t]he Union must shape these changes in a manner consistent with its values and concepts of society...' (Presidency Conclusions, 2000) Thus, although the Lisbon Strategy proposed that the EU's economic woes were to be remedied by pursuing policies of 'structural reform for competitiveness and innovation and by completing the internal market', this was to be accompanied by a process of 'modernizing the European social model, investing in people and combating social exclusion' (Presidency Conclusions, 2000). These comprised the so-called first and second 'pillars' of the Lisbon Strategy.¹¹ The question of whether the EU can reconcile its doctrine of 'social Europe' with efforts to boost (export) competitiveness is beyond the remit of this paper (see, for instance, Turner, 2001). However, the potentially contradictory nature of Lisbon suggested a potential for discursive battle at the heart of the EU political economy that commentators have been quick to pick up on, stressing, among other things, how Member States have sought to cast the Lisbon Agenda in different lights to justify their

¹¹ The third being 'sustaining the healthy economic outlook and favourable growth prospects by applying an appropriate macro-economic policy mix' (Presidency Conclusions, 2000).

preferred course of action (see Turner, 2001; Hay and Rosamond, 2002).¹² The 2005 mid-term review of the Lisbon Agenda brought these issues to the fore as it did not clarify the relationship between both of these dimensions but *did* reiterate the need to meet the objectives set in 2000 (see Presidency Conclusions, 2005).

The Lisbon Agenda and DG Trade's Discursive Strategy

DG Trade, unsurprisingly, seized upon the discourse attached to the 'competitiveness'-based pillar of the Lisbon Agenda. In this respect, the arrival of Peter Mandelson as Trade Commissioner in November 2004 was the crucial watershed, as a new emphasis on 'competitiveness-driven' trade policy – which would ultimately culminate in the 'Global Europe' Strategy – became apparent from the start of his tenure. From their inception, Mandelson participated in two *ad hoc* groupings that had been formed by the incoming Commission President Jose Manuel Barroso to underscore his commitment to the Lisbon Agenda: the Lisbon Strategy Commissioner's Group under the chairmanship of Barroso himself and the Competitiveness Council Commissioners Group under the leadership of Vice-President and Commissioner for Enterprise and Industry Günter Verheugen. Although these meetings institutionalized links between EU trade officials and competitiveness/industry policy-makers¹³ working on the Lisbon Strategy, these groupings were largely perceived as ineffectual, producing little in the manner of concrete proposals.¹⁴ There is, however, some value in highlighting Mandelson's involvement in these two initiatives, as they suggest the beginning of DG Trade's process of capturing discursive space within the EU for various purposes (see below). The Lisbon Strategy was the ideal vehicle for this because it was emerging as an increasingly consensual doctrine in the European political economic order. This was not just despite its contradictions, but rather, because of them, as its malleability made it a useful ideational tool to be used by different actors stressing either the 'competitiveness pillar' – and its invocation of globalization as an external constraint – or the 'European social model' pillar – where globalization was seen as a process to be managed through socioeconomic regulation.

The relaunching of the Lisbon Strategy at the March 2005 Brussels Summit, which underscored the urgency attached to achieving the Lisbon objectives, appeared to add impetus to DG Trade's discursive strategy. The Commission's 2006 'Global Europe' strategy stressed that its purpose was 'to set out the contribution of trade policy to stimulating growth and creating jobs in Europe', having previously referred to the 2005 Review of the Lisbon Agenda and underscored the need to achieve its objectives (European Commission, 2006d, p. 2, see Table 1 below). In this vein, Hay (2007) has suggested that 'Global Europe' should be understood as part of a wider Commission agenda aimed at bolstering the 'competitiveness' pillar of the Lisbon agenda. By '[providing] a powerful stimulus for structural economic reform [...] trade liberalization [as emphasized in 'Global Europe] renders the – at this point, still *contingent* – Lisbon agenda *necessary*' (Hay, 2007, pp. 31-2, emphasis in the original). The argument presented in this paper, although owing a lot to Hay's analytical insights, in

¹² Put crudely, the British are largely seen to push the 'competitiveness' side of the Agenda to promote structural economic reform, while the French are said to favor an interpretation of Lisbon that underscores the importance of preserving the 'European social model'.

¹³ DG Enterprise and Industry led discussions on the Lisbon Strategy, while in the Council it was the Working Group on Competitiveness. Both of these groupings were traditionally quite separate from the trade policy-making sphere of DG Trade and the Council Article 133 Committee.

¹⁴ Interview with an interest group representative, Brussels, 21 September, 2009. To an extent, this was a product of perceived animosity and rivalry between Verheugen and Mandelson. However, it also suggested a strategic appeal to the idea of Lisbon, which is addressed at greater length below.

essence puts this line of reasoning on its head, arguing that the Lisbon Agenda was a *means to an end* for policy-makers in DG Trade, rather than the end itself. The aim of DG Trade's discursive strategy – which culminated in 'Global Europe' – was ultimately to repackage a political agenda centered on achieving external trade liberalization (and potential costly trade-offs for certain sectors) as a *necessary* step given the external economic constraint of globalization, in other words, by appealing to the Lisbon competitiveness pillar discourse (see below). Some policy-makers in the Commission have been keen to stress that 'Global Europe' was not a 'product' of the Lisbon Agenda, but rather that they 'used' Lisbon for their own purposes (more on this below).¹⁵ The fact remains that Lisbon predated 'Global Europe' by six years, and was only appropriated as an ideational vehicle for EU trade policy following Mandelson's arrival in Brussels.

In Table 1 we note how in 'Global Europe', the Lisbon Agenda was seen as an externally given set of objectives that the EU *must* achieve given the economic constraints posed by 'a rapidly changing [global] economy'. The corollary to this was that trade liberalization was a necessary process; 'rejecting protectionism' was not so much a choice as a necessity as 'others' reciprocal obstacles would [*rather than could*] damage our economy' (European Commission, 2006d, pp. 5-6). To identify the strategic nature of the appeal to such constraints we need only contrast the 'Global Europe' document to its precursor, the so-called 'Trade and Competitiveness Issues Paper' (see Table 1). This was prepared with a largely 'internal' audience in mind and was presented at the 2005 'Market Access Symposium', a regular meeting organized by DG Trade to which it invited policy-makers from other EU institutions and business organizations (van der Stichele *et al.*, 2006). Thus, in contrast to the highly publicized 'Global Europe' document, which represented an instance of 'communicative discourse', the Issues Paper can largely be considered to fall within a 'coordinative setting', given the nature of its intended audience and the context within which it was discussed. As such, it was perhaps more suggestive of the actual beliefs held by the Commission.

Crucially, rather than presenting trade liberalization as a necessary process, and the Lisbon objectives as an outcome necessitated by external economic constraints, the Issues Paper was more of an advocacy document. Its starting point was the economic analysis that the EU's largely open trade and investment regime – with the exception of agriculture and a limited number of manufacturing tariff peaks – had helped the EU's competitiveness.¹⁶ The logical corollary, it was argued, was that access to third party markets represented the greatest potential for boosting EU external competitiveness. Crucially, it was suggested that the EU '**[u]rge trade partners to open their markets**, using our possibilities for movement on our trade protection as negotiating leverage' (European Commission, 2005, p. 6, emphasis in the original). Moreover, statements such as the fact that '[i]n many sectors (such as textiles or automotive), extra-EU liberalization has been a major factor in reinforcing competitive disciplines in the EU economy' (European Commission, 2005, p. 3) seemed to suggest that liberalization was a positive outcome in its own right. Taken together, these ideas suggested the beginnings of a re-orientation of policy towards aggressively serving export interests, potentially even at the expense of import-competing sectors (in manufacturing) that had traditionally enjoyed protection. In sum, globalization was seen as a positive outcome, albeit a contingent one, with market-opening (whether of third party economies or of the domestic

¹⁵ Interview with a European Commission official, Brussels, 16 December, 2009.

¹⁶ Telephone interview with a European Commission official, 5 May, 2010.

<p>‘Trade and Competitiveness Issues Paper’ (September 2005)</p>	<p>Globalization (economic openness) as a contingent and desirable outcome.</p> <p>The Lisbon (competitiveness) objectives as a contingent and desirable outcome.</p>	<p>‘Like the Single Market, the EU’s ever greater openness to trade and investment has been a major “catalyst of growth” over the last two decades. [...] In many sectors (such as textiles or automotive), extra-EU liberalization has been a major factor in reinforcing competitive disciplines in the EU economy [...] The aim of this paper is to show how trade policy can, and indeed does, contribute to competitiveness and which policy levers should be used to maximize this contribution.’ (European Commission, 2005, p. 3, emphasis added)</p>
	<p>Trade liberalization as a contingent and desirable process.</p>	<p>‘What can we do to add to EU external competitiveness? i) Reduce our own protection in the few areas where it remains [...] ii) Urge trade partners to open their markets, using our possibilities for movement on our own trade protection as negotiating leverage.’ (European Commission, 2005, p. 6, emphasis in original)</p>
<p>‘Global Europe: Competing in the World’ (October 2006)</p>	<p>Globalization (in the form of competitive pressures in Asia) as an external economic constraint.</p> <p>The Lisbon (competitiveness) objectives as a necessary outcome.</p>	<p>‘In 2005, the renewed Lisbon strategy set out the steps we must take in Europe to deliver growth and jobs. [...] The purpose of this Communication is to set out the contribution of trade policy to stimulating growth and creating jobs in Europe. It sets out how, in a rapidly changing economy, we can build a more comprehensive, integrated, and forward-looking external trade policy that makes a stronger contribution to Europe’s competitiveness. It stresses the need to adapt the tools of EU trade policy to new challenges, to engage new partners, to ensure Europe remains open to the world and other markets open to us. [...]’ (European Commission, 2006d, p. 2, emphasis added)</p> <p>‘European exports are [...] less well placed than Japan and the US in rapidly growing markets, particularly in Asia’ (European Commission, 2006d, p. 4)</p> <p>‘The Communication also addresses some of the links between the policies we pursue at home and abroad. As globalization collapses distinctions between domestic and international policies, our domestic policies will often have a determining influence on our external competitiveness and vice versa.’ (European Commission, 2006d, p. 2, emphasis added)</p>
	<p>Trade liberalization as a necessary process.</p>	<p>‘Europe must reject protectionism. [...] As our prosperity depends on trade, others’ reciprocal obstacles would damage our economy. [...] Our core argument is that rejection of protectionism at home must be accompanied by activism in creating open markets and fair conditions for trade abroad.’ (European Commission, 2006d, pp. 5-6, emphasis in original)</p> <p>‘The key economic criteria for new FTA partners should be market potential (economic size and growth) and the level of protection against EU export interests (tariffs and non tariff barriers). We should also take account of our potential partners’ negotiations with EU competitors...’ (European Commission, 2006d, p. 11, emphasis in original)</p>

Sources: author’s interpretation and European Commission (2005, 2006)

Table 1: DG Trade’s Diverging Discourses on Competitiveness and Trade Liberalization

economy itself, even in the context of negotiated trade-offs) as a political objective to be pursued (see Table 1).

Critics may argue that these differences in discourse over time may be attributable to a progression in Commission thinking or to pressure from interest groups seeking a more activist EU trade policy (see Siles Brügge, 2010b). However, there is additional evidence to suggest intentionality behind the Commission's invocation of economic imperatives in the case of 'Global Europe'. For one, there was no change of Commissioner over this period, suggesting a continuity of ideas. What is more, the 'Issues Paper' dates from almost a year into Mandelson's tenure at DG Trade (September 2005), which suggests that it was not just the result of a more timid approach early into the job, but rather an example of his own political program. For another, there are the mechanics of the consultations held by DG Trade over the drafting of the 'Global Europe' strategy with the Member States in the Competitiveness Working Group over the course of 2005-2006. But DG Trade's deliberations with the Competitiveness Working Group did not play a major role in the shaping of the 'Global Europe' strategy. The latter – and associated Enterprise and Industry DG in the Commission – were largely marginalized in the consultation process. Although there had been great enthusiasm at first within the so-called 'industrial policy' hierarchy at being involved in trade policy-making – this was particularly the case for the Competitiveness Working Group, given the prestige of the Article 133 Committee within the EU's comitology – in the end the perception amongst some actors was that there had been little meaningful dialogue.¹⁷ The institutionalization of links between these two previously distinct and separate bodies had derived from the explicit attempt to link trade policy to the Lisbon Agenda competitiveness pillar, but rather than subordinating trade policy to the imperatives of this wider strategy, i.e. seeing it as a *means to end* (see above), it was this wider strategy that was being used by DG Trade to legitimate its own, more narrow objectives in the arena of trade policy-making.¹⁸

DG Trade's Internal Neoclassical Economic Discourse

We have already alluded to one such objective above, namely the desire to justify trade liberalization policies that were potentially costly to particular interests, as was stated in the Issues Paper. The power of its discursive strategy in this particular respect is demonstrated in Section IV, where we discuss how they were brought into play to successfully conclude negotiations on the EU-Korea FTA and are likely to also facilitate the ratification of the agreement later this year. However, this still begs the question of *why* DG Trade chose to pursue such policies. The answer presented here is that it was a product of it having internalized an (uncritical) neoclassical economic doctrine discourse. This was perhaps most avidly defended by Mandelson, who was keen to stress in numerous speeches that

Europe is a trading continent. Our economic strength is built on trade, and our prosperity is directly linked to the openness of the markets we try to sell to. Opening a market to trade is not just about lowering tariffs – it is about creating markets in which foreign companies European companies – get a fair deal, *with freedom to compete* and legal protection when they do (Mandelson, 2006, emphasis added).

¹⁷ It is one of the only Working Group level bodies to be explicitly mentioned in the Treaties.

¹⁸ Interview with a European Commission official, Brussels, 16 December, 2009.

Such views were clearly reflected in the Issues Paper, which in several passages suggested not only that liberalizing import-competing sectors was a useful bargaining tool to achieve this market access, but that it was a good a useful goal in itself, as it reinforced market disciplines by exposing European producers to outside competition (see the discussion of the Issues Paper above for more details). This naked faith in the market also translated into a mistrust of the institutions of democratic governance and their perceived potential for protectionist and generally sub-par economic decision-making. In response to (French) criticism of the EU's (comparatively more forthcoming) position on agriculture in the Doha Round, Mandelson was to note, for instance, that

protectionism and *populism* are not the answer. The right response from Europe's leaders is a coherent strategy based on adaptation and reform. We cannot promote competitiveness at home while promising protection from fair competition abroad (Mandelson, 2008, emphasis added).

In a perhaps slightly more relevant context for the purposes of this paper, policy-makers have repeatedly stressed their fear that the European Parliament – the EU's only directly elected institution – will scupper the recently negotiated EU-Korea FTA (see section IV for more details).¹⁹ Such views mirror closely the economistic, Olsonian understanding of trade politics advanced in the endogenous trade literature (as well as in the 'collusive delegation argument) reviewed above, namely the view that protectionist interests are more likely to mobilize and pressure policy-makers than those favoring liberalization. In order to advance what according to such neoclassical economists were desirable (multilateral) trade liberalization policies, the argument was that policy-makers had to be either insulated from protectionist pressures and/or seek support from pro-liberalization interest groups in order to minimize the influence of protectionists (see Destler, 2005). An important corollary to this was the argument was that pro-liberalization interest groups had to be offered ongoing prospects of market access gains; in other words, policy-makers had to sustain the momentum of liberalization ('keep pedaling', to invoke an oft-cited metaphor) in order to avoid being held captive by protectionist special interests (and falling off the bicycle). The internalization of the discourse associated with this 'bicycle theory' by policy-makers is particularly clear in the launch of the so-called 'Market Access Partnership' in April 2007 – a series of measures to identify and target barriers of import to EU exporters. One of the stated aims was to increase cooperation between 'the Commission, Member States and business [...] to maximize our leverage in tackling and preventing barriers, *both* in Brussels and third countries' (European Commission, 2007, p. 5, emphasis added).

DG Trade and Interest Groups – The Dialectical Dimension to Discourse Construction

This explains the close relationship with DG Trade enjoyed by pro-liberalization (largely export-oriented, although also importing) business groups under Mandelson (see Siles Brügge, 2010a/b). What is perhaps more interesting for the purposes of this paper is the fact that such groups also came to shape trade policy-makers narrative (and their associated ideational strategy), illustrating the dialectical process of discourse construction and sedimentation addressed by the so-called 'reflexive' pathway in discourse analysis (see section II). This is perhaps most evident in the case of provisions made for the so-called 'external dimension to competitiveness' in 'Global Europe', in other words, focusing on the

¹⁹ Interviews with European Commission officials, Brussels, September-October, 2009. April-May, 2010.

consequences of the ‘global competitiveness challenge’ for the EU’s regulatory environment (European Commission, 2006d, p. 9). Business played a key role in pushing for the inclusion of this provision, particularly, the Union of Industrial and Employers’ Confederations of Europe (known by its French acronym, UNICE), Europe’s largest and (arguably) most influential pro-liberalization business organization (Greenwood, 2003). Its aim had been mainly to prevent domestic regulations from hampering the international competitiveness of EU firms.²⁰ However, more importantly, this involvement also came to shape the EU’s own discursive strategy. In other words, because of its views on the importance of promoting liberalization and the engagement of pro-liberalization interest groups, DG Trade seized upon the ideational resource handed to it by business to capture discursive space within the EU political economy by appealing to the so-called ‘external dimension to competitiveness’. Noting in the ‘Global Europe’ Strategy that ‘as globalization collapses distinctions between domestic and international policies, our domestic policies will often have a determining influence on our external competitiveness and vice versa’ (European Commission, 2006d, p. 2), DG Trade was in essence carving out a role for itself in domestic economic policy-making by stressing the links between internal and external policies that globalization had rendered inexorable. This translated, among other things, into an increased involvement in dialogues with other DGs over internal EU regulation, with the aim of promoting its neoliberal vision.²¹ To an extent, one could accommodate such insights with a rational institutionalist insight into the dynamics of bureau-aggrandizement, but that is not the aim here. But the suggestion here is that DG Trade’s attempts to seize discursive space were illustrative of its ideational commitment to a constructing neoliberal order in the European political economy premised on free trade and commercial activism further afield.

Another important example of where the Commission appropriated a discursive resource furnished by interest groups is in the case of the appeal to economic imperatives for *preferential* liberalization. These would come to be reflected in so-called ‘economic criteria’ for EU FTAs in the ‘Global Europe’ communication, having been routinely requested by business prior to its publication in October 2006 (they did not feature in the Issues Paper). The first was what could be called the ‘market potential’ criterion, namely ‘the size of the market and its growth prospects [which] are proxies for [EU] current and long-term commercial interests in a country, including investment opportunities’ (European Commission, 2006d, p. 12). The second, and perhaps most significant, was the ‘protection of EU export interests’ criterion, which stated that markets should not only be targeted on the basis of existing levels of protection, but also that the EU should take competitors’ FTAs into account. It is not difficult to see in this second economic criterion a general reflection of business demands for a more assertive trade policy in the face of trade activism from competitors in East Asia, particularly if we note that the partners singled out by the Commission in the ‘Global Europe’ text (India, ASEAN, Korea, and MERCOSUR). The economic criteria themselves were one of the elements most strongly welcomed by UNICE in its discussion of a ‘Global Europe’ draft (UNICE, 2006), particularly as it was felt that in the past the EU’s preferential trade policies had been driven by geopolitical interests (for a scholarly account of this argument, see Messerlin, 2001) that did little to serve the interests of industry (for more on business input into the ‘Global Europe’ Strategy, see Siles Brügge, 2010b). However, as noted above in the case of the ‘external dimension of competitiveness’, these criteria should not just be interpreted as evidence of DG Trade’s affinity for cooperating with business, but rather also became part of the discursive strategy itself. Policy-makers in

²⁰ Interview with an interest group representative, Brussels, 14 September, 2009.

²¹ Interviews with European Commission officials, Brussels, September-October, 2009.

DG Trade had for long complained about the ‘political’ nature of trade agreements pursued in the past²² – i.e. ones sought for geopolitical and/or other non-commercial reasons – and by stressing the importance of ‘competitiveness-driven’ trade policy they were recapturing the terrain for themselves (and commercial trade policy drivers). It is not too difficult to also see how this embodied the neoclassical discourse such policy-makers had internalized regarding the sources of protectionism; both ‘political’ FTAs and import protection were seen as products of sub-par *political* decision-making, which went against the grain of *technical* (and thus depoliticized) and welfare-maximizing trade policy-making by experts.

As a result of the purchase of such ideas in DG Trade, the European services industry – given its outward-orientation and more or less uniform interest in liberalization – would form a particularly close relationship with policy-makers. The ‘economic criteria’ themselves were, in large measure, a result of pressure from the European Services Forum (ESF), representing the European services industry, which claimed that it was particularly sensitive to such developments, pointing to the highly competitive nature of preferential (and discriminatory) liberalization in services markets. The nature of this appeal was itself highly strategic. The ESF had originally supported the EU’s previous policy of ‘multilateralism-only’ (see ESF *et al.*, 2003), and following the Cancun Ministerial failure in 2003 did this group began to invoke a strategic narrative in order to pressure the Commission into seeking preferential trade agreements. The argument was that in the face of pressures from rivals seeking FTAs, the services industry was at risk of losing its competitive edge in the world economy, particularly in the case of so-called General Agreement on Trade in Services (GATS) mode 3 suppliers – i.e. those wishing to establish a commercial presence in a host country – as a result of discriminatory regulatory liberalization (see ESF, 2003, 2006, 2007).²³ The incommensurability of this rhetoric with the previous support offered to the EU’s multilateral trade strategy suggests a strategic appeal to such constraints, particularly as East Asian regionalism and the US’s bilateral trade policy of ‘competitive liberalization’ both predated Cancun. However, in Mandelson and his DG, the ESF found a particularly forthcoming interlocutor, as the Commissioner and his team’s ideational perspective made them particularly amenable to the interests of those who were clamoring for more market access abroad, of which the services lobby were the most vocal.²⁴

Because its arguments centered on promoting export competitiveness and market openness chimed particularly well with the worldview espoused by officials in DG Trade, the ESF was ‘rewarded’ beyond the ‘economic’ criteria. In July 2006, the Council of Ministers – on advice of the Commission – adopted the so-called ‘Minimum Platform on investment for EU FTAs’ (European Commission, 2006b), largely aimed at investment in services (i.e. ‘mode 3’), which represented the bulk of the EU total.²⁵ It represented a desire for a consistent approach

²² Interviews with European Commission officials, Brussels, September-October, 2009.

²³ A growing literature in rationalist IPE has stressed these dynamics of regulatory competition in preferential liberalization for service providers seeking to establish a commercial presence (i.e. mode 3) in emerging markets (see, especially, Manger, 2009) which have been strategically invoked by the ESF to justify its appeal for FTAs. This ‘competitive logic’ centers on the fact that the preferential elimination of regulatory restrictions previously blocking or hampering the operation of such foreign service suppliers can lead the exclusion of all competitors, given so-called ‘first-mover’ advantages in mode 3 services markets. The ESF’s requests thus closely mirrored rationalist, economic models of trade policy-making.

²⁴ The ESF was the earliest advocate of a turn to preferential liberalization, adopting such a line of reasoning from November 2003 (see ESF, 2003). UNICE, for instance, did not begin pushing for a turn to preferential trade agreements until 2005 (European Commission, 2006a).

²⁵ Investment in services comprises the lion’s share of EU27 outward FDI stocks – 68% of the total in 2005, compared to only 21% in manufacturing (Eurostat, 2008, p. 17).

in services and investment that has so far been absent from the mandates used across different FTAs in other issue areas – such as government procurement and intellectual property rights.²⁶ The aim here was to have a template that could be adapted in each FTA negotiating mandate to the particular circumstances of a trading partner, particularly with a view to match any market access gains acquired by a competitor through an FTA or otherwise (see European Commission, 2006c, p. 2; for a more extensive discussion of the ‘Minimum Platform’ and the EU’s bilateral services and investment agenda, see Siles Brügge, 2010a).

The ESF’s discourse of external economic constraint (in the form of competitive FTA pressure) had thus become reflected in DG Trade’s own discourse. However, this was not simply an unreflexive adoption of particular ideas about the international trading system. As becomes apparent in Section IV, DG Trade would also deploy similar arguments to justify the (rapid) conclusion of the EU-Korea FTA. More generally, the debate surrounding the negotiation and ratification of the EU-Korea FTA illustrates the success of the discursive strategy deployed by trade policy-makers. Framing (potentially controversial) liberalization in the context of the Lisbon Strategy ensured that opposition was muted; one official noted how surprised he was at the level of favorable consensus shown by Member States in the Article 133 trade policy-making Committee of the Council of Ministers regarding the various proposed drafts of the ‘Global Europe’ strategy presented by DG Trade (with the possible exception of France, which, however, was unable to mobilize effectively, see below).²⁷ As becomes more apparent in the next section, the Commission seemed to have ‘won the battle before it had been fought’.

IV – Negotiating and Ratifying the EU-Korea FTA: The Commission’s Discursive Strategy Pays Dividends

Initialed in October 2009 after over two years of negotiation, this agreement was the first of a so-called ‘new generation’ of FTAs foreseen in the ‘Global Europe’ communication. It was widely perceived as a point of reference for future agreements²⁸ by EU trade officials, particularly as a result of the unprecedented level of liberalization foreseen in services and investment,²⁹ which was again particularly revealing of the neoliberal discourse internalized by officials. The context of these negotiations, moreover, is also of importance, as it shaped future appeals by policy-makers to external competitive constraints. By the time it launched negotiations with the EU in May 2007 it had already concluded FTA negotiations with Chile (2004), the European Free Trade Area (EFTA) (2006), Singapore (2006), ASEAN (2006) and the US (April 2007).³⁰ However, given the significant level of liberalization in services and investment that it foresaw (see below), it was the Korea-US (KORUS) FTA that was to the focal point of DG Trade’s (and pro-FTA interest groups’) efforts to present the agreement as indispensable, despite the fact that KORUS has been languishing in Congress since its signature without any real prospect of ratification. But before we turn to this issue, it is important to consider the likely distributive consequences of the FTA, as this is already indicative of the sort of trade-offs envisaged in the 2005 Issues Paper.

²⁶ Interview with a European Commission official, Brussels, 29 April, 2010. Interview with a European Commission official, Brussels, 6 May, 2010.

²⁷ Interview with an EU official, Brussels, 6 May, 2010.

²⁸ This is most relevant in the case of the recently initiated bilateral EU-Singapore FTA talks, which superseded efforts to arrive at an interregional trade agreement with ASEAN as a whole.

²⁹ Interview with a European Commission official, Brussels, 23 September, 2009.

³⁰ By this point Korea was also pursuing talks with Canada, Mexico, India, and Japan.

EU-Korea Trade and Investment Statistics – The Likely Distributive Consequences of the FTA

Despite a similar allocation of production among sectors between the Korean and the EU economies, in 2004 trade with Korea only accounted for 1.3% of EU25 trade in services, compared to 2.4% of the total in merchandise trade (François, 2006). According to a study commissioned by DG Trade on the effects of an EU-Korea FTA, this was only partly due to the presence of non-tradable services; rather, it was the (on the whole) significant trade barriers in Korean services markets that were largely responsible for the comparatively small size of EU-Korean services trade. The same study argued that the trade cost equivalent levels of import protection in Korea for EU25 service suppliers (46%) were almost double the average tariffs on agriculture and processed foods (28%) and almost eight-fold the average tariff on manufacturing (6%) (François, 2006, pp. 16-7). It is therefore not altogether surprising that the study was to argue that ‘that most of the economic gains [from an FTA] are attributable to liberalizing trade in services’, up to 70% of the total according to one econometric estimation advanced by the author (François, 2006, p. 4). Such views seemed to be echoed in other studies (e.g. Kim, 2005; Guerin *et al.*, 2007), which also underscored the EU’s comparative advantage in a number of (mode 3) commercial service sectors, most notably in financial (especially insurance) and professional services (Guerin *et al.*, 2007, pp. 41-52).

In contrast, the same series of studies found that the biggest losers in the EU from a full FTA with Korea would be the automobile (a total output loss of 1.7%), electrical machinery (-1.7%), non-ferrous metals (-1%), iron and steel (-0.9%), and the textile sector (-0.6%) (François, 2006, p. 29). These were also the sectors where the Koreans stood to gain the most, the study argued, with an FTA bringing potential output gains of 28.8% for the automobile, 27.1% for electrical machinery, and 18.1% for the iron and steel sectors (François, 2006, p. 31). The automobile and electrical machinery sectors were argued to suffer from the biggest potential output drop because they enjoyed higher *ex ante* protection in the EU than in the case of Korea. As a result of enjoying higher ‘*a priori* import protection [...] removing tariffs [would have] [a] stronger impact in these sectors for the EU’ (François, 2006, p. 5). In this sense both sectors were unusual, as the general trend was for EU tariffs to be lower than their Korean equivalents (Guerin *et al.*, 2007).

These findings reflected the structure of trade between the EU and Korea, particularly for the automobile sector (the most important of the potential losers from the FTA, accounting for the greatest percentage of EU GDP). In automobiles, the EU had consistently exhibited trade deficits with Korea which in 2007 comprised almost 40% of the total trade deficit in goods with Korea (ACEA, 2009a). To an extent, this was the product of the nature of the automobile markets targeted by producers from either entity. While Korean manufacturers largely exported smaller passenger cars in great volume and thus had a sizeable chunk of the European mass market, EU producers, in part hampered by Korean quotas and environmental regulations for smaller vehicles, were largely confined to the markets for larger (and luxury) passenger vehicles,³¹ exporting only 28,852 cars to Korea’s 717,766 (ACEA, 2010b).

³¹ Interview with Mr. Erik Bergelin, Director of the Trade and Economics Section at ACEA, Brussels, 24 September, 2009.

The Negotiations: Trading Automobile for Services Liberalization

These statistics suggest that Korea was a perfect target for DG Trade's agenda of seeking market expansion opportunities for its exporters (particularly the service providers it had developed a very close relationship with). Moreover, they already suggest what became more apparent later: that the FTA was to exemplify the strategy of 'trading away pockets of protection' verbalized in the Issues Paper. In the case of the Korea FTA, the *quid pro quo* dynamic surfaced relatively early in the negotiations. European negotiators in the services talks submitted a substantial market access offer early on, hoping to elicit a reciprocal response from the Korean side. This, however, was not the case, as Korean negotiators made what was considered to be – amongst EU officials – a rather modest submission and rebuffed European requests for an improved offer. The perception amongst European services negotiators was that Korea was blocking the EU's offensive agenda in services and investment (where Korea was largely defensive) until its offensive interests in automobiles – and to a lesser extent other sectors – (where the EU was defensive) were satisfied. It was only from around October 2008, over a year into the talks, that the Korean side began to make concessions, with negotiations on services and investment moving forward rather swiftly from this point onwards. This change of tack came at a time when the EU first demonstrated a willingness to make concessions on electronics manufacturing and, principally, automobiles, as a result of decision taken at the higher echelons of the DG Trade hierarchy.³² In a nutshell, this amounted to trading the liberalization of the automobile sector in return for market access in services.

The importance of this trade-off is underscored by the substantial nature of the concessions made to Korean negotiators in the automobile sector. Apart from accepting an elimination of duties and other trade barriers in a sector in which it had a substantial trade deficit with Korea, the EU ended up accepting so-called 'duty drawback'; Korean producers would continue to be allowed to claim back any import duty on parts used in the manufacture of automobiles for export. Duty drawback had traditionally been a 'red line' for EU officials in FTA negotiations with emerging economies³³ and was an area of clear offensive Korean interest, so much so that Korean negotiators had refused to compromise on the issue.³⁴ The EU's FTAs with newly industrialized economies – notably with Mexico, Chile, and with Mediterranean countries – had so far prohibited the use of duty drawback after a short transitional period (Estevadeordal and Suominen, 2006). This was also noted in a Commission report on the practice compiled after the completion of the EU-Korea negotiations: '[i]n a **preferential environment**, the EU has traditionally followed a practice of prohibiting DD [duty drawback] in many of its free trade agreements' (European Commission, 2010a, p. 2, emphasis in the original).³⁵ In this report, moreover, the EU stressed that there are 'good reasons in favour of seeking, as a matter of general policy, to prohibit DD in free trade areas' (European Commission, 2010, p. 7). The potential for unbalanced competition, it was argued, damaged the prospects of domestic industry. 'However, since the prohibition of DD may also create problems in its application for our

³² Interview with a European Commission official, Brussels, 23 September, 2009.

³³ Interview with a European Commission official, Brussels, 17 December, 2009.

³⁴ Interview with a European Commission official, Brussels, 17 December, 2009.

³⁵ As duty drawback was largely used by emerging economies as a tool to facilitate industrial production for export, the fact that duty drawback was permitted in the context of preferential trade relations with some developing countries – e.g. under the EU's Generalized System of Preferences (GSP) or under its Economic Partnership Agreements with African, Caribbean and Pacific states – can largely be explained in terms of the relatively modest industrial capacity of these economies.

partner countries, some limited concessions to this general policy line may be considered in exchange of adequate concessions from the other party, and on the condition that “rules of origin” (RoO) would fulfil the needs of the EU industry’ (European Commission, 2010, p. 7, emphasis in the original). The experience of the Korea FTA, therefore, led to a further codification of the principle of trading away protection (however significant a ban on duty drawback may have been in individual circumstances) in exchange for market access, in this case, in the ambit of rules of origin.

There is no space here to go into a substantive debate about whether the EU-Korea FTA’s provisions did ‘fulfill the needs of EU industry’ in the sense of protecting it from ‘unfair competition’, in the sense implied by the Commission.³⁶ Rather, the point is that the EU did make what, in the context of the trade negotiations was, an important concession to the Korean side in order to obtain what amounted to relatively substantial liberalization of Korean services markets (particularly for mode 3 suppliers, see Siles Brügge, 2010a). Moreover, it is important to note that it was widely perceived by the automobile sector as providing a significant (and unfair) advantage to Korean producers, particularly at a time where the sector was experiencing severe economic strain following the onset of the Financial Crisis.³⁷ In response to this and other grievances with the text – including a concern with the provisions on non-tariff barriers, which it was argued allowed the Koreans significant leeway to continue discriminating against EU exports – the sector’s supranational interest group, the European Automobile Manufacturers’ Association (known by its French acronym, ACEA), mounted a concerted lobbying campaign targeting Member States and Members of the European Parliament³⁸ – who under the Lisbon Treaty’s new provisions on trade policy were to be given the power to ratify the EU-Korea FTA. DG Enterprise and Industry, the traditional champions of industry within the Commission, as a result, also had their qualms about the deal.³⁹ Although they had acted as the lead negotiator in all trade negotiations concerned with industrial products – including the automobile talks – as was customary in all EU external trade talks,⁴⁰ it appeared that the decision to make the concession was one that was taken within the DG Trade hierarchy,⁴¹ which was responsible for coordinating the negotiations and taking a ‘horizontal’ view. The opposition campaign appeared to pay dividends, at first, when several prominent Member States voiced concerns over the implications of the FTA for their automobile sectors, including France, Italy, and Germany (Goldirova, 2009). But these concerns were put largely to rest at a July 2009 meeting of the Article 133 Committee of Member State trade representatives, where recalcitrant Member States were given the option of clarifying provisions on a safeguard clause for automobiles without re-opening the negotiations with Korea.⁴²

³⁶ Although the fact that the Koreans pushed the issue so strongly and ended up accepting the EU proposal for ‘limited’ duty drawback suggests that the concession had some import.

³⁷ Interview with Mr. Erik Bergelin, Director of the Trade and Economics Section at ACEA, Brussels, 24 September, 2009. Duty drawback also raised the specter of indirect imports of car parts from China. The industry as a whole was rather sensitive over the issue of rules of origin, as had been illustrated by an earlier dispute in the negotiations between the EU side and Korea over whether products produced in Kaesong industrial complex in North Korea should be covered by the FTA’s content requirements.

³⁸ Interview with Mr. Erik Bergelin, Director of the Trade and Economics Section at ACEA, Brussels, 24 September, 2009.

³⁹ Interview with a European Commission official, Brussels, 17 December, 2009. Even DG Taxation and Customs Union apparently voiced concerns over the consequences of duty drawback for rules of origin provisions in future EU FTAs (ACEA, 2010a).

⁴⁰ Interview with an interest group representative, Brussels, 8 October, 2009.

⁴¹ Interview with a European Commission official, Brussels, 17 December, 2009.

⁴² Interview with an interest group representative, Brussels, 14 September, 2009.

Winning the Discursive Battle

How did DG Trade manage to convince the Member States to agree to the provisions of the FTA, including the principle of allowing ‘duty drawback’, when it was facing the opposition from the behemoth car industry? The answer is that, in a sense, it had already won the battle, by recasting liberalization (in the ‘Global Europe’ strategy) as *necessary* process, both because of the external constraint posed by globalization, but also because of the competitive pressure from overseas, particularly in East Asia. One should not forget that the choice of Korea as a partner was premised on the ‘economic criteria’ for EU FTAs – these ‘criteria’ played an important role in DG Trade’s discursive strategy (see section III) – as Mandelson noted in a speech to the EP in December 2007.

The choice of South Korea as a partner for this next generation of Free-Trade Agreement reflects the important economic and political potential of the country. But it is also an acknowledgement of the reality that important barriers exist to stronger economic and trade ties (Mandelson, 2007, p. 1).

What Mandelson did not explicitly refer to was an emphasis on the so-called external competitive pressures often invoked by the ESF and which found their way into Commission discourse in the Minimum Platform. In other words, he did not go as far as stating openly the importance of obtaining at least parity with the KORUS FTA, but this was largely implied. The argument, moreover, was repeated time after time by officials within DG Trade⁴³ (and ostensibly also in their discussions with Member States and rival DGs), with the agreement itself and the urgency with which it was pursued itself largely reflecting the desire to seek at least parity with KORUS (particularly in the key area of services and investment, see Siles Brügge, 2010a). The ESF, for its part, was more candid, underscoring that the ‘proper balance of the benefits of the agreement’ had to be realized,

including the enormous potential for the various services sectors [...] that desperately need further market access abroad so as to allow our companies to maintain their competitive advantage’ (ESF, 2009, p. 2).

Whether these appeals to an external economic constraint by both the Commission and the ESF were entirely strategic (or simply a verbalization of an internalized discourse) is difficult to determine, but the fact that the KORUS FTA had been languishing in Congress since 2007 – with little real prospect of ratification either under President George Bush or the new Obama administration⁴⁴ – suggests that this constraint may have been disingenuously invoked.

Moreover, such remarks have to be situated within the Commission’s wider discursive strategy, which we have discussed above. The consensual doctrine in which the agreement with Korea was packaged – the Member States had practically unanimously agreed upon ‘Global Europe’ – helped ensure that the FTA was approved by the Member States. The only contention came from Member States which had a significant automobile industry, most notably Germany, France, and Italy. In the case of Germany, however, initial opposition to the FTA eventually gave way to support after the outcome of the regional elections in Germany favored the Chancellor Angela Merkel and her ruling party.⁴⁵ The opposition to the

⁴³ Interviews with European Commission officials, Brussels, September-October, 2009.

⁴⁴ Interview with a representative of USTR, Geneva, 15 March, 2010.

⁴⁵ Interview with an interest group representative, Brussels, 21 September, 2010.

FTA, and its provisions for the automobile industry, in all likelihood, was therefore likely to have been prompted by electoral concerns in several key states, rather than any fundamental opposition to the notion of substantial liberalization in the case of the EU-Korea FTA. In the case of France, which did have some serious reservations about the FTA and the principle of liberalization as implied in ‘Global Europe’, moreover, was isolated in the Council of Ministers, as other Member States were not receptive to its calls for an emphasis on ‘reciprocity’ in trading relations.⁴⁶ At present, only the Italians seem to persist in their opposition to the FTA⁴⁷ although it remains to be seen whether it will vote against ratification if all other Member States vote in favor; after all, despite their reservations they did vote in favor of initialing the agreement back in July 2009.

Getting the agreement initialed, however, has only been the first hurdle. The next obstacle is the ratification of the agreement, which is due to take place in the autumn of 2010. Here the EP plays a key role – following the entry into force of the Treaty of Lisbon – in having to give its assent to the agreement (on the new trade policy-making procedures under this Treaty, see García de Quevedo Ruiz, 2010). As a result, this is where most of the lobbying efforts of the opposition have been concentrated following the conclusion of the negotiations. A consistent fear voiced by DG Trade officials is that the EP will scupper the agreement,⁴⁸ although this is most likely a reflection of an economistic Olsonian discourse (see section III) that is possibly being strategically invoked in order to mobilize supporters of the agreement. In this vein, there is some evidence of supporters of the FTA trying to hurry along ratification – lest the agreement be compromised by protectionist special interests! – by invoking external economic constraints, in particular the so-called ‘competitive pressures’ already noted above. In a hearing held on 23 June 2010 in the EP’s Committee on International Trade (INTA), the ESF’s representative was to stress ‘the FTA first-mover benefit, which would give full national treatment and legal security of investment to a large number of services [...] [urging] the ratification of the agreement as soon as possible’ (ESF, 2010). To an extent, this strategy appears to be bearing some fruit as the agreement seems to have passed its first test. INTA approved the safeguard clause for the agreement in June 2010 (European Parliament, 2010) despite the fact that had failed to satisfy the automobile industry or its most ardent advocates in the European Parliament who claimed not only that it contained numerous loopholes, but also that it was unlikely to ever be used.⁴⁹

Perhaps the most interesting measure of the success of this strategy, however, was that even the automobile industry spoke in terms of ensuring equitable *liberalization*, rather than invoking protectionist arguments *per se*. Thus, in reacting to the initialing of the agreement in October 2009, ACEA noted that ‘[t]he automotive industry supports the EU in seeking trade liberalization in a fair and balanced way. The current agreement with South Korea, however, is not in the interest of Europe’s citizens’ (ACEA, 2009b). Rather than calling for the maintenance of protection, the automotive lobby sought to address several issue left outstanding by the FTA that hampered EU market access into Korea, including the continued existence of several non-tariff barriers such as unstandardized emissions testing (ACEA, 2010a). Given the substantial imbalance in trade in cars between the EU and Korea noted above, it is, however, doubtful whether substantial liberalization in this mould would have brought the benefits claimed; after all, the quantitative study of the effects of the FTA referred to above (François, 2006) made allowances for NTB liberalization. In fact, of the

⁴⁶ Interview with an EU official, Brussels, 6 May, 2010.

⁴⁷ Interview with a Member State official, Brussels, 20 May, 2010.

⁴⁸ Interviews with European Commission officials, Brussels, September-October, 2009, April-May 2010.

⁴⁹ Interview with a European Commission official, Brussels, 17 December, 2009.

three FTA liberalization scenarios foreseen by the study, the European automobile industry was calculated to contract most under full liberalization.⁵⁰ Only on the issue of ‘duty drawback’ did ACEA appear to voice concerns about its effects on EU producers in their domestic environment, but the argument was phrased so as to stress the economically ‘distorting’ effects of such a practice, which amounted to ‘unfair competition’ (ACEA, 2009b). In sum, the automobile industry’s position seemed to amount to a tacit acknowledgement of the discourse of economic constraint advanced by the Commission in its ‘Global Europe’ communication, namely that the EU faced competitive pressures to which it *had to* respond by pursuing trade liberalization policies. Whether it had truly internalized DG Trade’s discourse on the ‘necessity’ of liberalization, or simply felt compelled to invoke it in order to oppose the agreement is difficult to tell, but in either case it becomes evident that these ideas had a particularly firm footing in policy-making circles.

V – Conclusion

Existing rationalist accounts are unable to account for certain trends in EU trade policy-making. Instead, the evidence considered above has strongly suggested that it is DG Trade’s success at packaging liberalization as a *necessary* response to external economic imperatives that explains its ability to successfully push through the EU-Korea FTA and its highly contentious provisions for the liberalization of trade in automobiles. The inconsistent invocation of this narrative has suggested that this was part of a deliberate discursive strategy on behalf of DG Trade. The argument presented here is that this strategy is a product of policy-makers’ ideas about the desirability of trade liberalization in and of itself. This, it has been shown, also lies at the heart of a particularly relationship to pro-liberalization supranational business groups in Europe. In sum, how actors have chosen to represent policy decisions plays a key role in explaining political processes and outcomes and points to the ultimately constructed nature of social reality.

That being said, a word of caution is advised at this stage regarding the findings. The agreement has not yet been ratified and as such, any empirical conclusions remain somewhat tentative. That being said, regardless of the final outcome, this paper has hoped to make theoretical in-roads in two respects. For one, it has sought to introduce a political economy constructivist perspective to the study of (EU) trade politics, for long the preserve of rationalist scholars building on rather narrow understandings of the political. For another, it has underscored the continued purchase that neoclassical understandings of socioeconomic order hold in EU policy-making circles despite the onset of the Financial Crisis. This shows that more research is needed into deconstructing the economic narratives of policy-making elites.

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⁵⁰ Under full liberalization, the contraction in output was estimated at 1.78%, while under two partial liberalization scenarios, it was estimated at only 1.08% and 0.9% (François, 2006, p. 29).

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