Katharina L. Meissner¹

Living in a material world
Comparing the EU’s foreign trade policy towards
South America and Southeast Asia

¹ PhD Candidate, Department of Political and Social Sciences, European University Institute,
Email: Katharina.Meissner@EUI.eu
Abstract

This paper examines the EU’s foreign trade policy towards South America and Southeast Asia. More specifically, it analyzes why the EU shifted from interregional to bilateral relations with MERCOSUR’s member Brazil and the ASEAN member states. Given the long-lasting institutional relationship of the EU with these regional organizations, it is surprising why it changed track to a bilateral approach. Methodologically, the paper will contain original data from 45 semi-structured interviews. It will compare the interregional relations of the EU with MERCOSUR (1999) and ASEAN (2007), and the bilateral talks with Brazil (2007) and Singapore (2010) respectively. The paper argues that the EU tried to secure its economic and regulatory power in the regions. It demonstrates that when the EU’s normative commitment to support regional integration is at odds with material interests, the latter will prevail. The paper makes an original contribution by, first, developing a new theoretical model to grasp the EU’s foreign trade policy. Second, it provides new self-generated data of three months of fieldwork\(^2\). Third, it examines the so far less analyzed EU-Brazil Strategic Partnership and the EU’s free trade negotiations with ASEAN member states.

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\(^2\) The interviewer assured the interviewees complete anonymity so that the paper refers to the semi-structured interviews by indicating the institutional affiliation, place, and date of talk.
Key Words

EU foreign policy, inter-regionalism, free trade agreement, MERCOSUR, ASEAN, Brazil, Singapore
Introduction

Despite the long-lasting relationships the European Union (EU) maintained with MERCOSUR\(^3\) and ASEAN\(^4\), and in spite of the EU’s commitment to regional integration beyond Europe, it approached Brazil and Singapore bilaterally in 2007 and 2010 respectively. Although the Commission embedded its new pragmatic policy in the Global Europe agenda (European Commission 2006), the shift to bilateralism was not due to an endogenous change of preferences.

Rather, the new design of the relations with MERCOSUR and ASEAN is surprising for three reasons. First, the Global Europe paper addressed ASEAN and MERCOSUR as regional markets. Second, the EU had already had a multi-layered relationship with Brazil and Singapore given interregional and multilateral negotiations. Third, the EU committed itself to interregionalism, which, in the case of MERCOSUR, even was a guiding principle.

Thus, the question arises why the EU switched from interregional negotiations on trade to bilateral approaches by singling out Brazil and Singapore respectively?

The literature on interregionalism has stressed the EU’s normative power and its sympathy with regional integration. It has argued that the “promotion of regional integration has become part of the governance package […]. And Inter-regionalism […] has developed into one of the foundations of its [the EU’s; added by author] foreign policy” (Börzel and Risse 2009). Heiner Hänggi (2003) has put this approach most pronouncedly in the words “Regionalism through interregionalism”.

While constructivism would stress the EU’s normative inclination towards interregional relations, an economic, liberal perspective would predict that the EU remains within the multilateral framework of the world trade organization. Neither constructivism nor liberalism can give an explanation why the EU shifted from multilateral or interregional to bilateral venues. This paper’s explanation is rooted in classical realism because it emphasizes relative over absolute or mutual gains,

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3 Mercado Común del Sur
4 Association of the Southeast Asian Nations
because it highlights competition between states over cooperation or the social construction of relations, and because it assumes an inclination towards bilateral and not multilateral or interregional relations (Table 1). These three features make the model distinctive from liberalism and constructivism.

This paper suggests a theoretical model rooted in classical realism on the EU foreign trade policy towards regional organizations. First, it was material interests in the very beginning, which drove the EU’s foreign trade policy (FTP). Second, it is not the EU who promotes regionalism, but regional organizations beyond Europe are vital for the emergence of interregionalism: interregionalism through regionalism. Third, the shift to bilateralism was not due to an endogenous change of preferences but because of exogenous factors. Thus, when the EU’s normative commitment to support regional integration is at odds with material interests, the latter will prevail.

Table 1: Distinction between realism and liberalism

<table>
<thead>
<tr>
<th>Realism</th>
<th>Liberalism</th>
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<tr>
<td>Relative gains</td>
<td>Absolute gains</td>
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<td>Competition between states</td>
<td>Cooperation of states</td>
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<td>Bilateralism</td>
<td>Multilateralism</td>
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Reference: Own illustration

**Theory**

Theoretically, the paper contributes to three strands of research: EU FTP, interregionalism, and regulatory competition.

First, the model links the literature on EU FTP to the one on interregionalism (Aggarwal and Fogarty 2004; Elsig 2007), and understands interregionalism and bilateralism as two venues of foreign-trade policy making.
Second, the theoretical model reflects on the international context as a decisive feature for FTP. Thereby, the paper contributes to the literature on FTP because scholars have focused on EU internal factors such as the member states or interest groups (Poletti and Bièvre 2013).

Third, the paper treats FTP holistically by not only considering trade in goods and agribusiness, but also investments, services, and non-tariff trade barriers (Young and Peterson 2014: 16). Thereby, the paper contributes to the literature on regulatory power (Bradford 2012) by examining the EU’s competition over regulatory standards.

FTP aims at establishing a favorable external environment (Smith 2004). It covers all actions in the global economy that contribute to relative gains. One means of FTP that is exclusive and comprehensive at the same time is trade negotiations. This may be traditional by being restricted to trade in goods and agriculture (Bożyk 2006). This paper understands trade holistically by including investments, services, and non-tariff trade barriers (Young and Peterson 2014: 15 f.). Moreover, negotiations can address a varying number of actors in different venues: interregionalism and bilateralism, as well as multi- and plurilateralism.

The higher the number of issues included in FTP, and the more addressees, varying from bi-, to interregional venues, the larger the scope of the EU’s FTP is (Table 2). This leads to four possible outcomes: a large scope with a high number of addressees and issues; its opposite, a narrow scope, with a low number of addressees and issues; furthermore, comprehensive bilateralism with a low number of addressees but a high number of issues; and, selective interregionalism with a high number of addressees but a low number of issues.
Table 2: Operationalization of dependent variable

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<th>High number of issues (Comprehensive)</th>
<th>Low number of issues (Selective)</th>
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<tr>
<td><strong>High number of addressees</strong> (Interregionalism)</td>
<td>Large = Comprehensive interregionalism</td>
<td>Selective interregionalism</td>
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<td><strong>Low number of addressees</strong> (Bilateralism)</td>
<td>Comprehensive bilateralism</td>
<td>Narrow = Selective bilateralism</td>
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Reference: Own illustration

The theoretical model assumes that the EU is a state-like, unitary actor in foreign trade. The EU actor-ness rests on the highly supranationalized trade policy (Drezner 2007) and the various empirical studies, which have supported the EU’s unity in international trade negotiations (Elgström and Larsén 2010; Meunier 2007). The theoretical models is rooted in classical realism and emphasizes competition over economic and regulatory power.

**Theoretical Model**

The paper assumes that the EU is concerned with securing its power on the international stage. The theoretical model focuses on the economic facet of it (Kolodziej 2005: 129-138; Schweller 2006: 13; Mastanduno and Kapstein 1999: 5; Smith 2014: 45). Power relations in the 21st century are different from the 20th century because competition shifted from military to economic power.

Economic power implies two dimensions: one is the use of commerce as an instrument; the second is a competition among states over commerce. Economics are an essential feature for the security of states because it affects their position in the international system (Gowa 1994; Mastanduno 1991; Kirshner 1999; Hirschmann 1969; Grieco 1990; Gilpin 2001). This paper focuses on the latter dimension, on the competition between states over economics.
One way to achieve economic competitiveness is to arrange favorable relations with foreign markets in order to establish, maintain, or strengthen economic power against rivals such as the US or China (Zimmermann 2007: 816 ff.).

The scope of issues in free trade negotiations

Non-traditional features are increasingly important for industrialized states because they tackle non-industrial commerce, such as services and investments, and because they attempt to making the external environment more favorable (Blockmans 2013: 2 f.). Earlier free trade negotiations (FTN) focused on traditional features, namely trade in goods and trade in agriculture. Nowadays, states increasingly target non-traditional like services, investments, and non-tariff trade barriers.

Drezner (2007) and Bradford (2012) have discussed the regulatory ingredient of power. Drezner (2007) has demonstrated that regulatory convergence or divergence depends on the consensus or disagreement respectively of great powers. In her article of 2012, Bradford pushes the debate in the direction of the EU as a unilateral rule-maker. Somewhat consolidating Drezner’s (2007) and Bradford’s (2012) proposition into one approach (without being aware Drezner’s and Bradford’s work), Coffee (2015) argues that the U.S. and the EU should team up in what he calls mini-lateral negotiations for setting regulatory standards. In agreeing proactively on what standards suffice for substantial compliance, America and Europe set global standards, which other states will sign onto.

This paper catches up on these points and takes forward an additional perspective on regulatory competition. Under certain conditions, the EU can set regulatory standards unilaterally (Bradford 2012: 5). Further, when great powers such as the EU and the United States (US) have a consensus on regulatory

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5 “[C]ompliance with the substantial or essential requirements of something (as a statute or contract) that satisfies its purpose or objective even though its formal requirements are not complied with” (Merriam-Webster’s Dictionary of Law 1996).
standards, this will lead to a convergence (Drezner 2007). In case of disagreement over regulatory standards, however, the consequence may not only be divergence, but even a competition over non-tariff trade.

An instrument, which covers the retrieval of scarce resources, the expansion of one’s own market, the establishment of new economic potential for services and investments, and regulatory standards, is precisely FTN. These allow for treating the issues within a single undertaking or separately according to the needs of a great power.

Since the EU strives to establish, maintain, or strengthen its economic power – encompassing all aspects of trade – it competes with other great powers, such as the US or China, over free trade agreements (FTA) with foreign markets. By diverting trade to other countries in South America or Southeast Asia, great powers seek to improve their economic power. They do so by initiating and eventually signing an FTA. The existence of competing initiatives for FTAs by the US or China and their breadth explains the EU’s start and design of FTN:

Hypothesis 1: The broader the trade relations between competing actors and the counterpart regions’ member states, the larger the more comprehensive the EU’s design of FTP towards these states will be.

The scope of addressees in free trade negotiations

By negotiating simultaneously with more actors, the developing state(s) can insist on better conditions and include pertinent issues in order to talk about favorable packages. Thus, the more great powers negotiate simultaneously with a country, the higher the bargaining power of the latter is.

Another way how developing countries can improve their bargaining power is coalition building. By collaboration, developing countries can enter negotiations as a block. One way to ensure en-block negotiations is the establishment, maintenance, deepening or widening of regional integration. Thereby, organizations among countries may serve as a bargaining chip (Fernández 1998: 22; Langhammer and Hiemenz 1990: 9), which will give them negotiation power.
If member states use integration as a bargaining chip depends on their willingness to appear as a bloc. Conceição-Heldt and Meunier (2014: 964) conceived of this willingness as *team spirit*.\(^6\) If member states in a region witness a high degree of *team spirit*, cooperation in external relations is easier than if the countries are diverse.

To put the argument briefly, under the condition of competing actors in the international arena, homogeneity or heterogeneity of the counterpart region influences the EU’s scope of addressees of FTP. The higher the homogeneity of preferences, or *team spirit*, among the counterpart region is, the more likely the EU is to use its interregional mode of FTP.

Hypothesis 2: *The more cohesive the counterpart region appears, the more likely the EU is to employ an interregional design of FTP.*

The two-by-two table (Table 3) sums up the expected outcome due to the four possible constellations of the independent variables.

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<thead>
<tr>
<th></th>
<th>Rivals: broad relations</th>
<th>Rivals: narrow relations</th>
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<tr>
<td><strong>Cohesive</strong></td>
<td>Large = Comprehensive</td>
<td>Selective interregionalism</td>
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<td></td>
<td>interregionalism</td>
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<tr>
<td><strong>Non-cohesive</strong></td>
<td>Comprehensive</td>
<td>Narrow = Selective</td>
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<td></td>
<td>bilateralism</td>
<td>bilateralism</td>
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</table>

Reference: Own illustration

\(^6\) Although team spirit overlaps with homogeneity of preferences, the two concepts do not imply each other. Homogeneity of preferences among actors facilitates team spirit but does not necessarily lead to it, and team spirit may exist also in cases where actors have heterogeneous preferences.
The measurement of a large scope of addressees and issues is straightforward: addressees cover the number of member states of the counterpart region involved in the negotiations, and the scope of issues comprises the number of topics raised in the talks of trade in goods, agribusiness, services, investments, and non-tariff trade barriers. Indicators for the heterogeneity or homogeneity of the counterpart region are the individual preferences over negotiation partner and issues both expressed orally and in numerical trade data. The measurement of the breadth of trade relations of rival actors is their initiatives towards the counterpart region and their coverage of trade issues.

Rival actors to the EU are the economically most important countries measured by the gross domestic product (GDP). In the early 2000s, the main competitors to the EU were the US and Japan. In 2002, the US had a GDP of eleven trillion US Dollars, and Japan of four trillion US Dollars, followed by European countries. In 2007, China had overtaken European countries with a GDP of three and a half trillion US Dollars, and as of 2010, the US and China have been the EU’s main competitors because China overtook also Japan with a GDP of nearly six trillion US Dollars (Bergman 2014).

The following will test the two hypotheses derived from the theoretical model against four cases: the EU-ASEAN, and the EU-Singapore negotiations; the EU-MERCOSUR negotiations, and the EU-Brazil SP.

**EU-Southeast Asia relations**

The EU and ASEAN have already had interregional relations since 1972 (Rüland 2001; Gilson 2005). From the ASEAN perspective, the regional organization served as a bargaining chip (Rüland 2001). In its relations with ASEAN, the EU searched to secure European economic influence in the region (Reiterer 2005; Gilson 2005; Forster 1999).

**Competing actors and large scope of issues**
Already in 2002, the EU considered an FTA with ASEAN, right at the time when ASEAN had started a broad network of trade relations with extra-regional partners (Astuto 2010: 1). A few years later, in 2005, the Vision Group on ASEAN-EU Economic Partnership explored the possibility of an FTA between the two blocks (Astuto 2010: 1), and in 2007, the organizations started preparatory talks.

The EU’s preference for comprehensive agreements and the timing of the EU-ASEAN negotiations is not surprising. Strikingly, in 2002, ASEAN members signed the first trade deals with third actors such as the New-Age Economic Partnership Agreement by Japan and Singapore (Astuto 2010: 1). Later ASEAN concluded other agreements with China (2002), Japan (2008), India (2009), South Korea (2009), Australia and New Zealand (2009). ASEAN member states signed parallel bilateral trade deals (Astuto 2010: 1). The US, too, started bilateral trade talks with ASEAN members in 2002 in the framework of the Enterprise for ASEAN Initiative. It finished its first bilateral agreement with Singapore in 2004, and other negotiations followed.

The deal with Singapore was the first comprehensive agreement of the US with an Asian country, and it was a prototype for other talks in the region (DeRosa 2004). China has even established an entire free trade area with the ASEAN members, which covered in 2004, trade in goods, later, in 2007, services, and two years afterwards investments (China FTA Network 2014).

Therefore, the EU has invested a lot of resources in observing what the US, China, and Japan have done in the region (Interview #11). The EU analyzes every trade agreement with Southeast Asia, and notes down line-by-line the concessions made (Interview #13) in order to secure the same degree of concessions in every sector (Interview #11).

Clearly, the EU preferred a comprehensive format of negotiations because it is “competing” (Interview #23) with the US, Japan, and China. Not always, but often enough the EU and the US have conflicting interests, and therefore they negotiate almost simultaneously FTAs with third actors (Interview #23). The reasons for the EU’s preference for ambitious FTAs are “systemic” (Interview #23).
Given the increasing net of ASEAN’s broad trade relations with third actors the EU had economic and strategic interests. The region is disputed among rising powers, namely China, and traditional great powers such as the US (Interview #2; Interview #11). In this constellation, ASEAN is an “emerging player in a polarizing world” (Interview #1), and therefore big states have a strategic interest in the region and want to secure market access (Interview #29; Khandekar 2014: 51).

**EU-ASEAN interregional negotiations**

In 2007, EU ASEAN relations took a step further and the blocs launched the FTA negotiations. Camroux (2010) has argued that the Chinese and Japanese success with interregional negotiations pushed the EU towards region-to-region talks. As cited by him, the former trade Commissioner Mandelson made this explicit: “Our major competitors are picking off individual countries in the region one by one, Japan, Australia and the US are all active”.

ASEAN’s degree of unity during the beginning of the FTN was considerably high. Even the Commission ascribed the organization a feeling of “solidarity” (Civil Society Dialogue 2008). Trade data, based on reported exports and imports, resemble this unity. Between 2006 and 2007, every single ASEAN member state increased its trade with the EU (UN Comtrade database). Some members sharply increased their exports and imports, Brunei, for instance, from 279 thousand to almost two million US Dollars, or Singapore from 48 to 53 billion US Dollars.

The ASEAN members had an interest in negotiating an FTA with the EU. For some of the countries, Thailand for instance, the EU was a natural choice for negotiations, but generally the members had no argument about whether the EU would be an appropriate partner (Interview #30; Interview #22).

When ASEAN approaches a third partner, it does so as a whole group. The interview partners revealed that the member states discuss trade deals internally and try to talk to third actors as a bloc (Interview #30; Interview #24 and
They agreed to negotiate, for instance, with China, India, and the Mercado Común del Sur, and lastly also with the EU (Interview #30).

Although a region-to-region agreement was the goal of the Directorate General (DG) Trade at this time (Interview #3), it is not a general preference, but a case by case decision (Interview #7), in which it takes into account the interests of its partners (Interview #23). The EU’s perceived unity of ASEAN shaped the Commission’s decision to ask the Council for a mandate to negotiate with almost all ASEAN countries as a group.

**EU-Singapore bilateral negotiations**

Only one year after the launch of negotiations, the trade Commissioner Mandelson said that a “flexible approach” would help to conclude agreements faster. In 2008, the Commission discussed the region-to-region talks within the Civil Society Dialogue, and emphasized that it would prefer to proceed with bilateral negotiations, which it started in 2010 with Singapore first.

In reality, the interregional negotiations have never passed the stage of a scoping exercise. Rather, the EU reckoned that it has to find an alternative to the bloc-to-bloc talks if it wanted a satisfactory deal. The main reason for the EU to turn down the interregional mode of negotiations was the fear to get the lowest common denominator out of the talks.

The dissatisfaction with the bloc-to-bloc talks emerged due to the growing divergence among the ASEAN member states. While some states decreased commercial exchanges with European countries, others even increased economic ties. In consequence, some member states were more interested in an FTA than others were (Lindberg 2007). This divergence has led to different priorities among the ASEAN member states regarding negotiation issues (Camroux 2010).

In fact, Singapore slightly increased its exports to the EU, and Malaysia clearly increased, from 24 to 26 billion US Dollars and 22 to 29 billion US Dollars respectively between 2006 and 2011 (UN Comtrade database). Other countries such as Brunei and the Philippines plainly decreased their exports to the EU, the
first from 66 to only 12 million US Dollars, and the latter from eight to 7 billion US Dollars.

One problem in the interregional negotiations was the lack of unity among the ASEAN member states (ECORYS 2009). The Commission communicated that ASEAN was not ready to communicate as a bloc; however, the problem should have rather been that interregional talks would have led to a less ambitious agreement than the EU wished to have. Thus, in 2008, the Commission noted that the “ASEAN solidarity”, which in fact points to a very well working region, “leads the process towards the lowest common denominator” (Civil Society Dialogue 2008).

The key problem was that at the time the EU started talks with ASEAN, it did not know the block well enough (Interview #30). It was not aware that ASEAN has a different working mode than the EU, and that the members’ positions were diverse on certain issues such as services, investments, and non-tariff trade barriers. The EU found out only during the scoping exercise, that ASEAN has no common position in areas that were decisive for the EU (Interview #30). The lack of a common position was the result of the economic heterogeneity of ASEAN overall, which led to different ambitions (Interview #7).

For the EU, in contrast, a FTA nowadays needs to be comprehensive, and they ascribed the ASEAN group a “lack of understanding for the FTA label” (Interview #1). The ASEAN members agreed internally on a traditional FTA, but they could not agree on non-traditional aspects. It was a “tactic” (Interview #1) of the EU to go bilaterally to “produce something ambitious” (Interview #11). Thus, the EU’s position was “pragmatic” (Interview #17), rather than normative.

**EU-South America relations**

With MERCOSUR, too, the EU has set up an interregional relationship already in 1995 by signing an Interregional Framework Cooperation Agreement. This laid out the principle of interregionalism, and impeded any bilateral moves between MERCOSUR and the EU.
**Competing actors and the scope of issues**

It is striking how much the EU’s approach towards South America resembled the US’ initiative. The EU mirrored the US’ approach towards South America in timing, issues, and difficulties. Both negotiations became increasingly interlinked, so that stagnation on one part replicated in the other (Doctor 2007: 291).

The EU’s initiative for interregional negotiations was a result of competing over the region with the US (Interview#9). It feared to lose its economic presence in the region and to leave Brazil to the US (Woolcock 2007; Faust 2002; Sbragia 2009). It was a strategic objective for the EU to settle an agreement with a region, which lays geographically so close to the US. In this sense, MERCOSUR’s negotiations in the Free Trade Area of the Americas (FTAA) was a motivation for the EU (Interview #20; Interview #21).

The FTAA was the first of its kind which went beyond a traditional FTA, so that the EU was pressured into a similar activity, and pushed the comprehensive negotiations on an Association Agreement. In both negotiations agriculture was the most sensitive issues (Klom 2003). The EU had the official position that it could not discuss agriculture in the FTA, unless the US does so, too, and unless it puts an end to its own subsidies on agricultural products (Mercopress 2002a).

In general, the EU has observed what its competitors were doing in the region (Interview#5; Interview#8). Finally, when the FTAA negotiations had started to stall, the EU lost interest in the interregional negotiations, and offended MERCOSUR with an unambitious market offer in agriculture (Interview #20; Interview #21).

After the stagnation of the interregional negotiations, the Strategic Partnership (SP) with Brazil was not comprehensive in substance. It focused on commercial relations, non-tariff trade barriers, and investments. One reason for this was the customs union, which impeded bilateral talks on market access. The more important reason though was that the EU’s competitors have not engaged in FTA talks either. The US and later the Chinese FTP did not cover rules of trade.
Nevertheless, the SP launched by the Commission was a project not to leave Brazil to competing actors. Thus, the US and EU strategies were always in an “intercambio” (Interview #38), so that an initiative on one side was followed by a counter-initiative on the other side. They always had similar strategies (Interview #38) to secure their presence in the region.

The SP was a “clear message” (Interview #20 and #21) to Brazil. The EU did everything to make evident that it is mainly interested in Brazil, and that it wants to continue the economic and political relations with it. For the EU, Brazil is “a strong ally” (Interview #10) in its political and economic foreign relations.

**EU-MERCOSUR interregional negotiations**

When the EU started with interregional negotiations it aimed at establishing a counter-initiative to the one of the US with its FTAA approach. This was a strategy, which some scholars called competitive regionalism (Schott 2009). Further, the EU wanted to prevent bi- or plurilateral negotiations with the small countries Uruguay and Paraguay only.

It is true that the EU had made clear not to negotiate with MERCOSUR member states on a bilateral basis (Sanchez-Bajo 1999). Some scholars interpreted this as if the EU wanted to sell its model of integration (Santander 2002). The rationale behind this was to reach an agreement with Brazil (Interview#6; Interview#23; Interview#26). Since it was aware of the Brazilian geopolitical vision for the Southern Cone (Interview#6; Interview#38), it chose the interregional way in the very beginning.

Brazil had actively pushed the unity of MERCOSUR and it perceived the customs union as the convenient tool for negotiations (Interview #20 and #21). The former Brazilian president, for instance, emphasized MERCOSUR “to tackle the complex challenges of the Americas Free Trade Association discussions, relations with the European Union and other world blocks” (as cited by Mercopress 2002b).

The EU perceived MERCOSUR as a united block in the beginning. In fact, this was true in three dimensions. First, to negotiate on a region-to-region basis
was a top priority for Brazil. Second, MERCOSUR was extremely successful up until 1999 concerning its institutional scheme and in economic terms. Third, the MERCOSUR member states had converging preferences in the external agenda.

At the WTO, which reflects MERCOSUR’s external trade agenda, Brazil appeared as the leader of the developing countries. When the Doha Round negotiations started, it mobilized the G20 to pressure the US and the EU into reforms in agriculture (Hopewell 2013). On this occasion, Brazil managed to keep the MERCOSUR member states together even in an international institution. Trade data, too, reflect the cohesion of MERCOSUR in the 1990s. Between 1997 and 1998, right before the negotiations started, all MERCOSUR member states witnessed a rising amount of exports and imports with the EU (Datantial 2012).

Brazil and Argentina openly revealed that they aimed at negotiating in multiple forums – with the US and the EU at the same time – in order to get most out of the talks and eventually pressure the US and the EU into concessions (Bulmer-Thomas 2000). Even later in the negotiations, in 2003, the presidents of Brazil and Argentina held a meeting with the purpose of strengthening and expanding MERCOSUR to turn into block, with which they could negotiate solidly with the US and the EU (Mercopress 2003a). The so-called Buenos Aires Consensus even called for a “Latinamerican power block” to show the world a united South American position (Mercopress 2003b).

The Commission had a strategic interest in settling an agreement with Brazil, and this could happen within MERCOSUR or outside the customs union (Interview#4). Thus, for the EU, interregionalism is not a goal as such, and neither is it a prevailing strategy over bi- or multilateralism. Rather, for the Commission, it is a case-by-case decision how to negotiate with third partners (Interview#7; Interview#14), and given the perceived unity of MERCOSUR, interregional talks were the convenient tool for the EU.

**EU-Brazil Strategic Partnership**

As of 2004, though, the EU had not shown any further interest in the interregional FTN with South America. Nevertheless, it certainly was still
interested in reaching a deal with Brazil (Messerlin 2013; Interview#10). Right after the stagnation of the talks on the Association Agreement, in 2005, the EU started discussing the possibility of bilateral relations, which eventually led into the SP in 2007 (Carlos Lessa 2010: 128). Partly, this was a result of the EU’s former view of South America as a united block, which has not matched regional reality (Carlos Lessa 2010: 128). For the EU, the SP was not a completely new approach towards South America but rather a new bilateral tool (Interview#6; Interview#39).

The shift to bilateral relations with Brazil went hand in hand with increasing tensions within MERCOSUR. As of 2002, the member states faced growing difficulties and a decreasing unity in external relations. Brazil’s smaller neighbors started to be disappointed about the progress of the interregional negotiations. Further, MERCOSUR witnessed an increasing number of trade disputes, it could not live up to its success of the 1990s, and it had no common external agenda any more.

The low degree of team spirit became most obvious in the members’ behavior in international institutions. The first incidence happened in 2005, when Brazil bid for a permanent seat in the United Nations Security Council. Brazil received no support at all from its MERCOSUR partners, and Argentina even opposed it (Malamud 2011; Christensen 2013: 277). The same happened in the WTO, when Brazil submitted its candidature for the post of director-general. Again Brazil was not supported by its neighbors (Malamud 2011: 9), and the same incident happened again with Brazil’s candidature in the Inter-American Development Bank.

Moreover, discussions had started within MERCOSUR about the customs union as the tool for negotiations. Uruguay and Argentina aired the possibility to degrade the customs union to a free trade area in order to let countries negotiate bilaterally. Argentina and Brazil diverged in their positions on manufactured products in the WTO, too, so that they were in opposite working groups.

Overall, the countries had increasingly “diverging interests within the trade area” (Christensen 2013: 275). Anecdotally, the former Brazilian president Cardoso put the state of MERCOSUR into the following words: South America
has never been so divided, MERCOSUR is nothing but an illusion of integration and Brazil lost its leadership and convergence capacity (Mercopress 2007).

The increasing divergence among the MERCOSUR members made the EU consider alternative ways outside the corset of the customs union. The SP between the EU and Brazil has “implicitly undermine[d] the interregional effort and consequently the agreement between the EU and Mercosur as the default forum for political dialogue and cooperation” (Gomes Saraiva 2010: 164).

One interviewee revealed that if the negotiations on the Association Agreement had been finished in the first instance, there would have been no SP between the EU and Brazil (Interview #9). The criterion for singling out Brazil as a bilateral strategic partner based on its political and economic weight in the region (Interview #8).

Conclusion

This paper analyzed the EU’s FTP towards South America and Southeast Asia. More specifically, it examined why the EU shifted from an interregional to a bilateral approach towards MERCOSUR and ASEAN. In 2007 and 2010, it singled out Brazil and Singapore by launching country specific trade talks.

The empirical results corroborate two hypotheses, which were derived from a theoretical model rooted in classical realism. The breadth of trade relations between the regions and third actors, the US and China particularly, affected the scope of issues included in the EU’s FTP. The broader the relations of South America and Southeast Asia were with the US and China, the more comprehensive were the EU’s negotiation mandates with those regions.

The team spirit of MERCOSUR and ASEAN influenced the EU’s decision to choose an interregional or a bilateral strategy. In the beginning, when the EU perceived MERCOSUR and ASEAN as united blocks, it launched interregional negotiations. Just when it realized that its perception clashed with reality in the ASEAN case, or when it faced growing tensions within MERCOSUR, the EU switched to bilateral approaches with Singapore and Brazil respectively. Table 3 sums up the empirical results.
In the Southeast Asian case, the EU’s ambitious vision for an FTA clashed with the actual heterogeneity of the ASEAN member states. Because the EU wanted to settle a comprehensive deal it shifted to bilateral negotiations. In the South American case, the EU switched to selective bilateralism because it aimed at a trade deal with Brazil from the very beginning. When MERCOSUR weakened, the EU moved forward with Brazil bilaterally in order not to lose it to its main competitor the US. Table 4 sums up the empirical results.

The empirical results unveiled how extra-regional factors influence the EU’s FTP and its relations with third actors, and how separate FTAs affect each other. Further, the analysis traced competition over economic and regulatory power between the EU, the US, and China. Moreover, the examination revealed that interregionalism was not a normative concept but a well thought through strategy.

Table 4: Empirical results

<table>
<thead>
<tr>
<th>Rival actors</th>
<th>Cohesion</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASEAN</td>
<td>Broad</td>
<td>(Perceived) High</td>
</tr>
<tr>
<td>Singapore</td>
<td>Broad</td>
<td>Low</td>
</tr>
<tr>
<td>MERCOSUR</td>
<td>Broad</td>
<td>High</td>
</tr>
<tr>
<td>Brazil</td>
<td>Narrow</td>
<td>Low</td>
</tr>
</tbody>
</table>

Reference: Own illustration

This analysis demonstrates that material interests prevail over the EU’s normative inclination towards regional integration in other parts of the world if these are at odds with each other. The EU is therefore not an actor who tried to sell its own model of integration for normative reasons. Rather it acts materially motivated and aims at securing its economic and regulatory power in third
regions. Interregionalism is not part of the EU’s value promotion but it is a foreign policy which it choses only if does not clash with material interests. In its relations with South America and Southeast Asia the perceived cohesion of MERCOSUR and ASEAN was crucial for the interregional strategy: interregionalism through regionalism.
References


