

Is the EU an effective trading power?

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Abstract

This paper presents the degree to which the European Union (EU) is an effective trading power. To uncover the efficiency of this supranational union it is required to define EU's type of power by delving into its legal treaties, as the primary literature, and academic research, forming the secondary literature, both of which describe its institutional capacity. Given its ability to manipulate market access through the volume of its market and inflexible institutional design the EU has both a material and normative power which can be used to coerce its commercial partners in changing their regulatory standards. The effectiveness of these powers becomes apparent when applied in the context of the "Doha Development Agenda" (DDA) which has been negotiated in the "World Trade Organization" (WTO), an international and volatile environment which is ideal to test the extent of EU's influence in trade negotiations on a global scale. The results of this paper are that the EU has a limited ability of representing its Member States with a "single voice" due to its "democratic deficit" and internal divisions; is unable to attain goals considering the combination of its incoherence, inflexibility and the rise of new powers which collectively have a stronger bargaining position; and also lacks legitimacy stemming from its unwillingness to make concession with inconsistent and contradictory policies that ultimately meet resistance from third parties. The paper postulates the necessity of institutional reform in the EU for it to be an effective trading power that can efficiently represent its Member States, be flexible and dynamic in "multilateral trade negotiations" (MTN) and achieve legitimization through concessions and policies that are consistent and non-contradictory.

1. Introduction

The aim of this essay is to assess the extent to which the European Union (EU) is an effective trading power. This paper finds that while the EU is a great trading power both in and through trade, given its large and attractive “internal market” and institutional features which it can use as a form of coercion to change the regulatory standards of its trading partners, it remains largely ineffective and conflicted as a result of its inability to adequately represent its Member States, attain its ambitious goals and be perceived as legitimate in “multilateral trade negotiations” (MTN). With the conceptual background, the material and normative power of the EU will be outlined to gain an understanding of its sources of power and the way it intends to use them to increase its bargaining position with which it can change the multilateral trade agendas of its commercial partners. For the purpose of this essay, the focus will be laid on its market and institutional power to later assess their effectiveness in negotiating lucrative commercial deals at the international level. These powers will be applied in the following section, within the context of the “Doha Development Round” negotiations in the “World Trade Organization” (WTO), which discusses the capacity of the EU to effectively negotiate a deal given its apparently strong bargaining capabilities. The rationale for choosing this case study has been the need to evaluate in the analysis the degree to which the EU can influence trade negotiations on a global scale, especially in a volatile situation where trading aspects such as agricultural policy reforms are a sensitive topic of negotiations. The paper concludes with the advancement of the idea that the EU should be reformed institutionally to efficiently represent its Member States, effectively achieve its goals and gain legitimacy in MTN.

2. Conceptual Background: Defining the Power of the European Union

The power of the EU has been highly debated amongst scholars. The discussions surrounding its position internationally centre around its hard and soft power. With an emphasis on its hard power, it is clear that the EU remains an uncontested “trading power”¹. When measuring the trading power of a country it is needed to assess its economic strength which depends on the market size and the performance of the economy.² The same principles can be applied in the case of the EU as well since it derives its power in trade through its great internal market size and the capacity of its institutions to effectively negotiate lucrative commercial deals. This has allowed the EU to have a large share of world trade, making it the world’s most powerful trading bloc. This has been reflective in 2017 when the GDP of the EU totaled €17.3 trillion which was comparable with the economy of the U.S.³ Noteworthy is that the EU dominates the world’s export market, accounting for a fifth of exports for merchandise and more than a quarter for services, and is also the largest importer of commercial services in the world.⁴ Moreover, the EU is also an important source for foreign direct investment (FDI) generating around 22 percent of the world’s wealth.⁵ The origins of its power dates back to the “Treaty of Rome” in 1957 when a customs union was created for the initial members of the “European Economic Community” (EEC). With the “common commercial policy” (CCP) the “European Commission” (EC) was enabled to act as a single actor which can “speak with one voice”⁶ in international trade policy to ensure the implementations of legislation. As of 2007 the “Treaty of Rome” has been amended with the “Treaty of Lisbon” to clarify the common position of the EU in international trade negotiations through the extension of the use of a “qualified majority voting” (QMV) which should increase its efficiency in decision-making.⁷ This Treaty has increased democratic accountability by reinforcing the role of the “European Parliament” (EP) in trade with its joint power with the “Council of Ministers” in negotiating and ratifying trade agreements. Furthermore, under Article 188c of the “Treaty of Lisbon” the consistency in trade policy is ensured

¹ Sophie Meunier and Kalypso Nicolaïdis, “The European Union as a conflicted trade power,” *Journal of European Public Policy*, vol. 13, iss. 6 (2006): 906–925, <https://doi.org/10.1080/13501760600838623>.

² Ibid., 908.

³ The World Bank, “GDP Comparison EU and US (current US\$),” accessed 30 April 2019, available at: https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?end=2017&locations=EU-US&name_desc=false&start=1960&view=chart.

⁴ Eurostat, “International trade in goods,” accessed 30 April 2019, available at: https://ec.europa.eu/eurostat/statistics-explained/index.php/International_trade_in_goods.

⁵ Chad Damro. “Market power Europe,” *Journal of European Public Policy*, vol. 19, iss. 5 (2012): 686, <https://doi.org/10.1080/13501763.2011.646779>.

⁶ Youri Devuyt, “The European Union’s Competence in International Trade After the Treaty of Lisbon,” *Georgia Journal of International & Comparative Law*, vol. 39, iss. 639 (2011): 653–659.

⁷ “Treaty of Lisbon,” opened for Signature 18 December 2007, Article 9C, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:12007L/TXT>.

through the Council of Ministers.⁸ This has been revolutionary in scope as the EU can act as a supranational authority on behalf of the external affairs of its Member States by upholding a principal-agent relation. With this, the EU has been enabled to play a central role in MTN in terms of reducing through tariff-cutting the transaction costs of trading negotiations.⁹ As of 1985 the “European Union Customs Union” (EUCU) was created which removed regulatory barriers for the trade of goods and services. This has been expanded upon with the inception of the “European Single Market” in 1992 which has established an “internal market” that formed the current material existence of the EU guaranteeing the free movement of “goods, services, capital and persons”¹⁰. This liberalization of trade, both internally and externally, combined with successive enlargements and also the establishment of the “European Single Market” have made the EU the largest trade power in the world.

While it is evident that the EU derives its power inherently from trade, it also uses trade as a basis for its soft power. Ian Manners (2002) conceives the EU as a “normative power Europe”¹¹ given its distinct identity which has formed a “normatively different basis”¹² for conducting external relations. It becomes apparent that the economic power of the EU which derives from its large single market, allows it to externalize internal policies influencing the behaviour of its trading and investment partners.¹³ For scholars such as Daniel Drezner (2007) market size is essential for internal regulations to be externalized as it affects the material incentives of governments “to co-ordinate regulatory standards”¹⁴ and the perceptions of actor over outcomes. As an “an attractive market”¹⁵ for investors to do business with, its “stable, sound and predictable environment”¹⁶ which has “transparent rules and regulations”¹⁷ and having the most open “legal investment framework”¹⁸ in the world, the EU has the ability to incentives actors to “switch their regulatory standards”¹⁹ attracting external actors for opportunities and also making them fear the possibility of being excluded. Sophie Meunier and Kalypso Nicolaidis (2006) argue that this is the

⁸ Ibid., Article 188c.

⁹ Sophie Meunier and Kalypso Nicolaïdis, “The European Union as a Trade Power,” in Christopher Hill and Michael Smith (eds.). *The International Relations of the European Union*, (Oxford: Oxford University Press, 2011): 288.

¹⁰ European Union. “A single internal market without borders,” accessed 30 April 2019, available at: https://europa.eu/european-union/topics/single-market_en.

¹¹ Ian Manners, “Normative Power Europe: A Contradiction in Terms?,” *Journal of Common Market Studies*, vol. 40, iss. 2 (December 2002): 235–58, <https://doi.org/10.1111/1468-5965.00353>.

¹² Ibid. 252.

¹³ David Vogel, *Trading up: Consumer and environmental regulation in a global economy*, (London: Harvard University Press, 1995), 49.

¹⁴ Daniel W. Drezner, *All Politics Is Global: Explaining International Regulatory Regimes*, (Princeton, N.J.: Princeton University Press, 2007): 32.

¹⁵ European Commission, “EU position in world trade,” accessed 30 April 2019, available at: http://ec.europa.eu/trade/policy/eu-position-in-world-trade/index_en.htm.

¹⁶ Ibid.

¹⁷ Ibid.

¹⁸ Ibid.

¹⁹ Daniel W. Drezner, *All Politics Is Global: Explaining International Regulatory Regimes*, 32.

way Europe gains “power through trade”²⁰ using its market power as a form of coercion from changing domestic policies of trading partners to global governance, shaping, as a result, the multilateral trade agendas of its commercial partners. The “normative power” of Europe is further enhanced through its institutional features which establish the actors and rules under which the EU operates generating a significant amount of economic regulation which can have a liberalizing or restrictive effect on market activity.²¹ Hence, the EU has the ability to expand its regulatory practices to other countries outside of the trade bloc, therefore, promoting its values and trading policies internationally.

²⁰ Sophie Meunier and Kalypso Nicolaïdis, “The European Union as a conflicted trade power,” 906–925.

²¹ Chad Damro, “Market power Europe,” 687.

3. Case Study: The European Union’s Trading Power in the Doha Rounds context

3.1. The European Union and the World Trade Organization

With the “Uruguay Round” in 1995 the successor of the GATT, the WTO, was created with the scope of promoting free trade on a global scale by removing barriers to trade during trade negotiations. To achieve this purpose the WTO has created a forum for governments to establish trade agreements and settle trade disputes within a system of trading rules.²² Sharing the same purpose, the EU has become one of the main players in MTN, having the ability through its “exclusive competence”²³ to operate as a single actor at the WTO, being represented by the EC instead of Member States. As the representative of the current 28 Member states the EC negotiates trade agreements defending the interests of the EU at the “WTO Dispute Settlement Body”. Since each member of the WTO has one vote, the EU has been granted the number of votes equal to how many Member States it has.²⁴ To negotiate a multilateral trade agreement the Commission needs to correspond with a compromise of the different national positions of the EU Member States in EU national capitals, then present in Brussels at the supranational level a unified position under Article 133 in the Council of Ministers, and lastly take the final position at the international level in the WTO.²⁵ While all parties in MTN can vote on agreements under the rule of consensus, some are more equal than others given the degree of their economic importance.²⁶ With its large market size, the EU has become an appealing “trading power” to the members of WTO to negotiate deals with, being, therefore, a valuable actor for the conclusion of multilateral trade agreements. This is most noticeable with members wanting to access its market as well as fearing being excluded from it, especially when considering its inflexible institutional structure²⁷, complying consequently with its standards. Through this “form of asymmetric interdependence”²⁸ derived from its “normative power” the EU achieves a great influence in negotiating, in particular with ‘developing countries’ that can be

²² Julija Brsakoska Bazerkoska, “The European Union and the World Trade Organization: Problems and Challenges,” *Croatian Yearbook of European Law and Policy*, vol. 7 (2011): 277–290.

²³ “Treaty of Lisbon,” Article 3b.

²⁴ “Agreement Establishing the WTO,” open for signature 15 April 1994, Article IX, https://www.wto.org/english/res_e/booksp_e/agrmntseries1_wto_e.pdf.

²⁵ Rafael Arcas–Leal, “The EC in the WTO: The Three–level game of decision–making. What multilateralism can learn from regionalism,” *European Integration Online Papers*, vol. 8 (2004): 1–39.

²⁶ Jaime Tijmes–Lhl, “Consensus and majority voting in the WTO,” *World Trade Review*, vol. 8, iss. 3 (July 2009): 417–437, <https://doi.org/10.1017/S1474745609004388>.

²⁷ Ole Elgström, “Outsiders Perceptions of the European Union in International Trade Negotiations,” *Journal of Common Market Studies*, vol. 45, iss. 4. (October 2007): 951, <https://doi.org/10.1111/j.1468–5965.2007.00755.x>.

²⁸ Alasdair R. Young, “The Rise (and Fall?) of the EU’s Performance in the Multilateral Trading System,” *Journal of European Integration*, vol. 33, iss. 6 (2011): 719, <https://doi.org/10.1080/07036337.2011.606695>.

threatened of not being integrated into its market.²⁹ This power has been evident ever since the 1960s with the predecessors of the EU, the EEC and EC, being core participants in multilateral trade rounds such as the “Kennedy” (1964–67), “Tokyo” (1973–79) and “Uruguay” (1986–93) Rounds, in which it actively promoted a “‘rules-based’ agenda”³⁰. Undoubtedly the MTN that stood out the most has been the Doha “Development Agenda” (DDA) in which the EU since 2001 was one of the main powers, besides Brazil, India and the US, during these MTN. The main goal of the DDA was to have development as the core of the world trade system. With the rise in significance of ‘developing countries’ in the world trading system over the past decades, the DDA intended to have the capacity of the least advantaged countries strengthened for them to be able to fight poverty.³¹ Compared to previous rounds the “Doha Declaration” provided a clearer mandate for the negotiations on agriculture being committed to have “improvements in market access”³² and reduce “all forms of export subsidies”³³ and “trade-distorting domestic support”³⁴. Under the principle of the “single undertaking”, the approach of which is that everything has to be agreed upon, the DDA was planned to end by the start of 2005. Nevertheless, as of 2015, the DDA has been proclaimed dead during the “Nairobi Ministerial Meeting” due to the lack of support for its continuation by members that did not validate the Doha mandates.³⁵

²⁹ Andreas Dür, *Protection and Discrimination in Transatlantic Trade Relations, 1930–2010* (New York: Cornell University Press, 2010): xii.

³⁰ Alasdair R. Young, “Effective multilateralism on trial: EU compliance with WTO law.” in Blavoukous, Spyros and Bourantonis, Dimitris (ed). *The EU Presence in International Organisations* (London: Routledge, 2011), 116.

³¹ World Trade Organization, “The Doha Round,” accessed 30 April 2019, available at: https://www.wto.org/english/tratop_e/dda_e/dda_e.htm#development.

³² World Trade Organization, *Ministerial Declaration*, 14 November 2001, WT/MIN/01/DEC/W/, accessed 30 April, available at: https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S009-DP.aspx?language=E&CatalogueIdList=37246&CurrentCatalogueIdIndex=0&FullTextSearch=.

³³ Ibid.

³⁴ Ibid.

³⁵ Young, “The Rise (and Fall?) of the EU’s Performance in the Multilateral Trading System,” 725.

3.2. The Failure of the “Doha Development Agenda”

The culmination to the failure of the DDA has resulted from the successive deadlines of meeting the objectives of the agreement not being met, which made the achievement of the goals planned in the Declaration to be problematic. Through the analysis of the negotiation proposals, it has been concluded that ‘developing countries’ have diverging interests, especially in areas such as market access.³⁶ This was one of the greatest obstacles of reaching a consensus among participants, being an aspect which has been greatly debated as without tariff cuts the possibilities for trade liberalization are small. Considering that the reduction in tariffs would entail participants to have their agricultural policies reformed, this was a very sensitive aspect. Another point which has been greatly debated has been the domestic support as ‘developed countries’ found it difficult to comply with caps being made on “product-specific total support”³⁷ as they will be needed to reform their policies. The area of export competition was the only area in which all members, including the EU were able to eliminate export subsidies “by a credible end date”.³⁸ These issues stem from the differences in the position of industrialised and emerging countries regarding how to reshape the international trading system. This antagonism in the WTO was clear between participants of ‘developed’ and ‘developing countries’ in the fifth Ministerial conference which was held in Cancún with the scope of reviewing the status of the multilateral negotiations conducted in the “Doha Rounds” after several crucial deadlines have been missed.³⁹ The negotiations at this conference ultimately collapsed after 20 ‘developing countries’ have formed a group which was led by Brazil, China and India which refused to agree on the “Singapore issues”, on trade and investment, trade and competition policy, trade facilitation and transparency in government procurement, after ‘developed’ countries have been absent in the reduction of agricultural subsidies and from lowering the import barriers for agricultural products. Throughout the entire DDA, no advancement on these aspects was desired by the new powers, being eventually dropped in 2003.⁴⁰ These countries were unsatisfied with the way trading concessions were balanced and complained for a long time, since the “Tokyo Round”, about how slow the progress of reforming the agricultural sector has been. With an increased bargaining power in negotiations from their coalition, they have demanded more trade liberalization from ‘developed

³⁶ Christian Bjørnskov and Martin Kim Lind, “Underlying Policies in the WTO, the Harbinson Proposal and the Modalities Agreement,” *Revue économique*, vol. 56, iss. 6 (2005): 1385–1412, <https://doi.org/10.3917/reco.566.1385>.

³⁷ Giovanni Anania and Jean-Christophe Bureau, “The negotiations on agriculture in the Doha Development Agenda Round: current status and future prospects,” *European Review of Agriculture*, vol. 32, iss. 4 (2005): 545.

³⁸ *Ibid.*, 542.

³⁹ Cédric Dupont and Manfred Elsig, “Persistent Deadlock in Multilateral Trade Negotiations: The Case of Doha,” in Dauntou, Martin et al. (eds.). *The Oxford Handbook on the World Trade Organization* (Oxford: Oxford University Press, 2012): 587–606.

⁴⁰ Stephen Woolcock, “The Singapore issues in Cancún: A failed negotiation ploy or a litmus test for global governance?” *Intereconomics: Review of European Economic Policy*, vol. 38, iss. 5 (2003): 249–255, <https://doi.org/10.1007/BF03031726>.

countries' and more differential and special treatment for 'developing countries'.⁴¹ The response to this has been that the EU and US aimed to reduce the industrial tariffs of 'developing countries' receiving in return concessions on agriculture. Although it was feared to completely liberalize its agricultural market, to not rely on food imports affecting the incomes of farmers from the Member States, the EU eventually instituted reforms in 2003 to its "Common Agricultural Policy" (CAP) related to decoupling direct payments from production requirements in large arable sectors.⁴²

⁴¹ Giovanni Anania and Jean-Christophe Bureau, "The negotiations on agriculture in the Doha Development Agenda Round: current status and future prospects," 541.

⁴² Stefan Tangermann, "The EU CAP Reform: Implications for Doha Negotiations," in Ricardo Meléndez-Ortiz. *Tackling Agriculture in the Post-Bali Context—A collection of short essays* (Geneva: International Centre for Trade and Sustainable Development, 2014): 159–165.

4. Analysis: The extent of the European Union's Trading Power Effectiveness

4.1. Degree of the European Union acting as a 'Single Voice'

The degree of EU's effectiveness can be identified by observing its ability to represent the different demands of member states into a unified position. Through the effectiveness in representation, the EC should act, as established with the "Treaty of Lisbon", in a coordinated fashion with a "single voice" in MTN. Indisputably this ability of the EC depends on its institutional independence. To assess the degree of autonomy it is necessary to understand who actually represents the EU in international negotiations given that the "Treaty of Lisbon" has reinforced the role of the EP which together with the Council of Ministers can jointly negotiate and ratify trade agreements. With this new institutional feature the EC will have to act not only on behalf of its Member States but also of multiple principals such as the "Council of Ministers" and the EP. By doing so, as mentioned, the Commission needs the EP's approval in trade agreements to make it legitimate in trade policy. This leads to the question of whether the European Council's position during international trade negotiations is controlled by the Commission or the EU Member States. While the EU as a non-state actor holds an impressive degree of democracy, it is not comparable to the direct democracy of its Member States. Indeed it allows its Member States to be involved in the legislative process with the ability to block legislation, however, the EU remains questionable as a democratic institution with regards to the source of its authority. It is perfectly clear that the EU has both supranational and inter-state properties which through continuous institutionalization have acquired the characteristics of a polity in which powers are divided vertically among Member States and horizontally between the European Council, the EP, the EC and the "Council of Ministers".⁴³ As a result, the EU is in a "compound democracy"⁴⁴ as it aggregates within its supranational institutional framework the interests of the Member States and of their citizens. Consequently, the decision-making process becomes fragmented and disseminated, inevitably making political representation in multilateral negotiations, as in the DDA, differentiated and multiple. From this the EU can be criticized of suffering a "democratic deficit" in its functioning as it lacks accountability through its institutional structure, in which the identification of the responsible representative authority is difficult, not being, therefore, able to adequately reflect the diverse interests of its Member States.

⁴³ Sergio Frabbrini, *Compound Democracies: Why the United States and Europe Are Becoming Similar* (New York: Oxford University Press, 2007): 173–200.

⁴⁴ Sergio Frabbrini and Marco Paneni, "The Democratic Deficit of the EU: a Consequence of its Compoundness?" *Libera Università Internazionale Degli Studi Sociali* (2010): 1–13.

It must be further mentioned that when assessing the degree of EU's internal effectiveness it becomes obvious that it is challenged to reach an agreement when negotiating objectives through the decision-making process of the EC. The main source for the effectiveness of the EC, as an external actor, being limited stems from the inability of its authority to represent the collective wide preferences of its Member States, which vary from liberal to protectionist on specific trade policies that affect certain industries.⁴⁵ This makes agreeing on certain issues more difficult limiting, in turn, the EU's ability to change the status quo. Indeed the "Treaty of Lisbon" eased through the extension of the QMV a common negotiating position, however, this does not resolve what the EU should do in circumstances when consensus is needed. Given the importance of accepting a final outcome in negotiations without needing to make exceptions to the collective position undertaken by EU negotiators, the EU cannot express a common view without establishing a common position. Internal divisions in the decision-making process of the EU have been most evident in the MTN of the "Doha Rounds" when the CAP inevitably came under pressure from its trading partners given the enduring exogenous influence on this policy from the Member States that extensively intervene in the agricultural sector to support the income of their farmers. These internal divisions of preferences combined with EU's inability to defend them are reflective of the lack of ambition shown in the "Doha Rounds". Within this context, the EU found itself in a conundrum as it could not promote change since the high ratification threshold would not make the threat of exclusion more credible showing, therefore, that it would want to have an agreement more than its trading partners. The consequence of this internal weakness has translated to EU's inability of negotiating leverage when wanting to achieve an ambitious trade agenda.

4.2. Limits to the 'Goal Attainment' of the European Union

The EU's ability to be an effective trading power can be further evaluated through its "effectiveness in impact"⁴⁶ which is linked to the ability of "goal attainment"⁴⁷. The EU cannot effectively exert its power in multilateral negotiations due to the way parties perceive its "incoherence across issue areas"⁴⁸. The incoherence stems from the "capabilities-expectation gap"⁴⁹ which results from the expectations of what the EU is supposed to achieve and its actual ability to accomplish its goals. It is, therefore, necessary to look into what the EU wanted to achieve with multilateral trade in the "Doha Round" in order to

⁴⁵ Matthew Baldwin, "EU trade politics: heaven or hell?" *Journal of European Public Policy*, vol. 13, no. 6 (2006): 931, <https://doi.org/10.1080/13501760600838698>.

⁴⁶ Manfred Elsig, "The EU as an effective trade power? Strategic choice of judicial candidates in the context of the World Trade Organization," *David Davies Memorial Institute*, vol. 27, iss. 3 (2013): 328.

⁴⁷ Young, R. Oran, *International Governance: Protecting the Environment in a Stateless Society* (Ithaca, NY: Cornell University Press, 1994), 144.

⁴⁸ Ole Elgström, "Outsiders Perceptions of the European Union in International Trade Negotiations," 954.

⁴⁹ *Ibid.*, 951.

understand how effective it was realizing its objectives. In essence, the interest of the EU of wanting to conclude the DDA was to increase global economic growth and development opportunities. To achieve this, the priorities of the EC in the DDA, when it came to trade policy, have been to open up the accessibility of markets and the liberalization of agriculture for ‘developing countries’. However, it can be said that many countries, particularly ‘developing ones’, can find the decision–making process in the organizational structure of the EU to be difficult to comprehend. This incoherence results from the EU needing to amalgamate the various positions of its Member States before engaging in negotiations.⁵⁰ Since the situation with any of its domestic constituents can frequently be altered, the mandate of the EU is prone to change. These internal compromises necessitate the EU to reach trade–offs that would alter its position at the international level, leading to trading partners not being able to understand in which direction the EU is heading.⁵¹ From a structural perspective, the EU lacks the required agility to deal with crises in the same fashion the U.S. does as its institutional architecture was aimed solely at facilitating the decision–making process and support the integration of the markets of Member States to ensure peace and prosperity in Europe. From this, a positive correlation between the level of internal cohesiveness and external effectiveness is obvious with the EU being able to act as a “single voice” influencing its goal attainment in international negotiations. This shows that internal policies that are consistent and cohesive are difficult to arrive and sustain.

Another source of weakness is that the high level of degree necessary for the EU to engage in external negotiations can have positive and negative effects on the way it is perceived by its trading partners in the WTO. While the high internal incohesiveness of the EU has proven to be beneficial with the disunity being strategically exploited⁵² by making the threat of rejection of third parties from its “internal market” more credible, increasing, therefore, its bargaining position⁵³, this supranational institution remains slow in the decision–making process being inflexible in tacking a unified position as seen in its agricultural policies. With the EU being seen as “negotiating with itself”⁵⁴ as “all efforts are put into internal negotiations”⁵⁵, its flexibility is significantly reduced at the international level. In the case of small changes proposed at the end of negotiation, rounds may require extensive internal discussions of the

⁵⁰ Andreas Dür and Hubert Zimmermann, “Introduction: The EU in International Trade Negotiations,” *Journal of Common Market Studies*, vol. 45, iss. 4 (2007): 776.

⁵¹ Kud E. Jørgensen, “A multilateralist role for the EU?” in Ole Elgström and Michael Smith (ed.). *The European Union’s Roles in International Politics: Concepts and Analysis* (Abingdon: Routledge), 30.

⁵² Sophie Meunier, *Trading Voices: The European Union in International Commercial Negotiations*, (Princeton: Princeton University Press, 2005): 1–39.

⁵³ Robert D. Putnam, “Diplomacy and Domestic Politics: The Logic of Two–Level Games,” *International Organization*, vol. 42, no. 3 (Summer 1988): 427–460, <https://www.jstor.org/stable/270678>.

⁵⁴ Ole Elgström, “Outsiders Perceptions of the European Union in International Trade Negotiations.” *Journal of Common Market Studies*, vol. 45, iss. 4 (October 2007): 961, <https://doi.org/10.1111/j.1468-5965.2007.00755.x>.

⁵⁵ *Ibid.*, 959.

EU with its Member States which only slows down the process. This creates the dilemma between being efficient and accountable or technocratic and democratic in trade policy at supranational levels.

Without a doubt, the impasses with the “Doha rounds” show that the international trading system has changed dramatically in recent decades. The system has changed to incorporate new actors, mostly from ‘developing countries’ which play a central role as through the liberalisation of trade these countries have experienced sustained economic growth. This change in the balance of power in this MTN has decreased EU’s ability to achieve its ambitious objective in the trade agenda.⁵⁶ While the EU remains the world’s largest market, it is challenged by the “rising economic powers”, most notably China, India and, to some degree, Brazil as they become more attractive markets for FDI, ultimately changing the balance of institutional power in MTN. With their economic growth, it can be said that they have gained the ability to have access denied to import markets and have become less dependent on foreign trade which gives them more freedom to negotiate.⁵⁷ This shift in power has been noticeable by the weak bargaining position of the EU during the “Doha Round” which has been concerned from being excluded from the markets of other countries, especially ‘developing’ ones.

4.3. Lack of Legitimacy in Multilateral Trade Negotiations

While EU’s effectiveness can be clearly measured through the ability to represent its Member States and achieve its intended goal, the credibility and coherence of the EU are essential for it to be an effective “trading power”. The EU has become a credible actor through its *de jure* legitimization which involves its diplomatic recognition through international law and the formal membership in an international organization with its accession or conclusion of international agreements.⁵⁸ Given the combination of its strong involvement in the WTO with the high degree of importance stemming from its appealing large market size for multilateral trade agreements, the EU is to be considered a legitimate international actor. Consequently, the EU’s legitimacy is also *de facto* with it being recognized as an international actor by third parties which decide to interact with it.⁵⁹ Nevertheless, the perception of the EU as an international actor through its formal membership or interaction with third parties does not necessarily result in its actions being perceived as legitimate in international negotiations. The lack of EU’s legitimacy has been

⁵⁶ Simon, J. Evenett, “The Trade Strategy of the European Union: Time to Rethink?” *University of St. Gallen Department of Economics* (2007): 1–45.

⁵⁷ Richard H. Steinberg, “In the shadow of law or power? Consensus-based bargaining and outcomes in the GATT/WTO,” *International Organization*, vol.56, no. 2 (2002): 339–374.

⁵⁸ Inge Govaere et al, “In-Between Seats: The Participation of the European Union in International Organisations,” *European Foreign Affairs Review*, vol. 9 (2004): 155–187.

⁵⁹ Joe Jupille and James A. Caporaso, “States, agency and rules: The European Union in global environmental politics,” in Carolyn Rhodes (ed.). *The European Union in the World Community* (Boulder, CO: Lynne Rienner, 1998), 213–229.

evidenced in the “Doha Development Rounds” in which its negotiating position focused extensively on aggressive liberalization with the goal of accessing the market access of non–agricultural products. Despite the efforts of the EU to have the market access increased aiming towards a standard of trade liberalization, its protectionist agricultural policy has made the EU defensive. With the agricultural policy having serious implications throughout the “Doha Round” the existing internal policy of the EU has made it clear that no concessions will occur which are incompatible with the CAP.⁶⁰ This has created a lack of legitimacy in the EU’s efforts to liberalize trade as they continuously refused to make concessions to their current agricultural policy.

The legitimacy of the EU is further undermined by its incoherence in multilateral negotiations. According to Nuttal (2005), there is horizontal and vertical coherence with the former referring to external policies being consistent with each other, whereas the latter emphasizing the consistency between EU policies and member states.⁶¹ Within the context of the “Doha Round” there has been a horizontal incoherence as the EU has been unwilling to liberalize its market for agriculture even if the cornerstone of its trade policy since the start of the “Doha Round” has been the fair distribution of the “benefits of globalization”⁶² and advancement of economic development for ‘developing countries’.⁶³ Since most ‘developing countries’ primarily need agriculture for the development of their economy, the EU appears to be contradicting itself between the way it wants to be perceived by the international community and its actions. One can, therefore, argue that the EU is in a normative dilemma as it contradicts itself in its goals of free trade and development with its protectionism for agricultural policies.⁶⁴ Hence, the EU can be considered a “leader with double–standards” with goals which are contradicting each other, making its motivations to achieve its objectives questionable, especially when considering that the agenda of the “Doha Development Round” is wider in scope than other rounds and targets specifically the economic improvement of the least advanced countries. As for vertical coherence, the EU can act either unilaterally or with selected allies in trade, however, there is a high chance for it to face resistance from key members of the WTO which would create an obstacle to attaining its initiatives. This becomes apparent in the DDA with the rise of new powers which are able through their weighted power to reach their diverse

⁶⁰ Alasdair R. Young, “Trade Politics Ain’t What it Used to Be: The European Union in the Doha Round.” *Journal of Common Market Studies*, vol. 45, iss. 4 (2007): 804, <https://doi.org/10.1111/j.1468-5965.2007.00748.x>.

⁶¹ Carmen Gebhard, “Coherence and Consistency,” in Christopher Hill and Michael Smith (eds). *International Relations and the European Union* (Oxford: Oxford University Press, 2005), 101–128.

⁶² Sophie Meunier, “Managing Globalization? The EU in International Trade Negotiations,” *Journal of Common Market Studies*, vol. 45, iss. 4 (2007): 915.

⁶³ *Ibid.*

⁶⁴ Anders Ahnlid, “Setting the global trade agenda: The European Union and the launch of the Doha Round,” in Ole Elgström and Chister Jönsson. *European Union Negotiations: Processes, Networks and Institutions* (London: Routledge, 2005), 130–147.

preferences and form an effective opposition to the already established powers in the WTO as the EU.⁶⁵ It can be assumed that the positions of these rising trading powers have been reflective of their domestic economic structures undertaking, therefore, a less liberal stance in MTN. These differences in position between established and new powers have been most obvious in the opposition towards the integration of the “Singapore issues” during the DDA. Ultimately the centrality of the new powers greatly shaped the WTO agenda making their differences in position with established powers result in the failure of the DDA under the principle of the “single undertaking”.

⁶⁵ Kristen Hopewell, “Different paths to power: The rise of Brazil India and China at the World Trade Organization,” *Review of International Political Economy*, vol. 22, iss. 2 (2015): 311–338.

5. Conclusion

In conclusion, despite the EU being a formidable and essential power in trade, with its large and valuable market size and institutional ability of negotiating commercial deals, as well as through trade, with its strong coercive capacity and inflexible institutional features that can shape the multilateral trade agendas of its trading partners, this supranational union is overall an ineffective trading power. As evidenced its ineffectiveness has become very obvious within the context of the “Doha Development Round” in which the EU, as a key member of the WTO, was expected to have a high bargaining position by making ‘developing nations’ agree on concessions in order to attain its planned goals of increasing economic growth and development opportunities. Nevertheless, the failure of the DDA, resulting from the differences in the position of industrialised and emerging countries in areas of trade, such as market access which involved the reduction in tariffs making participants reform their agricultural policies, has shown that the EU is severely limited in representing its Member States with a “single voice”, lacks the internal decision-making power of realizing its expected objectives and is perceived as illegitimate in MTN. The EU has not been able to adequately reflect the diverse interests of its Member States as it suffers from a “democratic deficit” given its lack of institutional independence that stems from the source of its authority being questioned, whether the EC or the Member States play a greater role in international trade negotiations, resulting in its decision-making process during the DDA being fragmented and disseminated. These diverse preferences of its Member States are also reflective of the internal divisions in the EU when negotiating within the “Doha Development Rounds” which showcased its inability of forming a united position and defending their interests. Moreover, the EU has lacked effectiveness in impact due to the perceived incoherence surrounding the gap between its expectations and capabilities with trading partners finding it difficult to comprehend its decision-making process as they did not know in which direction it was heading given the changing position of its domestic constituents. It was further limited in its ability of “goal attainment” through its slow decision-making process considering its inflexibility of reaching a unified position at the international level. The new actors have also limited EU’s effectiveness in achieving its ambitious goals as they have shifted the balance of power in the WTO reducing, therefore, its bargaining power and making it fear of being excluded from their market. Finally, due to EU’s lack of legitimacy, it is limited as an effective trading power in multilateral trade. While the EU is seen as a legitimate international actor with its strong involvement in the WTO, it is perceived as illegitimate as it refused to make concessions. Its policies have also not been consistent with each other, contradicting itself in its goals of free trade and development, with its protectionist stance on agriculture through the CAP, consequently facing resistance from the different positions of ‘developing countries’ creating, therefore, a normative dilemma. With everything taken into consideration one can argue that the

EU needs to undergo a set of institutional reforms in order to effectively represent its Member States with one source of authority and a unified position, to efficiently attain the goals it has set out by presenting a coherent position in a flexible and dynamic fashion, ultimately achieving legitimacy amongst third parties and a stronger bargaining position in MTN.

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