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The EU as global Economic actor – Trade, Finance, Environmental and Climate policy

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Fakultät für
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Preface

The role of the European Union as an actor in international political economy has considerably increased in recent decades. The EU negotiates international economic agreements, represents Europe in international fora and organizations and is as a major trading block and currency area an international market power. However, the extent to which the EU is able to implement political and strategic goals and guiding principles in its external relations is still an open question. Whether the EU enjoys external “actorness” is a relevant issue not least against the background of the rise of populist, Euro-critical sentiments, and challenges posed by the financial-, climate-, refugee- or the latest Corona crises.

With the concept of actorness, this textbook takes issue with a debate that has been conducted with varying intensity over the past forty years in European integration research, international relations and international political economy. Thus, the book ties in with various fields of research and sub-disciplines within political science. In addition, the actorness perspective opens up the possibility of comparing the European Union with countries or other regional organizations.

Students of European integration, international politics or international political economy will become familiar with concepts and theoretical approaches suitable to the study of EU actorness. In addition, actorness will be analyzed in three economic policy areas such as trade, finance and environmental/climate policy. Students will learn more about historical developments, the institutional distribution of competences, the external representation of the EU as well as policy-specific negotiation processes.

First of all, I would like to thank Tobias Leeg, Daniel Otto and Vincent Woyames Dreher. All of them are experts in their respective fields of trade, finance and environmental policy. As academic researchers, university lecturers and as practitioners they are familiar with current policy problems related to European actorness.

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Prof. Dr. Susanne Lütz
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Susanne Lütz is Chair for International Politics at the Institute of Political Science at the FernUniversität in Hagen since October 2017. From 2008 and 2017 she was Professor for International Political Economy at the Otto-Suhr Institute of the Freie Universität Berlin. From 2003 to 2008 she was Professor for Political Regulation and Governance at the FernUniversität in Hagen. In her work, she focuses on international and regional economic organizations, Eurozone politics, financial markets and financial market regulation. Susanne Lütz was a visiting scholar at the Minda De Gunzburg Center for European Studies, Harvard University, Cambridge, MA., USA and Erasmus-Mundus Exchange Fellow at the National Centre for Research in Europe (NCRE) at the University of Canterbury, Christchurch, New Zealand. Professor Lütz has held the Robert-Bosch-Fellowship for Comparative Public Policy and Institutions awarded by the American Institute for Contemporary German Studies (AICGS). From 1993 to 2002 she worked as research fellow at the Max-Planck Institute for the Study of Societies in Cologne. Susanne Lütz studied social science, history and economics at the University of Duisburg-Essen and received her doctorate within the framework of the Volkswagen Foundation's Doctoral Program "Social Networks" at the University of Cologne. In 2001 she habilitated in political science at the FernUniversität in Hagen.

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1 The EU as global Economic Actor – Trade, Finance, Environmental and Climate Policy

Susanne Lütz

1.1 Introduction

The potential role of the European Union as an actor in international politics and business has grown in response to increasing European integration and the globalization of economic and political processes. The EU negotiates international economic agreements, represents Europe in international organizations and is a large trading bloc and currency area. Current trade conflicts with China and the United States or the maintenance of the nuclear agreement with Iran require coherent and strategic EU action towards third countries. To what extent, however, the EU can use its potentially large economic power in order to impose certain guiding principles, values or political-strategic goals on the outside is an open question. It is true that the Maastricht and Lisbon Treaties increasingly transferred competences in monetary, financial and foreign economic policy to the supranational level. Nevertheless, the EU appears to be constrained in its external relations with third countries by conflicts of interest between member states, economic and social interest groups, European institutions and also by turf battles between different Directorates-General within the EU Commission.

EU as an economic actor

The concept of “European actorness” has been used and widely discussed in European integration research, international relations and international political economy. The debate has first emerged in the 1970s, has revived in the 1990s in the wake of increasing European market integration and became topical again with the entry into force of the Treaty of Lisbon in 2008. The concept of actorness provides a heuristic device for the study of external European action. It also opens up the possibility of examining the EU from a comparative perspective - with regard to policy sectors, regional organizations and the role of the EU in international fora, regimes and organizations.

Actorness as heuristic concept

Analyzing European foreign relations from the perspective of actorness differs from more classical views of the actors, processes and structures of European “foreign policy” (Müller-Brandeck-Bocquet/Rüger 2015; Staack/Krause 2014). Karen Smith (2014), for example, uses a state-based concept of foreign policy addressing values, interests and the available instruments that shape external policy. Hazel Smith (2002) raises the question of whether the EU's capacities for common foreign and security policy are comparable to those of nation-states. She advocates an issue-related approach that distinguishes fields and regions of European external relations. Keukeleire/Delreux (2014) also follow a broader understanding of foreign policy, which assumes deliberate influence on the external environment to pursue values, interests and goals. The EU itself is understood as a constantly changing political system, not always capable to be a foreign policy actor in areas such as trade, development, enlargement or external environmental policy. This is despite the fact that the EU is the world's largest trading bloc, has the largest number of diplomatic representatives in the world and cooperates closely with other international and regional organizations (Keukeleire/Delreux 2014: 1-3).

versus Foreign Policy

versus external Governance

Another strand of literature addressing the topic of external "EU Governance" empirically examines the role of European institutions, actors and governance modes in the transfer of European norms and policies to third countries (Schimmelfennig/Sedelmeier 2005; Lavenex/Schimmelfennig 2009). Empirically, these studies focus on the institutionalized transfer of rules to EU accession candidates or within the framework of the EU neighbourhood policy through association agreements or political partnerships. From a theoretical point of view, this debate focuses on the paths, mechanisms and conditions of the export of European policies. Here, the prerequisites for the EU's ability to act externally are not discussed since actorhood is de facto assumed.

versus Policy diffusion and -transfer

The same ultimately applies to the very broad literature on transnational processes of policy diffusion and policy transfer, which has also intensively scrutinized the EU (Holzinger et al. 2007; Bach/Newman 2007; Gilardi 2012). In this context, processes of cross-border adaptation of policies are conceptualized as a result of growing international interdependence, international communication and the increasing legalization of international relations. The EU is interpreted here as an exporter of regulatory standards with the aim of reducing national adjustment costs, generating competitive advantages and creating a level playing field for European companies (Bach/Newman 2007). The theoretical focus here is on the study of diffusion mechanisms such as coercion, competition, learning or imitation (Gilardi 2012).

Most likely cases for EU actorhood

Against this background, this textbook fills a gap in the existing literature on the EU's external relations by studying European actorhood in three policy areas – trade, finance and environmental/climate policy. Given the size of the European internal market and the importance of the euro in international capital and trade flows, the EU could assume a significant weight in external economic relations with third countries. From an institutional point of view, all three policy areas have been shaped by continuous extension of tasks and by shifting responsibilities to the European level while key competences have been retained in the hands of member states. Thus, all of these policy areas should be "most likely cases" for the study of European actorhood as well as its tensions and dynamics.

Structure of the textbook

This textbook is divided into an introductory Chapter 1 on concepts and theoretical strands related to European actorhood, followed by three empirical Chapters (2-4) on trade, finance and environmental/climate policy. Each chapter covers the historical developments and the distribution of institutional competences between member states and supranational institutions. The authors discuss different forms and levels of external representation and present cases of policy-specific negotiation processes. Each chapter assesses European actorhood in the respective policy area. The concluding Chapter 5 compares European actorhood in the three areas under study and discusses further implications for the academic debate.

Learning objectives

Overall, the textbook pursues the following learning objectives:

- Students become familiar with analytical concepts, theories and research questions related to European actorhood

- The textbook provides detailed empirical insights into three economic policy areas in the European Union. It covers actors, institutions and processes of negotiation and external representation.
- Students thus receive an analytical, theoretical and empirical toolbox applicable to their own studies of European actorness.

1.2 Overview of the Actorness Debate

The question of who or what can be described as an independent actor in the international system has been the subject of controversial debates in International Relations (IR). Following the formal view of international law, until the middle of the 20th century only the sovereign nation-states were regarded as actors. This perspective is also shared by realistic strands in international relations, whose state-centered approaches attribute other units, such as international or private organizations a rather subordinate importance. Formally, the situation changed when the International Court of Justice recognized the official status of the United Nations (UN) as an international organization in 1948, thereby breaking the international order of the Westphalian state system.

UN as international organization

It was against this background that the debate on European "actorness" arose at the beginning of the 1970s. There are basically two perspectives - approaches that emphasize the *internal* preconditions of actorness and those that focus on the *external* dimension. As early as 1970, Cosgrove and Twitchett introduced the concept of actorness into the European integration debate in order to draw attention to the growing importance of the United Nations and the European Community in international politics. According to their tentative theory of actorness, the global capacity of an international organization to act depends on its ability to make autonomous decisions, its influence in international relations, and above all on the importance of the organization for its members (Cosgrove/Twitchett 1970: 12-14). According to Gunnar Sjöstedt (1977) the ability to act internationally as an actor is not an indivisible, but a variable quality which the European Community can possess to varying degrees (Sjöstedt 1977: 14). Two basic requirements for actor capability must be met: the considered entity in the international system must be distinguishable from its environment, and it must fulfil a minimum degree of internal cohesion. If these conditions are fulfilled, the potential actor has autonomy, which in turn is a prerequisite for the ability to act. Autonomy is a necessary, but not a sufficient condition for determining an actor. In addition, there are a number of structural, including institutional and social prerequisites. Sjöstedt thus formulates an analytical scheme for the "evaluation of how much of an international actor the EC is" (Sjöstedt 1977: 18).

Internal preconditions of actorness

Authors who shed light on European actorness from the perspective of their environment consider the actual effects of the EU on other countries, international organizations or the international system as a whole. From this perspective, Johan Galtung (1973) assessed the EC as an economic and political power with the potential to impose a *pax bruxellana* on the world. Authors such as Allen/Smith (1990) criticize Sjöstedt's concept of actorness for not allowing the EC/EU any international influence as long as the internal conditions for actorness are not fulfilled. As a counter-model, the authors present

External preconditions of actorness

the concept of "presence", which assumes that Western Europe has international significance even without specific actor criteria. Presence is

"not the prerogative solely of 'actors' centered on people and institutions, but can be a property of ideas, notions, expectations and imaginations" (Allen/Smith 1990: 22).

Allen and Smith argue that not only clearly identifiable and delimitable groups and institutions influence world politics, but also rather diffuse phenomena such as action arenas or networks.

Jupille/Caporaso (1998)

Authors such as Jupille/Caporaso (1998) and Bretherton/Vogler (1999, 2006, 2013) aim to combine both the internal and external dimension of actorness in different ways. Both will be discussed in more detail since they are among the most cited authors in this debate and their concepts of actorness serve as the analytical framework for our empirical book chapters. Jupille/Caporaso (1998), drawing on Allen/Smith's (1990) recognition of the "presence" of the EU, developed an actor concept that takes account of both internal and external criteria. "Recognition" refers to the external acceptance and interaction of third parties with the EU. "Authority" indicates the EU's legal competence in a particular area. "Autonomy" refers, similar to Sjöstedt's concept, to institutional distinctiveness and independence. "Cohesion" hints at the Union's ability to formulate and represent internally coherent policy preferences. This last point distinguishes an actor from "presence", which points to influence by mere existence. "Cohesion" is divided into further dimensions such as "value cohesion", "tactical cohesion", "procedural cohesion" and "output cohesion" (= extent of success in the formulation of common policies) (Jupille/Caporaso 1998: 214-219). Here, too, the various criteria are seen as a continuum, not as absolute.

Bretherton/Vogler (1999, 2006, 2013)

Bretherton/Vogler (1999, 2006, 2013) have formulated a model of actorness which is based on constructivist considerations. Accordingly, the structures of the international system form the framework of action for the actors, but are also shaped by their behavior. Foreign policy roles are constructed through this interaction between structures and action. The EU is described as a complex, multi-layered entity. Actorness is regarded as variable in terms of time and content. The Bretherton/Vogler actor model comprises three dimensions – "presence", "opportunity" and "capability".

Presence

"Presence" refers (in the sense of Allen/Smith 1990) to the EU's ability to exert external influence through its mere existence and to influence the expectations and behavior of outsiders. Presence does not require deliberate action, but also encompasses the often unintended consequences of the EU's internal priorities and policies. Thus, presence can be generated by the material existence of the European political system and its institutions, but above all also by the economic power of the EU. Bretherton/Vogler consider the size of the internal market as an asset of the EU's trading power and the common currency of the euro as the main source of the EU's external influence. Presence also includes external reactions, such as external perceptions of a role of the EU in a particular policy area or negotiation process. The perceptions of third parties regarding the capacity of EU actors also influence the external context and thus the opportunity structure for European action (Bretherton/Vogler 2013: 376-378).