

**The EU, the US, and Trade Policy: Competitive Interdependence In the
Management of Globalization**

Alberta Sbragia
University of Pittsburgh
sbragia@pitt.edu

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Alberta Sbragia

Competitive interdependence marked the European Union (EU) - United States (US) relationship as the GATT/ World Trade Organization (WTO) was strengthened and as each enlarged its territorial sphere of influence. The EU initially expanded its influence outside Europe by granting nonreciprocal preferences to the African, Caribbean, and Pacific (ACP) states while the US subsequently used the WTO to force the EU-ACP relationship into WTO-compliance. Adopting regional and bilateral strategies, the US negotiated NAFTA and Latin American and Asian free trade agreements. The US thereby expanded its sphere of influence. The EU responded by negotiating equivalent free trade agreements in both Latin America and Asia. As it expands its territorial sphere of influence, the EU may now be managing globalization by outstripping the US. The US-EU relationship thus is marked by both competition and interdependence.

Key words: competitive liberalization, NAFTA, ACP, WTO, regionalism

In 2006, the Commission issued “Global Europe: Competing in the World.” (COM 2006) That document symbolized a new era in the trade policy of the European Union (EU) and its response to globalization.¹ It recognized that the world economy had changed and that the EU’s trade policy had to be up—dated to take account of important emerging markets and the activity of trade competitors, especially the United States (US). The Communication acknowledged that, while the EU’s commercial diplomacy had played a major role in the global economic arena, it was time to change the direction of such diplomacy. The Communication thus symbolized a major strategic change in the EU’s trade policy.

The Commission’s document represented a re-thinking of how the EU should go about “managing globalization.” (Meunier 2007) In fact, the question of whether the EU manages globalization-- and if so how- has attracted scholars concerned with the EU’s international role. Jacoby and Meunier (2008), drawing on Pascal Lamy (2004) have argued that the EU “manages” globalization by utilizing various mechanisms.

Two such mechanisms are particularly relevant to the EU's trade policy as used to manage globalization. First, the empowerment of international institutions in the field of commercial diplomacy has played a crucial role in such management. The multilateral system is far more powerful in the area of trade than in any other policy area. Centered on the World Trade Organization (WTO) and trade rounds such as the ongoing Doha Round, the multilateral system of rules surrounds and impinges on the EU's commercial diplomacy. Multilateral institutions impose rules which apply to all states and thereby create order. They help to tame the "anarchy" of the international system. The WTO is a particularly key multilateral institution because it has a powerful dispute settlement regime and thus can impose a degree of economic order. (Zangl 2008) However, its predecessor, the General Agreement on Tariffs and Trade (GATT), was also an important multilateral institution. It was strengthened when the EU was established because it was the only institution which brought the EU and the US together to negotiate over trade. It became a key institutional fulcrum for US-EU trade relations.

The second mechanism outlined by Jacoby and Meunier involves the EU in expanding its influence in areas other than in its own member-states. This second mechanism permits the EU to shape globalization in its own interests outside its own frontiers. The EU can use it to try to shield EU citizens from the harm which could be caused by the operation of the market outside the EU's own formal boundaries. In the area of trade policy, it allows the EU to "export" its "way of doing business" so as to make target countries more accommodating to EU interests in the field of trade.

This article argues that those two mechanisms—the empowerment of the multilateral trade institutions (the GATT and the WTO) and the enlargement of the area influenced by the EU--- need to be situated within a transatlantic framework when addressing the EU's trade policy. The EU is operating within a global arena within which the US is its major competitor, and the structural nature of that competition is crucial for understanding the options open to the EU. While the EU has supported and used the GATT/WTO, so has the US. In a similar vein, both have extended the territorial sphere of their influence, often explicitly in reaction to one another.

Such a pattern follows a rough but recognizable sequence. In phase one, the EU challenged the US in the General Agreement on Trade and Tariffs (GATT) while spreading its territorial influence through enlargement and constructing a special relationship with its former colonies. In phase two, the US used the WTO to force the EU to re-shape its territorial relations with those same states while simultaneously extending its territorial influence. In phase 3, the EU has begun to once again extend its influence..

The EU and US are therefore bound together. The competitive interdependence which binds them includes a dual logic. Each attempts to use the WTO to control the other while simultaneously attempting to expand its influence through the use of trade agreements which are WTO-compliant. Since each is a key player in international trade, the opportunity structure open to either is shaped by the structure which has been created by the other. This type of competitive interdependence is historically rooted as it is a structural condition arising from the enormous economic power which each exerts in the global economy.

The European Union and the Management of Globalization

Although the term “managed globalization” refers to the last fifteen years or so, in the area of trade policy the EU became a force in writing the rules of globalization as soon as the Treaty of Rome came into force. It was empowered to operate as a unitary actor within the GATT with the European Commission (at least formally) acting as the sole negotiator, The initial commitment by the Six to a unitary trade policy was partially due to their wish to be more effective within the GATT than each had been when operating individually. The European Commission, for its part, supported the participation of the Six in the Kennedy Round because it wished to strengthen its position as the EU’s negotiator in the face of reluctance on the part of the member-states to allow the Commission to play that role. (Coppolaro 2006; Johnson 1998; Winham 1986:318)

The EU (along with the US) has played a key role in delaying, launching, and closing multilateral trade rounds. It did not initially support the Uruguay Round of trade negotiations—strongly backed by the US—and had to be convinced to support it before the Round could be initiated.. (Woolcock and Hodges 1996: 305-6; Paemen and Bensch 1995:32-36; Davis

2003,274; Meunier 2000). By contrast, the EU strongly supported—in contrast to a reluctant US-- the launch of the failed Millennium Round (Commission 1999; European Council 1999 , 13) and the subsequent Doha Round of negotiations (Kerremans 2005). The EU and the US are interdependent in that both must support the launch of a trade round before it can materialize.

The EU and the US, when collaborating, were able to wield enormous power during the Uruguay Round. The two ‘agreed in October 1990 to use their market power to close the Uruguay Round on terms they favored’. They both ‘withdrew from the GATT 1947 obligations (including its MFN guarantee) to countries that did not accept the Final Act and join the WTO’. (Barton, Goldstein, Josling, and Steinberg 2006: 65-66). Not surprisingly, most states decided to join the WTO to ensure that the two largest markets in the world would not exclude them from the benefits of the Most Favored Nation (MFN) guarantee.

In the post-Uruguay period, the EU strongly supported multilateral negotiations and the WTO as an institution. Multilateralism in fact can be viewed as intrinsic to the EU’s current view of how global economic governance should be structured. Analysts generally agree that EU trade officials have devoted most of their attention to the WTO since its establishment. (Evenett 2007a: 20) Such attention to the WTO has also been encouraged by the fact that, in Pascal Lamy’s words, “the WTO has too often been the sole focus for efforts to strengthen international governance” due to a lack of “suitable multilateral reference point[s]” in other issue areas. (European Commission 2004:5) Such support is reinforced by its traditional (now fraying) hesitation to engage in bilateral trade negotiations with OECD members, viewing such negotiations as a major challenge to the prominence of multilateral negotiations and multilateral rules.

Not surprisingly, then, the EU strongly backed the launch of the failed Millennium Round (Commission 1999) and the Doha Round. In fact, Kerremans (2004:371) argues that ‘the idea of a new round of multilateral trade negotiations—the first one in the World Trade Organization—is largely a European one.’ The European Commission viewed a new Round as a way to deal with the further liberalization of agriculture by embedding such negotiations within a more expansive negotiating framework, thereby facilitating ‘package deals.’ (Kerremans 2004: 372)

Expanded Territorial Influence: The EU has also been very successful at extending the territorial range of its influence. Most notably, the Six gradually enlarged to the EU-27. The EU's influence was particularly strong during the accession process of the post-communist states in Eastern Europe. (Kelley 2004; Jacoby 2006; Vachudova 2005) Such enlargement, while burdening the EU in some respects, allowed it to exercise greater market power (Young and Peterson 2006). It also permitted Brussels to "export" its regulatory framework to its geographic neighbors while simultaneously strengthening its regulatory impact on the global stage. Its expanded market combined with its extensive internal 27-state regulatory structure increased the EU's geo-economic and geo-regulatory power. (Damro 2006) Finally, the EU-Turkey customs union (which excludes agriculture) came into force in 1996 and again added to the EU's territorial reach..

The EU, however, has also expanded its territorial influence outside the European continent. Geographic contiguity has not been necessary for the EU to exercise influence over other states' economic space. Such influence shapes the opportunities and constraints faced by EU exporters as well as by third party exporters desiring to penetrate the EU market. It also shapes the opportunities for EU multinationals desiring to invest abroad. Exercising such influence has not been limited to economic spaces, however. The EU has tried, through conditionality, to affect policy areas such as human rights and gender equality. (Lister and Carbone 2006)

The instruments used by the EU have included development aid (Holland 2008), association agreements, free trade agreements, and inter-regional dialogue, including political dialogue. One of the earliest attempts by the EU to exercise influence outside its own boundaries involved developing countries with a colonial history linked to Britain and France—the African, Caribbean, and Pacific (ACP) countries which were recognized as a "region" by the EU but by no one else. The various Lome Conventions allowed the EU to maintain close contact with ACP states and to institutionalize its relations. (Carbone 2007).

For example, the EU-ACP relationship includes an ACP-EU Joint Parliamentary Assembly which meets twice a year, with 78 Members of the European Parliament meeting with 78 parliamentarians from the ACP states. For decades, the ACP grouping has represented a key link for the EU with the developing world. (Holland 2002) .However, over time EU interest in

the ACP relationship waned as new members without historical ties to ACP members joined the Union, the postcommunist states' began the accession process, and the Mediterranean began to be viewed as important for the security of the EU. (Ravenhill 2004: 126; Crawford 2004)

In the mid-90s, the EU began to negotiate with non-ACP states. In 1995, the EU signed the EU-Mercosur Framework Agreement as well as the EU-Israel Association Agreement. The following year, a Framework Cooperation Agreement with Chile was signed. The Economic Partnership, Political Coordination, and Co-operation Agreement between the European Union and Mexico was signed in 1997, and a Free Trade Agreement went into effect in 2000 (Dur 2007; Szymanski and Smith 2005, Sanabuja 2000)). In 1999, the EU successfully concluded a Trade, Development and Co-operation Agreement with South Africa. (Frennhoff-Larsen 2007). As we shall argue below, these agreements were largely negotiated in response to the establishment of NAFTA and the Clinton Administration's proposed Free Trade Area of the Americas (FTAA). They were intended to extend the EU's influence as a counterpoint to the US strategy of re-shaping economic geography.

Beginning in 1997, however, the EU stopped pursuing new free trade agreements. Once the World Trade Organization (WTO) had been created in 1995, some EU members viewed bilateral free trade agreements as a threat to the institutionalized multilateral system that the Uruguay Round had brought into being. Pascal Lamy, Trade Commissioner from 1999-2004, was so personally committed to multilateralism that he did not pursue new free trade agreements--although those already in progress were allowed to be concluded. (Evenett 2007a; Defraigne 2002; Meunier 2007; Lamy 2002).

THE UNITED STATES RESPONDS

The commercial diplomacy of the United States has traditionally viewed the EU as its major interlocutor. The American response to the EU's policies and power has included actions at both the multilateral and regional levels. The GATT and subsequently the WTO have provided the US with a forum within which to challenge the EU, though often with mixed results. The US, however, found that WTO-compliant regional and bilateral responses were quite effective in extending the sphere of American influence.

The US Challenges the EU: Multilateral Responses

By establishing the EU, the Six changed the structure of the global trading system of that era by adopting a common external tariff and by developing a Common Agricultural Policy (CAP). The United States was forced to respond. In the area of trade policy, therefore, the multilateral institution of GATT trade rounds and later the WTO have been crucial for both the US and the EU. Arguably, the importance of the GATT Rounds was that they represented a key mechanism by which the US and the EU could try to “manage” each other.

Thus, the 1960-61 GATT conference (Dillon Round) was primarily concerned with addressing the consequences for exporters to the markets of the Six, with special concern being expressed by agricultural exporters. (Swinbank and Tanner 1996) The United States was so concerned about the future shape of the Common Agricultural Policy (CAP) that during the Round the Kennedy Administration ‘requested a ‘semi-seat’ at the Community table’ so that the US would be consulted as the CAP was being planned. (Devuyst 2008:97)

In 1962, President Kennedy in calling for what came to be known as the Kennedy Round identified the expansion of the European Common Market as one of the five new challenges which had made “obsolete [America’s] traditional trade policy.” (Metzger 1964). The US, in fact, changed its negotiating strategy so as to more effectively negotiate with Brussels. Previously, US trade negotiators had negotiated item by item, but during the Kennedy Round they received Congressional permission to negotiate by broad categories of goods, reflecting the EU’s own internal arrangements. ((Bauer, De Sola Pool, and Dexter 1972:74; Evans 1971)

Kennedy hoped that trade liberalization would expand American exports to Europe’s growing economies. It quickly became clear, however, that agriculture would, as feared, present a major stumbling block, and that ‘the United States might eventually have to settle for a bad deal in agriculture to get the type of industrial agreement that would be in the American interest.’ (Schwartz 2003: 37) President Johnson decided to continue with the Round with agriculture off the table, but agriculture was to continue to be a very difficult area to negotiate during succeeding GATT rounds.

While extremely disappointed by the EU's CAP, the US continued to support European integration. It supported the Commission's role as the sole negotiator during the "empty chair crisis" in spite of the GATT Director General's proposal that the six negotiate as individual states. The US supported the position that 'the Kennedy Round had to be negotiated by the Community, represented by the Commission.' (Coppolaro 2006:229). Given the reluctance of the member states to allow the Commission to act as sole negotiator, American support for the Commission's role was significant.

From the Kennedy Round forward, the US and the EU faced each other at the multilateral level. It was there that they negotiated as equals and it was there that they came into conflict. The Tokyo Round (1973-1979) announced the arrival of an international economic system 'principally managed by a US/EC partnership.' (Winham 1986: 11) Launching the Uruguay Round was initially supported by the US while opposed by the EU. (Davis 2003: 272-274; Meunier 2000: 122). After the Round was launched, the US made clear that it would choose to kill the Round rather than accept the kind of agricultural reforms it had accepted in the Tokyo Round. (Davis 2003: 286) Agriculture was indeed addressed in the Uruguay Round, although agreement was not finalized until the Blair House Agreement was modified so as to render it acceptable to France. (Meunier 2000: 121-126)

The Uruguay Round led to the establishment of the WTO which in turn was used by the US to challenge the EU's long standing preferential trade relationships with the ACP countries. The US thereby confronted one of the EU's channels for extending its influence. The non-reciprocal preferences that the EU granted the ACP states had already been controversial during the Tokyo Round, and the WTO provided a forum within which they could be successfully questioned. Imported bananas provided the material for such a challenge, as they were imported into the EU both from ACP countries and from Latin American producers. The preferences granted to ACP bananas as opposed to bananas from all developing countries were open to litigation.

The EU-ACP relationship: The EU's single market program had led (after intense intra-EU conflict) to the unification of what had previously been a disparate nationally-based approach to the market for bananas. When a new EU-wide framework was put in place in 1993, it violated WTO rules because it did not treat all developing countries' imports equally as required. Bananas from ACP countries received privileged access to the EU market

vis a vis bananas from Latin American producers. (Alter and Meunier 2006; Grynberg 1998:6-7). Complaints to the GATT from the Latin American states were blocked by the EU, a permissible strategy under GATT rules.

However, when the WTO was established as agreed to in the Uruguay Round agreement, the weak GATT dispute settlement procedure was replaced by a much more authoritative procedure. At that point, the US (defending the interests of the US company Chiquita Brands) joined the legal battle. After a complicated set of legal maneuvers, the US and the Latin American producers won, and the EU was forced to begin dismantling the banana regime that privileged ACP producers. (Alter and Meunier 2006; O'Connor 2004). The WTO which the EU had so strongly supported could clearly be used to constrain the EU itself.

The decision was instrumental in leading the EU to acknowledge that the preferential relationships represented by the Lome Conventions would have to be modified. The US had long viewed the non-reciprocal preferences which lay at the core of the EU-ACP relationship as violating the MFN principle so central to the GATT/WTO. The Cotonou Agreement, which replaced the Lome Conventions, essentially accepted that development goals and trade liberalization a la WTO were compatible.

Non-reciprocal preferences were no longer legitimate; preferential trade relations with selected developing countries were no longer acceptable. They were to be replaced by EU-ACP trade liberalization as well as development assistance funds (Michel 2008) As a result, the Commission began the arduous task of developing the so-called Economic Partnership Agreements (EPAs) which were to be WTO-compliant while integrating the ACP states into the world economy. EPAs were to be finalized with six “regions” by December 31, 2007, the date when the waiver from MFN granted by the 2001 Doha Ministerial Conference was to expire. (Thallinger 2007: 501)

The EU, by attempting to establish EPAs which involved “regions”, sought to be WTO compliant by using Article XXIV as its guide. (Curran, Nilsson and Brew 2008) However, the storm of criticism which it has faced from both civil society groups as well as national parliamentarians has demonstrated how difficult it is to mix development with trade. (Mombrial 2008) Although negotiations began in September 2002, only 35 countries had initialed an EPA by the deadline of December 31, 2007. By that date, only one region—composed of the CARICOM states plus the Dominican

Republic—had initialed a full EPA, which it subsequently signed in October 2008. The other countries initialed an “interim” agreement which included only trade in goods and excluded areas which are far more controversial, such as services and investment. It is unlikely that those will be finalized soon. At the end of 2008, for example, only two of the 14 states making up the “Pacific region” had signed provisional agreements.

Though the move from the Lome Convention to a WTO-compliant EU-ACP relationship was strongly supported by member-states which had traditionally been hostile to the nonreciprocal preferences for the ACP states, WTO decisions provided the trigger for the overhaul of the relationship. The US role in the process represented a continuation of its previously unsuccessful efforts in GATT Rounds to force the EU to transform the EU-ACP relationship by making it GATT-compatible. Although the US and the EU had collectively given birth to the WTO, the US was not reluctant to use its power against the EU.

The US challenges the EU Again:North American Regionalism

One of the most effective challenges to the EU came in the form of American regionalism. Partially due to the Uruguay Round’s very difficult negotiations, and partially in response to the EU’s “1992” single market program, the US negotiated the North American Free Trade Agreement (NAFTA). The United States joined Canada and Mexico in the largest regional trading bloc outside of the EU itself. The US had decided to extend its own sphere of influence by negotiating an expansive regional trade agreement encompassing trade in goods and services, investment, and intellectual property rights.

NAFTA, which came into force in 1994, was such a powerful economic instrument that it has been described as ‘among the postwar period’s most consequential and far-reaching international developments’ within the field of global economic relations.(Gruber 2001:705). It represented a major challenge to the European Union, for it marked the first time the US had definitively shown its acceptance of regionalism rather than maintaining its traditional loyalty to multilateralism. (Sbragia 2007) In the tug of war between regionalism and multilateralism (Sbragia 2008), NAFTA struck a strong blow for economic regionalism. The EU during that same period was

establishing its single market so that the world economy witnessed a simultaneous deepening of integration within the EU and an acceptance of regional economic integration in North America. Just as the post 1958 period could be viewed as the post-EU period, so too the post- 1994 period could be seen as the post-NAFTA period

NAFTA represented the emergence of the US as a “regional” power, one which was willing to use a far-reaching trade agreement to liberalize trade in North America. NAFTA bound the US Canada, and Mexico into a new form of economic regionalism, one which brought together members of both the developing and the industrialized world. Just as the EU’s birth as the post-war world’s first major example of economic regionalism presented new challenges to the United States, so too did the introduction of American regionalism into the global economy confront its European counterpart with new dilemmas.

In the pre-NAFTA period, the US had chosen only multilateralism to pursue liberalization while choosing a bilateral approach to pursue trade restrictions. In the post-NAFTA period, by contrast, the US negotiated a series of trade agreements with Latin and Central American states, Australia, Singapore, Jordan , and most recently South Korea. NAFTA, therefore, represented a key break in the US strategy of pursuing the liberalization of trade primarily through multilateral negotiations.

Furthermore, the integration of the Canadian, American, and Mexican economies signaled the arrival of a regionalism which coupled both developed and developing economies into a “WTO plus” very expansive free trade area. The incorporation of the large Mexican market into the North American trade area, an incorporation which included intellectual property rights and investment protection, represented a milestone in the shaping of the international trading system. NAFTA, in brief, forced all trading states to eventually re-think their trade strategies. The EU was no exception.

As the EU moved toward enlargement to the east, the US indicated that it wished to negotiate a Free Trade Area of the Americas (FTAA). Such an agreement would have represented a major challenge for the EU, for whom Latin America is a major export market. However, the Clinton Administration was unable to obtain negotiating authority, and the effort to extend the American sphere of influence had to wait for the Bush

Administration. Thus, as the EU became more important globally, the US reacted by seeking to expand its territorial influence in Latin America .

The Bush Doctrine: Competitive Liberalization

The Bush Administration successfully negotiated a relatively large number of free trade agreements after it (barely) was given “trade promotion” authority by Congress: Chile (approved by Congress in 2003), Central America and the Dominican Republic (CAFTA) (approved by Congress in 2005), and Peru (approved by the then- Democratically-controlled Congress in December 2007 after changing provisions related to labor, the environment, and access to medicines).Agreements were also finalized with Colombia in November 2006, Panama in December 2006 and South Korea in April 2007. The South Korean agreement, if implemented, would be the most important trade agreement since NAFTA. It would represent the world’s third largest economic bloc and ‘would be the second largest FTA in which the United States is a participant and the largest in which South Korea is a participant.’ (Cooper and Manyin 2007:1) All three agreements, however, have run into stiff opposition in the Democratically-controlled Congress, and as of December 2008 had not been approved.

The negotiations in Latin America and Asia provided the substance for a trade policy strategy known as ‘competitive liberalization’, articulated by Robert Zoellick,, the United States Trade Representative in the Bush Administration’s first term. Essentially, the US began negotiating very expansive (WTO plus) bilateral free trade agreements with those states eager to gain access to the US market. Such agreements would encourage ‘the adoption abroad of US-style market-friendly business laws and regulations, or at least the adoption of regulations that US businesses can accommodate more easily.’ (Evenett and Meier 2008:31) The Bush Administration hoped such an approach would trigger a dynamic which would encourage other states to seek bilateral agreements with the US as well as move toward a multilateral agreement in the Doha Round. (Evenett and Meier 2008)

The strategy of ‘competitive liberalization’ represented a clear cut example of the Bush Administration’s interest in enlarging the sphere of US influence. While the Clinton Administration had used some elements of the strategy so as to raise the likelihood of obtaining a multilateral agreement (Steinberg 1998: 4), the Bush Administration implemented the

strategy in such a way that bilateral trade agreements increased rapidly. Zoellick was driven by a sense that the US had been ‘falling behind the rest of the world in pursuing trade agreements.’ (Zoellick, 2002), and the zeal with which the US pursued bilateral free trade (as well as competition and investment) agreements was directed at making up for lost time.

The EU Reacts to the US Challenge

NAFTA presented a serious regional challenge to the EU as it expanded American influence by using regionalism rather than multilateralism. It triggered the re-shaping of the transatlantic relationship, one in which the EU- rather than dealing with the Americas exclusively at the multilateral level- began to develop bilateral relations with Mexico and Chile and “inter-regional” relations with Mercosur and the six Central American states.

The Americas would become a central focus for both the US and the EU; the two became rival suitors. The EU courted Mexico, Chile, and Mercosur while the Clinton Administration pursued an “all-Americas” strategy by trying to obtain “fast track” authority from Congress so as to negotiate a hemispheric free trade area, eventually to be known as Free Trade Area of the Americas (FTAA).

The EU’s response to NAFTA was clear-cut. Pierre Defraigne, Deputy Director-General in the Commission’s Directorate-General for Trade stated the dynamic clearly: “In order not to be evicted from the NAFTA market, the EU immediately started a FTA negotiation with Mexico.” (Defraigne 2002:7). In May 1995, the EU began negotiating the EU-Mexico Global Agreement, the first transatlantic free trade agreement negotiated by the EU. The European Commission’s website entry on the EU-Mexico Free Trade Agreement(http://ec.europa.eu/trade/issues/bilateral/countries/mexico/ftapr_en.htm) makes explicit comparisons with NAFTA, for the US is the EU’s major competitor in both trade and investment in Mexico. In November 1999, the EU began negotiating a FTA with Mercosur Ia regional customs union in the making created by Brazil, Argentina, Paraguay and Uruguay). In 2000, negotiations began with Chile, which had been expected to join NAFTA but was kept from doing so by President Clinton’s lack of negotiating authority.

In fact, due to the lack of presidential negotiating authority, the US was unable to initiate FTAA negotiations, as well as those with Chile. This respite allowed the EU to “catch up” by finalizing the agreement with Mexico, negotiating a FTA with Chile, and initiating negotiations with Mercosur in November 1999. However, the did not use the time to move aggressively in the rest of Latin America. The process of enlargement was clearly taking priority, and the EU was therefore not playing a leadership role in Latin America’s commercial diplomacy.

However, the election of George W. Bush as President, coupled with the Republican control of the House and Senate, ended the EU’s respite and initiated a period in which the US moved very quickly to begin negotiations for the FTAA as well as with Chile and Central America.

The EU and the US have both failed to successfully negotiate with Brazil and Mercosur, both of which offer the most important markets in Latin America. In fact, the US began negotiating with individual Latin American states because of Mercosur’s resistance to the US agenda during the FTAA negotiations. Mercosur refused to accept the US position that FTAA negotiations should only be conducted bilaterally—that is, Mercosur could not act as a unitary negotiator. Furthermore, the US and Mercosur (read Brazil) could not agree on agricultural liberalization, and many observers concluded that progress would only be made after the Doha Round’s successful conclusion.

The EU for its part has been negotiating with Mercosur since November 1999 with no end currently in sight. It has negotiated with Mercosur only as a regional grouping and resisted any attempts to move negotiations toward individual Mercosur members. However it too has been unable to accept Brazil’s demands for agricultural liberalization. Thus, both the EU and the US negotiations with Mercosur are stalled. The FTAA is considered dormant if not dead, and the EU is faced with the prospect of still more, perhaps fruitless, negotiations unless the Doha Round can come to an agreement on agricultural liberalization.

The EU, therefore, has turned its attention to Central America and to the Andean Community. In 2006, the six Central American states (which have negotiated an agreement with the US) and the EU began negotiating an association and free trade agreement which they hoped to sign by 2010. However, the EU-Andean Community negotiations, initiated in June 2007,

have not gone as smoothly as those of their Central American neighbors. In fact, in November 2008, the EU abandoned its insistence on a “region-to-region” negotiation and decided to negotiate with Columbia and Peru, both which have already signed free trade agreements with the US (the agreement with Peru has been approved by Congress, while the US-Columbia agreement is viewed as very problematic).

However, the EU has not confined its attention to the Americas. It has also turned to Asia, where the EU’s negotiators have been absent until recently, while those from the US have been very visible. The competition between the US and the EU, in fact, has become quite intense in Asia. Whereas the US concluded a free trade agreement with S. Korea, in 2007 the EU began negotiating free trade agreements with India, ASEAN (with the EU currently exploring some version of ‘variable geometry’ in the negotiations) and South Korea.

Given the difficulties the US-S. Korea trade agreement faced in Washington in 2008, coupled with the lack of ongoing US-India and US-ASEAN free trade negotiations, it may well be that the EU is going to outpace the US in trade liberalization in Asia. The implications of an EU-India FTA are particularly significant for the US, especially since agriculture will not be on the negotiating table. The concern with which American multinationals are following the EU-India negotiations was well expressed by Wal-Mart’s director of international corporate affairs. In her words, ‘if Carrefour gets better access to the Indian market than Wal-Mart, there will be hell to pay’. (Stokes 2008:26) Whereas the EU has been a ‘follower’ in extending its influence to Latin America, it may emerge as a ‘leader’ in Asia.

In the trade arena, the process of enlarging the EU’s territorial sphere of influence in competition with the US is not static. The EU may appear to be a “follower” at one point in time but may transform itself into a “leader” in a subsequent period. Competitive interdependence incorporates an inbuilt dynamic in which the US and the EU necessarily compete, whether at the multilateral or regional level or both. They cannot ignore each other for long periods of time—the cost to them will be too high. That same dynamic furthers globalization as well as the attempt to manage—and to profit from--that same globalization.

Given the structure of the multilateral system in trade, the advantages which can be gained from negotiating regional free trade agreements, and

the competitive interdependence which exists between the EU and the US, the process of globalization will involve a dual logic. The management of globalization almost necessarily will further it. Conceptualizing the EU and the US as operating interdependently helps explain why the attempt to manage globalization actually stimulates and nourishes it.

Alberta Sbragia, a political scientist, is the Jean Monnet Chair ad personam and the Mark A. Nordenberg University Chair at the University of Pittsburgh USA where she directs the European Union Center of Excellence and the European Studies Center

Address for Correspondence:

Department of Political Science
Posvar Hall
University of Pittsburgh
Pittsburgh, PA 15260 USA
sbragia@pitt.edu

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Notes

¹ For the sake of convenience, the term European Union (EU) will be used throughout the text.

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